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A Policy for Prices

IN a week which includes the dramatic dismissal of Messrs. Malenkov, Kaganovich and Molotov from high office in the USSR and, at a less dramatic level, the proceedings of the Commonwealth Conference in London, one might perhaps

be tempted to treat the spotlight as residing outside India. This, however, would be an error since it is clear that our domestic economic crisis, whatever happens abroad, must for the next few months absorb all our anxious care.

This week the Reserve Bank of India has made it clear that its monetary policy is no different from what it has always been in times of uncomfortable price rises—an almost blanket directive to restrict bank credit over the whole economic system. *The Eastern Economist* believes that the application of this policy as a remedy for the current inflationary situation is fraught with grave danger to production and, therefore, to prices, particularly if it is—as it always has been—operated in a mechanical and indiscriminate manner. It is essential that the diagnosis of the price situation by the Ministry of Finance and the Reserve Bank of India should be subject to the most careful scrutiny before their policy is applied.

There can be no doubt that the current situation is an inflationary one. There is urgent need for a policy which will control further rises in prices and will assist, if possible, in a fall. This policy needs to be consistent with the hard core of the Plan, and, therefore, has a limitation imposed on it by a minimum volume of developmental expenditure, a substantial amount of which must necessarily be deficit financed over the rest of the year. In other words, the Finance Ministry and the Reserve Bank of India have the task of holding prices even while they deficit finance to an extent probably equal to the actual figure of 1956-57 and this means—however much they may choose to disguise the fact—that they are denied the reduction of total money supply as an element in price policy. All they seem to be allowed are marginal shifts in the direction of credit, not a change in volume. And these marginal shifts cannot hold prices for one strong reason amongst others—namely that these marginal adjustments cannot stop the pressure on the food grain and industrial raw material groups. Can the restriction of credit be an instrument in the reduction of the price level by operation exclusively on the money side of the equation? It is obvious even if one accepts, in its crudest form, the quantity theory of money that a purely monetary approach to the current inflationary situation is doomed to failure because the volume of total money supply does not admit of reduction.

The most cursory examination of Indian price movements in the last fifteen months will show that in the monetised sector of industry additional money supply has not been the cause of any rise in prices. The main rise in prices has been in the food grain group and in the semi-manufactured sector, which reflects the rise in prices of industrial raw materials. To control the volume of money in the manufacturing sector, while leaving the prices of food grains and industrial raw materials, which are not amenable to monetary restrictions, alone is to strain at a gnat and swallow a camel. And, indeed, any restriction in the consumer goods industries might add to inflation by reason of the fact that the fall in consumer goods production might well be more steep than the fall in money supply thereby giving rise not to a deflationary, but an inflationary, impulse. It is obvious on the record that the consumer goods section of Indian industry is now so heavily in need of banking finance that any reduction of bank advances to this section will imply a fall in production. However much the Reserve Bank of India, therefore, might desire stricter credit control in general, it cannot with-

out danger to production restrict credit in these industries. And if it should restrict production in producer goods industries, it might assist the inflationary situation, but to that extent it would also defeat the Plan. One wonders, therefore, what can be accomplished by the restriction of credit in organised industry at this moment.

Particular force attaches to the argument that consumer goods production should not be injured because of the strong bias that exists in the second Five-Year Plan against consumer goods production in competition with producer goods industries. It would appear that consumer goods production has risen only thirty per cent since 1951 while producer goods have risen hundred per cent in terms of an index with base 1946=100. Undoubtedly one of the factors in current price rises is this bias in the structure of Indian production. If a credit squeeze is applied on a blanket basis, it is likely that it will extend, rather than reduce, the bias because most of the producer goods are being supplied against Government payments whilst consumer goods will be starved of current finance. In other words, it is likely that whether the Reserve Bank of India intends this or not, a general restriction of credit will add to inflationary trends.

Obviously a policy for prices must be conceived on the basis of supplies or the physical side of agricultural supplies and not on the monetary side of the equation. *The Eastern Economist* has argued for many months that the first step of a price policy should be clear, namely, that additional imports under P.L. 480 should be sold at a figure about ten per cent below the market price thereby instituting a deflationary movement which might reduce the general index between three to five per cent. Incidentally, the sale of these commodities would provide the Government with much-needed rupee finance thereby also reducing the strictly deficit financing element in current outlays. The withdrawal of this finance is far much more likely to be of success in holding prices than restriction of credit, which cannot conceivably be of anything but fractional dimensions.

The need for a clear understanding of the current economic situation is not less urgent by reason of the fact that P.L. 480 loans admit of our enhancing food supplies in the short period. The need for higher consumer production is now severely underlined by the drastic import control which has been instituted. The Government of India cannot on the one hand call for enhanced production to fill the gap in imports and at the same time restrict credit for consumer goods making it impossible for the gap to be so filled. This, in its barest terms, is the policy the Reserve Bank of India is now pursuing. It is surely time for the Ministry of Commerce and Industry and the Reserve Bank of India to take counsel together as to the manner in which production can assist in the regulation of prices at this time. The confused counsels which are now in operation arise from the fact that the obvious remedy, which is the sale of imported food grains at substantially reduced prices, is not, for political or other reasons, being admitted as the first step in the cutting of the Gordian Knot. If food grain prices are firmly turned back, everything else will fall into line.

The Commonwealth Conference

THOUGH a Conference of the Commonwealth Prime Ministers is now a routine matter, special significance attaches to its current session. The Conference has come at a time when the Commonwealth has passed through the crisis of Suez and the aftermath; both in the world at large and inside the Commonwealth it is one of uneasy calm. India is probably more involved in this Conference than in any other. And, indeed, our link itself has been questioned. In India, which made history by adhering to the Commonwealth without owing allegiance to the British Crown, there are persistent demands for what amounts to a dissolution of the Commonwealth; the demand for withdrawal from it is no more limited to the Communists and fellow-travellers. Among advocates of that cause are men like Mr. C. Rajagopalachari whose influence is not to be exaggerated, because of great offices filled. The opposition to India's continuance in the Commonwealth has sprung from the Suez and Kashmir; but it is below the surface an aim of many misguided politicians who think they know, but do not, the Commonwealth framework. It is to the credit of Prime Minister Nehru, who is curiously enough being maligned and misrepresented by a section of the British Press, that he sees far more clearly and wisely India's long-term interests in this matter. Apart from Indo-Pakistan relations not, it seems, getting any better, there are other indications of *malaise*. The absence of Mr. Bandaranaike of Ceylon, Mr. Strijdom of South Africa and Mr. Holland of New Zealand also is a reflection on the state of political health of the Commonwealth. The Ceylon Premier has not been able to attend the Conference because of the imminent threat of an agitation by the Tamil-speaking section of his countrymen who are of Indian origin. The South African Premier has abstained himself because, being a racist, he himself does not want to sit at the same table with an African, Dr. Nkrumah, the Prime Minister of the youngest member of the Commonwealth, Ghana. The New Zealand Premier did not seem to think this Conference important enough for his personal presence.

This does not, of course, mean that the Commonwealth is losing ground. In spite of differences, the Commonwealth countries are bound together with what Mr. Nehru has called "imponderable values" and with "some commonness of thinking or ideals." Behind the scenes perhaps the British system of representative Government and the British concept of the rule of law are common things binding the Commonwealth together. Doubtless, there are some countries which have yet to go a long way on the path of a democratic government. Pakistan, for instance, has had no popular elections so far. In South Africa, the majority of the people, the Africans, are denied franchise. But the legal system even in those countries is not the plaything of the executive — and this is a hopeful sign. Another hopeful sign is the changing nature of the Commonwealth. It is no longer a British Commonwealth as it was some years ago. The White members of the Commonwealth are becoming a minority. When the Prime Ministers meet again some time next year, Malaya will have become a Dominion and five of the ten members will be non-Whites. In subsequent years the balance is bound to be tilted further with representatives from Nigeria and possibly from the Caribbean.

The present meeting may thus be the last to have a White majority. This in itself is a historic event and, in the eyes of Asians, will greatly improve the Commonwealth bond.

The growing racial variety of the Commonwealth Conference and the uninhibited exchange of ideas made possible by the wide environment and background of its membership are its further merit. As the Conference is not bound down by any specific agenda and as its proceedings are not open to the Press, it becomes a forum for free and frank discussion in a spirit of understanding and sympathy. More important, perhaps, than this "open diplomacy" is the personal contact between the various Prime Ministers which often results in removing misunderstandings and suspicions and in creating an atmosphere free from rancour and animosity. Such an atmosphere is essential for a better appreciation of the policies of different Commonwealth countries. Mr. Nehru, for instance, has met Dr. Nkrumah, Prime Minister of Ghana, and Mr. John Diefenbaker, the Canadian Premier, for the first time, and, if newspaper reports are to be credited, with great and immediate friendship in both cases. Personal contact with the former is important because Dr. Nkrumah is the symbol of resurgent Africa, a development of unbounded significance for the world. Equally important, if not more, are India's relations with Canada which is becoming increasingly important in international affairs due to its powerful economy and its position as a bridge between the United States and Britain.

Press reports indicate that subjects like the European Common Market, disarmament, the Middle East and the sterling balances have been discussed. Each one of the issues, in one form or another, concerns one or more countries of the Commonwealth. The European Common Market, for instance, aiming as it does at lowering tariffs and customs between the various countries of Western Europe, affects the system of preferential treatment obtaining in the Commonwealth. On the question of disarmament, too, the Commonwealth countries are likely to profit from the fact that Britain and Canada, which are represented on the United Nations Disarmament Sub-Committee, currently in session in London, will acquaint the Conference with the latest developments on this thorny problem. The question of the Middle East is important not only to Britain for its essential oil supplies but also to India and Pakistan because if it falls into the clutches of a hostile power, their own independent existence may be threatened.

In addition there is the problem of finding adequate funds for financing the rapidly expanding economies of some of the underdeveloped countries of the Commonwealth. This issue is as important, at least for India, as any other. The least that is to be expected is that discussion of the subject will facilitate India's endeavour to solve her exacting problem of finding the money for her ambitious schemes of economic development. First reports are to the effect that Commonwealth countries, with the exception of Pakistan, have given a friendly hearing to our difficulties. There has been talk — still in the preliminary stage — of a substantial sterling loan. These talks will certainly gain force from the Conference's prevailing mood.



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The State of the World

DYNAMISM in the world economy was displayed for still another year in succession and expansion at least made one more stride in 1956. The phase of continuous development was launched at varying periods in different countries, but, broadly, expansion for the third consecutive year in North America and for the fourth year in Western Europe were the major contributory factors in the process. Its distinctive feature lies in the fact that it demonstrates for the first time after World War II expansion of a basically peace-time character.

This assessment at which the United Nations *World Economic Survey*, 1956, has arrived must, however, be interpreted in the relative context. Investment activity in industry constituted the main dynamic force in this expansion. But it could not retain the full vigour of the earlier years of the period. There was a marked decline in the rate of expansion of industrial production which was due to a loss of economic momentum in the sphere of private as well as government policy-making. The rate of increase in industrial production in Western Europe rose to 4 per cent as against 9 per cent in 1955, while in the United States it reached the level of 3 per cent, or approximately one-third of the rate in 1955. Japan constituted the solitary exception where growth of industrial output attained a rate of 20 per cent last year. What may follow will be a cause for some concern. The prospect for the current year is less assuring, as the Survey chooses to put it in negative terms, as one of probably no acceleration nor of any serious recession. It says: "Economic visibility, never of more than limited range, has been disturbingly lower in 1957; from the peaks that have been reached the economic landscape has seemed more than usually veiled".

The policy of economic imbalance which faces India today is not peculiar to under-developed countries alone. In varying degrees it prevails in some of the industrially advanced countries too, although not for identical reasons. Industrial countries were called upon to meet pressures of rising prices and rising wages on a higher scale than in the previous year and the challenge of cost inflation assumed larger dimensions. Economic expansion with internal stability became difficult of achievement. Industrial economies are in constant need to pursue a course of expansion if they are to retain overall balance, while underdeveloped economies have understandably grown impatient in the post-war period for accelerated growth under pressure of mass consciousness. Simultaneous pressures from practically all countries on resources for development, without strict regard to proper balance between import capacity and import demand, has inevitably produced growing strains on international balance.

Two potent factors, however, stand out in this phase of economic stress as forces that have a capacity to help restore stability in balance in the larger global context. The United States enjoys an unrivalled position and wields unparalleled influence on the economies of other countries outside the communist orbit. For all these countries external conditions are of great significance for their foreign balance and developments in the United States constitute the core of those conditions. It is a source of considerable strength to world economy that fluctuations in the United

States economy have been insignificant in the post-war period. Western Europe has regained its capacity in a sufficient measure to take care of its external account on its own — a development which is of vital importance to underdeveloped countries in their search for assistance to narrow down the gap in their external resources for expansion. This position, however, holds good from a broad angle and is subject to one qualification. While Western Europe has achieved considerable viability in its external balance, its equilibrium in the dollar account has not been placed on the plane of normal commercial goods and services. It contains an abnormal element of a non-commercial character since the United States military expenditure abroad forms an important component of the dollar account. This is a transitional factor, which, in the light of the outlook for international security, is unlikely to come to abrupt cessation.

The underdeveloped countries have had varying impacts of external forces on their export products. India belongs to that category, including Egypt and Pakistan, which, owing to the changing pattern of world demand or changing direction of trade, find something like a condition of stagnation for some of their staple exports. Product of domestic consumption also added to the problem of balance of several of the backward countries. Inflexibility of home produced supplies of food has been a recurring headache. India ranks along with Burma, Ceylon, Malaya and Turkey in a group where investment rose much faster than consumption and total product. Nevertheless, inadequacy or ineffectiveness of monetary and fiscal policy, which is a common feature of underdeveloped economies, was responsible for the inability to prevent imbalance in growth. Since higher investment cannot correspondingly be offset by increased domestic production of consumer goods, augmented by imports, the plans of faster economic expansion carry real risks of inflation which in fact has emerged in recent months. The major challenge to the aspirations of backward economies is posed by the marked divergence between import capacity generated by exports and import demand.

India's current crisis of external payment was not germane to this Survey. Nor was it the function of an objective analysis to recommend policies by way of solution. Nevertheless, possible sources from which external assistance can be procured can be spotted. Russia and Czechoslovakia which are mentioned as potential communist sources of capital goods showed different trends in expansion. In 1956 their rate of expansion of these goods was marked by a "significant slackening," while output of consumer goods rose faster. The same trends are planned for the near future. The decline in productivity in these countries implies higher costs. In terms of value, the total share of the communist bloc in world trade was merely 3 per cent, despite a rise last year. The truth of the situation is that international payments present a hard problem. The only country from which assistance on a substantial scale can be obtained by India is the United States which maintains a healthy position in this respect. West Germany and also to some extent the United Kingdom hold out reasonable hope for coming to India's aid. The range of assistance from all these sources is to be judged within the limits of competing claims.

THE WEEK'S NOTES

REVISION OF LAND TAXATION

PROGRESSIVE TAXATION of agricultural income to replace completely the present system of land revenue assessment in the States has always been one of the major planks in the Congress platform. It is appropriate, therefore, that the Union Finance Minister has just come out strongly in its favour. His further suggestion is that owners of small holdings, whose incomes would be below the exemption-limit for agricultural income-tax, should be subjected only to a light levy of quit rent. Quite apart from the soundness or otherwise of these suggestions, there is the question why Mr. T. T. Krishnamachari has chosen to revive interest so suddenly in a possible country-wide system of agricultural income-taxation. Perhaps the Finance Minister who has set his heart on reorganising the country's tax structure is thinking in terms of a uniform exemption-limit for taxation of agricultural income at the same level (Rs. 3,000) as under the General Income-tax and in terms of an aggregation of agricultural and non-agricultural incomes for consolidated assessment. Such aggregation of incomes in the case of a large number of assesseees would mean substantially more tax-yield than if their agricultural and non-agricultural incomes were assessed to tax separately. The constitutional step of State legislatures empowering the Union Government to tax agricultural income should present no difficulty inasmuch as that portion, arising from agricultural income, of the total tax-yield would have to be handed over to the States concerned.

If this is the idea of the Finance Minister, it has to be considered whether a general system of agricultural income-taxation with a possible exemption-limit of Rs. 3,000 would yield more tax revenue than the present land revenue of about Rs. 90 crores (including the yield from agricultural income-taxes in some States in addition to their land revenue) in the country as a whole. This is doubtful because the bigger landholdings are either split up by partition or otherwise under the standing threat of land ceilings or are to be broken up under legislation for such ceilings. If, on the other hand, the exemption-limit were to be fixed at, say, Rs. 1,500, it would mean that a very large number of assesseees would have to be dealt with. These rural assesseees would have to maintain accounts with meticulous care. As most of them would not be able to do so, the decisions of the assessing authorities might have to be arbitrary in very many cases. Such arbitrary decisions, in their turn, would naturally be resented by agricultural assesseees who would be largely medium or small landholders.

The likely difficulties in respect of cultivation accounts and of assessment are such that they cannot be lightly ignored. Even supposing these difficulties can be overcome, a low exemption limit of even Rs. 1,500 would mean that in the prevailing pattern of distribution of land anything up to half of the present land revenue would be lost to the State exchequers. Even the exemption of landowners paying land revenue of less than Rs. 10 apiece (representing a net agricultural income of anything from Rs. 150 to Rs. 200 at current prices) would mean that up to a fifth or a fourth of the present land revenue would be lost. In the circumstances it is unlikely that an agricultural income-tax with the same exemption limit (Rs. 3,000) and slab-rates as under the General Income-Tax would exceed the present land revenue income in the entire country or at least just make up for its loss. If an agricultural income-tax cannot turn out to be a mine of revenue, the only alternative is to keep intact the ryotwari basis of assessment and revise the rates upwards in resettlements so as to increase revenue to at least 12½ per cent of the current net income from land, if not to the full half-net level of original ryotwari assessment. After

all, ryotwari assessment is not materially different from agricultural income-tax because it is also related to net income from land. It has the added merit that it is related to the soil qualities of different lands and has stood the test of time.

HOLD AN INQUIRY

THE PUNJAB GOVERNMENT claims to have finally broken the gold smuggling ring that had emerged in the past ten years on both sides of the India-West Pakistan border. This is the result, we are assured, of intensive police operations against the alleged smugglers. Nearly 120 persons, among them several rich business men, landlords and policemen, have so far been arrested in Amritsar district alone. Many more have been forced to seek cover. The police had sometimes to employ as many as 200 constables in its raids on centres of smuggling. The operations ranged from city to village on the Indo-Pakistan border. Now that the smugglers' ring is claimed to have been broken in Amritsar, the police has extended its operations to the two remaining border districts of Gurdaspur and Fazfarpur.

This story gets a truly international flavour from reports from Karachi to the effect that police has recovered papers, letters and documents revealing illegal trade in gold, to the order of over Rs. 10,000,000. The Persian Gulf countries have been mentioned as the source of gold smuggling for a number of years. The gold smuggled into Pakistan was obviously smuggled in turn to India. During the last six months alone India's customs authorities have confiscated from visitors from Pakistan gold worth Rs. 10,000,000. It is also generally known that gold was being smuggled into India from Pakistan at the rate of 10,000 tolas per day. Because of this unhindered smuggling, gold was till recently being freely sold in the black market at Rs. 10 to Rs. 15 less than its open market price, which too registered a fall of Rs. 5.

Doubtless, the Government deserves credit for scaring away the smugglers for the time being. But there is obviously need for an impartial inquiry, not only because of the magnitude and nature of smuggling, but also because of allegations of partisanship by several high-placed Government officials. That soas and relations of some of the Punjab Ministers are also alleged to have been participants in these nefarious activities lends urgency to this suggestion.

AN ESTIMATES COMMITTEE'S FINDINGS

IT IS difficult to exaggerate the value of the periodical reports of Parliament's Estimates and Public Accounts Committees even in normal circumstances. But they assume still greater importance in the current moves for austerity and economy in administration. Government have recently set up special economy units in different Ministries to suggest ways and means of curtailing expenditure. The success of their performance will obviously depend on the co-operation extended by the various Ministries. However, the reports of Parliament's standing committees abounding in instances of waste and extravagance should serve as valuable guides in any steps taken to effect economy and plug every source of wastage and infructuous expenditure.

An increase of Rs. 50 crores is contemplated over expenditure on defence alone in the current year and consistent with the country's security it must be possible to curtail expenditure even by this Ministry in several directions. For example, the 68th report of the Estimates Committee for 1956-57 dealing with ordnance factories especially in regard to stores, plant and machinery and production, shows how if one goes meticulous-

ly into details, substantial savings can be made in several ways with much benefit to the Exchequer. The Committee has made a number of useful suggestions and one need not go into all of them here. But a few will, however, bear mention if only to show how the Government machinery operates. For example, the Committee, while referring to the delay in the procurement of stores, points out how a Liaison Officer was recently posted in Delhi with the Director-General, Supplies and Disposals, to effect improvement in this direction. It expresses surprise that when it is the clear function of the D. G. S. & D. to arrange for purchases with as much expedition as possible, a Liaison Officer should be appointed to expedite procurement. Similarly, the Committee is concerned that the staff employed on the care and custody of stores should be on the high side when it finds there is scope for reduction in stores keeping establishment even on the basis of present holdings. These are just instances of the indiscriminate multiplication of Government jobs which came in for severe criticism recently in Parliament. This is an aspect to which Government should turn its immediate attention if its professions with regard to effecting economy are to carry conviction with the public.

The Committee's findings will regard to surplus stores are also revealing. The surplus stores with ordnance factories which have accumulated was of the value of Rs. 625 lakhs as on April 1, 1956, and this, it points out, works out to about 16 per cent of the total stockholdings on that date. The report goes on, "Since the holdings of surpluses involve considerable expenditure in the shape of store-keeping charges and deterioration of stores due to prolonged storage, expeditious action may be taken for the declaration and disposal of the surpluses after ensuring that they are really surplus to the requirements." This is yet another direction where prompt action by Government is necessary. An instance of unconscionable delay that the report highlights is with regard to the provision for new plant and machinery. The Committee records that in a typical case concerning the Ordnance Factory, Dehra Dun, the proposal to purchase some machinery for the factory was made in September, 1951, while the need for it was only accepted in September 1952 and actually received only in June 1956. Naturally it holds such delays as "reprehensible" and one cannot but agree with this. In another part of the report, the Committee notes the wasteful processes being followed in the ordnance factories and suggests that stern action should be taken against all those guilty of these practices. It also pleads very rightly for setting up a Statistical Quality Control Section which would secure effective control over production and bring about marked improvements in the quality of products of the ordnance factories. The report of the Estimates Committee is thus at once timely and valuable. It will be an excellent thing if greater powers are vested in these committees and methods devised to implement their suggestions more expeditiously.

CASTE AND THE COMMUNISTS

WHETHER BY design or accident the Kerala Government seems to be making history in several directions. A recent move is indeed 'sui generis'. A report has it that the Special Commissioner for Schedule Castes has received a request from the Communist Government of Kerala for funds to provide separate burial grounds for Schedule Caste Christians. This request is indeed both intriguing and unusual, for it violates the provisions of the Constitution, it is against the precepts of Communism and offends even the teachings of Christianity. It is not known how it came to be sponsored, but what is relevant is that such a request should be forwarded by the Kerala Government which is working within the four corners of the Consti-

tution. Untouchability, it is well-known, has been made a penal offence punishable under the law of the land. In the face of this, it is astounding that the Communist Government of Kerala should append the official stamp of its sanction and forward this request to the Central Government for action. It is a truism to say that law cannot abolish prejudice, but there should at least be a valiant effort on the part of the Kerala Government to enforce the law. Perhaps the Kerala Government is intent on giving its official support to a pernicious caste distinction, because it may prove to be the means of bringing in class war-fare through the back-door. Whatever be the motive, it is a deplorable move on the part of the Kerala Government to give encouragement even indirectly to any type of sectarianism, when the country is fighting a desperate battle against the tragic and wasteful deviations in her society.

THE END OF AN ERA

ON JUNE 21, four days short of the seventh anniversary of the outbreak of the Korean War, the United Nations' Command announced in Panmunjon, that it would replace its outmoded weapons in South Korea with modern ones. This move is in answer to the "complete disregard" by Communist forces for the provisions of the 1953 Armistice Agreement. The Agreement prohibits any change in the 'status quo' of the military forces as it obtained at the time of its signature. By violation of the Agreement, the statement notes, the Communists have "built up a military capability in their area vastly superior to that which they had at the time the Armistice Agreement was signed". Moreover, the United Nations' Command was constrained to take recourse to this extreme step because all procedures established by the Agreement for the settlement of disputes had been "exhausted". In short, if Korea is not to be plunged into another war—which could get out of hand easily and with disastrous consequences—this military deterrent is necessary. The United Nations, which in this particular case means the United States, has announced its impatience with the Communist abrogation of this aspect of the agreement and no longer considers itself bound by the provision which has proved unenforceable.

True, there are doubts about the legal niceties or the moral wisdom of the American decision, exercised in the name of the United Nations Command. But one cannot escape the lesson of modern history. More than once the Communist orbit has demonstrated that it respects only equal or superior force. Further, Americans are still keenly aware of the events immediately preceding the North Korean invasion of 1950. The United States had, in 1953, undertaken substantial withdrawals of its military strength from South Korea, secure in the belief that the area was stabilised and that danger of hostilities was non-existent.

It is true that two wrongs do not make a right. But Communist regimes have not been known to resist the temptation to overpower comparatively weaker neighbours. Force can only be met by force. There is validity in the argument that continued defensive weakness, when one has the capacity to be otherwise, is not only unintelligent but morally wrong. The price of Munich was the dismemberment of Czechoslovakia. Recently in India itself while deploring the prospect of an arms race with Pakistan, we would certainly not like to be militarily weaker.

The tragedy of Korea continues to be its divided status. But the Communist violation of the Agreement detracts from the hope that forces North of the 38th parallel are prepared to negotiate reunification. It is also ironical that Mr. Nehru in Stockholm should have seemingly overlooked Korea when referring to the clash of Communist and non-Communist systems as "your European quarrels".

The importance of banking to the COFFEE INDUSTRY

COMMERCIAL cultivation of coffee in India dates from about 1830, and is still almost entirely confined to South India. The yearly crop varies between 20,000 and 30,000 tons, most of which is consumed in India. When a surplus of Indian coffee is available for export, it finds ready buyers in fastidious foreign markets.

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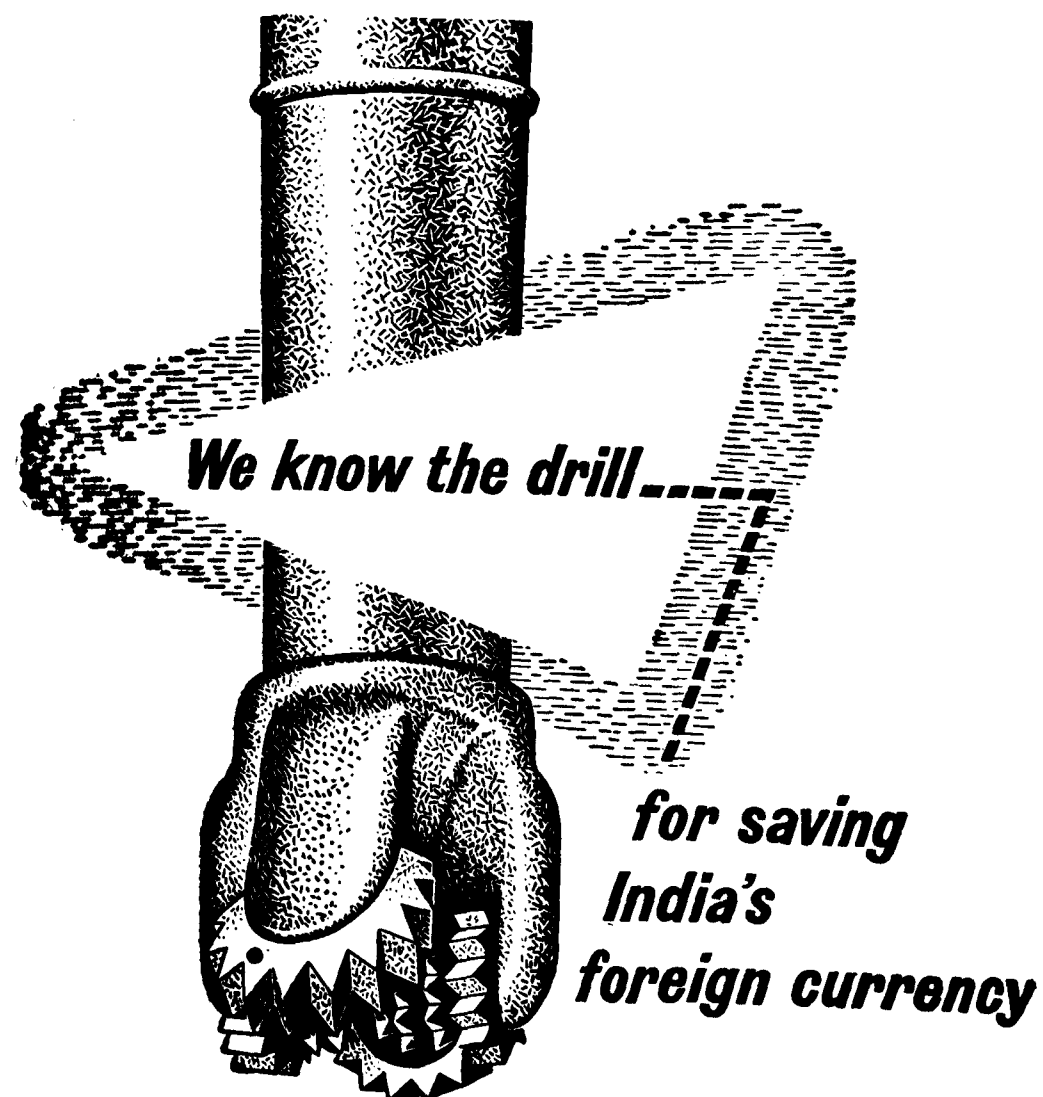
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But no effort is spared to find oil and turn it into the fuel, lubricants and by-products which are so vital to the progress and prosperity of India.

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A Window on the World

WHAT IS WRONG WITH SOCIALISTS?

By

ODYSSEUS

WE TAKE GREAT and justifiable pride in our spiritual heritage, the works of the seers, philosophers, poets, dramatists, artists, sculptors, and others, between them responsible for the Upanishads, for the Sanskrit literature of the Gupta period, for the Chalukyan architecture of the Deccan, the songs of the Tamils, the temples of the Pallavas, the arts and cultures of the empires of Vijayanagar and of the Mughals. Venture any suggestion that denigrates these treasures and you will attract thunderbolts of wrath from all sections and communities of Indians, whether Congress men or Socialists. Very rightly, too. But what needs to be pointed out is that all great art, whether in words, paint, movement, or stone, has, in all countries, at all times, been dependent on the patronage of men of taste.

Now, perhaps the finest periods in Sanskrit literature flourished from 320 A.D., when Chandragupta I, a petty chieftain of Bihar, gained possession of Magadha, and launched the Gupta dynasty, which endured till the empire broke up around 490 A.D. During these 150 years, the 'Mahabharata' was edited and recast, the 'Dharmasastras' were compiled from the earliest Sutras, and the laws of Manu were codified in the form in which we know them. In imaginative literature, the chief developments were the 'Kavya', or court epic, which might be prose or verse, drama, lyric poetry, and prose romances. The galaxy popularly known as the Nine Gems, superb as they were, yet were dwarfed by Kalidas. Only less famous than this towering genius was Bhartrihari, the "Indian Horace", whose Sringara Sataka (Century of Love) is full of poems, cynical and charming. And there were a score of others whose names will readily occur to everybody.

Now, what we need to be clear about is that none of these works were written for "the people." To be appreciated in their full significance, they need a cultured, educated audience—and this they found in the court of the Guptas, who delighted in the role of patrons of the arts. This was nothing exceptional, for throughout Indian history the arts have always been dependent on court patronage. Nor is the dependence of artists on the patronage of wealthy men of taste a uniquely Indian phenomenon. It is universal. If Shakespeare had had to depend for his livelihood on pleasing the uneducated masses, we should never have heard of him.

It is important that Socialists, and all who seek to redistribute wealth by heavy taxation of the "rich" in order to equalise incomes in the interests of "social justice", should reflect over the implications of the previous four paragraphs. If the Guptas, a dynasty of kings who indulged in the most reprehensible practices, such as violence, bloodshed, and wars of aggression, had been prevented by right-minded Socialists from wading through slaughter to control of an empire, and if such wealth as existed in the Gupta empire had been redistributed equally, the cultural heritage of India, and of the world, would have lacked one of its most brilliant lustres.

"Not so," retort the Socialists. "Every Socialist State will set aside sums to patronise literature and

the arts." But, as I said last week, if the argument against unequal incomes is that it allows those "richer" to distort the allocation of productive resources in favour of their whims, then it follows that when all incomes are equalised, it is illogical to upset the ideal distribution so attained by taxing the "equalised" masses in order to allocate resources to the production of literature and the arts—goods and services which they obviously don't want but which the government thinks they ought to want. Does a "whim" become respectable because it is thought up by a group of politicians in power, or bureaucrats in office, instead of by private individuals? "No," retorts the Socialist in outraged accents, "government departments don't have whims! They study the needs of the people." This is argument in a circle, for if the government concerned is a dictatorship of the people, the value of the government decisions taken on artistic matters depends on the degree of cultivated taste attained by the governing clique, and if the government is a genuine democracy, the masses will not be interested in the subtleties of Shakespeare or Kalidas. If you don't believe this statement, compare the select audiences running into tens of thousands who go to Shakespeare plays with the tens of millions who go to artistically valueless popular films, and compare the hundreds of millions of popular trash sold with the limited editions of Kalidas published.

The basic argument in favour of the retention of inequality of incomes is that, on the material and financial side, it keeps investment capital diffused among changing individuals and groups, and makes for an ever-widening variety in the material growth of the nation, while on the ideological, spiritual, and artistic sides, inequality of incomes promotes variety in thought and ideas and the widest possible spread of beauty and culture. In short, inequality of incomes is one of the most important factors in preserving the material and spiritual freedom of the individual. The basic argument against punitive taxation and the redistribution of incomes is that materially and spiritually it diminishes the freedom of the individual and concentrates power on a relatively small group of people who, being but human, have one major interest in common: the retention of power.

I do not for one moment maintain that a society of unequal incomes is perfect and free from all injustices. I do, however, suggest that in the clash of interests and public debate postulated in a free society of unequal incomes, the door is wide open for progress and reform. And I go on to maintain that in any comparison between the imperfections and injustices existing in (a) a society of unequal incomes and in (b) one in which equality is the goal, all history is there to demonstrate that the average man is less unhappy in the unequal free society than in the regimented society enforced in the all-powerful, egalitarian, oligarchic state.

In his "Ethics of Redistribution" (Camb. Univ. Press 1951), Bertrand de Jouvenel points out that the underlying error in Redistributionist reasoning is that incomes are solely a means to consumer-enjoyment and that society is an association for the promotion of consumption. This error is seen when we consider the

arguments widely used for and against re-distribution. It is fair, some say, to equalise satisfactions. It is prudent, others retort, to allow greater rewards to spur production and thereby provide greater means of consumption. Bertrand de Jouvenel recalls the Armenian proverb: The world is a pot and man a spoon in the pot. If so, the argument would be between those who want an expanding pot with unequal spoons and those who accept a static pot with equal spoons. But perhaps the world is not a pot and surely man is not a spoon. The Armenian conception has got clean away from the Greek conception of the "good life" and the "good society". Is the "good life" a buyer's spree in a bargain basement? Is the "good society" one long queue of bargain buyers?

We must therefore conclude that redistributionism is a disastrous fall from Socialism and that Pandit Nehru was perfectly right to reject it the other day and to insist on his rights to the income from the sale of his books which gives him an income above the average. The trouble with Socialism today is that it now identifies itself with state despotism (all right, "enlightened" if you insist, but still a despotism of political cliques and civil administrators) and has forgotten that it was once an ethical social doctrine. It used to look, as the Sarvodayans still look, to a "good society" in which men would feel more kindly to each other. Instead, Socialists now hold out the promise

(fulfilled incidentally by capitalist mercantile society) of increased consuming power. Ethics is left out. The goal of society is increased personal consumption. We laugh at what we regard as the American ideal of bigger and better automobiles and frigidaires for every home, but the only difference between our ideal and theirs is that their free enterprise technique is far more efficient in securing the common goal than our Socialist hodge-podge. No ideal so trivial has ever been held out to mankind before.

What's wrong with Socialists is not that—like the Sarvodayans—they are Utopians out to transform society, but that they have given up their ethical ideals and renounced all hope of transformation. If consumer enjoyment is our goal, then I submit that the Government of India should go in for the mass production and free distribution of bhang. This would produce here and now, painlessly without inflation, without upsets to the balance of payments and without any other expenditures of blood, toil, sweat and tears, the same results as the Five-Year Plan, whose ultimate objective is also consumer enjoyment.

[This is the fourth in a series of five articles on the Ethics of Redistribution. Next week's final article will be, "A Point For Mr. T. T. Krishnamachari"—Ed.]

FOUR YEARS OF THE SCHUMAN POOL

(From Our Special West European Correspondent)

PARIS, June 29.

IN an article on this page two weeks ago ("Europe, Or Little by Little") the working of the Schuman coal and steel pool was briefly reviewed with the object of drawing lessons for the further progress of European unity plans. Since then, several more detailed and authoritative analyses of the pool's work have been published in the Continental capitals with the same purpose: providing the parliaments which during the summer must ratify the Euromarket and Euratom treaties with a specimen case-history in supranational co-operation. From these studies much new and important information emerges, which makes it worthwhile to return to the subject not only because European unification is important in itself but because from these experiments something can be learned about the outlook for international co-operation in general and especially about the hopes for an organised return to free trade. In a later article, I shall examine the working to date of Benelux from the same point of view.

Now the steel and coal pool has been at work for only four years, while the treaty is for a period of 50 years: so we cannot pretend to draw any final conclusions at this stage. Moreover, those four years have been a time of booming expansion (save for a brief recession in 1954), so it is difficult to know what effects should be put down to the existence of the pool and what to the fact of expansion. For example, there has been a general though unequal rise in wages in these industries in all the member-countries. The result is that the unions look on the experiment with some favour, but in fact the rises are almost certainly due to the shortage of coal, steel and manpower, which would have been felt with or without the pool. This inference is supported by the fact that wages in coal and steel have not risen notably more than in other expanding industries. But there has also been a definite trend toward more equal wages in the various member-countries, and this can probably be put down to the fact that the existence of the pool involves co-operation between the unions of the member-countries and constant comparison of costs and prices throughout the region: when Italian workers are included in a theoretically unified market with German workers, they have the incentive and the means to enforce more nearly equal wages.

The pool is able to report considerably increased intra-regional trade in coal and steel, and since this was one of the prime objects of the venture it would appear that to this extent the scheme has succeeded. But the fact that the period has been one of vast expansion in coal and steel, not only in Europe but throughout the world, and that this expansion has taken place at a time when raw materials were in short supply, especially in Europe, might also serve to explain much of this increased trade. More intense trade has not benefited all member-countries equally; West Germany has got much more advantage out of the common market for steel than France. But most important, the increased exchanges have not meant lower prices, far from it. Prices have risen in all member countries, in certain cases very substantially and in all cases coal and steel prices have risen more than other

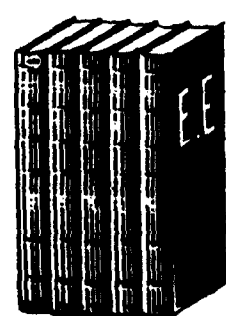
prices. In West Germany, for instance, coal prices have jumped 27 per cent and in France 20 per cent; while in general steel prices have risen twice as quickly as all other wholesale prices.

This fact is of over-riding importance because one of the main arguments advanced for the pool five years ago, and indeed one of the main arguments for all schemes for a common market, is that the larger market and increased trade must necessarily mean cheaper products. Experience shows the contrary to be true. Defenders of the treaty say that this is a temporary accident, that it is due to the current boom in these industries, and that in any case steel and coal prices have risen elsewhere, in Britain and the USA for example. But these explanations do not suffice, and however paradoxical it may be, there is reason to think that it is precisely the existence of the common market that has caused much of the rise in prices.

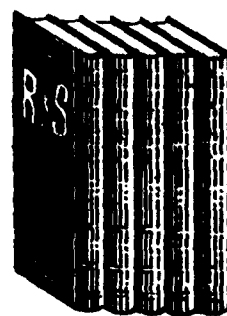
The explanation of this paradox is not difficult, and it has general importance. Nowadays prices for all products are more or less controlled within all national economies; even where prices are not fixed by law, no government will allow the prices for certain basic products to gallop ahead of the general price level. But if several of these basic products are then taken out of the sphere of national price control and included in a common market, so that individual governments no longer have control over their prices, all the inflationary pressure built up by contemporary methods of national finance becomes concentrated on them—and they bulge out like a weak spot in a balloon. If all products could be included in a common market, universally and instantly, we would not see this bulge; but that is impossible. Even the more comprehensive Euromarket scheme excludes many agricultural products, and since it is in agriculture that many inflationary pressures are nowadays built up we can expect to see the steam accumulated there escaping in the form of higher industrial prices once these are released from national control.

In fact, the rises in coal and steel prices would have been even more severe had not member-governments, frightened by the High Authority's inability to control them, withdrawn in practice many of the powers they had signed away in the treaty. It is these violations of the pool treaty that have prevented more serious rises; in other words, if the pool had worked "better", the results would have been worse. Apart from the bulge that must show up in any prices removed from national price control, the success of the pool has contributed to price rises in two other ways. The expansion of output and of trade that the common market has helped to cause has led to heavy investment in these industries (heavier than in other industries not benefiting from the bigger common market) and this has absorbed industrial economies without any hope of passing them on as price reductions. Secondly, the wage increases obtained by labour, particularly in the poorer-paid sections that are seeking equal pay with the more prosperous sections, have meant higher prices.

The upshot is that the vast economies that were promised as a consequence of the common market for



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coal and steel, and the lower prices which were said to be assured, have proved in practice to be a myth—yet it was precisely these lower prices that were the main case for a supra-national market. It might be argued that these results are temporary because after some years wages would have been equalised over the common market and the various industries would have made the investments necessary to meet their enlarged sale possibilities, and that thereafter price falls would be possible. One cannot deny this a priori; it is true that no judgment on the common market for coal and steel will be reliable until the pool has shown how it works in a period of recession. But an important fact is to be noted: "freedom" has meant freedom for prices to rise out of government control, but it does not limit the ability of individual firms in the various countries to conspire among themselves to prevent awkward price falls in a period of recession. This happened when the steel industry went through a poor patch in 1954. So "freedom" might well work one way, or at least work more one way than the other. Promises of lower prices to result from the organisation of a common market need to be regarded henceforth with some suspicion.

It might be urged that removal of certain prices from national control need not imply their total de-control provided the new supra-national authority that presides over the common market is willing to set limits to price rises. But the working of the coal and steel authority suggests that this is a very slim chance. A new supra-national body obviously lacks the power and authority of the national governments, and moreover as I remarked here two weeks ago, there is no agreement on what sort of policy the supra-national organisation should follow, whether it should be liberal or interventionist. This is why the Continental governments have been withdrawing from the High Authority in Luxembourg the shreds of national sovereignty they surrendered to it in the pool treaty. But there is a more fundamental reason for the supra-national body's inability to replace national governments in the job of controlling prices. It is this: as long as unification is proceeding piecemeal, the advocates of the next stage are anxious to prove that no interference with national policies is resulting from the present stage, and so there is strong pressure on the Luxembourg authority to do nothing that will offend anybody for fear of jeopardising the further progress of unity schemes.

If the High Authority had begun vigorously controlling prices, breaking up the German steel cartels, enforcing rigorously fair rail rates and so on, much of the enthusiasm for further experiments in European unity (particularly among industrialists) would have cooled off. Thus we come back to the point made above: that if unification could take place universally and overnight, it might work well, but as long as it has to go forward in stages, the unity party is too anxious to see the next stage introduced to permit adequate control to be exercised during the current stage. You might think that when the general common market is introduced from 1959, it will not suffer from this disability to the same extent as the coal and steel pool which was always intended to prepare the way for the bigger common market. But after the common market for all industrial goods, the unity party hopes to go further, with political unity in West Europe, so there will be the same pressure on the supra-national controlling organisation to show that unity "works", by not exerting any awkward controls.

In sum then, the lessons of the coal and steel pool for any further experiments in economic unification are that the organised piecemeal return to larger areas of free trade is much more difficult than the "liberals" imagine. We live in an age where all national economies are "globally" controlled and any partial liberation of particular industries from this control is a

retrogression. To set certain producers free of control by their own national governments without placing them under the control of a new and powerful international authority means building up specially favoured interests in which workers and employers conspire to exploit those industries that remain under strict national control. Yet to establish an international authority strong and vigorous enough to control such liberated industries means introducing a measure of international government that the unity party does not yet want to admit is implied in its "liberalisation" plans.



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WORLD GRAM

AGRICULTURE

Inter-governmental Group on Grain Problems: The first steps have been taken by the UN Food and Agriculture Organisation to bring better nutrition for the peoples of the world through the control and management of world cereal production. Recently in Rome representatives of 24 major producing and consuming nations, including India, recommended the establishment of an inter-governmental group to deal with economic problems in the world grain economy. Supply and demand position and possible development, improvement of statistical services, collection of information, analysis of national grain policies and their international effects, possible facilitation of international adjustments, marketing problems and regional surpluses are matters proposed for major consideration.

INDUSTRY

Automobile Production in India: The total number of vehicles produced during the year 1956 was 32,138 as against 23,084 in 1955. The production of automobiles has been steadily rising in India since 1953 when the programme of progressive indigenous manufacture of cars and trucks was introduced on the recommendation of the Tariff Commission. The total production in 1953 was 13,926 and in 1954, 14,462. The analysis of this 40 per cent increase in 1956 shows 12,989 cars, 677 station wagons, 4328 jeeps and similar vehicles and 14,144 trucks. There has also been an increased demand for cars and trucks in India. As against 13,813 automobiles sold in 1954, 26,065 were sold in 1955. The sales went up to 31,486 in 1956. By 1960-61 the demand for cars and trucks is expected to rise to 65,000 per year. There was a remarkable increase in the production of motor cycles and scooters in 1956. The total number of motor cycles and scooters produced was 5,622 as compared with 801 during the previous year. 493 auto-rickshaws were also produced in 1956.

China's Machine-Building Industry: China's machine-building industry is now capable of supplying three-fifths of its own demands in machinery and factory equipment according to a Chinese Government communique. It also stated that by the end of 1962, the closing date of the second Five-Year Plan, China will be able to meet 70 per cent of her own needs. Scores of new and remodelled machine-building plants have gone into production since 1953, when the first Five-Year Plan started. They are producing for the first time heavy duty automatic and semi-automatic machine tools, precision meters and instruments, 2000-ton forging presses, sets of equipment for textile industry and sugar refinery steam locomotives, motor vehicles and air planes. The machine building industry also produces equipment for open-hearth furnaces, and with an annual capacity of 100,000 tons of steel; blast furnaces each with an annual capacity of 300,000 tons of pig-iron and equipment for coal mines with up to an annual capacity of 900,000 tons of coal each. Among other machinery and equipment produced are 12,000 kilowatt hydro-power generating units.

Protection to Wood Screw Industry: The Government of India have accepted the Tariff Commission's main recommendation that protection to the wood screw industry should be continued for a further period of three years — till December 1960. Protection will be continued, accordingly, at the existing rates which have recently been rounded off to 35 per cent 'ad

valorem' or 35 naye paise gross, whichever is higher under the Finance (No. 2) Bill 1957.

TRADE

Indo-British Trade: Although India's purchases from Britain in May were lower compared with the same month last year, the total for the first five months of 1957 shows a substantial rise over the same period in 1956, according to returns issued by the Board of Trade in London. Britain's purchases from India during May were £1,000,000 higher than in the same month last year—£16,557,009 compared with £15,088,194. India bought goods worth £77,044,478 in the first five months of this year, compared with £62,747,505 in the same period of 1956. Britain's purchases for the first five months of this year totalled £79,222,211, and in the same period last year they were £70,403,717.

Retail Trade in Soviet Russia: The Soviet Union it is reported, plans to expand her retail trade. Three million people, one and a half per cent of the Soviet's 200 million inhabitants, are now employed in the retail trade. There will be a wider use of packaging and increased supplies of automatic sales machines and self-service stores. To overcome the shortage of canned goods, a "do-it yourself" drive has been launched, and bottling and preserving implements will be retailed in quantities this year. 750,000 TV sets and 3,745,000 radio sets will be offered for sale in the Soviet Union this year. The number of refrigerators, vacuum cleaners and motor cycles on sale this year will be 3,000,000 units in each case. There are no scooters in the market but it has been announced that the production of two Russian designed types will begin in a few months time.

Ghana's Trade: Last year for the first time, Ghana had an unfavourable balance of trade, the value of imports exceeding that of exports. Payments on current accounts showed an unfavourable balance of £17,700,000 against a favourable balance of £3,500,000 in 1955. Last year, the total value of imports increased by nearly £1 million while exports fell by £9 million. The main decline in the value of exports arose from the reduced world price of cocoa.

Future Pattern of World Trade: During the first six months of 1956, the total value of world exports exceeded the annual value of £90,000 million according to the annual report of the General Agreement on Tariffs and Trade. During the last six months, the value reached the unprecedented level of £95,000 million. Taken as a whole, the 1956 level was 11 per cent above 1955 and measured in value, the increase was 9.5 per cent. The report further says, the future development of trade hinges essentially on the growth of economic activity in Western Europe. The second structural change affecting future trade development is a further relative decline in trade between industrial and non-industrial areas. The diagnosis runs contrary to the accepted U.N. doctrine that industrialisation automatically increased the trading capacity of under-developed countries. Checking on eight semi-industrialised countries, Australia, India, South Africa, Argentina, Brazil, Finland, Mexico and Yugoslavia, the GATT holds them responsible for the fact that for the first time in 1956, the trade of the non-industrial areas yielded a deficit of about £1,200 million in contrast

with a surplus of £2,800 million 1950 and nearly even trade balances in 1954 and 1955.

*

Export of Cashewnuts: According to a New York report, cashewnuts are growing into big dollar-earners for India, since they are great favourites at cocktail parties in the United States. India has a virtual monopoly of the cashew trade, and next to tea and black pepper, the cashewnut is the biggest dollar earning cash crop. During 1955-56, India earned about Rs. 135 million in foreign exchange from its cashew crop exports which include the nuts themselves and the cashew shell oil which is needed for making paints and varnishes. Of India's total exports the United States and Britain purchase 70 per cent. India with an annual production of about 60,000 tons, is the world's top producer of raw nuts. It also controls 90 per cent of the international trade in cashew kernels and cashew shell oil. It has, however, to import large quantities of raw cashew nuts from East Africa to keep its factories working at full capacity. India has plans for increasing its cashewnut crop from the present 60,000 tons to 1,06,000 tons a year.

*

Austrian Oil for Russia: Austria has undertaken to send annual shipments of one million tons of crude oil for a period of ten years to the USSR. This is in compensation for the transfer of oil fields from the occupational Soviet administration to national management. The annual value of three shipments is approximately 350 million schillings. Full scale payment from public funds for their shipments will be made from January 1 1960, while part of the deliveries scheduled from the years 1957 to 1959 will be charged against taxes and licence dues. The licence dues will be 15 per cent of the operational proceeds of the Oil Administration.

FINANCE

Pak Agreement on Double Taxation: On June 8, an agreement was signed between the Governments of Pakistan and the United Kingdom for the avoidance of double taxation and the prevention of fiscal evasion with respect to duties on the estates of the deceased persons. Mr. S. Amjad Ali, Minister for Finance, signed on behalf of the Government of Pakistan and Sir Alexander Symon, High Commissioner for the United Kingdom in Pakistan, on behalf of his Government.

*

Central Tax Structure: The total tax revenue of the Government of India (excluding the States' share of income-tax and estate duty) in 1955-56, the last year for which final figures are available, amounted to Rs. 428 crores. The 1956-57 (revised) and 1957-58 (budget) estimates of total tax revenue amount to Rs. 495 crores and Rs. 515 crores respectively. In 1955-56, the tax revenue of the Government of India formed 85 per cent of the total revenue in that year, compared to 89 per cent in 1938-39, 76 per cent in 1944-45 and 87 per cent in 1950-51. An important element in the non-tax revenue is "net contributions of public undertakings" (including the railways, posts and telegraphs, currency and mint and so on) which amounted to Rs. 1.8 crore in 1938-39, Rs. 42.2 crore in 1944-45, Rs. 23 crore in 1950-51 and Rs. 26.7 crore in 1955-56. Of the total tax revenue of Rs. 428 crore in 1955-56 nearly two fifths (Rs. 167 crore) were derived from customs (import and export) duties, about one third (Rs. 145 crore) was derived from Union excise duties and a little over one fourth (Rs. 131 crore) was

derived from income and corporation taxes. These three sources together accounted for 99.4 per cent of the total tax revenue in that year.

Customs duties constituted the most important source of central tax revenue in all these years (1938-39 to 1957-58 budget) excepting in 1944-45 (a war year) when about two-thirds of the tax revenue were derived from income and corporation taxes, and again in 1957-58 (budget) when Union excise takes the lead with 41 per cent of the total tax revenue. The yield from Union excise duties has been increasing steadily from a mere Rs. 9 crore, 12 per cent of total tax revenue in 1938-39, to Rs. 38 crore (15 per cent) in 1944-45, Rs. 68 crore (19 per cent) in 1950-51 and Rs. 145 crore (34 per cent) in 1955-56. In the 1957-58 budget the yield from Union excise is estimated at Rs. 209 crore or 41 per cent of the total tax revenue. The yield from income-tax (including corporation tax) increased more than seven times between 1938-39 (Rs. 16 crore) and 1955-56 (Rs. 113 crore). The yield from income-tax is estimated at Rs. 137 crores (27 per cent of the total revenue) in the 1957-58 budget.

*

Sea and Land Customs Revenue: The total gross sea and land customs revenue collected in the Indian Union during April last amounted to Rs. 1,590 lakhs as compared with Rs. 1,209 lakhs in the corresponding month of the previous year, according to the returns received in the Department of Commercial Intelligence and Statistics. Of the total customs revenue collected, import duties during April last accounted for Rs. 1,439 lakhs as against Rs. 1,043 lakhs during April 1956. Export duties accounted for Rs. 120 lakhs while land customs and miscellaneous Rs. 31 lakhs, as against Rs. 154 lakhs and Rs. 12 lakhs during April last and April 1956 respectively.

GENERAL

Marketing of Coal: The marketing of coal in India will change over to the metric system simultaneously with the commencement of booking of coal by the Railways in metric tons. About 3 million tons of coal are transported by the Railways annually. Weighing of the coal is done by the Railways on railways bridges and therefore, the programme for the adoption of metric system in the coal industry has to be co-ordinated with the programme of the Railways. For some time, the prices will be given on both systems, the metric ton gradually replacing the long ton.

*

Long-Term Foreign Credit for Capital Equipment: It is proposed to exempt from Indian income-tax interest on loans granted by those financial institutions in foreign countries as are approved by the Central Government for this purpose, according to an announcement of the Union Finance Ministry. It says: Import licences for obtaining capital plant and machinery of substantial value are now granted on condition that payment for them is spread over a number of years, or against fresh foreign loans. In some of these cases, interest has to be paid on these and similar transactions to foreign Banks and other lenders and such interest is now subject to Indian income-tax. It is proposed hereafter to exempt from Indian income-tax such interest as may be payable for sufficiently large credits spread over a period ordinarily of not less than five years, as may in each case be approved by the Central Government. Such approval will be given by the Central Government along with the grant of import licence, and, where necessary, the acceptance of deferred payment terms. The exemption will be available only in those cases in which the terms of the loan are specifically approved by Government for the purpose of the exemption.

NEWS IN BRIEF

INDIAN

The time-loss due to industrial disputes during April 1957 increased to 353,245 man-days from 277,013 in the previous month. As compared with the monthly average time-loss of 594,709 during 1956, the time-loss in April was lower by 40.6 per cent. One hundred and forty four disputes were in progress at any time during the month. In March the number of disputes was 116. The average duration of disputes current at any time during April was 6.6 days as compared with 6.8 in the previous month.

*

The Government of India has granted Rs. 12,360 to the Government of Jammu and Kashmir to help it for its proposed scheme for promoting the exports of Kashmir handicrafts.

*

Ten per cent of cement consumed at the Bhakra Dam is now being saved by the use of Pozzolon. This substance is being prepared locally by burning shale and reducing it to a fineness greater than that of cement.

*

A Government-owned Company, called the National Instruments (Private) Limited, has been registered to take over the management of the National Instruments Factory in Calcutta, which has been departmentally managed so far. The authorised capital of the company is Rs. 3 crores. The Factory has been brought under the Company form of management so that it can be run on commercial lines.

*

The Government of Kerala has approved a scheme for the distribution of wheat to the public through fair price shops with a view to popularising wheat and reducing the dependence on rice. Each fair price shop will be allotted a generous quantity of wheat, and consumers can get their requirements of wheat from fair price shops over and above their allotted quota of rice. The Government of India has moved sufficient stocks of wheat to different storage depots in the State to meet the requirements.

*

Two new railway marshalling yards will be constructed at Bhilai and Bhoumadunda, near Rourkela, at a total estimated cost of Rs. 6.38 crores. Their construction is necessary to cope with the heavy traffic connected with the two new steel plants under construction at Bhilai and Rourkela, and with subsidiary industries which will develop in the vicinity of these plants.

*

India is planning a lucrative dollar-earning trade through export of "lichis" to America. The dehydration will cost about two rupees per pound while the dehydrated product in America sells at Rs. 8-50 per pound.

*

The Government of India have decided to set up a prototype and training workshop for Small Scale Industries, with financial and technical assistance from the Federal Republic of Germany. The workshop which will be a multipurpose project, will be set up close to the industrial estate at Okhla outside Delhi.

FOREIGN

Ceylon traders have been perturbed by the intention of the Government to give the Co-operative Wholesale Establishment the exclusive right to import from China according to a Colombo report. Apparently the Government feel, the report adds, that handling of the trade by the C.W.E. alone will help keep China's prices lower, which may not be possible if many importers compete with each other.

*

Canada's exports of aluminium rose by 46.5 per cent over the corresponding period of 1956, at 64,020,000 dollars.

*

Denmark is to buy a heavy water moderated Plutotype research reactor from Britain. This is Britain's fourth order for nuclear reactors and this contract is valued at £1½ million. It will be fuelled with enriched uranium supplied by the United Kingdom Atomic Energy Authority and will be erected at the Riso Atomic Research Centre.

*

China produced 400,000 tons more steel in the first five months this year than in the corresponding period last year. In the same period, the output of rolled steel was 590,000 tons greater while pig-iron had an increase of 400,000 tons.

*

Scientists in the United States are working on methods of saving water by limiting its evaporation. They hope to use the "monomolecular film" method in which molecules of a compound, hexadecyl, are spread out over the surface of lakes, reservoirs and ponds much as a few drops of oil will spread over the surface of a puddle, thus greatly reducing evaporation.

*

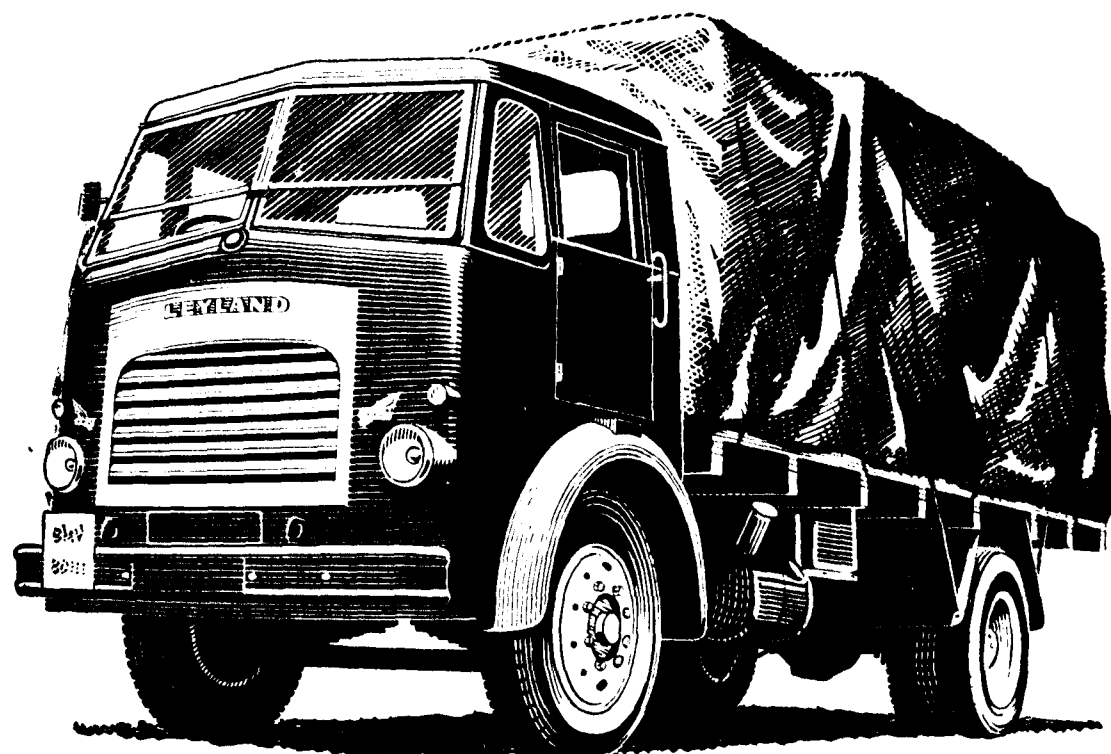
The Institute of London Underwriters has removed the remaining surcharge on War and Strike, Riot and Civil Commotion shipping risks on cargoes passing through the Suez Canal. At the height of the Suez crisis the surcharge was 10 shillings per £100.

*

Armour Research scientists in Chicago report development of a method of converting tree bark into an inexpensive and highly effective soil builder. The process would make use of material now burned or wasted in many lumbering and wood products manufacturing operations. Tests with greenhouse plants and field crops are said to have shown the products more effective in improving the soil and promoting plant growth than either peat moss or commercial soil conditioners.

*

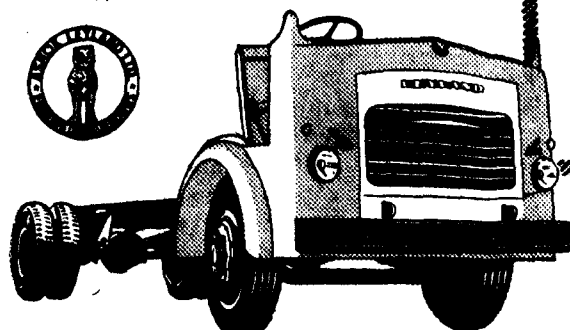
Three million tons of US surplus grain will be bought by Pakistan, it has been reported. The deliveries will be spaced over a period of three years. The grain will be bought with local currency, and the US will then loan the money back to the Pakistan Government for long-term development projects.



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Special Articles

EQUALIZATION OF COAL PRICE

(CONTRIBUTED)

THE equalization of the price of coal involves the equalization of the price of a unit of "useful" heat, which is not the same as equalization of the price of coal by weight alone. Unlike iron, steel or cement, coal is a heterogeneous natural substance containing varying degrees of diluents such as mineral matter, moisture, and oxygen. Even minor components such as sulphur and phosphorous, or the quality of some of the components such as the fusibility of the mineral matter or the coking properties of coal or the storage properties of coal, etc., are important and often crucial parameters for the selection of coal for industrial use. Coal is also produced in various sizes and is required for industrial purposes in different size ranges. Thus, there cannot be one price for a ton of coal at any rail head irrespective of the usefulness of the coal. What has to be equalized is the ultimate "useful value" of different qualities of coal at different rail heads of the country and this is a combination of several factors such as size, quality, and transport costs.

The price which the consumers pay for coal at their end includes freight, terminal and handling charges in addition to the pit-head value of coal. This price is termed the "Effective Price" of coal. The "effective price" of coal paid by the consumers between 1950 and 1953 in different regions of India is given in Table I.

TABLE I

"Effective Price" of Coal Per Ton (in Rupees)
(Average Figures for a State)*

States	1950	1951	1952	1953
West Bengal	20.90	20.36	20.62	20.13
Bihar	20.74	20.61	21.53	22.02
Orissa	22.73	21.35	21.37	23.04
Madhya Pradesh	25.22	24.53	25.69	27.18
Assam	33.28	34.20	32.71	37.99
Bombay	33.52	32.54	35.97	37.78
Punjab	29.21	29.51	32.39	28.93
Madras	40.70	37.35	40.44	46.54

It is evident that the States in the eastern zone paid Rs. 20 to Rs. 23 per ton in 1953 as against an average of Rs. 38 at Bombay and even Rs. 47 at Madras. The transport costs to some of the States exceeded the pit-head price of coal. This state of affairs was due mainly to the unbalanced regional production of coal and the transport of the better qualities of coal from the States of West Bengal and Bihar. The regional development of coal areas occurring in Madhya Pradesh, Andhra Pradesh, and the southern States, aided by technological preparation and upgrading of poorer quality of fuels occurring in these areas will largely, though not entirely, eliminate these discrepancies.

We may now examine the levels at which the price can be equalized if this still be the objective. Based on the census of manufactures, the "effective

*The Price of Coal—"The Eastern Economist" Blue Supplement Vol. II. No. 1. July 27, 1956.

all-India prices" paid by the manufacturing industries comprising 28 major industries during 1950-53 were as follows:

TABLE II

Effective All-India Price for Manufacturing Industry

	(Rs. per ton)
1950	24.2
1951	23.9
1952	25.2
1953	26.2

The manufacturing industries considered above consumed approximately 9 million tons of coal in 1953 and their consumption rates have remained more or less static over the last few years, though a general trend towards increase is evident.

The "effective all-India price" paid by the Railways, the largest individual consumer of coal in India (with annual consumption of the order of 12 million tons), was approximately Rs. 31 per ton in 1954-55. Since the price of coal in 1954-55 remained practically the same as in 1953 we may obtain an average all-India price level by combining the consumption of the manufacturing industries and the Railways. These consumers together account for the consumption of 21 million tons of coal per annum or approximately 60 per cent of the country's production. The effective price of coal for these sources can reasonably be taken as a reliable estimate of the overall all-India effective price of coal. Table III below shows that the effective all-India price of coal in 1956 was of the order of Rs. 32 per ton.

TABLE III

1. Manufacturing Industry:

(a) Coal consumption (1953)	9 million tons
(b) Effective price per ton (1953)	Rs. 26.2

2. Railways:

(a) Coal Consumption (1954-55)	11.5 million tons
(b) Effective price per ton (1954-55)	Rs. 30.9

Therefore Average effective price per ton for 1 and 2 combined	„ 29 approx.
Add price increase per ton (1956)	„ 3

Therefore Effective price per ton (1956)	Rs. 32
--	--------

The immediate effect of the equalization of coal price will be that the States lying at greater distances from the coal producing areas will increase their demands for coal resulting in an immediate shift in the pattern of coal consumption. This will automatically increase the transport cost element of the effective

price resulting in the price structure being equalized, say, at approximately Rs. 35 per ton. This price, it must be remembered, represents the average price of all the qualities of coal, the average quality of coal being of Grade II (21 to 24 per cent ash)*.

In order to calculate the price of different qualities of coal to be equalized at all rail-heads in India, we have to base the price of a "useful heat unit" on the price of Rs. 35 per ton of Grade II coal. Table IV below gives the effective price of coal for different qualities of coal.

TABLE IV

Grade	Useful heat units (B.T.U./lb.)	Rs. per ton
Selected — A	12,000	42.00
Selected — B	11,500	40.25
Grade — I	10,850	37.98
Grade — II	10,300	35.00
Grade — III A	9,000	31.50
Grade — III B	7,500	26.50

(Rs. 2.00 extra for washed coal divided by Rs. 1.5 for +1" coal)

It will now be seen that the all-India price for the lowest grades of coal (Grade IIIA and (B)) will be higher than the all-India effective price of coal in 1952-53. The new all-India prices are higher than the average effective prices prevailing for the average supply of coal in all States except Bombay and Madras, which, due to their distance from coalfields, have so far been supplied mainly with better qualities of coal from the producing areas. If the value of the higher grades of coal is taken into consideration, then the equalized prices for the higher grades even for the States of Bombay and Madras are not very different from the effective value of 1953. For all the other States the price of the lowest grade of coal will now be higher than the effective price of coal for an average of all the grades paid in 1953. With the development of the lignite resources of the South, the only State which may derive any benefit at all from this all-India equalized price structure will be the State of Bombay, if it restricts its supplies of coal to inferior grades only from the Madhya Pradesh coalfields.

The immediate effect will be nearly doubling of the effective price of coal in the States producing them. Since the extractive industries and the heavy industries are located mainly in the States producing coal and containing other mineral resources and since even the lowest grades of coal will now be nearly 1½ times as costly and the higher grades (which many of them require, e.g., for the iron and steel industry) will cost twice as much, it will have the immediate effect of considerably increasing the price of iron, steel and cement. The requirements of the Railways are mainly for selected grade fuels (90 per cent) and the 30 per cent increase in fuel costs plus additional haulage of coal will also lead to large increases in freight charges. This, in turn, will again lead to another increase in the equalized price structure of coal and set in motion the spiral of inflation in price structure which will be hard to combat, resulting not only in failure of what we intended to achieve for coal deficit areas, but also in completely upsetting the industrial production in the existing areas. Further, since the coal costs form approximately 50 per cent of the cost of generation of power, many industries (including the transport sector)

will now find it uneconomic to use poorer quality fuels and will instead demand high grade coals or oil.

The Railways are a major consumer of coal at present and will continue to be so for a long time to come and since the equalization of price of coal is primarily linked up with freight charges, the latter component being often higher than the pit-head value of coal, it is interesting to consider the effects of equalized price of coal on Railway economy. It will be observed that the all-India price of coal is not very different from the present effective price of coal for the Railways on an all-India basis. Thus, the freight cost for coal apparently has a direct relationship to the all-India costs. The break-up of the expenditure of the Railways for 1954-55 for coal is given below:

TABLE V

Item	Expenditure (1954-55) (Rs. Crores)
Cost of coal at pits' mouth	16.55
Cost of freight, handling, etc.	19.11
Total cost of coal	35.66
Coal consumption (million tons)	11.5
Therefore Price per ton at pits' mouth	Rs. 14.4
Price per ton (effective) 1954-55	„ 31.0
Present effective price per ton	„ 34.0

The Railways, however, require primarily selected classes of coal as the Railway locomotive is rather inefficient in the use of coal. The penalty for diluents such as ash is not pro-rata, but is of the order of 2.5 times for an increase in every one per cent of ash and moisture. The Railways have so far consumed coking coals of good quality and of high calorific value, but by 1960 they are committed to change over to non-coking coal. The non-coking coals have lower inherent calorific value, and therefore, grade for grade, the Railways will require one grade higher coal than they are receiving at present. In fact, the demand is for at least 90 per cent of selected grade coals.

Since the cost element on freight and handling is more than the pit-head value of coal, the Railways' primary objective in fuel economy is to reduce the lead as well as consumption of coal. The Railway policy to achieve this objective has so far been two-pronged. The first is to achieve regional self-sufficiency in coal, if necessary, by upgrading of coals such as those in the outlying coalfields and secondly, by electrifying the Railways as far as possible so that the haulage of coal is completely eliminated and lower grade coals can be converted, in situ, into energy required for traction. The cost element of coal in power generation is approximately 50 per cent. Thus, reduction in coal-costs will also have an appreciable benefit from the point of view of electrification of tracks and the overall fuel economy for the Railways.

On the basis of 90 per cent requirement of selected grade coal and assuming that 50 per cent of the coal will be washed, the overall effective price of coal under the new and revised structure will be about Rs. 42 per ton as against Rs. 34, in other words, an increase of Rs. 8 per ton, i.e., of the order of 25 per cent increase in fuel costs. As an alternative to this, the Railways will be compelled to suspend any programme for washing of coal or reducing the lead for coal and depend

mainly on supplies of good quality, naturally occurring, coal from the extreme eastern zone. Thus, they will be faced with the dilemma of increased lead and, in fact, will have to subsidize the extra cost of lead by increasing the freight on other goods.

In view of the need for heavy capital investment on the Railways for increased traffic, this will indeed be a retrograde step. The Railway Freight Enquiry Committee has already suggested an overall increase of 20 per cent on all freights. The increase in freight rates will automatically un-balance the equalized price structure of coal on an all-India basis and will set in motion a spiral of increase in freight rates and increase in the price of goods which can only end in chaos.

Above all, one has to remember the physical limitations in the freight-carrying capacity of the rail and

in order to offset this physical handicap, the average lead for haulage of coal has to be reduced at all costs. The transport capacity of the Railways can only be increased by reducing unnecessary haulage of requirements. The Railway policy in this matter is evident from the figures given below for the past five years, which show a decreasing trend.

TABLE VI

Year	Average Lead (miles) for Coal (Railway and Public Combined)
1951-52	252.3
1952-53	234.1
1953-54	242.6
1954-55	236.5
1955-56	224.0

HARIJANS OF UTTAR PRADESH

MAHATMA GANDHI gave the name of 'Harijans' (children of God) to the 'untouchable' castes outside the main Hindu caste system. In spite of nearly four decades of Gandhian dedication to the cause of Harijan welfare they still constitute an economic and social problem of the first magnitude—perhaps more an economic than a social problem. As an economic problem the Harijan problem is, in the main, one of landless agriculturists. Their poverty and backwardness as actual tillers of the soil are matters of general observation. Still a systematic statistical survey of their economic and living conditions would have greatly helped in spotlighting what is a blot on Hindu Society and in stirring the conscience of the upper caste Hindus. Surveys of this kind have been very rare, and this fact, therefore, enhances the value of an enquiry, carried out ably by the J. K. Institute of Sociology and Human Relations, Lucknow University, into the economic and living conditions of Harijans in Uttar Pradesh. This special article is based on the final report of this eminently worth while sociological survey.

The Survey was confined to the rural areas of Meerut and Lucknow districts and the urban areas of Lucknow and Kanpur—covering 13 villages and 2 towns in all and completed by the end of June, 1955. The sample families numbered 625 in all—180 in the rural areas of Lucknow district, 245 in the rural areas of Meerut district and 200 in the towns of Kanpur and Lucknow. The size of the sample may be taken as adequate in view of the circumstance that Harijans are known to be uniformly poor and down-trodden throughout the State of Uttar Pradesh.

The results of the survey are assembled in a nutshell in the tabular statement at the end. Although the statement should speak for itself, some elaboration here and there is necessary. This is done here with reference to the serial number concerned in the first column of the tabular statement. In the case of No. 3 (earning members in average family), it is found that nearly a third of the families in the rural areas of Lucknow and Meerut districts and nearly three-fourths of the families in the cities of Lucknow and Kanpur have only one earning member each and nearly half of the families in the rural areas of the districts concerned and a sixth of the families in the two cities have two members each.

In the case of Nos. 4 and 5 concerned with the age of marriage of males and females, it is found that nearly a fourth of married males in the rural areas

of Lucknow district and the cities of Lucknow and Kanpur and nearly half of married males in the rural areas of Meerut district are in the age-group 10-15 years and nearly half of married males in the rural areas of Lucknow district, about a third in the rural areas of Meerut district and four-fifths in the two cities are in the age-group 15-20 years. This is, for a variety of reasons, a distressing state of affairs. But the position in respect of married females is even more distressing. This position is that 14 per cent, 17 per cent and 25 per cent of married females in the rural areas of Lucknow district, the rural areas of Meerut district and the two cities respectively are in the age-group 5-10 years; 61 per cent, 65 per cent and 50 per cent respectively in the regions concerned are in the age-group 10-15 years; and only 18 per cent, 16 per cent and 19 per cent respectively in the regions concerned are in the age-group 15-20 years.

In the case of No. 6 (number of teetotaler-families), a particular breakdown has led to certain interesting findings. One finding is that regular consumers of liquor represent 56 per cent in the rural areas of Lucknow district but they represent only 19 per cent and 14 per cent of Harijan families respectively in the rural areas of Meerut district and in the two cities. Another finding is that those who drink liquor sometimes constitute 11 per cent, 33 per cent and 51 per cent of the families in the three regions concerned. Yet another finding is that those who consume liquor occasionally represent 25 per cent, 49 per cent and 29 per cent respectively in the three regions.

As regards No. 7 (the average number of meals per family per day), the Survey's finding is that 76 per cent of the families in the rural areas of Lucknow district and 83 per cent in the two cities of Lucknow and Kanpur have each just 2 meals per day while 22 per cent, 100 per cent and 11 per cent respectively in the three regions concerned have each 3 meals per day. An idea of the quantity and quality of food consumed by an average adult may be had from Table 41 of the Survey Report. According to this table, all the families in the rural areas of Lucknow district and the cities of Lucknow and Kanpur consume 18 oz. per adult of bread (chapaties) and all the families in the rural areas of Meerut district consume 20 oz. per adult of chapaties per day. Nearly 46 per cent of families in the rural areas of Lucknow district and all the families in the rural areas of Meerut district consume 3 oz. of pulses per adult per day while all the families in the two cities consume 4 oz. of pulses per day. As for rice, 44 per cent of families in the rural areas of Lucknow district and 20 per cent in the

* Ref: Report of Washeries Committee, Coal Board, 1954.

two cities consume 4 oz. per adult per day. It may be roughly taken that an adult Harijan consumes anything from 21 oz. to 23 oz. of food grains (cereals and pulses) per day. This fairly high consumption of food grains is not surprising because the Harijans, as manual labourers, have necessarily to eat that much particularly in the absence of other protective foodstuffs. The position in respect of these (vegetables, fats, sugar or gur and milk) is also known from the table. As for vegetables, 54 per cent, 52 per cent and 38 per cent respectively of all families in the rural areas of Lucknow and Meerut districts consume 3 oz. to 4 oz. per adult per day. Only about a fourth to a third of all families in the three regions take 1 oz. of fats per adult per day and about a third to half consume 1 oz. of sugar or gur per adult per day. As for milk, only 7 per cent of families in the two cities take 12 oz. per adult per day and no Harijan family in the rural areas takes milk. This is surprising in spite of the fact that nearly two-thirds of Harijan families in the rural areas possess cows or buffaloes. Which, perhaps, means that whatever milk is produced is sold and not consumed by the families.

The findings in respect of No. 9 (average land per family) are most revealing. That an average Harijan family possesses 1.2 acres in Lucknow district and 0.3 acre in Meerut district as against the all-India average of about 7.5 acres per agriculturist family is, by itself, a disquieting fact which explains the acute land hunger on the part of Harijan cultivators. The position in other States, more especially in the South Indian States which have larger concentration of Harijans, is, however, worse than in Uttar Pradesh where agricultural land was always more evenly distributed. Having so little or no land of their own, Harijans have either to work as tenants or wage-labourers. Any permanent improvement in the economic status of Harijans should necessarily involve their rehabilitation on their own land. This, however, is a far cry in spite of the Herculean efforts of Acharya Vinoba Bhave to get at least one acre of land for each Harijan.

As Harijan families have practically no assets other than some cattle and tiny bits of land (wherever they happen to possess it), most of them have to borrow at exorbitant rates of interest for their cultivation and consumption expenses. The figures of average rate of interest paid by them (No. 14 in the tabular statement) do not fully reveal the extent of interest-burden. Table 53 in the Survey Report shows that about 10 per cent of indebted families in Lucknow district and 72 per cent in Meerut district pay interest at the 20-25 per

cent rate and about 40 per cent and 20 per cent respectively in the two regions concerned pay interest at the 30-40 per cent rate. The poor Harijan has to lose both on the swings and on the roundabouts!

The monthly income of an average Harijan family in the respective regions is given as the last item in the tabular statement. The per capita annual income of Harijans would come to Rs. 78 in the rural areas of Lucknow district, Rs. 115 in the rural areas of Meerut district and Rs. 192 in the cities of Lucknow and Kanpur. These figures of per capita income of Harijans may be compared with the 1955-56 per capita national income of Rs. 272 at 1948-49 prices in all-India. This comparison is a better index of the economic poverty of Harijans.

Wallowing in such poverty as the Harijans do, they may be excused if they display here and there some signs of ingratitude even to honest social reformers. The least that they may expect is not to be socially discriminated against. But unfortunately the position in this respect continues to be largely what it has always been. Table 20 in the Survey Report is most revealing in this regard. It is found from this table that no Harijan family in the rural areas of Lucknow district is allowed by the high castes to sit on a common floor, to inter-dine, to enter the kitchen, to touch metal or earthen pots or to come into physical contact; no Harijan family is allowed even by the intermediate and low castes to do any of these things except to exercise the privilege of sitting on a common floor. It is the same story in the rural areas of Meerut district. Even in the cities of Lucknow and Kanpur just under 60 per cent of Harijans are discriminated against in most of the above respects by the high castes. The only redeeming feature in the cities is that only from 10 to 20 per cent of Harijans are discriminated against by the intermediate and low castes in these respects. The findings of the survey in the matter of social discrimination against the Harijans are as disquieting as those regarding their monthly incomes. To continue to practise social discrimination against these poorest of the poor would be to add insult to injury. The economic rehabilitation of the Harijans will inevitably take a fairly long time in view of the general poverty in the country as a whole. These "children of God" are not basically so unreasonable or unwise as to go with the Communists everywhere in India, and the possible total absence of social discrimination against them pending their permanent economic betterment may well be consoling to these souls in (what may be called historically-derived) agony.

POSITION OF HARIJAN FAMILIES IN U.P.

	Rural areas of Lucknow District	Rural areas of Meerut District	The Cities of Lucknow & Kanpur
1. Average size of family (Persons)	5	5.4	4.5
2. Number of illiterates (Per cent)	33.4	89.8	74.8
3. Earning members in average family	1.8	2.03	1.19
4. Age of marriage of males (years)	17	15.1	17.7
5. Age of marriage of females (years)	13.3	12.7	12.6
6. Number of teetotaler families (per cent)	8.3	nil	1.5
7. Average number of meals per family	2.2	3	2.2
8. Average cloth consumer per head per year (in yards)	16	21.9	12.6
9. Average land per family (in acres)	1.2	0.3	—
10. No. of families possessing bullocks (per cent)	68.8	28.1	5.5
11. No. of families possessing cows or buffaloes (per cent)	61.1	65.6	—
12. No. of indebted families (per cent)	73.3	93.9	75.0
13. Average debt per family (rupees)	196	662	228
14. Average rate of interest paid (per cent)	22	25.2	17.8
15. Monthly income of average family (rupees)	32.7	51.6	71.9

Economic Report from the U.S.

DEBATE ON "TIGHT MONEY" POLICY

(By GUY SIMS FITCH)

WASHINGTON, July 2.—Somewhat surprisingly in the midst of prosperity, the financial policies of the United States have become an important public issue. How well do they fulfil the nation's requirements of economic growth and stability? Actually, this issue has been coming to a head for some time. Earlier this year, President Eisenhower suggested that Congress authorise a non-partisan commission "to conduct a broad national inquiry into the nature, performance and adequacy of our financial system."

Such a commission has not been authorised. Instead, an inquiry has been launched by the US Senate's Finance Committee, and it was inevitable that this inquiry would take on political overtones. After all, it is a legislative committee controlled by Democrats that is taking a hard look at policies administered by Republicans. It would be a mistake, however, to view the hearings merely in the terms of a partisan political debate. The fact is that the inquiry, now in its third week, is bringing to public attention questions that have been occupying the thoughts of economists for some time.

Under particular scrutiny is the matter of "tight money". Retiring Treasury Secretary George M. Humphrey, Chief Administration spokesman at the Committee hearings, has strongly backed this policy of the Government. His argument has been that creating more credit and money would only increase the total demand for goods and services in the thriving US economy without adding materially to the supply.

The Committee's most vocal critic of the Humphrey thesis has been Democratic Senator Robert S. Kerr of Oklahoma, himself — as is Secretary Humphrey — a business man of substantial means. Speaking for those who find fault with the "tight money" philosophy, Kerr has described it as harmful and uneven in its impact. According to this view, tight money makes things more difficult for ordinary borrowers and small business men. It adds to the cost of Government by raising interest charges on financing; and it may even force prices higher since interest rates also constitute a cost item in doing business.

This conflict of theories is further complicated by the fact that the current and rather mild US inflation does not appear to be following classical lines of too much money chasing too few goods. True, prices are rising and money is in great demand. But goods in most industries are in adequate supply, and the rate of economic expansion has been slowing down a bit. To some observers, this slowing-down foreshadows an easing of inflationary strains in the wake of the Government's policy of restraint.

It should be noted that Secretary Humphrey is no more irrevocably wedded to tight money than are his

critics to easy money as a national policy. Both have indicated support for a "flexible" policy to be applied as circumstances warrant. Thus, it is entirely possible that in the end this majority of the Committee will find tight money has indeed been the policy to be applied under the prevailing economic conditions. So far, the inquiry is only in its opening phase. It still has many more weeks to go, and many more witnesses will be heard. But even at this early date, it is being likened to the sweeping investigations of 1908 and the 1930's, which led to basic reforms in the nation's financial and banking machinery.

There is, however, a significant difference. Unlike those earlier investigations, the present inquiry is being conducted in a period of sustained prosperity and not as a result of either a financial crisis or depression. Post-war experience has shown the financial structure of the United States to be sturdy and sound. The present inquiry, by subjecting it to close inspection now, will help make sure that no serious trouble-spots appear.



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THE NEW INDIA ASSURANCE CO., LTD.

Speech by Mr. Ambalal Sarabhai at the 38th Annual General Meeting held on 26th June, 1957.

Addressing the Shareholders at the Thirty-Eighth Annual General Meeting of the New India Assurance Company Limited, on 26th June, 1957, Mr. Ambalal Sarabhai said that 1956 had been a very difficult year for the Indian General Insurance business. Nationalisation of Life Assurance gave a rude jolt to the base of every composite company leading to a severe dislocation of the entire organisational set-up. A complete reshuffle of the organisation and realignment of the administrative patterns was an uphill task for all the units, but particularly so for those with a large Life portfolio—like the New India.

Mr. Ambalal Sarabhai observed that in order to explore and utilise the vast potential which existed in the field of General Insurance in India, it was absolutely imperative to have a well-organised and integrated General Insurance Market, composed of strong indigenous units, having high administrative standards and capable of rendering efficient service. The procurement cost had also to be brought down so that premium rates could be made more attractive. The Industry had made vigorous efforts, through self-discipline and self-denial, to eliminate wasteful competition. Till now, reliance was mainly placed on publicity and fear of public criticism but without satisfactory results.

CODE OF CONDUCT

The Executive Committee of the General Insurance Council, therefore, introduced a revised Code of Conduct, earlier this year. Mr. Ambalal Sarabhai thought that if the Code were properly supported by the members and enforced by the Executive Committee, it should put the General Insurance Industry in India on a sound and healthy basis.

The basic idea behind the Code is that rebates should stop, and procurement and administrative costs should be reasonable and within legal limits.

SATISFACTORY PROGRESS

Reviewing the working of the Company, Mr. Ambalal Sarabhai expressed his satisfaction that the Premium income of the Company touched a new high at Rs. 5.64 crores in 1956, representing a marked improvement of about Rs. 66 lakhs over the previous year. This, he felt, was particularly commendable in view of the fact that operations of the Company were adversely affected by the nationalisation of Life business, which completely disrupted its organisational set-up, and other factors like the reduction in premium rates for two consecutive years, and loss of more and more business to the Pool and Syndicates. The Miscellaneous Department played an outstanding part in stepping up the Premium income of the Company in 1956. Its Premium income, at Rs. 1.44 crores, showed a marked rise of Rs. 35 lakhs, as compared to a rise of about Rs. 15 lakhs recorded by both the Fire and Marine Departments.

On the disbursement side, claims increased by 1.7 per cent to 50.6 per cent, while Commission, Expenses and Tax Ratio remained constant at 33.0 per cent. The profits, inclusive of interest earnings of the Departmental Funds, amounted to Rs. 43.9 lakhs, maintaining the level reached in 1955. As a result of the year's operations, the Departmental Funds stood at Rs. 4.45 crores as against Rs. 4.11 crores in the preceding year.

The overall result of the operations in 1956 led to a further strengthening of the financial resources by Rs. 52.9 lakhs. The Capital and Reserves stood at Rs. 7.60 crores.

COMPENSATION

Referring to the compensation available to the Company under the Life Insurance Corporation Act (Rs. 48,72,443) and under the Life Insurance (Emergency Provisions) Act, (Rs. 1,50,983), Mr. Ambalal Sarabhai said that the Company had referred the compensation under the Life Insurance Corporation Act to the Tribunal constituted under the said Act. He felt that the Company was also entitled to higher compensation under the Life Insurance (Emergency Provisions) Act. Regarding the issue of one fully paid-up bonus share of Rs. 15 for every three shares held, he informed the Shareholders that the Directors were pursuing the matter with Government.

Note: This does not purport to be a record of the proceedings of the annual general meeting.

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The Business World

RESERVE BANK AND SELECTIVE CREDIT CONTROL

By
(CROESUS)

IT looks as though the Reserve Bank has chosen not to remain any longer so reserve as heretofore. Exactly three months after assuming office as Governor of the Reserve Bank of India—that is last Monday, to be precise—Mr. H. V. R. Iengar created a new precedent by inviting Press men to tea at the Bank and talking to them about the background of a recent action taken by the Bank, namely, the issue of a directive to all scheduled banks, as also some of the big non-scheduled ones, to withhold finance for excessive holding of stocks of sugar and to bring down their present advances against the commodity. This is nothing new, being only one more of the selective credit controls which the Reserve Bank has been exercising for quite some time now and, it may be added, not without some good effect. A candid talk to Press men occasionally like this is a refreshingly welcome departure. Although one cannot expect the Reserve Bank altogether to shake off its traditional reserve, if only to justify its appellation, one knows one can now approach the authorities of the Bank at times and be assured of reasonable response by way of elucidation of issues or clarification of doubts.

On the present occasion, Mr. Iengar did no more than invite pointed attention to certain already published information, such as the rate of developmental expenditure, the rising price trend, the expansion in bank credit, and the decline in the country's foreign balances, but, by doing so, he helped the Press to understand the significance and implications of all the relevant statistical data. Thus, he was able to impress on the Press men, whose duty it is to disseminate to the public at large accurate information, especially on such vital problems, that the authorities are fully seized of the prevailing economic health of the country and, what is more, also adequately equipped to deal with any unhealthy development that may develop. It was, for instance, reassuring to hear from the head of the Reserve Bank—from the horse's mouth, as it were—that, according to the best judgment of the authorities, the situation today, though not permitting of complacency, is nothing to be alarmed about and that we are certainly not in the beginning of any dangerous inflationary era.

According to Mr. Iengar, while it is true that prices of all commodities taken together have risen over last year this time by 9 per cent and over June, 1955 by over 28 per cent, the rise under manufactures and miscellaneous items has been negligible; indeed, as compared to the June, 1955 prices, prices of miscellaneous commodities actually show a small decline. On the other hand, there has been a sharp rise in the prices of food articles and industrial raw materials, and this despite an increase in production over last year. Notwithstanding this increase, food grain production has been still below the peak of 1954-55, thanks to natural causes, the effect of which, coupled with the increase in population, more than offset such improvement in agricultural production methods and technique and such increase in acreage, in particular under irrigated area, as has taken place. Once again, Providence has proved that Indian agriculture is a gamble in the rains. But the authorities hope that this year's monsoon will not be so erratic as the monsoons of the last two years, and if this hope is not belied, the food price front, they say, should not cause undue anxiety.

Even otherwise—and, this speaks for the robust optimism of the authorities—the position can be faced, thanks to the experience gained in the past and the better preparedness of the authorities today. The administrative machinery, which had not been geared up to face the impact of the large developmental outlay of recent years, is undoubtedly in a better position now to tackle the problem, we are told. Between the first year of the first Plan (1951-52) and the current budget year (1957-58), it may be added here, development expenditure has risen from Rs. 259 crores per year to as much as Rs. 900 crores and, surely, this must have its impact on prices. But what matters more than the extent of a given rise in prices is whether the economy can absorb the rise. The Reserve Bank has an efficient research department which collects and collates all the requisite data to enable the authorities to keep a watchful eye on the economic health of the country at any given time.

It is no doubt this constant vigilance that has prompted the authorities of the Bank to be so concerned about the sharp rise in bank credit in recent years. The whole pattern of bank credit has changed now. Until as late as 1953-54, the normal feature used to be for Bank credit to record an increase during the busy season (November-April) and a corresponding, if not larger, decline in the succeeding slack season. In 1953-54 and in the years that followed, due, of course, to the steadily increasing development expenditure, this trend came to be reversed, while, in the years 1955-56 and 1956-57, instead of a return of the advances to the banks, there was actually an increase in bank credit even during the slack season. The causes for this trend are obvious, and it is imperative to arrest, if not reverse, this trend again to the healthier pattern of past years, if unwholesome consequences are to be prevented. If even in the slack season moneys advanced by banks do not return, the inevitable further expansion during every busy season would have to be on an already expanded credit base of not the preceding busy season but of the immediately preceding slack season, which would result in serious complications eventually. Hence no amount of vigilance in this behalf can be said to be too much. But saying this is not to admit that the latest dose of selective credit control on advances against sugar was quite warranted. In the considered opinion of those who can speak with knowledge and authority on this subject, this decision only reflects undue panic on the part of the Bank.

It is true that advances against sugar have risen and, contrary to the usual seasonal decline, recorded a further rise in the first fortnight of June. It is also true that this has happened in spite of the production of sugar in the current year (1956-57 season) having gone up by about two lakh tons above the previous season's output. But one has to enquire whether there are not other factors which have been operating to offset the effects of increased production and to make for a deviation from the usual trend, before rushing to take any action as the authorities seem to have done now. Personally—and this I make bold to say, after discussing the question with a number of persons, who, though connected with sugar interests, are able to speak without any bias—I feel that sufficient note has not been taken of these factors, the more important of which are as follows:

(i) The usual trend was upset this year by the May Budget. For, fearing a further increase in the excise duty on sugar, until the budget proposals were published, dealings in sugar were naturally put off to avoid post-budget wrangles as to who should bear the increase in duty, which explains why, unlike in May, 1956, there was a fall in the level of bank advances against sugar in May, 1957. But, thereafter, dealings were resumed and prices went on rising seemingly beyond even the point at which these could be said to have wholly absorbed the higher excise duty. At this point, it is necessary to enter a caveat. The comparison now being made is rather misleading, because it is between sugar prices immediately preceding the budget and those following the budget. Immediately prior to the budget, it should be remembered, prices were at very low levels, having declined perceptibly from those prevailing a few months earlier. If the present prices are compared with these latter prices, it would be found that these (the present prices) are not, after all, very much higher than what the increased incidence in the excise duty warrants.

(ii) The crushing season this time was spread over a larger time than usual, as the industry wanted to maximise sugar output and assist the authorities in their export promotion programme. Needless to add, the larger the crushing season, the greater the need of bank credit.

(iii) Sugar supplies are governed by periodical releases by the Government itself. So long as such releases also got priority in regard to rail movement, immediately after the announcement of each release, prices used to settle down to reasonable levels. Apparently the authorities still think this position is unchanged. For purposes of record, if not for their in-

formation I don't think they need my telling them—it may be stated here that sugar interests are neither getting an adequate number of wagons nor a sufficiently high priority for moving sugar. Because of food grain scarcity food movements are naturally given the topmost priority and, in the absence of sufficient wagons, the railways have gone to the extent of even suggesting movement of sugar in open wagons! One thought it was bad enough their suggesting open wagons for cotton movement. Be that as it may, in view of this delay in sugar movement, there is avoidable delay in the receipt of R/Rs. and, until these R/Rs. are received, wholesalers in sugar cannot draw on their clients and repay their banks. The same difficulty operates in respect of exports also, where, until the sugar is loaded and the bill of lading is got, the exporter cannot repay his bankers the advances against sugar that he may have obtained.

But for these abnormal factors, it is highly doubtful if advances against sugar would have stood at the high levels at which they are standing now, after making due allowances for the relatively larger amounts needed to finance the increase in production of about two lakh tons. Surely an increase of Rs. 5 lakhs in the monthly average advances against sugar for the quarter April-June of 1957 over the corresponding quarter of 1956 cannot be regarded so abnormal as to warrant all this ballyhoo. Nevertheless, I feel convinced that, broadly, the authorities have done the right thing in keeping as vigilant an eye on the rising price situation as they are doing and in being adequately armed to deal with any eventuality. This, however, is the least insurance that is expected of the monetary authorities, especially of an underdeveloped country pitted against the impact on its economy of large developmental expenditure.

A Letter to the Editor

EAST GERMAN TRADE WITH INDIA

Sir,

We beg to refer to the statistics in your journal. We have found that incorrect figures have been published as regards trade between India and the German Democratic Republic. We suppose that the figures were derived from Customs Statistics.

We have informed already the Ministry of Commerce and Industry, Government of India, that the cause of these mistakes is the fact that a part of our exports and imports appears in the statistics of West Germany's trade with India since certain consignments of our country to India are despatched through Hamburg.

We take the liberty of giving you the correct figures relating to our trade with India for your information.

I. Export from the G.D.R. to India.

(a) January 1, 1955 to Dec. 31, 1955	Rs. 15,400,000
(b) " " 1956 to " " 1956	" 27,854,000
(c) " " 1957 to March " 1957	" 5,766,000
(d) " " 1956 to " " 1956	" 1,871,000

II. Import from India to G.D.R.

(a) January 1, 1955 to Dec. 31, 1955	Rs. 6,476,400
(b) " " 1956 to " " 1956	" 16,716,000
(c) " " 1957 to March " 1957	" 5,490,000
(d) " " 1956 to " " 1956	" 2,000,000

Yours faithfully,
M. RUDOLPH

Trade Representation of the
German Democratic Republic
in India, New Delhi.
July 1, 1957.

[The error is regretted.—Ed.].

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

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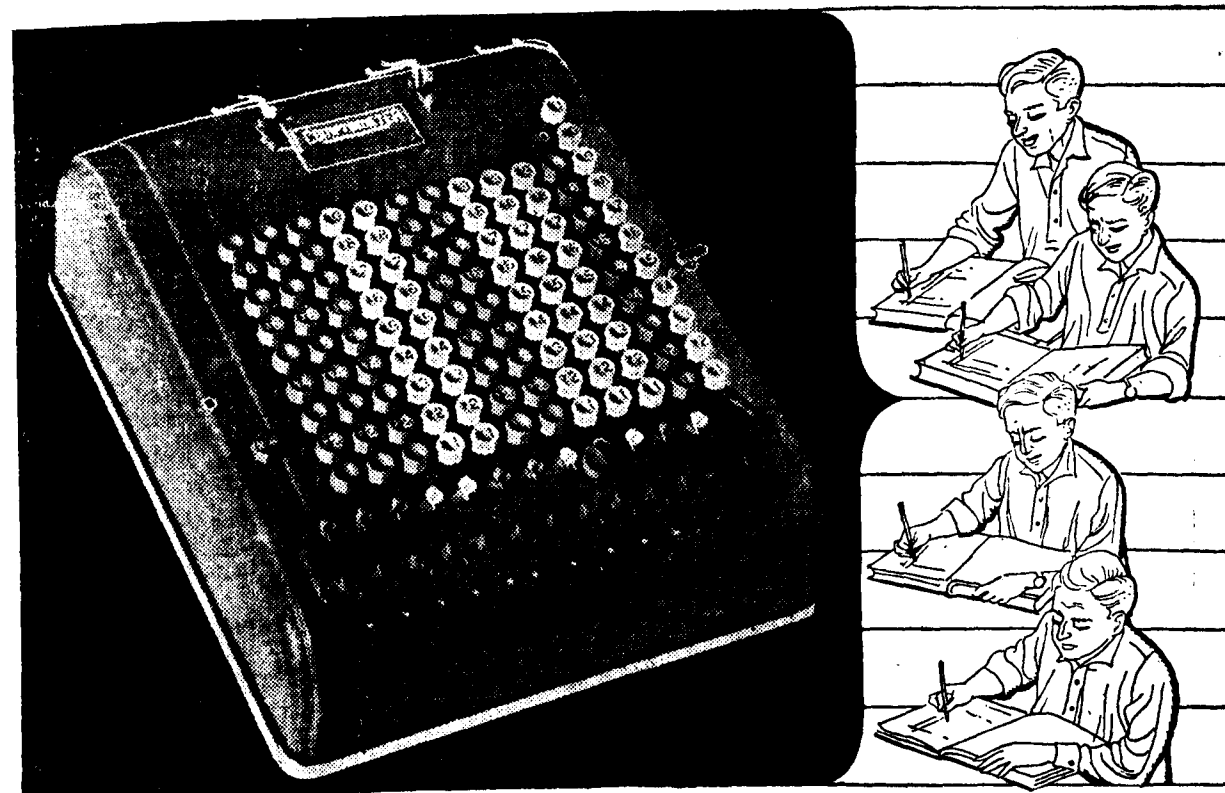
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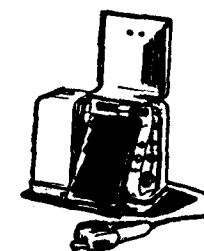
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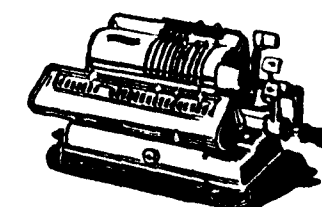
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BUSINESS NOTES

AUSTERITY IMPORTS

THE IMPORT policy announced for the current quarter, July-September 1957 could not be anything other than one of strict austerity. With our sterling balances leaving a nominal margin of hardly Rs. 67 crores above the minimum currency reserve of Rs. 400 crores, Government had no option left but to issue an appeal for tightening the belt. Nevertheless, the wheels of the economy are to be greased in essential particulars. Import requirements of export industries have been given special attention in licensing. Capital goods and raw materials are on the permissible list of import licensing. Care has been taken, however, to emphasize that no general relaxation can be granted in respect of the terms of deferred payment which have been attached to the import of capital goods. Steady progress is being made in setting up institutional arrangements to secure deferred payment facilities and one major principle which will be observed is to ensure that the liability will be discharged when it falls due. All this does not imply that the actual flow of imports during the current quarter will be slender. Outstanding licences are estimated to be worth Rs. 435 crores—Rs. 300 crores for capital goods, Rs. 120 crores for essential goods and Rs. 15 crores for raw materials. Precision is lacking in this estimate of the liability of foreign exchange which has been incurred already. Nevertheless, the quarter's import policy had naturally to take account of the outstanding licences.

In essence, this quarter's import policy is experimental. The period of experiment could be reduced to three months by reason of the fact that a decision has been made to change the six-monthly licensing periods from the calendar year to the financial year in order to bring import policy and procedure into closer alignment with policy on foreign exchange control. Open General Licences have been abolished for the current quarter except in so far as they relate to perishable edibles in the Indo-Pakistan border trade as incorporated in the bilateral agreement between the two countries. Quotas for established importers, too, have been abolished. These radical measures have been taken on the plea that sufficient stocks of necessary commodities and of consumer goods which contained a good element of import exist in the country. These measures are fraught with consequences which will need to be watched with the greatest care. Action has been taken by means of a fresh order to bring more items on the list under the Essential Commodities Act and another order has been issued calling upon distributors to declare stocks of specified commodities as on June 30 last with an additional obligation to make a similar declaration every month. Experience should underline the fact that a gulf usually lies between statutory powers and their enforcement in day-to-day administration. The inflationary risks involved in a policy of austerity imports which puts a virtual ban on consumer goods are happily limited to a short period. But market trends, granting the existence of stocks in hand, will demand careful analysis. All these factors will be weighed when import policy for the next half-yearly period—October 1957 to March 1958—comes to be formulated.

'VIA MEDIA' MADRAS

UNLIKE THE Finance Ministers of Mysore and Bombay who have left the entire deficit of their respective States uncovered, Mr. C. Subramaniam, the Finance Minister of Madras, has come out with a proposal for additional taxation, though only to cover a part of the total deficit of the order of Rs. 4.83 crores. It was hoped fondly as it has since transpired — that the Madras Finance Minister also would follow the example of his

Mysore confrere in regard to Agricultural Income-tax and leave the rates thereof unchanged. Evidently he seems to have preferred to follow a 'via media' course as between the non-Congress Kerala Government, on the one hand, and other State Governments, such as those of Mysore, West Bengal and Assam which are also specially interested in plantation industry, on the other.

The revised budget estimates for 1957-58 presented last week-end to the Madras Legislature put the revenue of the State for the year at Rs. 56.49 crores (at the existing levels of taxation) and the expenditure at Rs. 61.32 crores, thus leaving a deficit of Rs. 4.83 crores. As already stated, the Madras Finance Minister has chosen to cover a portion of this deficit by certain readjustments in the rates of General Sales tax and by raising the level of Agricultural Income-tax on plantations. As a result of the former, Mr. Subramaniam expects an additional revenue of Rs. 170 lakhs over a full year, but only Rs. 125 lakhs in the current year, whereas his second proposal is expected to yield an income of only Rs. 25 lakhs per annum. One wonders whether for just this small amount the Finance Minister was justified in creating the psychological unrest among the plantation circles that he has done.

Even as between both his proposals, Mr. Subramaniam expects to get no more than Rs. 1.50 crores. Thus, if he cared to afford to leave a deficit of as much as Rs. 3.33 crores uncovered, one fails to see the compelling logic of his new imposts which are more or less of a nominal nature with hardly an appreciable fiscal benefit. Anyway, like his Kerala counterpart, Mr. Subramaniam also has singled out for his additional imports plantations — an industry which is already reeling, in all conscience, under the present impact of heavy increases in wages. It must be added, however, that the companies must be thankful for small mercies, inasmuch as no slab system has been incorporated into the Madras scheme, which should benefit especially the larger companies.

CHALLENGE TO TEXTILE MILLS

THE CALL to the Indian Textile Mills to improve their production techniques made by Mr. Neville Wadia, Chairman of the Cotton Textile Export Promotion Council, at the third annual general meeting of that body last week, is as realistic as it is urgent. For, it follows a thorough analysis of the trend of our textile exports over the past three years, vis-a-vis the international trade in cotton textiles. After quoting the relevant figures, (which are produced in the table below) Mr. Wadia posed the question: what is to be learned from these figures? And his answer was: "It is simply this—that our competitive power lies only in the fact that we grow our cotton and that its price is the main factor which helps us to export at all. The coarser we go, the more competitive we become. In fine, we are hardly competitive at all in fine and superfine. Even our processing is comparatively uneconomical, otherwise there would not have been such a marked decline in the export of finished goods. These facts must be faced and our policies and actions must be guided by them".

Now against this background, it is necessary to examine the steps that are required to be taken. Mr. Wadia's suggestion in this behalf was: "Firstly, we must do all in our power to improve our production techniques, both from the point of view of quality and of becoming more economical. All possible steps should, therefore, be taken to install as quickly as possible the 18,000 automatic looms sanctioned for expansion for export. Unfortunately, little progress, if

any, has been made since the announcement over a year ago and I would like to suggest that the Textile Commissioner should sit down with those who have been given licences and settle all the outstanding points without further delay". In this connection, Mr. Wadia was of the opinion that imports of automatic looms and many finishing machines, the production capacity of which is still insufficient to demand, must be allowed and in order to pay the foreign exchange involved, he commended the second of the two alternatives suggested by the Government of India on March 30, 1957 for the import of capital goods.

Proceeding, Mr. Wadia made the interesting disclosure that, if India can improve her production techniques and competitive capacity, she can earn anywhere up to 25 per cent extra foreign exchange. He also holds the view that the fine count mills in our country should make a determined effort to find markets abroad for our cotton textiles. In his opinion, which cannot certainly be brushed aside lightly, the fine counts section of the Indian cotton mill industry has taken comparatively little interest in our export trade so far, and it behoves them, therefore, to come forward and help earn foreign exchange by increased exports of our textiles. This is a time when the country needs the effort of everyone. Mr. Wadia certainly knew what he was talking about when he said: "These mills will be surprised to know to what extent their efforts to expand can be rewarded". In view of this, these mills cannot afford to be complacent any longer. Even from their selfish point of view, they would be failing themselves, let alone in their duty to the country, if they do not make amends for their lapses so far in not having made known to the markets of the world how vastly improved Indian production in fine and superfine cotton goods has become. This is a sporting challenge to them which they must accept in good grace and with all sincerity.

Year	(In Million Yards)		
	International Trade in cotton textile	Exports from India	Percentage of our exports
1954	5,170	898	17.36
1955	4,556	815	17.89
1956	4,400	744	16.91
	(Estimated)		

SMALL INDUSTRIES CORPORATION

THE ADMINISTRATION report of the Small Industries Corporation for 1956-57 is revealing in one or two respects. One of the functions of the Corporation was to give assistance to small units to participate in an increasing measure in the Stores Purchase programme of Government. The idea was since improvement in technique and quality of production in the small industries sector is a gradual process, it can best be sustained by working on assured orders. Hence immediately after its formation, the Corporation set out to negotiate and formulate a working agreement with the D.G.S. & D., the largest purchasing organisation of the Government. The report reveals how in actual practice inadequacy of finance, inefficient methods of production and weak organisation of the small-scale units on the one hand and the rules and regulations in force in the Directorate-General, Supplies and Disposals on the other made the task extremely difficult. After negotiations carried on continuously, a procedure was adopted with the approval of the D.G.S. & D. which allowed a certain amount of relaxation in the rules so far as purchase from small units was concerned. But the procedure again did not prove satisfactory in actual working as seen from the fact that since the introduction of the informal arrangement with the D.G.S. & D. the Corporation dealt with 118 tenders till the end of March 1957 out of which it was successful only in respect of 10 items valued at Rs. 580 lakhs. Another revealing fact was the Corporation was forced in many

cases to compete with small scale units borne on the approved list of D.G.S. & D. which put the Corporation in an embarrassing position vis-a-vis the small scale units borne on the list of D.G.S. & D. The report goes on to point out how after a detailed examination of the position by an American expert, the Government has evolved a new procedure for purchase of stores from small-scale industries. Consequently, the Corporation has set out to reorganise its Government Purchase Division to fit into the pattern of the new procedure and scheme and small scale units desirous of participating in the Government's new purchase procedure have also been required to furnish the necessary particulars. It is to be seen how the procedure is going to work and how far the small industries sector as a whole will ultimately benefit.

The report also brings out the problems to be faced in the export of small-industries' products. It bluntly states that the lack of assurance of quality of their products retards the possibilities of their export despite their prices being extremely competitive. A matter of considerable interest, however, is the development of an Export Section in the Marketing Division which has started operating with an order for three lakh pair of shoes to Russia. The context in which the order was placed and the subsequent developments read like a veritable story. The report points out how the order had been undertaken without having set up the necessary organisation to handle this work and there was no machinery to look after the production, inspection, storage and payment to the small-scale units. The producers of footwear in the country did not seem to have the necessary experience to fabricate footwear to set standards. The first inspection of shoes by the Russian inspector, according to certain standards of the West, proved to be discouraging, resulting in an initial setback to bulk production. The Corporation at a particular stage had to take a spot decision with a view to encouraging the small units to continue to produce, by agreeing to purchase on its own account all that was accepted by their specially recruited inspectors. However, the report records with satisfaction that the Russian inspection has brought up the quality and standard of production of footwear in the country to a considerable extent. Not only that, the effect of the Russian order on the small-scale footwear industry shows that it has resulted in doubling of production of quality shoes in the main producing centres. There has also been a relative increase in both employment of labour and profits of small units in the area. This is good performance indeed.

NEW INDIA TOUCHES ANOTHER PEAK

MR. AMBALAL SARABHAT'S presidential speech at the last annual general meeting of the New India Assurance Company Limited, which appears elsewhere in these columns, gives a gist of the financial working of the company during 1956. The conclusion which easily strikes the reader is that New India has maintained its tradition of sound under-writing policy and progressive working of business.

The premium income of the company touched another new peak in 1956 at Rs. 5.64 crores or Rs. 66 lakhs above the previous year. Considering the upsets caused by nationalisation in the structure of this composite company, this performance is undoubtedly creditable to the management. Of the increase of Rs. 66 lakhs in the premium income registered last year, Rs. 35 lakhs was the contribution of the Miscellaneous Department and Rs. 15 lakhs the contribution of the Fire and Marine Departments. There was an increase of 1.7 per cent under the head of claims pushing the actual percentage to 50.6. Profits including earnings from interest were of the order of Rs. 43.9 lakhs and maintained the level of the previous year. Financial resources were further fortified by Rs. 52.9 lakhs. Capital and Reserves reached Rs. 7.60 crores. The question of the issue of Bonus Shares is under negotiation with the Government.

COMMODITY NEWS AND NOTES

RECORD SUGAR OUTPUT EXPECTED

It is estimated that the total availability of sugar during the year will be 25.8 lakh tons, including, 5.3 lakh tons carried over from the previous year. Sugar production in India in 1956-57 totalled 20.5 lakh tons—a record figure since 1947, according to an official release. Production in 1955-56 was 18.6 lakh tons. The sales made for export up to June 17, 1957 amounted to 1.42 lakh tons of which about 50,000 tons have been shipped so far. It is estimated that the year will close with a carry-over of more than 4 lakh tons, which means that the supply position will continue to be comfortable.

The production and despatches of indigenous sugar amounted to 20.02 and 13.23 lakh tons up to June 15, 1957, in the current season against 18.25 and 10.18 lakh tons respectively in the corresponding period of the last year. The stocks with the factories on June 15, 1957, stood at 12.01 lakh tons, as compared with 12.16 lakh tons last year.

STANDARD SPECIFICATION FOR COIR FIBRE

An Indian Standard specification for coir fibre has been published by the Indian Standards Institution. The Standard takes into account existing trade practices of grading the coir fibre. Of the three characteristics of the coir fibre, namely, colour, percentage of impurities and the length of fibres, colour is considered the most important factor in determining its grade. The standard specification is that the colour of the fibre should be evaluated by comparison in the boxed coir fibre standards. The boxed coir fibre standards, containing nine specimens of fibres, white, bright natural, natural, light red, reddish, greyish, dark red and dark grey standard colours are held in the custody of the Coir Board.

MINIMUM PRICE FOR COCONUT OIL

The Government of India have rejected the Central Coconut Committee's proposal for fixing a minimum price for coconut oil since it has felt that this is not the appropriate time. A special sub-Committee of the Indian Central Coconut Committee had recommended that a minimum price of Rs. 1,425 per ton be fixed for coconut oil and this was forwarded to the Government of India for action.

ALL-INDIA FINAL ESTIMATE OF DRY CHILLIES

The All-India final estimates of dry chillies for 1956-57 puts the current year's area and production at 1,450,000 acres and 354,000 tons, as against the partially revised estimate of 1,490,000 acres and 355,000 tons respectively for 1955-56. This shows a decrease of 40,000 acres or 2.7 per cent in area and 1,000 tons or 0.3 per cent in production over last year. The decrease in area and production has been shared by Andhra Pradesh, Bombay, Mysore, Punjab and Madhya

Pradesh, and has been attributed generally to the unfavourable climatic conditions during the current year as compared to the previous year. This decrease has, however, been offset to some extent by the increases recorded by Bihar, Rajasthan and West Bengal.

EXPORT POLICY FOR MANGANESE ORE

The following concessions and modifications have been announced by the Government with regard to the export of manganese ore: Manganese ore moved to the ports against current quotas up to June 30, 1957 will be permitted to be shipped up to August 31, 1957, on an 'ad hoc' basis, provided that it is provided to the satisfaction of the Export Trade Controller concerned that shipment is to be made against contracts entered into before March 31, 1957. The minimum percentage of low grade ore (42 per cent and below, manganese content) will be reduced from 60 per cent to 40 per cent. This condition will not be insisted upon in the case of small exporters whose quota for the period July 1957—June 1958 works out to 1,500 tons or below. Mineowners, whose quotas during the period July 1956—June 1957 was 3,000 tons and below, will be given the choice to claim their quota for 1957-58 on the basis of 60 per cent of their actual exports in 1955 or 1956 or 75 per cent of their quota during the period July 1956—June 1957.

COCONUT OILCAKE RELEASED FOR EXPORT

The Government of India have reviewed the export policy for coconut oilcake and have decided to release a quota of 5,000 tons for export by all shippers during the half-year July-December, 1957. Detailed licensing procedure is being notified by Export Trade Control authorities at the ports.

OUTPUT OF IRON ORE

The output of iron ore in India during April 1957 was estimated at 392,476 tons. The production in March was 406,816 tons. The returns received by the Chief Inspector of Mines in India from 128 mines during April showed that 285,208 tons were despatched to iron and steel plants and 82,300 tons to the export market. The iron ore stocks at the end of April amounted to 1,410,304 tons.

FINAL ESTIMATE OF TUR, 1956-57

The all-India final estimate of tur, 1956-57, puts the current year's area and production at 5,696,000 acres and 2,047,000 tons, as against the partially revised estimate of 5,637,000 acres and 1,830,000 tons for the last year according to the Directorate of Economics and Statistics. Thus, the current year's estimate shows an increase of 59,000 acres or 10 per cent in area, and 217,000 tons or 11.9 per cent in production over last 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.	Deben-tures	Prefer-ence	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
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 ..	404.3	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
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
8-6-1957	435.7	530.9	414.5	392.3	570.7	439.2	89.6	98.9	77.8	102.7
15-6-1957	421.3	543.7	414.1	393.1	569.7	437.6	89.6	98.9	77.6	101.3

†Economic Adviser's Series.

* Average of weeks.

††Reserve Bank Series.

Revised*

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

Period	Bombay		Delhi	Bengal	U. P.	Central Provinces	Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Delhi†	Calcutta	Kanpur	Nagpur	Madras June 1936=100	Ludhiana†	Jamshed pur†	
1939 (Aug-Dec.)	103	—	—	—	105	104	106	—	—	—
1948	288	303	243	132	339	471	309	168	136	164
1949	292	307	248	132	348	478	377	164	138	139
1950	298	313	257	132	349	434	372	165	145	136
1951	314	330	261	142	370	451	391	168	160	144
1952	321	337	250	143	351	441	380	167	160	144
1953	346	363	275	140	349	453	387	151	154	141
1954	342	359	244	138	327	408	373	151	147	145
1955	322	338	218	130	323	371	364	148	140	138
1956	336	352	244	142	347	424	—	134	135	132
1956 June	342	358	240	141	350	419	400	151	146	146
July	338	354	244	144	365	436	400	153	148	148
August	344	361	253	147	368	445	403	154	148	148
September	336	352	256	149	366	445	403	153	148	149
October	342	358	261	152	364	449	407	153	149	149
November	340	356	261	154	361	446	407	154	149	149
December	340	356	259	151	356	436	407	154	149	152
1957 January	339	355	252	150	354	438	411	156	149	160
February	341	357	253	150	350	435	411	158	148	149
March	340	356	254	150	348	433	—	158	148	148
April	340	356	—	148	345	427	—	158	148	148

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

186-0	WEEK ENDED											
	28-6-1957			21-6-1957			14-6-1957			7-6-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola)	106.47	105.56	106.02	107.19	105.62	106.36	106.84	105.06	105.99	107.94	105.62	106.62
Silver (per 100 fine tolas)	182.56	179.87	181.19	182.69	181.37	182.03	184.06	181.37	182.25	185.19	183.69	184.42

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		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	1956-57	78,174	+1.7	28,142	+4.8
Wheat & Barley	First	1956-57	38,772	+7.7	..	..
Jowar	Second	1956-57	39,839	-3.2	..	..
Bajra	First	1956-57	23,620	-5.5	..	..
Maize	Final	1956-57	9,244	+1.4	3,020	+18.2
Ragi	Final	1956-57	5,674	-0.3	1,914	+5.2
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	4,086	+5.8
Rape & Mustard	Second	1956-57	2,682	+4.6	..	..
ii. Non-edible						
Linseed	Second	1956-57	2,682	+4.6	..	..
Castorseed	Final	1955-56	1,403	-0.2	129	+4.0
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	Final	1956-57	738	+29.0	1,474*	+27.2
Other Crops:						
Tobacco	First	1956-57	826	+2.1	..	..
Potato	First	1956-57	573	+2.3	..	..
Sugar cane	Second	1956-57	4,532	+14.9	5,946	+16.7

* Bales

Source: Ministry of Food and Agriculture.

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The Centre and the States

WHEN the Prime Minister returns this month, almost certainly one of his first reproofing letters to the States will deal with "irresponsible" budgeting. It will be remembered that before his departure he spoke publicly in this vein but the States have chosen to discard both his appeal and advice. It now appears that the total deficits in the States might be of the order of Rs. 75 crores. If any political or economic observer wished to indicate the growing independence of the States in the Indian Union he could have found no better illustration. It is a wholly mistaken axiom of Indian politics, accepted uncritically by foreign observers, that the ascendancy of Jawaharlal Nehru at Delhi provides a common bond between policy in the Centre and the Congress States. Ironically, it is the Kerala Government alone that has made common cause with the Centre. On more than one subject — "co-operative" farming is another — the thinking of the Centre and some

of the States is wide apart. When rifts occur, someone gains, while someone loses. It has become increasingly clear that it is the States which are gaining in strength at the Centre's cost.

This is both a political and economic phenomenon of which in many articles note will need to be taken. For the present, one needs, however, to ascertain whether in State budgeting, it is the Centre's view or the States' view which is mistaken. On the volume of Central taxation, *The Eastern Economist* has expressed itself already against the excessive burden imposed. By the same token, it now believes that the virtual absence of additional taxation in the States — induced in large measure by the excessive taxation of the Centre — is something in the right direction.

Thus it is that one can look upon the events that have taken place with no concern or alarm.

and, indeed, with some happy feeling that the Indian political system has a sense of balance and understanding, which will correct the errors of extremism, whether at the Centre or in the States. In this case it happens that the Centre has erred and the States have redressed the balance. In this sense—to use a classical phrase—a new world has been called into Indian political practice to redress the balance of the old.

These general impressions are suggested by the Budgets of the various States (barring Uttar Pradesh) which have by now announced their estimates for 1957-58. It is not entirely fortuitous that all these budgets fall into a uniform pattern of revenue deficits ranging from Rs. 2.3 crores in the case of Kerala to Rs. 25.0 crores in the case of Bihar. The aggregate revenue of the twelve State Governments comes to Rs. 572 crores while their expenditure on revenue account aggregates Rs. 649 crores, leaving a total deficit of Rs. 77 crores. A part of this deficit is accounted for by expenditure on revenue account on Plan schemes and a part by new items of expenditure outside the Plan. The revenue deficits of West Bengal, Orissa, Andhra, Assam, Mysore, Bombay and Madhya Pradesh are left wholly uncovered while those of Bihar, Rajasthan, Punjab and Madras are partly covered by additional taxation. The only State which has converted its revenue deficit into a nominal surplus of Rs. 7 lakhs is Kerala, and this it has done by way of additional taxation. While Kerala is to make up Rs. 2.4 crores by additional taxation, the other four States which propose to cover a part of their deficits (totalling Rs. 35.4 crores) are to raise only Rs. 5.1 crores by new taxes. Besides the revenue deficits, there are some deficits on capital accounts, the total of which is probably not inconsiderable.

On a superficial view, most State Governments have thus recklessly budgeted for deficits in spite of Prime Minister Nehru's warning. There is, however, nothing surprising in this performance of the State Governments after the staggering tax effort of the Central Government this year. If all the State Governments have chosen not to cover their deficits wholly by additional taxation, there is nothing alarming in the situation either. For, it is not unlikely that the revised estimates later on may reveal smaller deficits for the reason that budget revenue estimates are usually under-estimates and budget expenditure estimates are over-estimates. In any case an aggregate deficit of Rs. 72 crores would represent just 11 per cent of the aggregate expenditure of Rs. 649 crores, or one-eighth of the total revenue of Rs. 572 crores and probably not more than one-sixteenth if under-estimates on the revenue side and over-estimates on the expenditure side are taken into account. Even this one-sixteenth may well cease to be there with the likely increases (over and above what the State Budgets have taken into account) in the States' shares of income-tax, additional excise duties and surcharge on railway passenger fares. It is thus inappropriate to level the charge that most States have recklessly budgeted for deficits and, on that basis, to give a gratuitous certificate to Kerala for more than fully covering its revenue deficit. If anything, the State Governments concerned may have to be congratulated on not adding further to the tax-burdens imposed on the people under the recent Central Budget which certainly could never have been matched in the States without producing a revulsion for the Congress which even the Prime Minister's prestige could never have taken.

If, on the other hand, it is assumed that the anticipated deficits in the State Budgets may not be made good in the aforesaid manner, would that mean there may be actual shortfalls in the second-year outlays of the State Plans? This is not unlikely, for the State Budgets take credit both on the revenue and on the capital accounts for about Rs. 275 crores only by way of grants, loans and advances from the Centre. As this assistance for the State plans would represent so much deficit-financing at the Centre, it reduces itself to a question of whether such deficit-financing could be stepped up further to enable the States to execute their second-year schemes fully. This, however, is not likely to happen if the Union Finance Minister strictly adheres to the dose of deficit-financing contemplated at present for 1957-58. If, by any chance, the Centre should resort to a heavier dose of deficit financing of the order of Rs. 350 crores during the year, it has to be considered whether and how its effects will be cushioned off.

The prospects for such cushioning off are brighter now than at any time since the close of 1956, for the adverse effects, if any, of deficit-financing can be countered more or less swiftly by selling imported food grains (to the tune of about 4 million tons under the current as well as the prospective commodity loan agreement with the United States) in the monetised sector of the economy at 10 or 15 per cent less than the market prices. As the marginal shortage of food grains is as much in respect of rice as of wheat, the report is heartening that 800,000 tons of rice too can be had from the United States under the forthcoming food grains deal. With the controlled fall in food grain prices that will follow a relative abundance of supplies in the monetised sector, the general level of prices too will come to be slightly reduced and stabilised, and this will help in keeping the money cost of the Plan schemes at more or less the budgeted level. With the absorption, through food grain sales, of the additional money incomes widely generated by the deficit-financed Plan expenditures, the created money will have found its way back to the government and industrial sectors to start on its second round of useful functions. In this context, therefore, it would appear that the Central and State deficits taken together lose their terror.

This, however, does not mean that there may not be sizable short-falls in the second-year expenditures of the State plans. Elsewhere in this issue it is noted that the actual outlay in the first year of the second Plan at the Centre and in the States has been just 85 per cent of the originally planned outlay for the year and that in view of the greater difficulties in 1957-58 in respect of foreign exchange the planned second-year outlay of about Rs. 960 crores may actually come to just Rs. 770 crores only. If thus the targeted outlays for the year are not reached it will be more because of insufficient foreign exchange resources than because of any paucity of rupee resources. If the possible adverse effects of deficit-financing in the matter of rupee resources can be speedily overcome by the sale of imported food grains, it is not inconceivable that the problem of foreign exchange can also be solved to a large extent by the United States and the World Bank. The outcome, in this connection, of the Union Finance Minister's forthcoming visit to the United States may be watched with more than ordinary interest.

Electricity: Political Fuel?

THE difference — which it would appear from rumours current in the Capital — that exists between the Ministry of Irrigation and Power and the Home Ministry in regard to the future administration of electricity supply in the Delhi area contains a point of principle which has a much wider application, and deserves, as an issue of principle, all-India treatment. The debate on the appropriate instrument for electricity generation administration is an old one. The consensus of expert opinion seems to have come out, as we have hitherto done, in favour of Electricity Boards, generally non-political in outlook and policy. The Ministry of Irrigation and Power has this substantial backing for its view that electricity supply and generation should fit into a large picture, and be governed by less political local pressure than is likely to emerge from a city corporation. There also happens to be in the case of the Bombay Corporation an instance where electricity supply undertakings have been kept out of the purview of the Corporation, notwithstanding its having taken over the Bombay Electric Supply and Tramway Company. This exclusion, as the Minister for Irrigation and Power knows — and his acquaintance of the capacity of the Corporation in Bombay is probably greater than that of any living person — has been for the good of electrical undertakings in that city. If it should happen that Delhi sets an unwise precedent for no better purpose than that it desires to extend the area of local autonomy, the repercussions may be heard almost in every city of India. And this is hardly the time to add fresh fuel to the political fire.

Power development in India has been conditioned by appropriate legislation, the recent example of which is the Electricity (Supply) Act providing for the rationalisation of the production and supply of electricity. Primarily intended to make provisions governing the formation and functioning of Electricity Boards and regulation of Licensees' finances, the 1948 Act transferred the rights and options for purchase of electricity supply undertakings operated by licensees which were under the Indian Electricity Act 1910, vested in the local authorities in the first instance, to Electricity Boards visualised under the enactment. This transfer was based on the framers of the Act holding that it is bodies like Electricity Boards which are likely to be the most suitable organisations for working the grid system on quasi-commercial lines.

It would be appropriate to place emphasis on the words quasi-commercial lines: this pre-supposes the establishment of a healthy balance between earnings and expenditure. This approach has been reinforced by the statute, in that under the Electricity (Supply) Act the State Electricity Board shall not as far as possible carry on its operations under the Act at a loss. Will such a safeguard be provided under the new law seeking to create the Greater Delhi Municipal Corporation. If this is not done the danger of an undertaking now viable being exposed to financial loss cannot be overlooked and should this eventuality result the Delhi community will be no better (since prices of electricity will never be reduced), while the country loses as a whole.

The argument that water supply has been efficiently conducted by local corporations is not an argument at all. For one thing, water supply is intensely a local matter which does not enter into the great ramifications which are involved in the costing of electric power. No industrialist, for example, would be deeply concerned about the water supply rates, which only affect his costs in a marginal manner. On the other hand, electricity rates stand on an entirely different footing, and in particular industries, notably aluminium, they are decisive. From the point of view of the national interest, they should be at a minimum consistent, of course, with covering costs so that industrialisation might proceed as rapidly as possible. Local administration does not make for the cheapest electricity. Apart from the question of price, there is the issue of generating, over the country or at least over a region, some uniform practice so that purely local considerations do not give to the pricing of electricity a factor distorting the placing of new industries. In a particular case, namely, that of the Bombay Municipal Corporation it can be seen at once that embarrassment might arise if electricity policy in that City were left in the hands of the local unit. If, for example, the Corporation chooses, as it well might, to stake everything on the Maharashtra Samiti policy it can, with its majority in that Corporation, defy the Central Government. This is merely one illustration of the danger of allowing local bodies, which may well be adverse to the Centre, to acquire powers which can be used legitimately in defiance of Central policy.

The Electricity Board in a State, apart from conducting operations on its own, is also vested with regulatory powers in relation to licensees, be they company-owned or Local Authority operated. Such regulation of Local Authority undertakings is exercised by the Board through its powers to direct amortization and tariff policies of such authorities and, therefore, even if the Delhi undertaking is to be vested in the new Local Authority there will be need for a Board to control them. Then, again, there are some undertakings operated by licensees in the area which need to be regulated by the Electricity Board. If any change in the organisation concept as visualised in the Electricity (Supply) Act is necessary, it is now important that the law should be changed to make it possible for State Electricity Boards to acquire Local Authority electric supply undertakings. The development in the United Kingdom in this respect is interesting in that in 1947 when the structure of the industry was changed, Area Boards were vested with powers to take over Local Authority undertakings.

There are thus convincing arguments in favour of adhering strictly to the background of the Electricity Supply Act of 1948 on this point. Quite apart from the intrinsic merits of the State Board approach, there is certainly no urgency in a matter of this kind. On the whole it would appear that at a time when legislation is already over-full and greatly indigested (being in part indigestible) the proposal to alter the law again is one which is condemned as much by expediency as by the principles described above. The Home Minister, who has a fine sense of timing in his approach to legislation, will surely appreciate this consideration.

Russia's "Poisonous Weeds"

EVERY change in the Kremlin is, to quote Sir Winston Churchill, from a different context, "a riddle wrapped in a mystery inside an enigma". For contrary to the practice in democratic countries, it represents in Russia culmination of secretive discussions and intrigues. The present shake-up—the third since Stalin's death—is, however, devoid of any such fascinating element. This is so in spite of the fact that the present "purge" is indisputably the most extensive since the notorious purges of the last thirties and not even Stalin himself could have improved upon the methods employed to remove the dissidents. The development merely proves—if ever proof were needed—the sharpening of the struggle for power among Stalin's heirs. This is obvious from the personalities involved. None of those expelled was an insignificant incumbent in the Soviet hierarchy. Nor was any one of them a political upstart, so to say. They were as much part of the Soviet myth as they were the legatees of the Stalin legend. Ordinary political cross-currents were highly unlikely to affect them. Their fate might well adversely affect the course of events in the Soviet Union. While Mr. V. M. Molotov, the sea-green incorruptible of Stalinist orthodoxy and Mr. Lazar Kaganovich, the Soviet heavy industry expert, are pre-October Revolution Bolsheviks, Mr. Georgi Malenkov and Mr. Dimitri Shepilov have had a considerable later history with the Party.

In uninformed but optimistic circles of the non-Communist world, the purge has been interpreted as a prelude to greater "liberalization" in the Soviet Union. In fact, the paradoxical myth that liberal ends can be promoted through totalitarian means, is again being revived. Even Mr. Nehru has rushed to discern in the happenings in Russia "a step towards normalcy". What is normalcy in a totalitarian regime? Can it be that greater concentration of power in one man is more "normal"? One could agree with such impressions — they are no more than that — but for reasons different from those of the Prime Minister and others. A struggle for power cannot be held to be abnormal in the history of totalitarianism. During the period of "collective" rule after Lenin's death, it took Stalin a decade to consolidate his power. Mr. Khrushchev has had but four years and he did not quite enjoy the advantages open to Stalin. But the surprising thing is that in this brief period Mr. Khrushchev has been able to dislodge and humiliate not only Mr. Malenkov, the heir-presumptive to Stalin's throne but veterans like Mr. Molotov and Mr. Kaganovich without whom it would be impossible to think of Soviet Union's diplomatic triumphs abroad and real or imaginary industrial achievements at home.

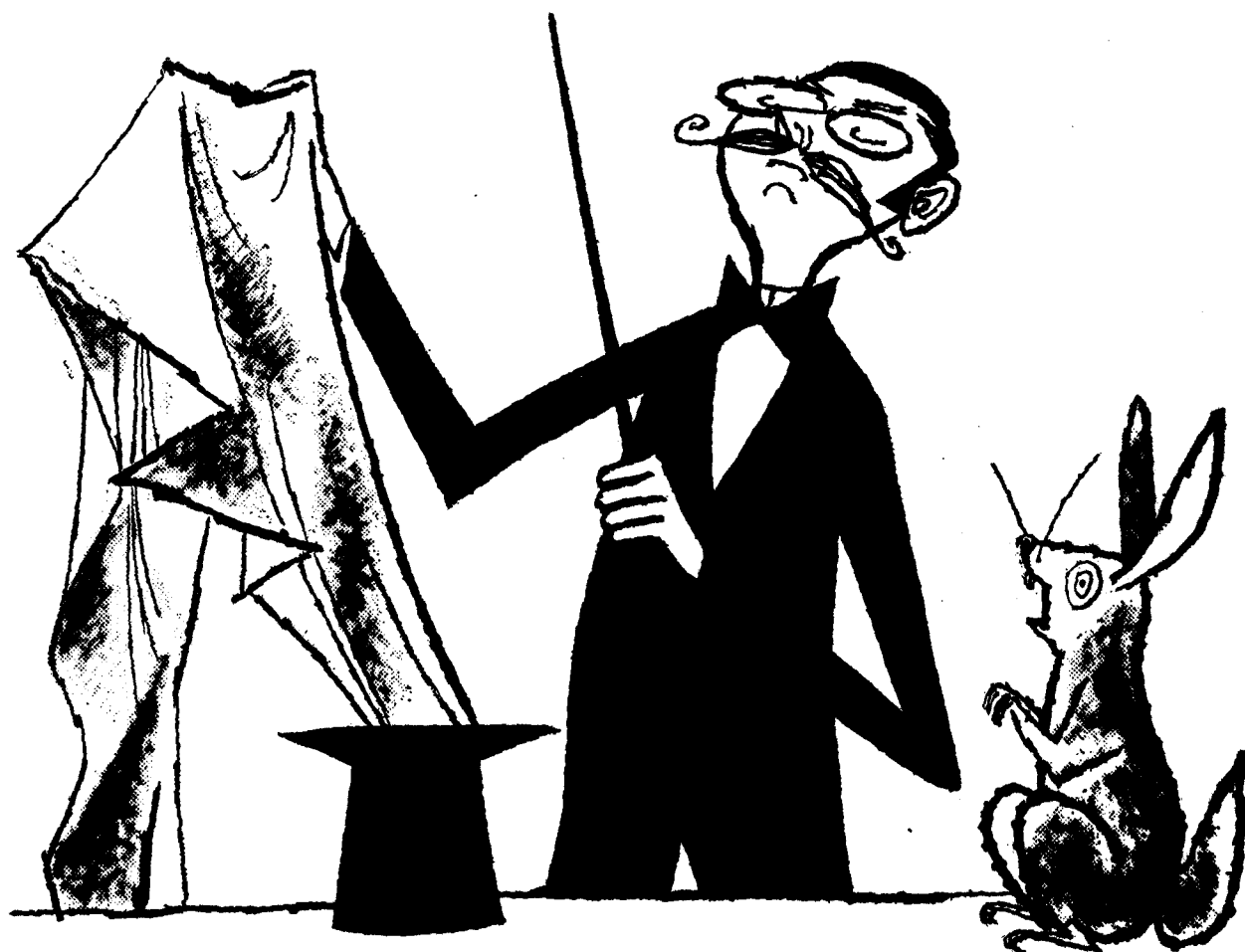
That the struggle for power has taken a serious turn is also evidenced by the fact that Mr. Khrushchev took the extreme step of disgracing his opponents at a time when apparently he had none of Stalin's trump cards. The present Soviet Communist Party chief cannot play either on the fears or hopes of the Russian people as did Stalin. Russia is no more threatened with capitalist encirclement and in place of the memory of intervention today many in Russia still remember gratefully the quantum of aid and assistance from the West during the last war. Also, according to Mr. Khrushchev's own reasoning, a Socialist world has emerged which can successfully compete with and challenge the non-Communist world

in spheres not necessarily warranting belligerency. He cannot, moreover, blame the kulaks or the capitalists for the Russian people's hardships. That the atomic stalemate is a powerful assurance of peace, even if an uneasy one, is not unknown to the Russian people. It is also not often realized that the entire population of working age in Russia was born and bred after the "Great October Revolution" and is thus comparatively free from xenophobia.

It is perhaps due to these changed circumstances that the familiar charges of "being an agent of imperialism" and "traitor to the cause of world Communism" have not been brought up against the dismissed leaders. On the contrary, the charge against them is that they "were, and still are, captives of old notions and methods"; they have failed to "see new conditions", showed "conservatism" and worked against the liberal policy of de-Stalinization! Aware of the Russian people's mood Mr. Khrushchev and his supporters have sought in the fallen leaders scapegoats for the Russian people's misfortune abroad and the endemic hardship at home.

What is particularly striking about the purge is the denial of the right to its victims by which they so vociferously swear in their propaganda drives. The fallen were given no opportunity to defend themselves within the sight and knowledge of the Russian people. Dissent has been their chief crime. The minority has been unceremoniously dismissed and ruthlessly silenced. In any democratic country the expulsion of such top-ranking leaders from the Party hierarchy could not have been accomplished so suddenly and so silently. In any case, an explanation would be necessary to the people with the right to question its veracity or otherwise. What the world has witnessed is antithetical to all concepts of democratic and liberal practice. And there is little wonder. Totalitarianism is inherent in Communism and no amount of liquidation of the opposition can cure it from what has come to be known as Stalinism. When Mr. Khrushchev confessed that "we are all Stalinists" in resisting the "imperialists and their agents", the Soviet leader in effect acknowledged that Stalinism was inseparable from the Communist system. This incidentally explains the paradox of liquidation of Beria and the present purge being the handiwork of the very man who endlessly denounces the personality cult. This also reinforces our belief that there is nothing in de-Stalinization that can prevent the revival of Stalinism in a new form.

When Mao Tse-tung, the Chinese dictator, recently elaborated on the theme of "contradictions" in Communist society, he could not have possibly suspected that these flourished in a particularly virulent form within the higher ranks of the Soviet hierarchy. These "contradictions" were, no doubt, hidden from the public gaze behind the ideological smokescreen of collective leadership. Perhaps the period of collective leadership has now come to an end. Its utility to the contenders for Stalin's mantle has apparently been exhausted. The potential rivals have been "uncovered" and disposed of. After all, as the Peking's *People's Daily* recently remarked: "We say ... that before 'monsters and serpents' be wiped out they first must be brought into the open, and only by letting the poisonous weeds show themselves above ground can they be uprooted".



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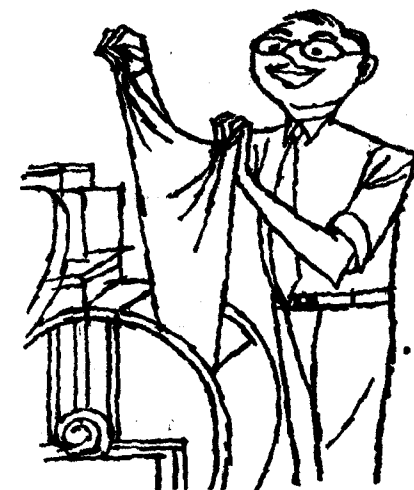
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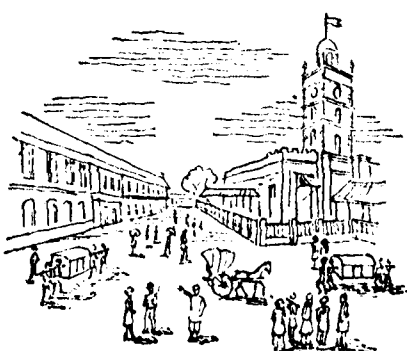
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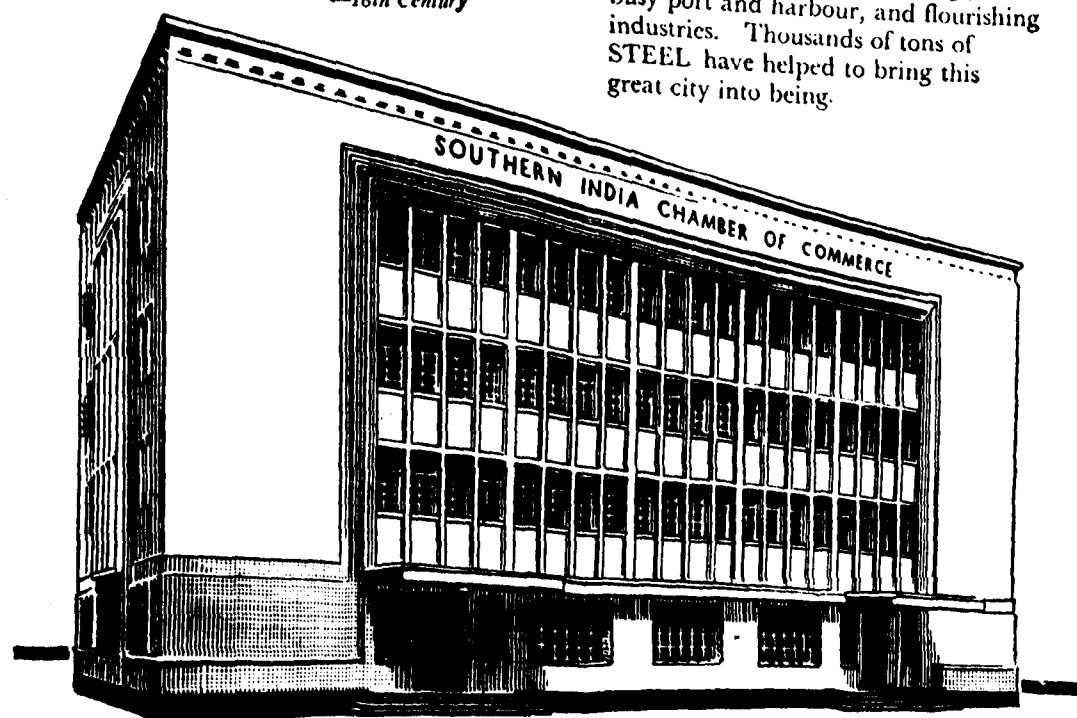
"Where now the city stands,
there was once naught but the city's site." OVID

Madras

February 1640. Sailing along the Eastern coast of India Francis Day reached a tiny village of a few scattered huts. In a short time human hands raised a small town of palm-thatched mud houses. In the course of the centuries on this very site has arisen a modern city with well laid-out roads, palatial buildings, a busy port and harbour, and flourishing industries. Thousands of tons of STEEL have helped to bring this great city into being.



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THE WEEK'S NOTES

PARALLEL "GOVERNMENT" IN KERALA?

COMPLAINTS HAVE mounted among the Opposition parties in Kerala that the Communist Ministry in the State is establishing an extensive network of "people's committees". These committees are, it is asserted, carrying on the business of the executive outside the normal channels. Already there are committees for the distribution of food through fair price shops. It is further alleged that other committees are to be formed to run parallel with the divisions of the Public Works Department and in other fields of governmental endeavour.

The avowed aim is to have these committees "advise" the government and to act as a channel for the grievances of the people to reach the Ministers. Association of the people with the administration in the solution of their own problems is an essential and worthy political move. But like a pistol, which has no character by itself, but becomes quite a different weapon in the hands of a soldier, a criminal or a sportsman, this "association of the people with the government" has sinister significance. An extensive network of people's committees, organized in monolithic fashion, can be turned effectively into a coercive, enslaving instrument of the party in power. Already the Opposition has raised the cry that a "commissar" system is in the making, as there is sufficient evidence that the "people's committees", despite protestations to the contrary, are being shaped as an instrument of the Communist Party and its Ministry. One of such committees recently issued summons to an "accused" directing him to appear in the Party's election office to defend himself against a complaint lodged with it. There are also reports of "insecurity" due to the aggressive attitude of the Communists and their followers. Police, too, is being used as a tool of the party-in-power.

Whatever the profession or claim, the Kerala people's committees are incipient "Soviets" or "people's democratic committees" which helped the Communists instal and maintain totalitarian regimes in Russia, China, and the satellites. They represent a threat to the nascent Indian democracy.

Strangely enough, Indian politicians and democrats have found it unnecessary to take notice of this development. This is probably due to the fact that every political party in the country, including the Congress, has tended to arrogate wisdom only to itself through some divine mystique; it is their mission to guide and govern rather than represent the people. The development in Kerala, therefore, appears as nothing new on the country's political horizon. Partly this is also due to the fond belief that Kerala Communism is not Communism in the strict sense, but only a slightly modified version of socialism. The Communist Party of India has colluded in this by sedulously fostering this belief. Accustomed to operating on the axiom that only through the acquisition of actual governmental power can their destinies be fulfilled, Indian politicians are unfamiliar with the concept of a political organization out-of-power being of service in the countryside. At the most, they can, it is felt, simply carry on agitational activities in preparation of the next election contest. The Communists work according to a wholly different book.

LIKELY COURSE OF SECOND PLAN

THE FIRST-YEAR results of the second Plan have just been reviewed by the Planning Commission. The progress report which is only provisional records the achievements in physical terms in the spheres of agriculture, irrigation and power, industry and transport. The advance registered has been only modest, and this

is explained by the difficulties caused during the year by the Suez crisis, rise in internal prices shortage of steel and cement and the rapid running down of sterling balances. The results in real terms should have been still lower than the targets partly due to the rise in internal prices and prices of imported capital goods and stores and partly due to the revised lower financial outlays during the year. As against the originally proposed outlay of Rs. 830 crores for 1956-57 the revised outlays have been of the order of Rs. 761 crores only (Rs. 391 crores under the State Plans and Rs. 370 crores under the Central Plan). The revised outlays are made up of Rs. 93 crores for agriculture and community projects, Rs. 179 crores for irrigation and power, Rs. 111 crores for industry and mining, Rs. 233 crores for transport and communications, Rs. 123 crores for social services and Rs. 22 crores under miscellaneous heads.

The financial resources for the revised aggregate outlay of Rs. 761 crores have not been adequate. Domestic budgetary resources (by way of contribution from current revenues, surplus of railways, net receipts from loans, small savings, provident funds and other deposit heads) have accounted for Rs. 427 crores and external assistance for Rs. 63 crores, leaving a gap of Rs. 270 crores in resources. As the Centre's deficit has come to Rs. 216 crores (representing so much deficit-financing), the balance of Rs. 54 crores (Rs. 270 crores 'minus' Rs. 216 crores) might have probably represented a further shortfall of Rs. 54 crores in the State Plans during the year. This means that the actual first-year outlay might have turned out to be Rs. 707 crores instead of Rs. 761 crores of revised outlay.

Thus it turns out that the actual outlay in the first year of the Plan should have been just 85 per cent of the originally planned outlay for the year. In view of the greater difficulties in 1957-58 in respect of foreign exchange the planned second-year outlay of about Rs. 960 crores may actually come to just Rs. 770 crores which, too, will be rendered possible only by a dose of deficit financing of just under Rs. 300 crores. As deficit financing of this magnitude is ruled out by the Finance Minister in each of the remaining three years of the second Five-Year Plan, the actual total outlay in the said three years will probably be round Rs. 2,000 crores only. With the addition of the outlay in the first two years, the total for the entire five-year period will have probably come to Rs. 3,500 crores. This would mean that only two-thirds of the investment targets (in real terms) of the public sector will have been achieved by the end of the second Five-Year Plan period.

POLITICAL PARTIES' FUNDS

AN APPELLATE bench of the Bombay High Court, consisting of Mr. Chief Justice Chagla and Mr. Justice Desai, has upheld the decision of the single bench allowing the Tata Iron and Steel Company to alter its memorandum of association so that it may make contributions to the funds of the political parties. The only condition that their lordships imposed was that the Company should publish at the end of every financial year, in two leading newspapers—one of them from Bombay—a complete statement of all contributions and donations made to any political party or institution. Earlier, Mr. Justice P. B. Mukerji of the Calcutta High Court had delivered a similar judgment on a similar petition by the Indian Iron and Steel Company.

While allowing the petitions, both the appellate bench of the Bombay High Court and the single bench of the Calcutta High Court have made some pertinent observations. "The democracy in this country is a nascent democracy", their lordships observed "and it

is necessary that this democracy should be looked after, tended and nurtured so that it should rise to its full and proper stature". The history of democracy had, they added, proved that in other countries it "had been smothered by big business and money bags playing an important part in the working of the democratic institutions". Therefore, any proposal and suggestion likely to strangle democracy must be viewed not only with considerable hesitation, but also with a great deal of suspicion. Contributions by business and industrial houses to the funds of the political parties are, they fear, likely to contaminate the springs of democracy. In the interest of both commercial and public standards it is, therefore, essential, in their opinion, to have legislation on the subject. Such legislation is necessary for keeping the spring of democracy and administration "reasonably unsullied" and "to control the dangers and mischief inherent in the situation before it is too late".

Doubtless, in a country like India, where partiality for the powers-that-be and sycophancy are second nature, the permission to business houses to contribute to funds of political parties, can be exploited by the ruling party to the serious detriment of democracy. Besides the danger of vested interests tightening their grip over the government cannot be discounted. This last can seriously handicap the opposition parties in their bid to capture power. But while the judges' concern for "nascent democracy" and the possible contaminating effect of financial contributions is well placed and commendable, they appear to have viewed the problem only partially. In suggesting to Parliament the need for legislation, for instance, they restricted themselves to recommending the opening of books by only the business firms. This would seem to miss an essential requirement. Political parties are not required publicly to register their sources of income; nor is there any limit to the amount of money which a political party, as opposed to an individual, can spend in an election campaign. There is no limitation, either, on the size of a donation an individual or corporate entity may make.

The judges' verdict ignores these relevant facts. This is the more regrettable because at least one political party in India makes it an article of faith to disguise its sources of income. It is, of course, not possible to legislate morality. But applying to political parties the same restrictions as have been recommended for business and industrial houses' donations to political funds would ensure even-handed justice and be helpful to democracy. Indeed, the Tata directors are to be commended for their petition. They have placed their action on the public record; their donations should be easily verifiable. This is in contrast with the under-the-counter political financing which has come to be the rule rather than the exception.

A MOHENJO-DARO IN INDIA?

INDIA, ALWAYS proud of the ancient and highly developed civilisation of the Vedic period, thrilled to the discovery early in the twentieth century of an even earlier civilisation dating anywhere from 2500 B.C. to the much earlier 5,000 B.C. This was, of course, the result of the excavations at Mohenjo-Daro and Harappa. With partition in 1947 India was cut off from these valuable research grounds. Recent excavations at Lothal in Ahmedabad district, Bombay, have, however, yielded almost the entire range of objects found at Mohenjo-Daro and Harappa. Realistic representations of animals, delicate gold ornaments, well-finished clay articles all indicate fine tools and artistic workmen. There are the same evidences of intelligent town planning, efficient drainage systems in this recent excavation, all pointing to the civilisation of the Indus Valley.

Mr. K. M. Munshi had propounded the theory long before the Lothal excavation that the Indus Valley

civilisation was not an isolated one but was really an extensive belt covering Rajasthan and Gujerat, even reaching Saurashtra. It seems that his theory is now on the way to being fully proved. This one discovery at Lothal may be just the first of many, and the importance of the discovery need hardly be emphasized. Scholars have made repeated efforts to decipher the language of the seals, and when they do succeed, it will be an exciting story they tell. From all indications the people of the Indus Valley were educated in the arts, had a well-developed civic life and were followers of a definite religion. In fact, it is from the evidence of religion that, eventually, scholars may forge the missing link between the Indus Valley and the Vedic civilizations.

THE FOOD QUESTIONNAIRE

THE ASOKA MEHTA COMMITTEE on Food has promptly started on its work and issued a brief but relevant questionnaire on 22 points. Information is sought, among other things, on the extent to which the rise in food prices is the result of (a) shrinkage in marketed surplus of food grains owing to increased consumption or holding of grain by the producer and (b) growth of demand from urban and other classes of consumers. This is doubtless a very relevant question but unfortunately most difficult to answer. Even the State Governments may not be in a position to supply reliable information on this unless, of course, they have the results of recent sample enquiries, if any, to draw upon. There is also a question on what bearing land reforms have on food output and marketed surplus. Here the Committee may well be surprised to find passionate and contradictory opinions — all of equally plausible validity. It is not likely that the Committee will acquire a reliable picture that can enable it to state confidently that the kind of land reform, implemented or threatened, has contributed or can contribute to higher food production. Reference in this note to these two questions alone should be sufficient to show how the Food Committee has taken on hand a very difficult piece of enquiry.

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A Window on the World

A POINT FOR MR T. T. KRISHNAMACHARI

By
ODYSSEUS

THE MISTAKE made by those who want to tax the "rich" heavily in order to redistribute income to the "poor" and to secure equality of income is to believe that income is solely a means to consumer-satisfaction.

Certainly income is a means to consumer-satisfaction and certainly it is also a reward for productive effort—but if you do not agree that it is also much more, then you are arguing, first, that income is a-social. If it is a-social, it is pleasurable to the income holder alone. If so, it is logical not to allow Shri A a bigger income than Shri B, because there is no reason why A should be allowed a bigger dose of selfish indulgence than B. Secondly you are arguing that income is unproductive: why should Shri A be allowed to journey from Delhi to Oxford and not Shri B? Why, indeed, if both are out for mere selfish, unproductive pleasure jaunts? But supposing Shri A is Dr. S. Radhakrishnan and that he wants to go to Oxford to become Spalding Professor of Eastern Religions and Ethics (as he was from 1936 to 1952)? Is there no difference in absolute values between Dr. Radhakrishnan's study and teaching of ethics and Shri B's tour of selfish indulgence?

As Bertrand de Jouvenel, our guide, friend, and philosopher on this subject, points out in his "Ethics of Redistribution" (Camb. Univ. Press, 1951), the notion of income as a means to consumer-enjoyment implies that the citizen, his day's work done, his debt to society discharged, "retires to masticate his income-bone in seclusion, a selfish gastric process, leading nowhere."

But this is nonsense. My admirable predecessor, Aristotle, pointed out in the fourth century B.C. that man is by nature a social animal, and no one has yet contradicted him. Living is a social process: we do not live for ourselves alone. A generous man renders many services to society outside his professional obligations. A professor's tea party may be an opportunity for informal education far better than his lectures, or it may be complementary to them. Individual income, socially consumed, is a means to such services, which are not classified as productive only because they are free. It should never be forgotten that the statistician's picture of the national income is true only as far as it goes. His picture takes into account only assets, services, and goods on which a commercial price is put. He does not tabulate values which are not bought or sold. If we forget artistic, cultural, and spiritual values, we are forgetting the most important "invisible" items on the national balance sheet.

USSR'S INTELLIGENT LEAD

Nor is it true that all consumption is unproductive. Shri B may not be a philosopher like Dr. Radhakrishnan, but he might be an engineer, industrialist, doctor, or a machine minder in a factory. Each of those has a contribution to make to society, and a holiday, whether it be a pleasure trip to Paris or a pilgrimage to Banaras, may refresh him and send him back to his job thrice the citizen and twice the worker that he was before. Note also that the expenditures needed for the holidays of these various people may be very different, so that we cannot argue that every man can give of his best on the same salary.

Consumption is essential to enable a man to continue to offer productive services. It is more expensive to train a doctor than a coolie and there is also difference between the expenses required to maintain a doctor in his imaginative, creative, brain work, and those required to keep up a coolie's brawn and muscle. It follows that strict equalisation of incomes would impair the efficiency of those performing higher functions which require greater individual expenditure. The first people to spot this were those realists, the makers of the revolution in the USSR. After the briefest try out of equality, inequality was re-established, and so markedly that the scale of rewards in the USSR is higher than in the Welfare states of the West.

All this is obvious? Why keep labouring the elementary? Because it is necessary to clear this ground in order to reach one of the most important points made by Bertrand de Jouvenel. Differences in earnings must logically be steepest in countries where product per head is lowest. In comparatively wealthy industrially advanced countries, the national income can easily meet the bare cost of both the higher and the lower talents, and the balance may go to better the lot of the lower. But in poor, undeveloped countries, the national income is inadequate to meet properly, over and above the cost of the lower talents, the cost of a desirable number of higher talents.

The only way to meet the cost of this essential elite is by stinting the masses. This steepens the scale, and contrasts with the generosity towards the unfavoured that tends to flatten the scale in advanced countries.

The more backward a country, insists Mr. de Jouvenel, the greater its need for productive talents, the greater the necessity to pay well for these talents "even at the cost of great hardship to the masses."

All history testifies that what we have of civilisation was bought at enormous cost: the elite from which we inherit our culture were supported by the sweat of the masses.

Asia can only advance if she invests in elites as well as in machines. This is a home truth which those responsible for the financing of the Five-Year Plan do not seem as yet to have grasped clearly.

India can either (a) secure the services of the elite by making the returns to foreign investors in India more attractive than investment elsewhere, and by making conditions of service more attractive to foreign elite technicians than they are offered elsewhere abroad, or (b) if India considers that the price of foreign aid is too great, she must sweat the equivalent out of her masses—from those with the lower, and the lowest, incomes. She must nurse and pamper her elite if she wishes to rise by her own chupli straps.

Nobody can approve of the political purges, the blood baths, the destruction of freedom and of spiritual values in the USSR, but leaving those enormities out of account and narrowing our focus solely on to the Soviet economic effort, it has to be admitted that the USSR has made substantial material progress over the years and that it has been achieved by pampering the

Soviet elite and sweating the masses. If the USSR had allowed the full play of spiritual values and had avoided the inhibitive effects on production of its political persecutions, progress would have been greater still.

A SOCIALIST CURIOSITY

Since men fulfilling higher functions need considerable means and amenities which fit them to render the services of leadership, imagination, and technology, expected of them, one of the curiosities of contemporary Socialist thought is that while it is held to be wrong for an individual to be given a big enough salary to enable him to live comfortably and with all the appropriate amenities, it is right for institutions to spend money lavishly. Socialists do not dream of carping at the impressive laboratories of a public institute, its expensive and comfortably furnished library, its chromium-plated restaurant, smoking room, concert hall, billiard room, and tennis courts, all provided to relax the nerves of the research worker. No Socialist will work out the total cost of all the tools, facilities, and amenities provided and regard to individual income of the research worker as raised by these advantages. The chances are, since the business of an institution is the personal concern of no one but is run by a committee provided with funds from the state's apparently inexhaustible coffers, that the cost per head of all these items will be far greater than would be demanded by an individual if you gave him a free hand and asked him to name his own salary.

On the other hand, a non-official doctor will, as Bertrand de Jouvenel points out, find it difficult to get expenses incurred in keeping abreast of scientific developments accepted by tax authorities as professional costs, and he will be required to attend with his bank statement and accounts and to waste days of his time

in preparing them, and hours in explaining them, to a suspicious inspector of taxes. And if he runs to fine pictures, good food, and tennis courts, the plea that such nerve-soothing amenities are indirect costs will evoke scorn and indignation. Why? Because he is an individual citizen—not a corporation.

Why does no Finance Minister tax public companies at a progressive rate on their gross incomes, as individuals are taxed? Taxation on revenues, regardless of expenditures, would do away with public companies as it has done away with private individuals. The difference is that whereas the fall in efficiency of the individual is less easily discerned, the fall in efficiency of the company would be visibly catastrophic. So the company gets off, while the individual is massacred.

Thus the profit-seeking enterprise has a threefold advantage over the family, which is taxed at progressive rates, not allowed to provide for depreciation of its assets, nor to deduct working expenses.

The firm produces goods. The family produces people. It is puzzling, muses Bertrand de Jouvenel, that the needs of the goods should be so well understood by our law-makers and the needs of the people disregarded.

But you can't have an elite if you bleed them dry by taxation. And without an elite there will be neither material progress nor civilisation, and the lives of the masses will be without hopes for brighter dawn.

[This is the final article in the series on the Ethics of Redistribution, which have appeared in the four consecutive preceding issues.—Ed.]

A BENELUX BALANCE SHEET

(From Our Special West European Correspondent)

PARIS, July 3.

AT the end of 1957 the customs union between Belgium, Holland and Luxembourg will enter on the eleventh and last year of its existence — the eleventh because all tariffs between these three countries were abolished on January 1, 1948; the last because from the beginning of 1959 Benelux will begin to be swallowed up in the European common market formed by its union with France, West Germany and Italy. From Benelux's decade of experience some lessons may be drawn for the future of the larger customs union, lessons that should be read with those drawn from the working of the coal and steel pool reviewed here in two recent articles, "Europe, or Little by Little" and "Four Years of the Schuman Pool". It can be said right away that such pointers as we can obtain from Benelux are considerably more encouraging than the moral we have drawn from the working of the Schuman pool. Benelux has worked, it is an idea that came off. It has worked differently to what was expected, but the participants are content and no outsiders have cause to complain of it. Nothing of its experience can be transferred to the much greater scale of Euromarket, because a tiny laboratory is obviously not the same thing as a big factory. Besides, where the crux of the matter is abolition of customs duties, it must be remembered that the constituents of Benelux were always low-tariff countries.

Much more than Euromarket, Benelux was a jump in the dark. The treaty was signed in London even before the war was over and it began to be implemented during the uncertain era of post-war reconstruction, of which a notable feature was the dismantling of the Dutch empire in Asia. Whereas before the war Dutch wages were 40 per cent higher than Belgian, by 1951 Belgian were 60 per cent higher than Dutch, and this fact suggests the fluidity of the circumstances surrounding the experiment. Customs duties were suppressed at one stroke at the beginning of 1948 and a common tariff opposed to the rest of the world. This left the major task: abolition of import quotas. This has been accomplished, with one interval of retrogression caused by the Korean boom, and today trade in industrial products between the three countries is completely free, although agricultural products remain under a special arrangement. Freedom for capital transfers was attained just three years ago and a common external trade policy is now adopted, Benelux as an entity now signing trade agreements with other countries. (A recent example of this united action was the Benelux combine that undertook the clearing of the Suez Canal).

The removal of all internal restraints on trade has, of course, much increased commerce between the member-countries; the Dutch contribution to total Belgian imports has risen from 12 per cent to 22 per cent and the Belgian contribution to total Dutch imports from 10 per cent to 17 per cent. This tightening of the bonds between the constituents of Benelux has not limited trade with outsiders: Benelux's imports from the rest of the world have doubled during the life of the customs union, while Benelux's exports to outsiders have more than doubled. If the European common market has similar consequences for West Europe's trade with the

rest of the world, most of the outsiders' anxieties will be allayed.

These few facts, then, establish clearly enough that Benelux has worked. Before arguing that Euromarket is a more complicated case, it is time to recall that there were very few reasons to expect that Benelux would in fact work so well — and moreover that most of the reasons for optimism that were advanced ten years ago proved to be mistaken. The considerable difference in wage rates has already been mentioned, and even today Belgian wages are in general 40 per cent higher than Dutch. Population is about stationary in Belgium but is rapidly increasing in Holland. The Dutch economy has always been heavily "controlled", while Belgium's was and is one of the world's freest and most "liberal". Against these grave discrepancies used to be set the complementary nature of their economies, Belgium and Luxembourg being heavily industrialised while Holland was a country of farmers and traders. But in the event this famous complementarity, on which the main hope of union was founded, has been unimportant and, on the contrary, Holland has been increasingly industrialised; she is now for example a steel producer, with an annual output of one million tons.

It would be fair to say that the one certain lesson of Benelux is that what happens in a customs union cannot easily be predicted: "crucial" discrepancies turn out not to matter, "irresistible" equalising forces turn out not to work and in general the upshot is not a foreseeable sum of the constituents but a new product with unexpected characters of its own. Cleverly constructed escape clauses (Euromarket is full of them) can prove to be irrelevant, while developments are at the mercy of outside influences that are no more foreseen than the upsets encountered by national planning boards. Thus, Benelux had a common fund for readapting grossly disturbed industries, but it has never been drawn on; while the major crisis of Benelux was caused by the fact that the Korean boom sent prices up much higher in Belgium than in Holland, a fact no more to be expected than the Korean war itself was.

However, when this reservation has been made, several definite conclusions seem reasonable. Firstly, that when economies with different wage scales are thrown into a common market wages tended to be slowly equalised upwards, not downwards. If this proves of general application, French workers will have less to fear from Italian and West German competition; and that it is not an accident peculiar to Benelux is suggested by the experience of the coal and steel pool, referred to here in earlier articles. Secondly it appears that a high-wage economy competing with low-wage industries in a common market can quite comfortably wait for its competitors to increase their wages provided it concentrates meantime on increasing its own productivity. Despite the discrepancy between Belgian and Dutch wages, Belgian industry has had little difficulty in selling its products in Holland (or anywhere else) because it has kept in the front of technological progress.

The third point is the most interesting: the new division of labour brought about by a customs union goes on, not between industries, but within industries.

A Letter to the Editor

A CORRECTION

Sir,

In the interest of accuracy and in order that "ODYSSEUS" should not go unscathed, may I draw your attention to a misprint in "The Eastern Economist" of June 14, 1957, page 875, para 6, line 6.

The relevant chapter in the Book of Numbers is xxxiii and not xxxviii.

Yours faithfully,

S. H. CARLILL,
K.B.E., C.B., D.S.O.,

Chief of the Naval Staff

Naval Headquarters

New Delhi

June 19, 1957

[The error is regretted.—Ed.]



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Thus in Benelux no industry and no major branch of an industry has died out in one country to migrate to another. But within the leather, cotton, wool and paper industries there has occurred specialisation by agreement between firms in various parts of the customs union. In other words, division of labour is brought about not by knock-out competition where all the high-cost leather factories in Belgium go to the wall while Dutch factories expand (this is what old-fashioned liberals understood by competitive division of labour), but on the contrary by agreements between Dutch and Belgian enterprises whereby certain firms concentrate on boots and others on light leathers. If competitive division of labour had gone on the way the liberals picture it, Holland would never have been able to expand steel output from 50,000 tons to one million tons a year in the face of open competition from the old and powerful Belgian and Luxembourg steel plants. Instead, Benelux has seen another sort of division of labour whereby trucks are assembled in Rotterdam (Holland) while motor-cars are assembled in Antwerp (Belgium), while Esso builds one oil refinery at Antwerp and Shell builds another at Rotterdam.

Now this sort of division of labour does not happen by accident, or in response to the anonymous forces of the free market. In fact you do not need to be very clever to see that although we give it names borrowed from liberal theory ("division of labour", "competition", etc), this sort of specialisation is really what

the liberals damn as concentration, cartellisation, trusts, carving up of markets, and so on. The important point about it is that as little as possible is left to the decision of the anonymous market, and as much as possible is done by agreements between firms whose first aim is to keep all existing capital investment safe and all existing plant in business.

This is the most important lesson to be drawn from the experience of Benelux and, applying it to Euro-market, it leads us to expect that the opening up of the common market will not have the effect of wiping out high-cost industries in France unable to stand competition from lower-cost German industries, but rather will produce a series of concentrations and agreements between these two sorts of firms aimed at keeping everyone in business. The experience of the coal and steel pool points in the same direction, for it was shown in the earlier articles that the Schuman pool has seen steady cartellisation and an end to the deconcentration of the Ruhr monopolies. Indeed, drawing the moral in advance, many industries in West Europe have already begun casting about for "specialisation" plans that will enable them to meet the challenge of the common market: the current concentration in the French industries producing automobiles, radios, TV, incandescent lamps and tubes and cotton textiles is part of this process of adaptation. We may conclude that customs unions and common markets can indeed work, but when they do they do not take the form of a simple return to economic liberalism.



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WORLDGRAM

AGRICULTURE

Raising Jute Output: The Union Ministry of Food and Agriculture have prepared blue prints for an intensive campaign to increase jute production because of the country's increasingly precarious foreign exchange position, according to a report. This campaign will follow the pattern set by earlier experiments as in the case of rice and sugar-cane, and will initially concentrate on intensifying yields rather than extending acreage. The campaign will await the fixing of priorities, as it entails considerable expenditure on improved strains of seed, promotion of better cultural practices and improved methods of sowing. There will also be considerable expenditure involved in the purchase and supply of better equipment, and before any substantial increase, it is estimated that at least 30,000 seed drills, 30,000 wheel hoes and 10,000 sprayers will have to be acquired and pressed into service. The target under the second Five-Year Plan aims at achieving a production level of at least 55.4 lakh bales by the end of the Plan. At present internal production of raw jute is far outstripped by the existing mill capacity. Against a requirement of 72 lakh bales of raw jute, India produced 42.21 lakh bales. India's precarious balance of payments permitted an import of only 23.79 lakh bales resulting in the idling of 12.5 per cent of the available mill capacity jute imports annually eat away Rs. 18 crores in foreign exchange. But the finished jute manufactures do provide a valuable source of foreign exchange earnings. In 1956 these amounted to Rs. 118.25 crores. Fulfilling the total demand of 72 lakh bales is still doubtful, but the Plan target of 55.4 lakh bales is considered well within reach.

Checking Erosion, and Soil Survey in India: Soil conservation practices including contour terracing, bunding and afforestation, to check erosion will be carried out in nine States and three Union territories in 1957-58. Sixty-nine such schemes have been approved by the Centre for this purpose. The schemes are estimated to cost Rs. 125.44 lakhs for which Central aid will amount to Rs. 101.92 lakhs, Rs. 70.64 lakhs as loan and Rs. 31.28 lakhs as subsidy.

INDUSTRY

Schemes for Small-Scale Industries: Grants and loans totalling over Rs. 11 lakhs have been sanctioned by the Government of India to the Governments of Uttar Pradesh, Punjab and Jammu and Kashmir for their programme for the development of small-scale industries. Some of these envisage the continuance of the schemes started earlier while under others new schemes will be started. Uttar Pradesh has been sanctioned over Rs. 6 lakhs. The Jammu and Kashmir Government have received about Rs. 3.5 lakhs. Aid has been given to enable the State to continue to run its walnut wood seasoning plant at Srinagar, and the paints and minerals factory at Jammu.

Training Within Industry: About 7,000 supervisors in various industrial undertakings in India have so far benefitted by the scheme of training within industry, which has been adopted by 126 organisations. These aim at developing in supervisory personnel the necessary skill to enable them to make the best use of their staff, equipment and material. A beginning in TWI was made in India in 1953 under the guidance of two ILO experts who have since carried out a number of projects covering various industries in different parts of the country. The main advantages of TWI are the minimum number of persons required at the top to direct and carry out the scheme and the large number

of supervisors who can be trained over a certain period of time at a relatively low cost.

Higher World Tin Output: World mine production of tin in concentrates, according to the International Tin Study Group, totalled 14,300 tons in April against 13,800 tons in March. Production in the first four months was 54,900 tons. In May Indonesia produced 2,079 tons against 1,872 in April, and the Belgian Congo 724 tons, against 1,003. In April Malaya produced 9,963 tons against 5,001 tons, and Bolivia 2,917 tons against 1,736 tons. In the first four months of the year Bolivian exports totalled 8,430 tons. Holland exported 1,703 tons of tin metal in April against 2,048 tons in March, and in May Malaya exported 6,149 tons against 6,348 tons. British exports likewise showed a decline to 578 tons from 863 tons. In May Britain produced 3,564 tons of tin metal, the highest monthly total for many years.

Estates for Small Industries: Twenty-five industrial estates with facilities for the development of small industries are being built in different parts of the country by the National Small Industries Corporation. These estates are estimated to cost Rs. 7.87 crores and so far over Rs. 1.2 crores have been sanctioned by the Government of India. The entire cost of the estates will be financed by the Central Government as a 10-year term loan to the States. Of the 25 estates, five are being set up in Kerala, three each in Madras and U.P., two each in Madhya Pradesh, Bihar and Andhra and one each in West Bengal, Bombay, Mysore, Delhi, Assam, Rajasthan, Orissa and Punjab. The establishment of these estates is for promoting industrial development on a decentralized scale and thus help relieve the existing congestion in big cities. It has also been decided to start 20 small industrial estates during the current financial year and the estimated expenditure on each small state will not exceed 3 to 4 lakhs.

Uranium Ore in America: Ambrosia Lake, in New Mexico state now has more than two thirds of all known uranium reserves in the U.S. Of the 80 million tons of ore reserves reported by the Atomic Energy Commission as at November 1, 1956, 41 million tons are in New Mexico. Uranium ore-mining in the second-half of 1955 came to 840,000 tons. This increased to 1,340,000 tons in the first half of 1956, and to 1,660,000 tons in the second-half. By the end of 1956, 12 mills were in operation capable of handling 8,960 tons of ore daily or about 3.2 million tons a year. From this ore came 6,000 tons of uranium oxide. When all the new mills now contracted for are finished, U.S. production is estimated to increase to 15,000 tons of uranium, indicating 6-7 million tons of ore a year.

TRADE

Indo-Indonesian Trade Pact: Letters exchanged between the Indian Ambassador Mr. G. Parthasarathy on behalf of the Government of India and the Secretary General of the Ministry of Foreign Affairs on behalf of the Government of the Republic and Indonesia extended the validity of the trade agreement between the two countries till December 31, 1957. The principal exports from India to Indonesia are cotton textile and yarn, jute goods, tobacco, linseed oil, hardware, pharmaceuticals and chemicals, tea chests, shellac, sports goods, rubber tyres and tubes, porcelainware, paper and boards, machinery including agricultural implements, Diesel engines, sugar cane crushers, textile machinery, electrical equipment including motors and batteries sewing machines, hurricane lanterns and other household utensils. The major

items listed for export from Indonesia to India are copra and coconut oils, palm kernels and essential oil, spices, timber, tin, rubber, hides and skins, canes and rattans, gums and resins, tanning materials, sisal fibre and tobacco wrappers.

Export of Vanaspati: The Government of India have reviewed the export policy for Vanaspati (vegetable product) kariseed oil and nigerseed oil and have decided to release a quota of 5,000 tons each of these commodities for export for all shippers during the half year July-December 1957.

Britain's Aviation Exports: In Britain, aviation exports during May were, at £10,366,025, the highest of any month during 1957, more than 2.2 million upon the May 1956 figure, and the third highest ever recorded. The total for the first five months of this year amounted to £42,919,350. Sweden was the best customer with £3,973,604 worth of air-craft and parts, then the United States with £3.6 million, India with £2.2 million, Canada with £1.7 million, France with £1.5 million and Australia with £1 million. Exports this year represent so far an annual figure of more than £100 million, about the same as the 1956 record.

Export of Vanaspati: The Government of India have reviewed the export policy for Madras-Mysore silk waste and decided to release a further quota of one lakh lbs. of Madras/Mysore silk waste for export up to the end of September 1957. These exports will be allowed through small stockists and also members of the Charka Silk Dealers Association, and other bodies who participated in export quotas released in 1956 and effected some exports up to the end of 1956, but are not eligible to receive allotments against the earlier release of 2,84,000 lbs.

FINANCE

Advances Against Sugar: A directive issued by the Reserve Bank of India to all scheduled banks under its "Selective Credit Control" policy states that advances against sugar have remained at a high level, and they recorded a rise in the first fortnight of June contrary to the seasonal decline. In spite of the production of sugar being 2 lakh tons, prices increased sharply. Advances against sugar touched a record level of Rs. 60 crores in June this year. The Reserve Bank has asked banks to maintain an aggregate level of credit against sugar in such a way that by July 26, 1957 and in every week thereafter the level shall not be more than 10 per cent above the corresponding week in 1956. The margin requirements have also been raised to 35 per cent.

Ceylon Budget Estimates: From the estimates of revenue and expenditure for the year presented by the Finance Minister, it was seen that the Ceylon Government will have to raise Rs. 200 million to balance the budget for the next financial year beginning on October 1. There is an anticipated revenue of Rs. 1,260 million as against budgeted expenditure of Rs. 1,460 million, including Rs. 300 million to be spent on capital account and Rs. 102 million on items such as the Governor-General's salary.

Gold Reserves: The sterling area's gold and dollar reserves rose by \$36 million, the highest level for eleven months. This increase was achieved after payment during the month of \$16 million to the European Payments Union, representing part of the May debt, together with \$3 million paid to creditors settlements. During June, India drew the last \$72½ million of her credit with the International Monetary Fund. The U.K. has a deficit of £10 million with the European Payments Union during June, which includes nearly £3 million of interest on the accumulated debit

balance with E.P.U. This will be settled this month by payment of 75 per cent in gold and dollars, with the remaining 25 per cent being added to the debt to the Union.

GENERAL

Nuclear Power in Britain: In Britain neither coal nor oil can meet the foreseeable demand for power, and nuclear power alone can bridge the gap says a report on the progress of Industrial Research in Britain. As a result of the vast amount of energy expended on the development of nuclear power, Britain leads the world in this field. She cannot only generate nuclear power for her own needs, but can contract for the erection of nuclear power stations in other countries. On such station is to be built in Japan.

World Economic Growth: World economic activity rose to new high levels in 1956, but costs increased significantly in most countries as the growth in production failed to match the increase in wages. The pressure on existing capacity in certain key industries, notably steel and engineering, has been so intense in most countries, that it has acted as a break on economic growth. While each country must maintain internal balance, international equilibrium depends on the rates of growth in all countries remaining consistent. World demand for primary products has lagged behind that for manufacturers, and as a result many under-developed countries find it difficult to finance their rising demand for imports. In the Communist countries with centrally planned economies, industrial production increased substantially in 1956. Here too the rate of increase was slower than in 1955, though China recorded the exceptionally high rate of 25 per cent.

International Geophysical Year: India is among the 70 countries participating in the International Geophysical Year. The programme for the IGY drawn up by the Indian National Committee includes observations and study in the fields of meteorology, geomagnetism, air-glow and aurora, ionosphere, cosmic rays, latitudes and longitudes, glaciology oceanography, seismology, gravity measurement and solar activity. The Meteorological Department contribute to this study by providing observations daily of winds, temperature and humidity from 12 stations up to heights of about 30 km or about 20 miles by the use of up-to-date electronic equipment. Such stations are already in operation at Allahabad, Jodhpur, Bombay, Calcutta, Gauhati, Port Blair, Madras, Nagpur, New Delhi, and Trivandrum.

Whaling Catch: The International Whaling Commission has decided that the limit on the Antarctic catch in 1957-58 should remain at 14,500 blue whales. In the previous year, 20 factory ships with 225 catches took part in the Antarctic season. The catch by floating factories amounted to 2,097,911 barrels, equivalent to 349,652 tons, of oil, inclusive of sperm oil. Including the land stations, the total catch was 2,245,435 barrels, a decrease of 61,734 on the previous year. Outside the Antarctic, the output in 1956 was about 605,189 barrels, compared with 520,090 in 1955.

Collection of Mineral Statistics in India: Measures to improve methods of collection of Mineral statistics from various states in India have been recommended by the Mineral Advisory Board. The collection of mineral statistics gained importance with the shift in emphasis from agriculture to industry under the second Five-Year Plan. At present the Indian Bureau of Mines has been entrusted with the task of collecting statistics of mineral production, stocks and prices under the Mineral Conservation and Development Rules, 1955. The working of these rules during the last two years revealed that the forms devised by the State Governments for the purpose differed from State to State and lacked uniformity.

NEWS IN BRIEF

INDIAN

Recently India and the US signed an agreement for the provision of \$4 million as developmental assistance for the design, construction and equipment of a 30 mega watt thermal power plant for Delhi. The total cost is estimated at \$6,625,000 and the American assistance will meet foreign exchange costs.

More than Rs. 15 lakhs was sanctioned by the Government of India for the welfare of Schedule Tribes in Manipur during 1956-57, in addition to what had been given in the tribal areas under the general schemes.

Five hundred co-operative farming societies are being set up during this year in the Community Development and National Extension Service areas.

An additional amount of Rs. 14 crores was earned by farmers in India during the 1954-55 season by cultivating improved varieties of cotton.

The Government of India has issued a notification fixing the price of tea for the purpose of determining the export duty, at Rs. 2.43 per lb. as against Rs. 2.47 per lb. in force from June 1, 1957. There is no change in the existing rate of duty of 25 naye paise per lb.

In 1955, India imported from Egypt goods to the value of £E12.861 million, while her exports were valued at £E7.274 million. During 1956 India's imports from Egypt totalled £E8.935 million, while her exports amounted to £E7.986 million.

The East Pakistan Jute Marketing Corporation proposes to dispose from its stocks one and a half lakh kutchas bales to be exported to India. An equal number of pucca bales will be exported to other foreign countries.

The National Chemical Laboratory at Poona has developed a new process for the manufacture of porous rigid filters which can be used for filtration of water in the construction of tube wells and in certain industrial filtration processes. The filters can be prepared in different sizes, shapes and porosities, and are expected to replace similar filters now imported at a much higher price.

A draft Indian Standard specification for ink, stencil, oil base, for marking porous surfaces has been issued by the Indian Standards Institution. Methods of evaluating the various characteristics such as drying time, tiding power, miscibility with mineral spirit, flash point, effect on stencil brushes, freedom from toxic and noxious powers have been prescribed in this standard.

Tata Steel's expansion project to double output to two million tons is more than 52 per cent complete in 56 per cent of the total allotted time of 2½ years. A sum of \$61.24 million (about Rs. 30 crores) has already been expended or committed.

FOREIGN

The World Bank has made a loan equivalent to \$4.8 million for improvement of transport in Ruanda-Urundi, a UN Trust Territory in Central Africa administered by Belgium. The Belgium-American Banking Corporation is participating in the loan without the World Bank's guarantee, to the extent of \$359,000.

Grants to the value of nearly £26,000,000 for development in overseas territories were approved by the British Government in the last financial year. In the last eleven years actual issues from C.D. & W. funds amounted to £136,860,000. Nearly £12,000,000 was spent on research.

The Egyptian Government controlled economic organisation has purchased 52,000 shares in the National Bank from British and French nationals, it was recently announced in Cairo.

The US Steel Corporation has announced an increase in prices of approximately \$6 a ton effective on July 1.

The British Transport Commission made a record loss in 1956. After meeting interest charges and other items, the deficit is £54.4 million for the year, making a total of £124.2 million.

Canada's steel production increased to 1,366,819 tons this quarter from 1,275,063 tons a year ago. Pig-iron production in the quarter rose to 932,347 tons from 846,183 tons last year.

A new process for producing iron coke from a mixture of coal and fine iron ore is being developed experimentally in Germany. This involves the addition of 2-3 per cent of oil to a ground up mixture of Swedish iron ore and long flame gas coal, and finally processing in a coking plant to produce iron coke.

China will reduce her defence expenditure from 20 to 18.85 per cent of her total state expenditure in 1957 it was recently announced. In 1956 China spent nearly six per cent less on defence compared with 1955 while most other sectors of the expenditure showed an increase in expenditure.

The Foreign Affairs Committee of the House of Representatives recently voted to cut \$600 million (about £214 million) from President Eisenhower's proposed \$3,865 million foreign aid programme for 1957-58.

The US will back West Berlin's atomic research programme by providing fissile material. An agreement concluded between the US and the Federal Republic recently will enable West Berlin to lease up to 6 kilogrammes of uranium enriched up to a maximum of 20 per cent with uranium 235, and will be permitted to buy or receive as a gift 100 grammes of pure uranium 235, 10 grammes of plutonium and 10 grammes of uranium 233.

Special Articles

TEA: A BULL POINT

THE Government's approach to the recommendations of the Plantation Inquiry Commission on the tea industry has been informed by a spirit of robust realism which certainly will help to reassure foreign private investors. The Commission's report dealt with a wide field covering multifarious problems of a complex nature. Several of these problems arise out of weaknesses which are undoubtedly injurious to healthy and rapid growth. But it would be impracticable to aim at solving all the problems of a century old key industry in a short span by exercises in academic thinking. Many of the recommendations of the Commission failed to take into account the difficulties inherent in an all-out attack for early, and, in a good many instances, radical cure. The Commission was ill-informed and often obstinate in resisting facts.

Patience and moderation underline the decisions of the Government wherever final decisions have been made on the Commission's recommendations. Interim conclusions have been reached on some, while others are pending consideration. Most of the recommendations which the Government has been unable to accept take on the character of discrimination against the tea industry in policy matters. Some of the suggestions that have been rejected impinge on the mobility of ownership. It was suggested by the Commission, for instance, that the State Governments should assess and recover from the seller undischarged statutory liabilities. A rigid scrutiny, prior to sanctioning new capital issues for tea companies with special reference to conversion of sterling companies into rupee companies was urged. It was turned down on the ground that a system of scrutiny in cases of conversion of sterling companies already prevails and it could be improved upon if necessary.

Compulsory provision for permission of Controller of Capital Issues for capital expansion by new issues or capitalisation of reserves, scrutiny of prices agreed between seller and buyer, certification of reasonableness of revaluation of estates by a nominated authority, local audit of expenditure incurred on gardens and branch offices were among the suggestions which sought to single out this industry for particular treatment. Of a grossly discriminatory nature was the Commission's recommendation that the Tea Board should be armed with powers to investigate cases of excessive remuneration to managing agents or senior officials of companies and exercise its pressure for its reduction. Government has reiterated its policy, in this context, of narrowing down income disparities by taxation or relying on voluntary action by employers. Of a piece was still another recommendation that meticulous rules or principles should be laid down for determination of bonus. This issue has been left properly for negotiation or arbitration.

Certain suggestions made by the Commission, for instance, abolition of the managing agency system (which, of course, now comes under the stringent provisions of the Company Law) and utilisation of the machinery of the Tea Board for packing and retail distribution of packaged tea to the extent of 50 per cent of the internal consumption need not be given undue weight. All this is not to suggest in the least that the report has little valuable contribution to make to the overall problem of rationalisation and development of this leading export industry. One conspicuous recommendation to which the Commission attaches great importance bears emphasis. Since about 40 per

cent of the existing tea bushes are now 50 years old or above and the cost of replanting would be of the order of Rs. 3,000 per acre, the question poses a serious challenge. Internal resources of the companies are utterly inadequate for this purpose. The Commission's scheme of setting up a "Tea Replanting Fund" under the control of the Tea Board offers an effective solution. This proposal is being scrutinised by the Government for its full implications.

Finance is certainly the major issue on which the Government has taken a final decision. The problems of small holders in this industry are analogous to those of their counterpart in agriculture and their financial position is rudely shaken. Government, however, has rejected out of hand the Commission's suggestion that a Land Mortgage Bank should be set up for wiping out their existing liabilities incurred on onerous (and sometimes unconscionable) terms. The reason is that a Land Mortgage Bank investing its resources exclusively in one industry, and then again in the most vulnerable section of that industry, is likely to be involved in serious trouble. Nevertheless, the question of means to liquidate their liabilities specially through the medium of institutional investors is being examined in detail. Among the medium and large-scale estates, however, the main problem of provision of finance has raised a big question mark for Indian-owned companies. In spite of an increase in acreage, the production of 19 Indian companies under Indian managing agents, 43 Indian public limited companies and 3 Indian private limited companies recorded a decline in 1953 as compared to 1946. The trend in sterling companies and the composite sector of rupee companies with Indian and non-Indian ownership was in the other direction. Sterling companies raised their share in total production by a substantial quantity. A few more instructive details will be found in a table in the statistical section of this issue.

The ways and means by which tea companies find resources for working capital has made the pattern of the use of their internal resources very rigid and long-term requirements of capital have suffered in consequence. The following table sums up the overall position of tea companies, irrespective of nationality, in regard to working capital.

RESOURCES OF TEA COMPANIES FOR WORKING CAPITAL

North India (250 Companies)
(Figures show percentages to total working capital, except in the first column)

	Working Capital per lb. (in Rs.)	Loans from Managing Agents	Loans from Banks	Loans from other Sources	Own Resources
1951	1.6	8.9	21.1	—	70.0
1952	1.6	12.8	34.7	.03	52.5
1953	1.5	10.7	31.2	.01	58.1

South India (37 Companies)

	Working Capital per lb. (in Rs.)	Loans from Managing Agents	Loans from Banks	Loans from other Sources	Own Resources
1951	.86	1.3	12.6	—	85.1
1952	.93	2.4	11.9	1.4	84.3
1953	.96	1.7	18.5	.6	79.2

Total working capital for the tea companies in North India for which data were analysed by the Commission fluctuated between Rs. 48 crores and Rs. 53 crores, while fluctuations in respect of companies in the South ranged between Rs. 4.7 crores and Rs. 5.3 crores. Working capital requirements of North India estates, as measured in terms of expenditure per lb. in the table, are higher than those in South India for the reason that production in the North is not continuous throughout the year as in the South. In effect, the issue boils down mainly to one of finding seasonal finance for North India companies.

The broad conclusion to be drawn from the above table is that companies' own resources built up from reserves other than the taxation reserve are being steadily released from being locked up in short-term finance. Managing agents are providing increasing seasonal capital. The most material trend is the progressive and marked accommodation from banks. The dependence of Indian-owned companies on bank advances has risen as high as 65 per cent. This trend has raised fresh problems. The Commission has recorded the fact that Indian banks which make advances predominantly to Indian companies charge interest rates between 4 per cent and 9 per cent together with commission on gross sales of hypothecated tea at the rate of half per cent to one per cent. In some cases guarantee from approved guarantors is also obtained which adds a further charge of their commission. Collateral security of assets like buildings, land and machinery is also insisted upon. All this aggregates to a high total cost of borrowing and immobilises assets other than the crop. The rate charged by exchange banks varies between 4 per cent and 5 per cent according to the Commission's investigation, with hypothecation of tea only without additional security or charge by way of sales commission. Four houses of tea brokers have recently come into the picture with relaxation of the restrictive rules

of their Association in this behalf.

The solution of the present situation is to be found in steady expansion of other institutional credits. The Commission has pleaded, of course, that the current burden of cost of credit should be lightened by the supplying source concerned. But its major emphasis is on the expansion of branch offices of the State Bank of India in tea producing regions. When accommodation is available from the State Bank for seasonal needs in an 'abundant measure', the internal resources of tea companies can be released for the essential purpose of long-term finance. This transition will extend inevitably over a period of time.

Evidence tendered before the Commission on requirements of long-term finance for programmes of renovation or capital expansion cannot be regarded as exhaustive. One-fourth of the non-Indian companies which furnished data maintained that they stood in need of external resources for their long-term programme, while the proportion of such companies in the Indian sector was a little below three-fourths. A major remedy within the control of the companies is to strengthen their reserves by greater restraint on distribution of profits by way of dividend. Its feasibility has its own limitations. But stress ought to be laid now on credit from the Indian Finance Corporation and the State Financial Corporations. The technical doubt as regards the eligibility of tea estates, supposed to be agricultural concerns, if any, has been found to be unwarranted in fact and it is clear that the factory component of the companies entitles them to assistance from these Corporations. This will be a novel field for them. The sources of long-term credit which have been recommended are not claimed to offer a full solution. They will need to be supplemented when the precise programme of rehabilitation and expansion is decided upon.

YUGOSLAVIA AND SOUTH-EAST ASIA

By

V. MESARIC

(Till recently Yugoslav Consul-General in Bombay)

THE systematic development of Yugoslavia's economic relations with the countries of South-East Asia began only after the last war. Before the war her economic contacts with the countries of that area were insignificant, and trade with them was small. The appearance of new states in South-East Asia after their liberation and the uprooting of colonialism, did away with all obstructions to their free social and economic development. Considered from the economic point of view, the uprooting of colonialism in that part of the world proved, in practice, to constitute an expansion of the world market, and enabled an increase in world trade.

It was under the difficult conditions of the last war that Yugoslavia, too, succeeded in winning her full statehood and national independence. This enabled her—in a relatively short period—to overcome her agrarian backwardness and grow into an industrially developed country, with its standards approaching Central European averages.

Accordingly, quite good opportunities for the expansion of economic co-operation with the countries of South-East Asia presented themselves, the more so since Yugoslavia is fighting for full equality in economic relations between all countries and since she respects the international division of labour on the basis of natural and economic conditions, paying due attention to the specific requirements of development in insufficiently developed countries.

Yugoslavia's trade with the countries of that area in 1956 increased particularly in comparison with previous years, as the following table shows (in millions of dinars):

	1954	1955	1956
Exports	100	282	3,279
Imports	406	5,565	4,791
Trade Balance	-306	-4,283	-1,512

The great deficits in this trade were formerly covered by funds earned in other countries. This increased our dependence on other markets, and we were forced to import some goods from South-East Asia through other countries. Our trade with these countries is, however, increasing this year too, and we are already in a position to pay for our imports by direct exports. This is the result of our endeavours to establish direct trade and economic relations with all the countries in this area, and we have already concluded trade agreements with a number of such countries—Pakistan, India, Burma, Ceylon and Indonesia. The structure of our trade with these countries differs greatly from that of the pre-war period, and our exports reflect the changes which have taken place in our economy. As far as exports are concerned, almost every branch of our industry is exporting to some market in South-East Asia. We are now selling to these countries ocean-going ships, hydro-power plant

installations, different kinds of cranes, electro- and diesel-motors, various machine-tools and other finished industrial products. Naturally, we have not expanded our trade equally with all these countries, nor have we succeeded in exporting a great variety of goods to all of them.

Yugoslav economic experts who are working in some of the South-East Asian countries have played an important role in expanding our trade with that area. Our experts there have shown that Yugoslavia is ready to assist the economic development of the countries of that part of the world, and that the Yugoslav economy is actually in a position to do so.

Taken as a whole, the results achieved are significant, and they reveal our possibility of co-operating with these countries in the economic field. These results primarily show that our industry is capable of supplying many products which they need. Similarly, they show that our country is there considered a valuable trading partner. Furthermore, owing to Yugoslavia's peaceful policy and her persistent struggle for the equality of all states and nations, for assistance to insufficiently developed countries in their endeavours to develop their natural resources, people everywhere have come to consider trade with Yugoslavia to be an important contribution to general co-operation between states.

There are, however, many problems in our economic relations with South-East Asian countries which must be solved. First, our exports to these countries could be increased, both in volume and variety. Our machine building and heavy industries, for instance, have not been quick enough to exploit the possibilities of that market. An increase in the exports of these products would enable us to exploit our industrial capacities more profitably and to expand the production of certain factories which still depend on the home market. Our trade with the South-East Asian countries is much smaller than their trade with other European countries, so much smaller, in fact, that it cannot be ascribed to the difference in the economic strength of our country and other European states. This means that other European countries are exploiting their capacities better than we are. Accordingly, we shall have to adjust our production to the requirements of the market, i.e. to expand the capacity of those industries whose exports are increasing, and to increase the variety of goods so as to be able to offer more products to foreign countries.

The insufficiently developed and inadequate network of our agencies abroad is another reason why we cannot go on expanding our trade at a quicker rate. In addition, we encounter the competition of countries which are industrially much stronger than we are. These countries maintain strong trading organizations in South-East Asia, organizations which were developed in the era of colonialism and which still exert a considerable influence on the market there. It is true that the countries of that area are making efforts to enable their home merchants to handle the greatest possible percentage of foreign trade; but this process must be encouraged by finding agents among home merchants and technicians who would work on the marketing of our products, and on the organization of technical services, stores and so on. Another considerable difficulty—also introduced by the former colonial powers—is presented by technical and other standards, many of which have become obsolete, but which are being maintained to prevent the penetration of other countries to the market there. Some progress is, however, being made in this field too. For example, India is introducing the metric system of measurements and currency, and

this will influence other countries as well. Similarly, European technical standards are being applied ever more frequently. But, irrespective of all this, it is essential that we adjust our production to the requirements of the world market as quickly as possible if we are to sell more goods to foreign countries.

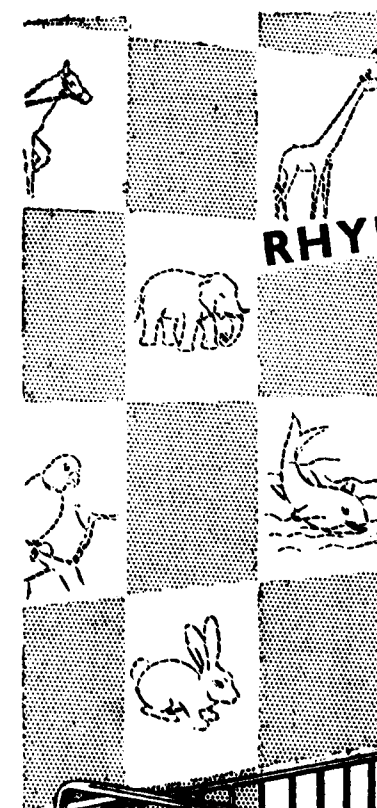
To strengthen our economic co-operation with the South-East Asian countries we shall have to modify our banking system and establish closer contacts with banks in other parts of the world, as well as introduce the same facilities in trade as other European countries. In this way our trading enterprises would be able to conduct their business in a more flexible way, and to compete with foreign countries more successfully.

In our economic relations with some South-East Asian countries, including India, Burma and Pakistan, we have reached a satisfactory volume of trade, but the structure of this trade is far from being stable. On the other hand, our trade with another group of countries in that area—Indonesia, Thailand, Ceylon and Malaya—is unsatisfactory, both in volume and in variety. There is yet another group of countries there with which we are just establishing political and economic relations. These are Cambodia, South Vietnam and others.

All this shows that we must act more energetically in our economic relations with these countries. It is sometimes said that we should develop economic relations first with countries nearest to us and then with those further away. This view has, however, been disapproved in practice, for we have already succeeded in developing a mutually useful trade with the countries of South-East Asia, a far-off region. Furthermore, the fact that we still have some insufficiently exploited industrial capacities, and that the South-East Asian countries have started intensive economic development, encourages our attempts to develop trade with all countries in that area. Finally, the income from export of the countries of that area—owing to the changes in the prices of the relatively few articles which they export—varies considerably from year to year, so that the planned volume of their imports is often reduced. Only co-operation with all the countries of the area can, to a certain extent, enable us to export a more or less constant volume of goods, since exchanges with individual countries are bound to vary every year.

Economic co-operation with the countries of that part of the world can be successfully maintained for a long period if it proves to be of mutual interest. We must, therefore, go on importing increasingly greater quantities of goods from them. Naturally, this is a long-term task, but its realization must be approached boldly. Increase in direct purchases in that area must be one of the primary tasks of our economy, for a large part of our imports from there is still coming through other countries. We must buy directly the raw materials we need, such as rubber, copra, tin and so on, and overcome all the difficulties which stand in the way.

In view of what we have already said, we may expect that, during his visit to the countries of South-East Asia, Vice-President Vukmanovic will talk with the responsible leaders there, not only about political problems, but also about economic matters. He will certainly emphasize Yugoslavia's wish to co-operate with them in the economic field as successfully as in the political and other spheres of activity. The tour of our mission in the South-East Asian countries will make it possible to consider, examine and assess all current economic problems. Direct contact with the leaders in the countries of that area will certainly produce favourable results for all concerned.



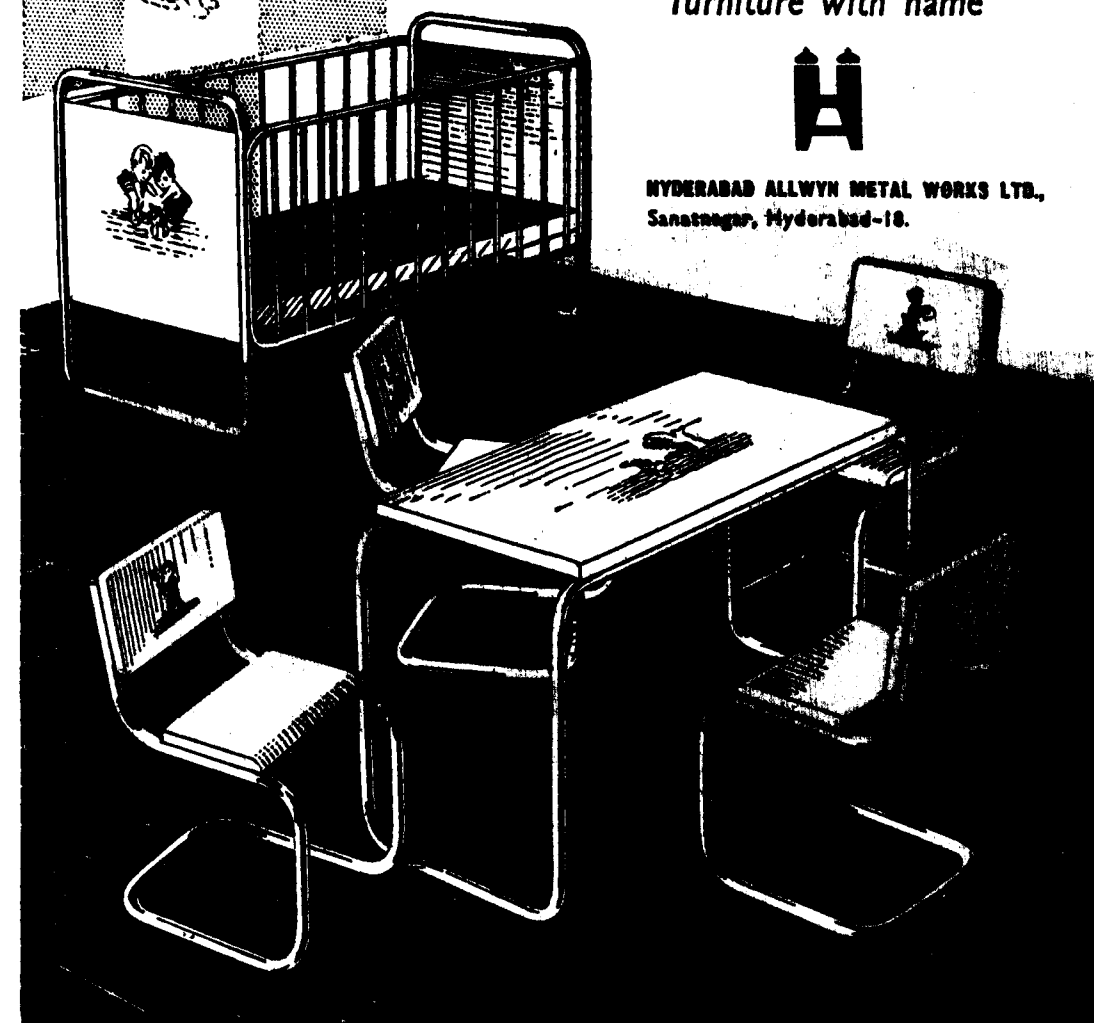
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The search is on...

by Adipocere

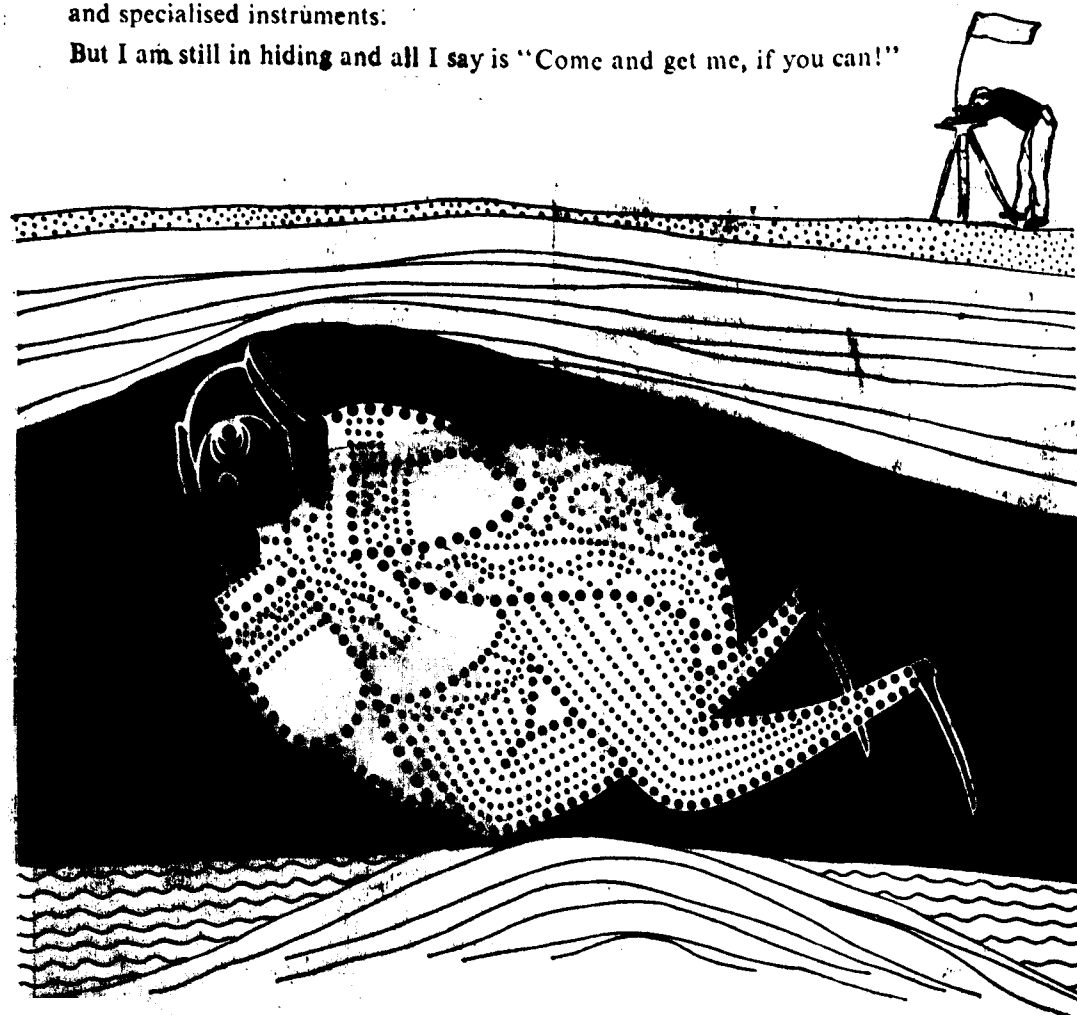
(Pronounced 'adi-po-saire')

I am all over the world, but hidden well inside the earth's crust. They keep on looking for my various forms, particularly petroleum...and in fact, at this very moment, a

search is going on in India. In West Bengal, STANVAC are trying to pin-point me in an area of 10,000 square miles. They have been at it for 3 years and their top geologists and scientists have brought along a whole stream of complicated instruments and equipment and are spending enormous sums of money (I overheard, way above me, some talk of their having spent fifteen crores of rupees already). They think they'll find me!

I never went to College, but years and years of experience with these tough oil-men crawling all over has taught me the methods they use to trap me. Broadly speaking, surveys are geological and geophysical. The first is like X-raying the earth below, and the second is an instrumental and scientific method of locating my actual hide-out. Such terms as Seismic, Gravimetric, Magnometric and other jaw-breaking words cover this process and mean a whole lot of highly complex and specialised instruments.

But I am still in hiding and all I say is "Come and get me, if you can!"



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Economic Report from the U.S.

THE STATE OF THE ECONOMY

(By GUY SIMS FITCH)

WASHINGTON, July 9.—At the mid-way point of 1957, the United States economy is living up to the expectations voiced by most experts when the year began. The pace of expansion has slowed somewhat. But the economy seems well on its way to another record year, its third in a row. The total value of goods and services produced — the gross national product — has been rising steadily, and is out-distancing the record rate of 1956.

Also at peak levels are personal income, consumer spending, retail sales and business investment in new plant and equipment; employment exceeds 65 million, and unemployment comes to no more than 4 per cent of the total labour force. Continuing strength in these and other vital sectors has more than offset the publicized dips in some areas of industrial production and in inventory buying. What is more, this overall strength persists in the face of the tightest money market in a quarter of a century.

In any mid-year appraisal, however, it is important to see where the economy is going as well as where it has been. This is particularly true when, as a new number of cross-currents show up, some segments of the economy have been rising and others falling.

Most economists concede that there will be the usual summer-time dip in business activity this year — a normal enough development, except in periods of unrelieved boom. They expect that the summer lull will be followed by the usual Fall upswing — also normal except in periods of general slump. But since the American economy is a free and dynamic rather than a static entity its achievements cannot easily be measured by assessing short spans of time. Hence, economists tend to look into 1958 for a better perspective on its direction and potential.

In this longer-range view, a decidedly optimistic tone prevails. One noted economic writer — J. A. Livingston — reports that 52 of 57 economists he polled see a distinct upswing in the latter part of 1957 continuing into 1958. They expect business investment to maintain its pace; housing to start to climb substantially; consumer income and spending to continue their rise, and industrial production to recover significantly.

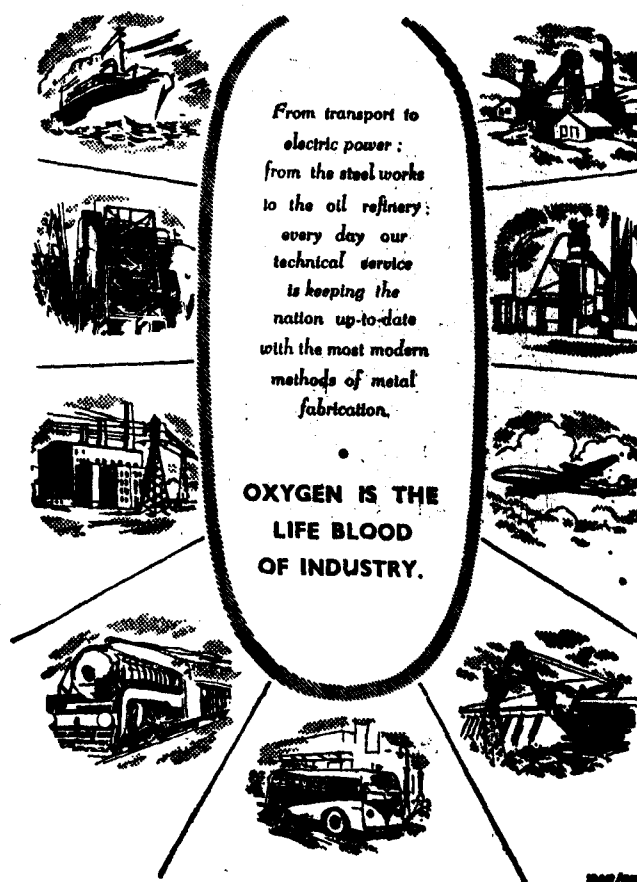
In the same vein, 'Fortune' magazine, a highly respected business journal, flatly predicts in its semi-annual forecast that 1958 will be the "fourth successive best year ever" for the U.S. economy. It sees the gross national product rising two per cent this year and another three to four per cent next year — measured not in "inflated" dollars, but in constant 1956 prices. It sees similar increases in the physical volume of industrial production. Not that 'Fortune'

necessarily expects 1958 to be "a year of unrelieved good news from start to finish,"; some new readjustments may have to be faced. But the magazine does not anticipate that they will seriously impede — any more than in the past two years — the general upward movement of the economy. Thus, while the old and recurrent problem of the business cycle may not have been entirely eliminated in the modern American economy, it has at least been moderated to a considerable degree. Certainly, the economy has demonstrated a marked ability to contain within itself divergent internal influences and yet sustain a high level of prosperity.

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The Business World

STATE FINANCIAL CORPORATIONS

By
(CROESUS)

OF the 10 State Financial Corporations, the results of working of which have been published, the performance of the Kerala Financial Corporation stands foremost, and it is not an unjustified claim that Mr. P. K. K. Menon, Chairman of the K.F.C. made a few days ago (28-6-57), when he declared: "After going through the annual reports of the various Financial Corporations in India, I am happy to mention that our very high record for maximum utilisation of funds, economy, and efficiency in administration has not only been maintained during this year (year ended March 31, 1957) but it has also definitely improved". But these achievements have brought in their wake fresh problems for the K.F.C., one of which, perhaps the most urgent, is that of raising additional working funds. Out of its initial capital of Rs. 1 crore, the K.F.C. has already advanced nearly Rs. 84 lakhs or as much as 83.9 per cent. This percentage is higher than that of even the Bombay State Financial Corporation (75.5 per cent). Only one other State Financial Corporation—the Punjab Corporation—has advanced more than 50 per cent (56.8 per cent to be precise) of its initial capital. In a few years, doubtless, the percentage of advances to initial capital of the other State Corporations also is bound to go up, giving rise, in turn, to the problem of finding additional capital for those Corporations as well.

The raising of the initial capital of these Corporations when they first started did not present much difficulty, because the State Government concerned, the Reserve Bank and the several financial institutions, such as insurance companies and banks, absorbed a major share of this capital, the general public coming in only in a very very small way. With a view to giving the Corporations a good start, the State Governments not only contributed 50 per cent of their share capital but guaranteed a minimum dividend (3 per cent in the case of the Punjab and 3½ per cent in all other cases) to all subscribers to the initial capital. But will State Governments agree to take more shares on the same basis now? As Mr. Menon observed, "issue of shares with the guarantee of minimum dividend is an indirect burden by way of subvention on the State Governments who are themselves finding it difficult to balance their budgets (even revenue budgets, let alone overall budgets) and to find resources for meeting their Plan commitments. Hence any proposal for issue of new shares for raising capital will naturally be resisted by the State Governments who will not only have to take a major portion of the shares so issued but also will have to bear the brunt of additional subvention". To the suggestion whether funds could not be raised by issuing bonds or debentures also, Mr. Menon gave a pertinent, albeit disappointing, reply. "The issue of debentures or bonds duly guaranteed by the State Government", he said, "is not likely to have sufficient response, unless a very high rate of interest is offered". The Corporations cannot afford to do so, unless their own lending rate also is raised, but, if this is done, medium and small sized industries may not find the rates attractive enough to approach the Corporations.

There is a third way open to some of these Corporations for augmenting their resources, namely by disposing of their holdings in Government Securities. But doing so, especially at the present time, will not

only further depress Gilt-edged prices but also entail a substantial loss by way of capital depreciation which luxury, the Corporation can hardly afford.

Finally, there is the K.F.C. Chief's suggestion that the Financial Corporations Act itself must be suitably amended so as to enable the Corporations to borrow money not only against Gilt-edged investments but against other securities as well and this for a longer period than is permissible now. Under the Act as at present, borrowings can only be from the Reserve Bank against Gilt-edged Securities and even then only for 90 days. As this process of amendment involves time, Mr. Menon appealed for fixed deposits from the public on a 4½ per cent interest basis and wanted the Government of India to ask the Life Insurance Corporation and State Insurance Departments, wherever these exist, to put some of their moneys in these fixed deposits.

It may be mentioned, in passing, here that the State Corporations may also augment their resources, to some extent, by agreeing to act as the agents of the Central or the State Governments for disbursing finance to industries under the concessional scheme of aid to small-scale industries, as recommended by the recent conference of representatives of these Corporations themselves. One only hopes that they may not be asked to do this work on an honorary basis.

That the problem of finding additional resources for these Corporations brooks no delay is obvious from the fact that more and more industries, both old and new, have now begun to turn to these Corporations. Hitherto, the Stock Exchanges constituted the most important pool for supply of fixed capital, but, thanks to the latest tax proposals, they are finding it extremely difficult to absorb any new floatations. The investing class is steadily diminishing and, in the new set up of things, has also become shy. In this connection, it may not be out of place to quote what Mr. Menon said about the effect of the latest tax proposals. He said:

"The impact of the tax proposals envisaged in the new budget of the Central and State Governments however gives very little encouragement for investing private capital in new industries, as it is proposed to tax at a high rate not only income from productive investment, but even the equity capital possessed by producers. The prospects of raising equity capital have thus deteriorated to such an extent that proposals have been examined by a Committee appointed by the representatives of the various Financial Corporations in India whether Financial Corporations should not be encouraged in the business of under-writing of shares and participating in equity capital."

In view of this added responsibility, the need to make more funds available to State Corporations becomes all the more urgent. It remains to be seen what novel brainwave the official world will have to solve this problem.

Meanwhile, the question of economising their expenses is as important to these Corporations as that of raising funds. The latest results of working of these

Corporations indicate that the percentage of administrative expenditure to gross profit ranges between 10.6 (Kerala) and 46.8 (Bihar). But this is an item in respect of which there is not considerable scope for economy and to a certain extent, the percentage figure is deceptive, in that, so long as it is determined by the total volume of business, backward States like Rajasthan and Assam, which have not advanced much, may appear to be faring better than West Bengal and Bihar. Where, however, the Corporations can effect substantial savings, which will incidentally be available to them for their work of financing industries, is in regard to taxation. With the raising of the income-tax for companies in the latest budget, the position of the Financial Corporations has been worsened, and, to the extent that these Corporations are called upon to pay more taxes, the amount of subvention to these Corporations that the concerned State Governments will have to pay will also increase. An undoubted anomaly is that the State Corporations are not allowed to pay tax after earmarking the amount required for the inevitable payment of the minimum guaranteed dividend. It is rather curious that, for faithfully and promptly carrying out the

directives of the Union Government in regard both to taking shares in the Corporations and to guaranteeing payment of a minimum dividend on the initial capital, the State Governments should be penalised by perpetuating the burden of subventions, which is what it will amount to if the rates of tax go on increasing and the Corporations' prayer that they be taxed only on such portion of their profits as are in excess of the amounts actually required to pay the minimum dividend guaranteed by the State Governments is not granted. However, one should consider this a modest enough request, for it was at least open to Mr. Menon and his confreres on other State Corporations to request the Union Government to exempt the profits of these Corporations from taxes altogether. Not that this would have had any chance of acceptance, especially when the amount involved runs into lakhs of rupees. The combined provision by these Corporations for income-tax and reserves, which constitute only 5 per cent of the corporate profits, for the year ended March, 1957 amounted to over Rs. 18 lakhs. As yet fortunately, the Union Finance Minister has not been requested to exempt State Finance Corporations from taxes, but, sooner or later, it seems, such a demand will arise.

COMPANY CONTRIBUTIONS TO PARTY COFFERS

By
(CROESUS)

THE question of contribution to political parties continues to be an interesting subject of conversation, especially in intellectual circles. Already there have been two judgments by the High Courts of Bombay and Calcutta and, more recently, a judgment of the Appellate Bench of the Bombay High Court upholding an earlier judgment of the Bombay High Court on the same subject. The legality of the matter, however, is not the point at issue. For it is clear, as the law of the land stands today, the courts cannot possibly refuse applications for amendments to the Memoranda of Associations of companies to enable them to contribute monies to whatever political parties whom they may wish to support. But, even here, because of a number of new companies which have got incorporated in their Memoranda of Associations such powers, it would seem the courts themselves are not clear in their own minds as to whether, in the event of their refusing to alter the Memorandum of Association of an applicant existing company, there would not arise a legitimate issue of discrimination as between one company and another. Discerning all these implications, no doubt, the learned judges of the Bombay and the Calcutta High Courts have confirmed the proposed alterations in the Memoranda of Associations of the Tata Iron and Steel Co., Ltd. and the Indian Iron and Steel Co., Ltd. But, in doing so, they have clearly pointed out that the High Courts can, while confirming the alterations, also impose certain terms and conditions. Actually, in the case of the Indian Iron and Steel Co., the Calcutta High Court has not only made it obligatory on the part of the IISCO to publish in its accounts the precise contributions that it may make to political parties but also to approach the court again after a period of six years, unless this period is extended in the meanwhile by the court. The Bombay High Court, however, has contented itself by insisting on the IISCO to publish complete statements of donations by it to political parties in two leading newspapers at the end of every financial year.

This is in so far as the immediate purpose of the alterations of the Memoranda of Associations of companies as concerned. But there is something more far-reaching involved in this permission to subscribe to the funds of political parties. The various authorities cited by the learned counsels on either side show how sharply opinions are divided on this issue. Even so, it is

clear that there is a lurking fear in the mind of everyone that this power may be abused and democracy made a complete mockery. It is because of this that Mr. Justice P. B. Mukherji remarked that "having regard to the dangers of power of money to purchase views, it will be highly undesirable to encourage any kind of secrecy in respect of such payments".

It is also significant that both the High Courts have expressed concern at the growing number of applications under Section 17 of the Companies Act, 1956, by which companies are seeking to divert commercial funds to political purposes, and have, therefore, thought it fit to draw the attention of the authorities to the possible evil attendant upon the powers exercised by companies in this behalf and to impress upon the Government the necessity of remedial measures to curb and control them. It would, therefore, be just as well to conclude this with an extract from the dictum of the Calcutta High Court on the subject ".....It is essentially in the interest of both commercial and public standards to have immediately some legislation on the subject, to keep the springs of democracy and administration reasonably pure and unsullied and, before it is too late, to control the dangers and mischiefs inherent in the situation".

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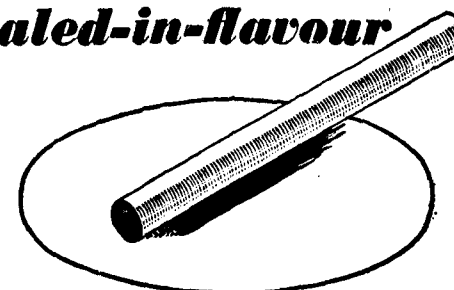
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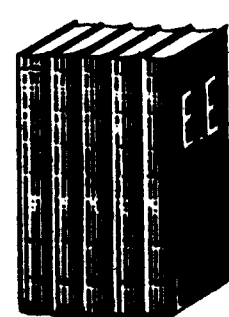
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BUSINESS NOTES

A GENUINE GRIEVANCE

IT IS not clear whether the disability in the Wealth Tax and the Expenditure Tax Bills attaching to one of the three categories of professional people who generally appear on behalf of their clients, namely income-tax practitioners, (the other two being lawyers and chartered accountants) is specifically intended or inadvertently put in, but the fact remains that, as the new measures stand now, income-tax practitioners will not be able to represent their clients for the purposes of the two new measures. In respect of income-tax, Section 61 of the relevant Act provides for this category of persons also to represent their clients. It is only logical, therefore, to assume that those who are permitted to appear for their clients in income-tax cases would be allowed to do so in cases relating to the Wealth and the Expenditure Taxes also. For there is so much common to all the three levies and it is to the advantage of both the authorities and the client if the same representative handles all the cases, especially as, in many cases, the authorities dealing with them also may happen to be the same. This would make too for a clearer understanding of the clients' position, as also for expeditious disposal of cases.

This, in short, is the gist of a representation which the Chamber of Income-tax Consultants, Bombay, has made to the Union Minister for Finance, and it is understood that a small deputation of the Chamber also will be shortly proceeding to New Delhi to place the Chamber's point of view before the Union Finance Minister and the members of the Select Committee if need be. All these should not have been necessary if the omission were just a drafting mistake. If, unfortunately, this is not the case and there are any compelling considerations prompting the authorities to exclude income-tax consultants from appearing on behalf of their clients in Wealth Tax and Expenditure Tax cases, it behoves the authorities, in fairness to the practitioners, to make them public. The practitioners are naturally greatly worried at the omission, as this would not only deprive them of utilising their talents in a new field that has fortuitously unfolded itself, but it might provide an excuse for their clients to elbow them out and engage the services of only lawyers or chartered accountants, if only for reasons of economy. So, both from a professional point of view and from the point of view of human considerations, the income-tax practitioners have a good case, a case which, we are sure, the Union Finance Minister will be quite quick to grasp and also to proceed to set right straightway. And the fact that these Bills are to go before the Select Committee offers a ready means of redressing the genuine grievance of the practitioners.

SMALL AND VILLAGE INDUSTRIES

IT DID not take the authorities and the country long to realise that the planners were mistaken in leaning heavily on small and village industries to provide increased employment as well as consumer goods for the internal market. Nevertheless it needs to be remembered that the failure of these industries has not been entirely of their own making. In both cases, the largest single factor making for slow progress has been the absence of adequate credit facilities. Another important handicap for the small industries' entrepreneurs has been the lengthy and tiresome procedure in the supply of machinery on hire-purchase basis. Even where such machinery has been made available, instances are not few when it could not be put into commission for lack of necessary motive power. Obviously,

this is a case of insufficient co-ordination whose prolongation is inexcusable. That the authorities are recognising this state of the small industries' affairs is, therefore, welcome. Recently, the Union Minister for Industries, Mr. Manubhai Shah, reiterated before a meeting of the State Directors of Industries in Delhi that some small industries could be developed as ancillaries to large organised industries. This is what already prevails in other industrial countries and calls for immediate and active attention in the Indian setting.

Around the same time, the problems of village and Khadi industries came up before a special meeting, in Bombay, of representatives drawn from State apex co-operative banks throughout the country. Here, as elsewhere, the credit programme is far too timid in relation to the requirements which may in part be attributable to the peculiar nature of the rural economy. For instance, loans are generally sanctioned to a co-operative on the basis of its creditworthiness which is measured by its paid-up share capital and other properties that it may be owning. In the prevailing circumstances, when the membership of co-operatives is generally composed of backward and poor people, hardly can any co-operative with thin resources qualify for a sizable loan. If solid progress is to be achieved the criteria will need to be revised and relaxed considerably. While the rural co-operatives may be expected to marshal their own resources to the full, the State financing agencies should be bold, though vigilant, in providing the necessary finance. Indeed, those industries which have proven potentialities must be given priority over new ones which are still in experimental stage and may only cause dissipation of the country's limited resources on projects of doubtful value. Other formidable problems have a wide spread from the supply of raw materials, technical assistance and managerial guidance to processing, storing and marketing. All this calls for devising a new organisational pattern, on various levels, in order to afford a stable base to village industries.

ANDHRA FINANCES

THE FINANCIAL picture of Andhra Pradesh, as depicted by the State's Finance Minister, Mr. Gopala Reddi, in what he himself called a "very unconventional" budget speech, clearly indicates that the financial house of the State is not in order. Ever since 1954-55, the State has been having revenue deficits of around Rs. 5 crores, if not more, every year successively. The precise revenue deficits of the State since 1954 are as under:

Andhra Telengana Total

	(Rs. in crores)		
1954-55 Accounts	5.18	0.51	5.69
1955-56 "	5.29	1.70	6.99
1956-57 Revised Estimates	2.43	2.25	4.68
1957-58 Budget Estimates	2.43	3.05	5.48

This shows, apart from the known financial consequences of the merger of Andhra and Telengana, the gravity of the situation and should be a pointer to the authorities not to remain complacent any more. An immediate improvement in the structure and collecting machinery of taxation and small savings is called for to rescue Andhra's finances from its difficult state.

The budget estimates for 1957-58, presented last week to the State legislature, put the total revenue receipts for the year at Rs. 53.14 crores and revenue

expenditure at Rs. 58.62 crores, leaving a revenue deficit of Rs. 5.48 crores. Following Mysore and Bombay, Mr. Reddi also has left the entire deficit of his state uncovered, making not even a pretext to impose fresh taxation. On the other hand, Mr. Reddy has proposed to adopt a novel technique. For he has indicated that, after watching the reactions and listening to the suggestions from various sections of the House, something positive would be done "to improve our financial position". In other words, instead of making any tax proposal himself, he wants the members of the legislature to offer suggestions. This is quite unconventional and is also not without its merit, in that, when the members themselves put forward suggestions or tax proposals to cover the deficit, there can be no question of any opposition from the House. And a public debate like this on tax proposals must also rid the Stock markets of the customary budget shocks.

A careful study of the revenue and the expenditure of the State reveals that one of the disconcerting elements, on the expenditure side, is the mounting bill of interest charges. Andhra's public debt amounts to Rs. 142 crores and the interest charges thereon alone come to Rs. 5 crores a year. The burden of the public debt of Andhra, like that of Mysore, will be mitigated only after a time, that is, when the projects which are financed by this debt begin to yield returns.

Regarding loan flotation, Mr. Reddi has wisely decided not to come to the market in view of the prevailing market conditions and to adhere to the advice of the Union Finance Minister and the Reserve Bank of India. He has chosen this course deliberately, because, if Andhra enters the open market in spite of this advice, its share of the collection of small savings will be only one-third instead of two-thirds. Inasmuch as he has decided to bank more on savings, which is all to the good, he wants to set up an elaborate machinery to mop up rural savings in the shape of National Savings Certificates and take for his State the full share of 66-2/3 per cent to which it would be entitled. If earnest efforts are made and if the agricultural prosperity of the State is maintained, the results of the small savings drive should not be disappointing.

A FOOD ZONE FOR THE SOUTH

THE DECISION taken at the recent Food Ministers' Conference at Hyderabad to constitute a Southern Food Zone, consisting of the four States — Andhra Pradesh, Kerala, Madras and Mysore — is perhaps all that could be done to bring about some semblance of agreement among these States with their respective food positions differing from that of others. Thus, foodwise, while Kerala is a deficit State, Andhra is a surplus State. As such the latter is naturally interested in trans-zonal rice sales. The other two States, namely Mysore and Madras, have to make up only small amounts, their individual deficits being negligible. On the face of it, therefore, it is difficult to see how these States, with their differing problems, qualitatively and quantitatively, can agree to work together without mental reservations. So one must await the actual working of the proposed zonal system in this regard before pronouncing any view on the subject. Any good-intentioned effort must be assured at least a fair trial. Meanwhile the Union Food Ministry is keen on these zonal arrangements and it is to issue shortly a notification setting out, in detail, the arrangements in connection with the functioning of the Southern Zonal system and regulation of movement to places outside the Zone, as also for maintaining reasonable prices within the Zone. The contemplated zonal system, one

gathers, is in the main a quantitative arrangement cancelling out the large surplus of one State by the big deficit of another within the same zone. By this arrangement all that may be expected to happen is a strict limitation on trans-zonal sales. Since, one of the constituent units, namely Andhra, is particularly interested in trans-zonal sales, it is doubtful whether the arrangement as proposed will, in actual practice, work without any hitch. A more satisfactory solution, in our opinion, would be to improve the rice position, in the area by ensuring the availability of all the supplies of the only surplus State in the zone — Andhra — at fair prices by making it difficult and unprofitable for millers and cultivators in the region to withhold supplies in anticipation of higher prices. Of course, these fair prices should bear some relation to the prices that the Andhra State would have got if it had been allowed inter-zonal sales. In order to help its neighbour in distress, the Andhra State may no doubt be asked, and it may also be willing, to divert its supplies, but in insisting on it to do so, there is an implied obligation on the authority doing so to ensure for the State at least a reasonably fair price. On its part, the surplus State also has an obligation to see that the rice interests in the State do not exploit the scarcity situation in other parts of the country to extract any price. If the Southern Zonal system can take care of this much, it will have effectively served the purpose for which it seems to have been devised.

METAL BOX CO. OF INDIA

IT IS creditable for the Metal Box Co. to have succeeded in maintaining profits at the previous year's level in the face of rising costs, mainly by an increased turnover of the order of Rs. 72 lakhs over the preceding year's total of Rs. 495 lakhs. The rise in costs was the result of a combination of various factors, the more important of which were increased freight charges following the closure of the Suez Canal, enhanced customs duties and higher prices of raw materials as a result of shortages of supply. With the order book filled to a record, the current financial year of the Company promises to be another successful year of operations, provided raw materials are available in sufficient quantities. This, however, is a matter not entirely free from anxiety. It is true that considerable progress has been achieved in the expansion of production of tinplate—though, because of labour trouble, output did not record any increase over the previous year—and other indigenous raw materials. But there continues to be some dependence on imported materials, largely in the interests of maintaining high quality. For that reason it will be desirable, as pleaded by Mr. H. Chiswell Jones the Company's Chairman, not to cut down imports below the essential minimum, which would be seemingly necessary to conserve foreign exchange or encourage local enterprise.

Again, it is of significance that the Company's products are an exchange earner inasmuch as the value of export goods packed in the containers of their manufacture during the year ended March 1957 was Rs. 4 crores. Demand, both for internal and external trade, is increasing. The Company has been trying to exploit new potential markets, particularly in South-East Asia, and has already recorded initial success. Side by side with sales promotion, it has embarked on projects of expansion and improvement in production. The schemes are designed, among other things, to cut down the present high percentage of wastage in the processed food industry. With the advice and training facilities available to the Company from the Metal Box Co., London, and some encouragement from the Government, it is bound to make good progress in the coming years.

Company Meeting

THE METAL BOX COMPANY OF INDIA LIMITED

Review by the Chairman—H. Chiswell Jones, O.B.E.

The Twenty-fourth Annual General Meeting of The Metal Box Company of India Limited will be held on Thursday, July 18, at 59C, Chowringhee Road, Calcutta. The following is a copy of the Review by the Chairman, Mr. H. Chiswell Jones, O.B.E., which has already been circulated to members.

SALES

Sales for the year were a record at Rs. 567 lakhs compared with Rs. 495 lakhs last year. All Branches showed commendable initiative in attracting and meeting the increased volume. Government spending continued at a high level and not unnaturally as the economy expanded considerable strains appeared; the prices of consumer goods advanced over a wide front and the foreign exchange situation deteriorated sharply. In fact, the last quarter of the year was dominated by foreign exchange considerations affecting the fortunes of our customers as well as our own raw material supply. Restrictions were imposed in January on the import of a variety of consumer goods calculated to save many crores of rupees in foreign exchange, creating a gap in the internal supply of packed consumer goods which must be bridged by increased local production. This is a challenge which your Company and its customers can readily meet provided sufficient raw materials particularly tinplate, are available.

We recently explored the more promising of the South-East Asia markets and secured initial orders worth some Rs. 2½ lakhs. Substantial exports to these markets in the face of keen competition from U.S.A., Japan, Hong Kong and Europe could be realised through intensive sales promotion provided that a special allocation of tinplate for export was made available.

Also on the export front, goods packed in our containers are making an impressive showing. In the year to March, 1957, goods to the value of Rs. 4 crores were exported in containers of our manufacture, the quality of which was, in every case, an important selling point. Prepared spices, cashews, edible oils, paint, pharmaceuticals, foodstuffs and toilet goods went to all five continents and there is still scope for a considerable expansion of these exports. Additionally there is the opportunity to increase the value of exports of products which at present are exported mainly in bulk. India is well equipped to supply consumer-packed goods of the highest quality and it is the export of these that should be officially encouraged so that this potential can be fully exploited with benefit to the foreign exchange position.

PROFIT

In my last Review, I said that despite rising costs we hoped to maintain profits by increasing sales. Our efforts were successful and profits were held at the level of the previous year on a turnover increased by Rs. 72 lakhs. We began this financial year with a record order book and if we are not deprived of raw materials we should earn satisfactory profits.

RAW MATERIALS

For most of the past financial year we were free from major anxieties in the supply of raw materials, though steadily rising costs and the necessity to keep an adequate stock level have produced their own financing problems. The value of our stock policy in these days of international anxiety and crisis may be judged against

the American Steel Mill strike of two months last year — the Suez Canal closure with consequent disorganisation and delay in shipping schedules — and now import cuts here. Our stocks saw us safely through the 1956 crises. Our later performance will be determined by Government's import policy.

The production capacity of indigenous tinplate was expanded towards the end of the year by one additional rolling mill. Output, unfortunately restricted by labour trouble, was almost unchanged from the previous year and provided us with about 60 per cent of our total needs — the balance came from imports. Further success has attended our efforts to achieve local production of other raw materials hitherto imported, and our dependence on imports is now near the irreducible minimum. Desirable as it is to conserve foreign exchange and support local enterprise, it is to be hoped that the policy will not be pressed to a point where quality and efficiency will suffer, as well they may, if consumers are forced to accept local substitutes without regard to quality or performance.

The past year has seen further substantial price advances in almost every raw material we use, either on account of higher manufacturing costs or increased freight charges following the Canal closure. Enhanced customs duties, and price increases through shortage of supplies resulting from import restrictions, have also contributed to raising our cost of production.

EMPLOYEE RELATIONS

The clamour during the reorganisation of the States and more recently, the General Elections, had an unsettling effect upon labour. Despite this, we have had another year of industrial peace at all factories. There was a steady increase in the consumer price index throughout the year, and adjustments were made in the emoluments of our employees.

Training in all its aspects, and at every level, continues to receive a great deal of our attention. Qualified T.W.I. instructors are working at our two largest factories, and the continuous training classes there will shortly be extended to the other factories. Members of our staff have taken courses in scientific management at local Universities and the Company is working closely with Management Associations in four States. Our U.K. consultants, The Metal Box Company Limited, afford unique training facilities for our young Indian managerial, technical and scientific staff. More than thirty have now received training in this way, and many more are planned for the next few years. We have special apprenticeship schemes covering all skilled operations in our factories, and we have recently offered to train a number of skilled artisans for the Government Steel Plants.

All this adds up to an expression of our belief and faith, that given education, training and opportunity, workers will through their own efforts and initiative demonstrate their fitness to play an increasing part in management. All our full-time Directors, and the

majority of our senior executives and technicians began their careers with us in junior positions. We are proud of their success and we believe it is a major factor in our good employee relations, and in the high level of production in our factories.

Last year we introduced a Long Service Award for employees who have completed twenty years continuous service with the Company. On the occasion of the first presentation no less than thirty-two employees received a Rolex watch and certificate. To all employees whatever their length of service, I send my thanks for another year of sustained effort.

DEVELOPMENT AND NEW PROJECTS

We made progress with our development items during the year. Our industrial component section was improved with the opening of a new self-contained manufacturing department. In Calcutta equipment was installed for the manufacture of aluminium tubes and we have recently commenced the extrusion of aluminium components for the radio industry.

To meet the demand for quality printed polyethylene bags a new three colour printing machine was installed and further equipment for producing pouches from laminated materials is due to arrive shortly.

The R.S. or Roll Seal Pilferproof and Non-pilferproof Closures continue to gain popularity and are now generally accepted as attractive, easily-applied and, in the case of the former, effectively tamper-proof seals. Our Technical Development Section have designed and produced two new closing machines with rotating heads which keep the bottle or can stationary to avoid spilling

during the sealing operation. They are already popular with customers and in considerable demand.

In pursuance of our efforts to foster the canning industry we have engaged an expert from the U.K. who will assist in the solution of the problems of the industry. His services will also be available to those government organisations pursuing processed foodstuffs development. We have presented to the Central Food Technological Research Institute a mobile demonstration van in connection with a pilot scheme aimed at educating the urban population on the wholesomeness and use of canned foods. Government have been examining a proposal to subsidise the cost of cans for the processed food industry, to the extent of one-third of the cost of the tinplate used. This scheme aims at saving a considerable proportion of the present wastage of fruits and vegetables, estimated at between 15 per cent and 20 per cent of the total crop, stimulating horticultural production and providing the public with a round-the-year supply of fruits and vegetables at reasonable prices.

Our Research Division has made good progress in the task of improving finishes and developing indigenous materials to replace products hitherto imported.

CONSULTANTS

During the last year our consultants, The Metal Box Company Limited, London, have made available to us the services of a number of their Directors and senior staff in connection with revaluation of assets, training of staff in the U.K., research and the overhauling and recalibrating of all our printing ovens. I take this opportunity to express to them our appreciation of their continued valuable services.

COMMODITY NEWS AND NOTES

FRUIT CULTIVATION IN COMMUNITY DEVELOPMENT AREAS

The Programme of additional fruit and vegetable cultivation in C.D. and N.E.S. Blocks is making steady progress. On an average about 192 additional acres of land per block have been brought under fruit cultivation during the period from October 1952 to December 31, 1956. The total additional area under fruit cultivation in the C.D. and N.E.S. areas in December 1956 stood at 243,000 acres, as against 135,000 acres at the end of December, 1955. Additional area brought under vegetable cultivation in the C.D. and N.E.S. Blocks at the end of December 31, 1956, totalled 596,000 acres.

OIL IN THE MIDDLE EAST

Production in the Middle East has taken a considerable stride forward following the reopening of the Suez. Iraq alone among the major producers remains well below the pre-Suez levels, since the trans-Syrian pipelines are still only operating at 40 per cent of their capacity. In Iran output in May reached a new peak of 2.9 million tons. So far this year the Iranian Consortium has produced an annual rate of 33 million tons—over a quarter up on 1956. Saudi Arabia has also recovered sharply, with production from the first offshore field in the Gulf having started in April. The US owned Aramco produced 4.5 million tons of Arabian oil in May—well up to the pre-Suez average. Kuwait continues to be the largest Middle East producer at 4.8 million tons in May. There is an expansion project that will raise tanker loading capacity to 75 million tons a year, over 25 per cent up on the previous highest annual output.

IRON ORE OUTPUT

Output of iron ore in India during April 1957 was estimated at 392,476 tons. Production in March was 406,816 tons. Returns received by the Chief Inspector of Mines from 128 mines during April showed that 235,208 tons were despatched to iron and steel plants and 82,300 tons to the export market. Iron ore stocks at the end of April amounted to 1,410,304 tons.

LOWER RUBBER PRODUCTION

Production and consumption of raw rubber in India during May 1957 fell to 1,645 and 2,573 tons from 2,072 tons and 2,907 tons respectively in the previous month according to official figures. Stocks of raw rubber at the end of last month improved to 6,760 tons from 6,189 tons at the end of April, due to larger imports which totalled 1,499 tons last month as against 649 tons in April, 1957. Out of the total stocks at the end of May 1957, estates and dealers accounted for 3,878 tons and manufacturers for 2,882 tons. There was also a stock of 1,324 tons of synthetic rubber in the country at the end of May, 1957.

RAPID TANNAGE OF SOLE LEATHERS

Methods have been developed for the rapid tannage of sole leather used for shoes and chappals. The process of tanning in use at present for the manufacture of vegetable tanned sole leather is too lengthy and takes three to four months for completion. The rapid process developed at the Leather Research Institute at Madras, takes only three to four weeks, thereby reducing the cost of production and the necessary blocking up of the invested capital. The process is applicable

both to small-scale and large-scale industries working with or without the aid of power driven machinery. The leather produced is as good as that obtained by the traditional process in yield, colour and quality. For demonstration purposes about 2,000 lbs. of sole leather are manufactured every month at the Institute by the new process and has a firm sale in the Madras market.

PRESERVATION QUALITIES OF MANGOES

Recent scientific researches on the preservation of canned mangoes have shown that the Himsagar variety of West Bengal gives the best canned product. These experiments were carried out on three different varieties, namely Fazli, Langra and Himsagar. Flavour and colour of the Himsagar variety, even after six months' storage at room temperature were found to be similar to those of fresh fruits. Canning with 50 per cent cane sugar syrup brought about best storage life. In the case of Langra, the colour was fairly well-preserved, but the flavour was greatly lost and most of the fruit became off-flavour. The natural flavour of Fazli mangoes in canning was greatly lost and a syrupy flavour was increasingly prominent during storage. The colour also faded slightly. Slices of canned Fazli mangoes, however, retained their shape very well even after six months' storage at room temperature.

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COMPANY AFFAIRS

THE TATA POWER COMPANY LTD.

The first report of the Tata Power Co., Ltd., made up to the end of March 31, as every electricity undertaking is required to do under the Indian Electricity Rules, 1956, has just been published. Since the last report of the Company, was for the period ended June 30, 1955, the present report covers only 9 months. During this period the Company has made a profit of Rs. 61.86 lakhs as against Rs. 49.51 lakhs for the corresponding 9-month period of 1955-56. The profit is, of course, after Providing for Taxes, (2.2 lakhs) Managing Agents remuneration, (Rs. 21.22 lakhs) and Depreciation (Rs. 13.52 lakhs). After certain minor adjustments, the amount available for disposal amounts to Rs. 63.29 lakhs. Among the appropriations made by the Directors, particular mention must be made of the Wealth Tax at 3.78 lakhs. The proposed dividends (7½ per cent on preference shares and Rs. 56.25 per share on ordinary shares) will absorb Rs. 29.38 lakhs. Actually, if account were also taken of the interest payable out of capital, at 4 per cent per annum, on the new shares of the Company during the construction period the total distribution to shareholders would amount to Rs. 33.88 lakhs.

During the year under report, the total revenues of the Company aggregated Rs. 181.89 lakhs, as against Rs. 169.71 lakhs for the corresponding period of the previous year. The improvement was solely due to the increase in the energy sales of the Company, which accounted for an improvement of Rs. 12.76 lakhs in revenue. There was also an increase in the total expenses, exclusive of taxes, the main item accounting for the increase being fuel; due to the coming into the operation of the first Thermal unit at Bombay. (This amounted to Rs. 12.58 lakhs). Under the head taxation, there has been a notable decline of this 14.37 lakhs by reason of the assessable income being substantially reduced by development rebate and depreciation allowances on the first unit of Trombay. By the way, the Trombay Thermal Station was finally opened on December 15, 1956 the second unit at Trombay was started on trial from April 15. The Company has since got permission to extend the Thermal Station by installing yet another unit and it is expected that the capital cost of this third unit will be about Rs. 6.50 crores. As the foreign exchange component involved in this is about Rs. 4½ crores, the Company approached the World Bank and the application was also sponsored by the Government of India. After examining the proposal, the World Bank has agreed to make a further loan to the Company to this extent; the relevant agreement also has been executed (on May 29, 1957 at Washington). If all goes well and the delivery schedules of equipment are kept up, the third unit should go into operation sometime in April 1, 1960.

With effect from April 1, 1957 the Government of Bombay has started operating the Power Pool, which, until then, was being operated by the Hydro Cos. From the same date, the rate charged from consumers for energy supplied from the Pool has been fixed at the standard tariff rate plus half an anna Pool surcharge, as against 2½ annas per K.W.H. before. For the 9-month period ended March 31, 1957, the total units generated by the Pool amounted to 5.2 million units.

THE TATA OIL MILLS LTD.

The Directors of the Tata Oil Mills Company, Limited, have decided to recommend a dividend at the rate of Rs. 4.50, less tax, per cumulative preference share and a tax-free dividend of Rs. 2.50 per ordinary share, for the year ended March 31, 1957.

THE TRAVANCORE RAYONS LTD.

With peak production, sales and profits during the year ended December 31, 1956, the Company seems to be making steady improvement. The net profit for the year is Rs. 32,49,919 after writing off depreciation of Rs. 34,29,465. An amount of Rs. 2,63,771 has been brought forward from the previous year. Out of this amount a sum of Rs. 20 lakhs has been transferred to General Reserve account and the directors have recommended a dividend at 5 per cent per annum on the Cumulative Preference Shares and at 10 per cent per annum on Ordinary Shares. Dividend absorbs a sum of Rs. 12,50,000 and the balance of Rs. 2,63,690 is being carried forward to the next year.

In the case of Trayophane film both the cellulose film machines were in operation during the first half of the year. In the second half, however, slackness in demand for the film was felt. The increased production, together with the floating stocks, aided further by the imports allowed, created a glut in the market. The situation however took a turn for the better by the end of the year. The full complement of the spinning machines for rayon yarn were in operation almost throughout the year, registering an increase of about 30 per cent in production over that of 1955. But during December 1956, production had to be slowed down owing to accumulation of stocks. Now, the market is improving.

Six more new Butterworth rayon spinning machines are expected to be put into operation by the end of this year, raising the total installed capacity for rayon to 8.6 tons a day. Further expansion on the rayon side is receiving attention. On the cellulose film side company has succeeded in producing moistureproof heatsealing anchored film of standard quality and if the present trend is a reliable guide, further expansion in this line also may not be far off.

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THE Manager,

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NEW DELHI.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100)							Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	416.1	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	384.4	467.7	359.2	387.4	686.6	397.5	90.4	100.6	87.3	95.9
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	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December	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	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.8
March	402.7	518.1	403.3	384.1	569.8	421.3	89.9	98.9	79.8	111.5
April	409.2	514.73	400.0	384.3	567.8	422.1	89.9	99.0	78.7	106.8
May	418.7	536.3	406.5	387.6	572.3	439.9	89.4	99.1	78.4	104.1
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
8-6-1957	435.7	530.9	414.5	392.3	570.7	439.2	89.6	98.9	77.8	102.7
15-6-1957	421.3	543.9*	413.3*	393.1	571.1	437.5	89.6	98.9	77.6	101.3
22-6-1957	430.5	510.4	410.5	392.5	561.9	437.3	89.4	98.9	77.3	101.8

†Economic Adviser's Series.

††Reserve Bank Series.

Revised*

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	194
1949	292	307	248	132	348	478	377	151	323	164	138	198
1950	298	313	257	132	349	434	372	153	325	165	145	198
1951	314	330	261	142	370	451	391	168	334	167	160	198
1952	321	337	250	143	351	441	380	150	330	151	154	194
1953	346	363	275	140	349	453	387	151	351	147	156	195
1954	342	359	244	138	327	408	373	139	341	148	140	188
1955	322	338	218	130	323	371	364	133	321	134	135	182
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											
	28-6-1957			21-6-1957			14-6-1957			7-6-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola	106.47	105.56	106.02	107.19	105.62	106.36	106.84	105.06	105.99	107.94	105.62	106.62
Silver (per 100 fine tolas)	182.56	179.87	181.19	182.69	181.37	182.03	184.06	182.25	182.25	185.19	183.69	184.42

AVAILABILITY OF FINANCE FOR 247 TEA COMPANIES IN INDIA

(Production in Million lbs., Assets and Liabilities in Crore Rupees)

1	2	3	1946		6	7	8
			4	5			
Group of Companies	Acreage	Production	Current Assets	Current Liabilities	% of 5 to 4	Liabilities to Banks	% of 7 to 5
95 Sterling Companies							
(Controlled by Managing Agents and Secretaries etc.)	2,62,537	174.36	22.47	8.81	40.9	0.33	3.9
Rupee Companies							
(a) Non-Indian Managing Agents control 25 Non-Indian	21,425	17.52	1.95	0.32	16.4	0.06	18.6
51 Partly Indian and Partly Non-Indian	44,245	40.04	4.01	1.30	32.5	0.03	2.3
(b) Indian Managing Agents Control 19 Indian	10,103	18.37	1.13	0.36	31.7	0.02	5.9
11 Partly Indian and Partly Non-Indian	7,225	5.45	0.55	0.12	12.7	..	0.5
(c) Outside Managing Agents Control							
43 Public Ltd. Indian	26,422	25.43	2.09	0.76	36.1	0.10	13.1
3 Public Ltd. Indian	744	0.39	0.04	0.03	78.4	0.02	54.3
TOTAL	3,72,701	281.56	32.24	11.70	36.3	0.56	4.8
1953							
	9	10	11	12	13	14	15
Group of Companies	Acreage	Production	Current Assets	Current Liabilities	% of 12 to 11	Liabilities to Banks	% of 14 to 12
95 Sterling Companies							
(Controlled by Managing Agents and Secretaries)	2,57,785	225.34	40.21	22.01	54.7	2.02	9.2
Rupee Companies							
(a) Non-Indian Managing Agents control 25 Non-Indian	21,842	18.61	2.29	1.44	63.0	0.28	19.7
51 Partly Indian and Partly Non-Indian	45,860	38.78	6.05	2.78	45.9	0.07	2.4
(b) Indian Managing Agents Control 19 Indian	10,880	11.07	1.88	0.60	31.8	0.11	18.6
11 Partly Indian and Partly Non-Indian	7,382	6.33	0.83	0.45	53.8	0.06	12.8
(c) Outside Managing Agents Control							
43 Public Ltd. Indian	26,913	24.42	3.44	1.14	33.1	0.24	21.2
3 Private Ltd. Indian	768	0.52	0.06	0.02	33.2	..	17.1
TOTAL	3,71,430	325.07	54.75	28.42	51.9	2.78	9.8

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The Silver Lining

IF the clouds are gathering over the economic scene, one can at least this week discern a silver lining. The Central Cabinet, which has been in deep deliberation for the last two days, has now recognised that economic policy must take precedence over every other aspect of Government work. It is recorded significantly that the Minister did not choose to make any public reference to his foreign tour at the next meeting on his return. There has been both before and behind the scenes, in the government and implementation of financial and economic policy.



The Labour Conference

mercial policy. Mr. Morarji Desai's address at the Central Advisory Council of Industries meeting this week presented a precise and clear analysis on the vexed issue of the cutting of consumption as a means of financing the Plan. So clear was it in its rejection of austerity as a solution of our current problems, and so definite on the need for increasing production, even if it meant injecting new money into the system, that one must admit that the differences between the Government and its well-informed critics have almost disappeared. The economic crisis remains, but one can certainly say that issues are now being more clearly seen, and more firmly resolved.

Not too little should, of course, be made of the large breakers ahead. Quite apart from the threat of strikes following the notice first given by the Post and Telegraph workers for general strike on August 8, there is a general malaise because of the uncertainty in regard to taxation—the Wealth and Expenditure Tax Bills have just been referred to Select Committees—and in regard to the volume of Government orders following the drastic cutting of Plan outlay because of the shortage of foreign exchange. The failure of imports is not merely a matter of the deteriorating foreign exchange position which was expected; it has taken on a new, and quite fearful, aspect because of the failure of the Port administrations to deal promptly with the numerous ships bringing in both food and capital goods at Bombay, Madras, Calcutta and Cochin. The problem now is more one of inefficient administration than of the sharpness in the increase in the volume of our imports. It, therefore, admits of no easy solution, unless the Government of India does what it obviously should do—which is to place all the ports completely on a war-footing, if necessary under complete military control. The civilian administration in the ports has proved itself so unworthy of support and so incapable of improvisation that it is unlikely that mere directives from Delhi will produce any immediate results. There is no doubt that our difficulties are greater than a month ago; but for the fact that the Central Government's outlook seems to have become more resilient and effective, the outlook might well have been worse.

Examples of resilience which have been shown were not only to be found in Mr. Morarji Desai's speech at the Central Advisory Council of Industries and his able management of the proceedings at that conference. Another example is to be found in mill-textile policy. The exports of mill-cloth have now been raised by 350 million yards with an option of an enhanced excise duty on certain sales within the country. Thus, the conference held in Delhi last Sunday by the Federation of Indian Chambers of Commerce and Industry has been partially rewarded, although Mr. Desai made it clear—in language which was good because it was so free of ambiguity—that no major departure of textile policy is contemplated. Again, the emphasis on the production of consumer goods is now being properly placed. In particular, it would appear that the Reserve Bank authorities have not, as was feared a fortnight ago, taken any steps to restrict supply of finance for production in these industries. The case of sugar was a special one, and our Bombay representative has drawn our atten-

tion to an error in fact in regard to the Reserve Bank's monetary policy which appeared in a leading article "A Policy for Prices" in the issue of *The Eastern Economist* dated July 5. In that article, based on unofficial information received, it was suggested that an almost blanket directive to restrict bank credit over the economic system was likely to be issued. No such blanket directive has been issued, and as far as it can be now determined, it is not contemplated to restrict credit except, as in sugar, where it is obviously in excess of current needs. If this is a correct statement of thinking of the Finance Ministry and the Reserve Bank of India at this time, the argument of that article will need, to this extent, to be modified. In any case, one might hope that this gives an additional proof of the resilience of Central Government policy.

These are powerful gains to be set against two major pressures. The first of these has been the pressure on the price level, which is slowly creeping up on the evidence of the last two weeks for which figures are available. It is vital, now that the Government has decided to have an investigation into pay scales similar in principle to that of the Pay Commission, that the country should not be led to believe that the appointment of a commission of enquiry implies that price restraint is not desperately necessary. If the economy is to be in equilibrium now or in the future, food prices need to be checked whether or not compensation for existing or future rises is to be given in order to maintain industrial peace.

It is essential that the forceful character of Government decisions at Cabinet level should now pervade every Ministry. The cutting of Plan outlay must not be allowed to be resisted by any particular Ministry, and the Ministry of Transport must be finally directed either to deal with the ports at Bombay, Madras, Calcutta and Cochin in a summary manner which will prevent the loss of our international trade or to surrender that portion of administration to the Economic Committee of the Cabinet, which can deal with it as a consistent whole, if necessary with Defence personnel in replacement of the civilian officers who have totally failed. A sense of crisis must be imparted into the weak points in the economy. Unless there is some ruthless replacement of inefficient managers, the task will never be done.

If firm action is taken and ruthlessly pursued, there will be a tremendous psychological gain to be set against the new challenges which have arisen. We will need the assistance of our friends abroad, but it is still true that much the greater effort to finance the Plan has to be made within. Bereft of nice arithmetical calculations, this really means considerably harder work, and more imaginative work from the point of view of production all round. To that cause it is essential that we should immediately set our minds and hearts, even more than our hands. What is needed is not more manual labour, but an uplifting of the spirit, so that the foolish waste of energy, in wrong policies and petty differences, is submerged in a great passion for the nation's good.

LABOUR is again on the war-path after a period of suspended animation. It could not have chosen a more critical and inappropriate time for pressing its demands some of which, because of the rising cost of living, would otherwise have been quite justified. This time, however, it is white-collared labour in the public sector that is more restive. Central Government employees belonging to Class III and IV as well as those of the Posts and Telegraphs Department have demanded the appointment of a second Pay Commission for revision of their wage structure. Employees of the Posts and Telegraphs Department have also demanded, among other things, dearness allowance according to the recommendations of the Central Pay Commission and merger of full amount of dearness allowance with pay. The P & T employees have gone so far as to serve a notice on the Central Government affirming their decision to go on a country-wide general strike on August 8 if their demands are not conceded by the 1st of August. A general strike in a public utility of the importance and dimensions of the Posts and Telegraphs Department should not be permitted and since the cost of living remains a cruel fact, it can only be averted by an assurance that the price level will be halted, if it cannot be turned back.

This background of mounting tension on the labour front was not unknown to the latest session of the Indian Labour Conference, and yet it is strange it has chosen not to give a healthy lead in the matter of labour's current demand for higher wages. The conference, again, has expressed no opinion on the strike threat by the P & T employees. In avoiding reference to the more pressing and immediate problems, the conference has not acted wisely; in trying to reach some vague agreement on distant things, it has forgotten that industrial peace in the present is much more important than industrial peace in the future. That the conference has not heeded the Union Labour Minister's call to consider the menacing situation caused by strike threats and current demands for higher wages and give a positive lead, is thus unfortunate.

The conference, however, was notable for Mr. Gulzarilal Nanda's opening address which was replete with responsible advice for labour. He was emphatic on the point that only higher productivity levels can create the requisite surpluses for larger investments as well as higher standards of living. While Mr. Nanda was not in favour of a wage freeze probably because it would involve price controls, he also expressed himself strongly against any demand for a general rise in wages irrespective of its feasibility in particular conditions. As a general rise in wages would only lead to a further rise in prices, further gaps in resources for the second Plan would manifest themselves. Mr. Nanda also laid particular stress on the immediate relevance in the present economic context of the capacity of the industry to pay, the inter-relation of remuneration and output and the interests of the consumers. In the case of bonus, the Union Labour Minister urged, systematic links must be developed with the profits of the enterprise on the one side and the efforts of the workers in terms of output on the other.

It cannot be said that the conference has wholly endorsed this realistic stand of the Labour Minister. In laying down the norms for minimum wages and recommending wage boards

for fixing fair wages in respect of each industry, the conference might have thought it was pouring oil on troubled waters and scotching possibilities of industrial strife pending determination of minimum and fair wages. Actually, however, the recommendation is more likely to rouse exaggerated hopes in the mind of labour and lead to extravagant demands by it in the immediate future. This may happen because minimum wages or fair wages for each industry cannot be determined overnight without extensive surveys to determine which units have the capacity to pay and which do not. Although the preliminary process of determining whether a particular unit falls in the marginal category or not is of the utmost importance, it is surprising that the Labour Conference has not taken note, in this connection, of the suggestions contained in the second Plan document. Elsewhere in this issue a note on the wage question deals with this aspect in its criticism of the theoretical and impractical character of the suggestions made by the Planning Commission's study group in regard to minimum and fair wages.

What, incidentally, are these wage boards by which so much store is laid? The Labour Conference has laid down that the wage board should be a tripartite machinery similar to the one already set up for the cotton textile industry. With equal representatives of employers and employees on it, such a wage board, it is not inconceivable, may get evenly divided (as in the case of the wage board for working journalists), leaving the independent chairman (nominated by the Government) to tilt the balance against either side. The award of the Board, in such a circumstance, may not have the virtue of unanimity or acceptability to both sides. Where either party does not reconcile itself to the award the psychological base for industrial peace and harmony (which is the proclaimed aim of the wage board concerned) will have been undermined. Whether the contemplated wage boards for different industries will, by themselves, be able to lay a solid foundation for industrial peace, is thus rather doubtful. In any case, the wisdom of piecemeal revision of wages in a few industries in the absence of a comprehensive wage policy for the entire industrial sector is open to question. To have an idea of the kind of problems facing such wage boards, the reader may well refer to a special article on the wage board for the textile industry in *The Eastern Economist* issue of May 31 last.

As it would be physically impossible to set up wage boards for all or most industries more or less simultaneously, the publication of an award in the case of one industry is likely to create friction and discord in some other industry or industries. Such a possible situation can be avoided if the wage census and the extensive surveys (to determine what units are marginal or sub-marginal) recommended in the second Plan document are taken on hand and followed by the appointment of a Wage Commission as proposed by the Planning Commission. Till this Wage Commission reports, half-measures or quarter-measures which may worsen industrial relations would have to be avoided. A period of industrial truce when there will be no demand for a general rise in wages, is called for pending the possible Wage Commission's report. This period of industrial peace is also necessary if the second Plan is not to run up against further difficulties.

The World Bank Loan

THE announcement of the World Bank's loan to finance part of the investment programme of the railways should certainly bring some relief in an atmosphere surcharged with the crisis of foreign exchange. It was, of course, expected in informed quarters that this relief would be forthcoming, but suspense was created by the delay in concluding the formal agreement about the loan. This suspense heightened the feeling of anxiety over the size of the loan amount. The outlook for the railway import programme for the next twelve months is now clear. We know the volume of assistance which will be available from the Bank and the effort which we will have to make to raise the balance of foreign exchange by other means, which, in this context, mean our current earnings. The partial stalemate which was created in the import programme of railway equipment has been ended and the green light has been shown.

This loan cannot obviously create a full sense of security that the railway import programme will be carried out according to schedule. It is of the utmost importance that the schedule as prescribed in the Plan must be adhered to for the simple reason that on its timely implementation depends the expectation, in a true measure, of the execution of the projects and programmes which form the bulk of the Plan. This loan and the fore-knowledge which it gives of the probable total size of the assistance the Bank is likely to extend in the Plan period must provoke hard thinking on the question of finding resources for the import programme of the railways. Indications available so far do not give the assurance that this question is being faced in a forthright manner. The Budget Speech of the Railway Minister of May last announced a bold policy decision to close the gap in railway freight carrying capacity to meet the additional volume of traffic. But the problems of financial planning which the expansion programme has raised have not been answered adequately. The Bank loan is a reminder that procrastination on this vital issue must cease.

The nature of the initial loan of \$90 million granted for the railway expansion programme in the second Plan must be judged in relation to the loan policy of the Bank and its lending operations in general. It would be a great error to allow our judgment to be coloured by the critical turn which our foreign reserves have assumed for the present. Transport has always had top priority, next only to the development of electric power, in the overall loan policy of the Bank and railways took more than half the allocation of credit for transport. This large loan for India's second Plan is in consonance with the Bank's policy of extending assistance for building basic resources of development in the first instance. It is easily the single largest loan granted to any country for financing its railway investment programme in the entire history of the Bank's lending operations. Its magnitude is to be compared with the aggregate loan of \$127 million awarded to the whole of the Western Hemisphere and \$117 million awarded to the borrowing countries of Africa over the first decade of the Bank's operations ended in June 1955. The total share of railway expansion in Asia and the Middle East during the decade was \$80 million only and it is significant that India got as much as 42.5 per cent out of this sum. The present credit extended to India

may very likely amount to about 30 per cent of the total loans planned by the Bank for development aid during its current accounting year July 1957 to June 1958. Steel, ports, shipping and electric power are other candidates from India whose approach to the Bank for aid promises to meet with a good response in the immediate future.

This loan of Rs. 43.75 crores is estimated to cover half the cost of imports during the year 1957-58 and since the import programme includes strategic rolling stock and equipment like locomotives, goods wagons, underframes, wheel sets, rails, and so forth, the balance of half the expenditure will be found by the Exchequer. India cannot allow the priority rail projects, and particularly the build-up of transport capacity in the coal and steel belt, to lag behind a time-table which has been drawn up on a near-austerity scale. It is reasonable to assume from this outcome of the negotiations between the Bank and the Railway Board that assistance will be accorded to Indian railways at the same rate in the remaining three years. The minimum total Bank loans for the railways may be of the order of Rs. 175 crores.

Having arrived at a firm conclusion about the critical nature which the transport bottleneck may threaten to assume unless adequate capacity was created and having also been satisfied in a fair degree about the pressing need for the railway expansion programme, the Bank authorities could have taken a most helpful attitude in making an overall grant of loan for the railways during the second Plan period. It is true that they have been convinced about the lack of proper co-ordination in the development plans for different sectors of surface transport. This, however, was hardly a cogent reason for postponing financial assistance to railways and placing it on an ad hoc year-to-year basis. Such a basis is quite out of tune with the railway expansion plan which depends heavily on accelerated peak imports in the third and fourth years with only a marginal residue in the final year of the Plan.

The major question which now confronts the Railway Ministry is to plan ahead for the procurement of the foreign exchange resources that the railway programme requires. What the railways have planned is the irreducible minimum. The foreign exchange component of the outlay on railway development as originally estimated is Rs. 425 crores. Since then prices of imported equipment have continued to move up. The increase in the total outlay of Rs. 1,125 crores due to price inflation has been estimated at Rs. 100 crores. The cost of additional goods transport capacity of approximately 20 million tons has been placed at Rs. 100 crores. This capacity still falls short of the revised estimate of increase in the volume of traffic by 10 million tons. The basis of the Railway Ministry's assessment of the additional outlay of Rs. 200 crores on these two counts has not been explained anywhere and it is not at all clear what will be the proportion of expenditure of foreign exchange in this outlay. It is not unreasonable to assume that a good portion of the Bank's assistance may be eaten away by this new element. Since the railway plan cannot be cut down, an early decision will have to be made on diversion of foreign exchange outlay from specific projects of low priority to provide resources for the railways.



400 years ago

Red Fort

The Sawan and Bhado Pavilions are all that remain of the once enchanting Hyat Baksh Gardens at the Red Fort. The fragrant and colourful flowers are gone. Gone are the playful fountains and cascades. Gone too are the craftsmen who designed and installed underground pipes so long ago to drain and beautify the gardens. But the pipes themselves remain as testimony to their skill.

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THE WEEK'S NOTES

INDIA AND THE MIDDLE EAST

MR. NEHRU stopped in the Middle East both on his way to and return from Europe. He visited Syria, Egypt and Sudan. The news reports expectedly described the visit as "triumphant" and "successful".

Dependent on Mr. Nehru's talents as an effective roving ambassador, we in India have nevertheless failed to analyse the country's policy 'vis-a-vis' the Middle East. In contrast with what it once was, the balance sheet of India's effectiveness and influence is strikingly lower at the present moment. We have comparatively less influence in Jordan, Iraq, Saudi Arabia, the Lebanon and Israel. This disturbing development is a consequence of India's intimate relations with Egypt and Syria, who are fast losing the leadership of the Arab world.

Doubtless, India has every desire to be friendly to all nations. But others have begun to distrust the "friend" of their "enemy". Jordan recently expelled the Egyptian Military Attache; Egypt retaliated by expelling the Jordanian Ambassador. Egyptian Military Attaches have also been expelled from Libya and Ethiopia, among other countries, in recent months. Radio Cairo and the controlled Egyptian Press have been strident in their hostility towards immediate neighbours. The joint refusal by Egypt and Syria to pay their self-assumed share of the former British subsidy to Jordan is hardly distinguishable from economic strangling for political purposes. More significant perhaps is the complete alienation between King Saud and President Nasser. The estrangement—indeed, the suppressed hostility—came about when King Saud found President Nasser biting the hand which was feeding him. For, it was Saudi Arabia's King who was the financial mainstay of the Arab League. He naturally did not relish President Nasser's openly expressed anti-monarchical views.

While in no sense a reflection on Indian motives, the sad fact is that this country's Middle East Policy has failed. India had an ambition to be the honest broker, but she finds herself acceptable only to a minority of the Middle Eastern countries, and to none of the major world powers interested in the area. The test of a successful policy is finally in its achievements. Does not India consider America's policy towards Communist China unsuccessful because it is unacceptable to a majority of the Asian nations?

The basic reason for the failure of Indian policy in the Middle East is the refusal of the policy-makers to appreciate two new developments in the region. First, there has been created a power vacuum in the region after last October's Anglo-French aggression in Egypt. Secondly, the balance of power has been disturbed because of unrestricted supply of arms to Syria and Egypt from the Russian bloc. To assume that Soviet infiltration is altruistic would be tantamount to ignoring traditional Russian territorial interests in the area.

COMMUNIST TACTICS IN KASHMIR

THOUGH THE news report mentioning the possibility of the Communist Party of India establishing openly a branch in Kashmir has been denied, it is not unreasonable to suppose that the mind of the Communist Party has been working in that direction. It is no more in question that the Communist Party has links with leading personalities in the Kashmir administration. What is intriguing is that among its links are mentioned men like Mr. Mohammed Sadiq, Mr. Mir

Qasim and Mr. D. P. Dhar, three important figures of Bakshi Ghulam Mohammed's cabinet.

Whether or not it was to forestall Bakshi Ghulam Mohammed, Mr. Sadiq was reported to have written to him three letters containing grave allegations against the Kashmir Prime Minister personally and also against the administration. This is obviously the standard Communist technique to float an opposition party.

The Communists pretend that even if they form an opposition party in Kashmir they will remain loyal to India. What however actually leads them to think of this course remains anybody's guess. Nevertheless, it is well-known that relations between the Kashmir Prime Minister and Mr. Sadiq have been far from happy. Whether this too was due to any personal reasons or in pursuance of ideologies is also not clear. But one can safely say that the Communists would not allow personal reasons to sway their attitude were they convinced that subordination to Bakshi Ghulam Mohammed was the best policy for them to follow in that trouble-infested State. Is then the reason for their thinking along those lines by any chance a new twist to Communist policy in Kashmir? Bakshi Ghulam Mohammed's loyalty to India is above board.

To change from unexpected Communists in key positions to exposed allies or members of the Communist Party, with the risk of being thrown out of power, would be for the Indian Communists a major development. In the present political situation in the State, it is perhaps both politically and tactically advantageous for the Communists to work openly, while retaining hidden channels to various levels of the administration. As a Left opposition party the Communists perhaps expect to become the rallying point of the mass of the people who are bound to have grievances against the Government. Moreover, the Government of India's half-hearted measures which have encouraged, rather than rooted out, corruption and bribery, give plausibility to any claims by irresponsible elements. The Communist Party, planning on an all-India canvas, can perhaps no longer afford anonymous association with an administration whose main policy decisions they cannot determine.

The development will have a sinister import for this country. With Kerala in the south, Kashmir in the north may well provide to the Communists another arm of the gigantic pincer which they must forge if they have any serious intentions about this country. What is amazing is that not only has the Indian Press glossed over the dreadful possibilities but even the Government of India should have overlooked all these years the mischief brewing there. We had all along been under the impression that the Kashmir Government was a homogeneous team and that its adherence to New Delhi was to be taken for granted.

THE WAGE QUESTION

THE GOVERNMENT are still groping in the dark for a sensible policy for wages as for prices during the second Plan period. It is admitted in the Plan document that a major difficulty in the matter of implementing the principle of 'fair wage' is the 'drag' exercised by marginal units. These units cannot possibly be forced to close down on account of their incapacity to pay, for such closure would mean some addition to existing unemployment. And so, according to the planners, the working of marginal units would have to be improved by their amalgamation into larger units, voluntarily if possible, or compulsorily if need be. The planners have, therefore, arrived at the intelligible

conclusion that extensive surveys require to be undertaken before it can be determined whether a unit falls in the marginal category or not.

A 'fair wage', however, is defined by the Planning Commission's study group in its note to the recent All-India Labour Conference as something more than a 'minimum wage' which is only the floor and which is based on 'need' and not on the capacity of the industry to pay. The ceiling to the 'fair wage', however, would be set by the capacity of the industry to pay. The 'minimum wage', in its turn, is defined as covering 3 consumption units for an earner (1 unit for the worker, 0.8 for his wife and 1.2 for two children) with no deduction on account of the earnings of the worker's wife and/or children. A consumption unit would involve a net daily intake of 2,700 calories of food, 18 yards of cloth per annum, and housing according to standards laid down by the industrial housing sub-committee of the Standing Labour Committee; 20 per cent of the total wage would be for miscellaneous needs like fuel and lighting, medical requirements, etc.

This theoretical discussion of the concept and content of a 'fair wage' or a 'minimum wage' cannot take us far, for a number of marginal units or sub-marginal units would not have the capacity to pay even the 'minimum wage'. If extensive surveys are considered necessary, in connection with the applicability of a 'fair wage', to determine whether a unit falls in the marginal category or not, there is no reason why such surveys should not also examine the capacity of different units to pay the 'minimum wage' also. After all, a bigger and more prosperous unit may even now be paying what amounts to a 'fair wage' while a marginal unit may not have the capacity to pay even the 'minimum wage'. If low-wage Khadi and other cottage industries are to be consistently encouraged for providing as much employment as possible, there is no reason why an approach different from that of a 'minimum wage' should not be adopted in the case of marginal or sub-marginal units which are proved, in possible surveys suggested by the Planning Commission, to have no capacity to pay even the 'minimum wage' as defined by the study group, if employment is to be maintained at as high a level as possible. Pending such studies in respect of every industry, it would be prudent not to talk of 'fair' or 'minimum' wages and the like and create exaggerated hopes in the mind of labour — hopes which can only lead to extravagant demands for wage increases at a time when the price line has to be held if the second Plan is not to disappoint to a greater extent than it already threatens to do on account of difficulties on the resources front.

LAW'S DELAYS

LAST WEEK'S judgment in the "Ghee Fraud Case" after prolonged proceedings stretching to nearly ten years is the latest reminder that it is by no means an uncommon occurrence for final judgment to be delivered long after the petition had been filed. There are instances on record of much longer delays. Since independence such delays have been the rule rather than exceptions. And this despite the fact that the judiciary in this country has generally been alive to the hoary but still valid dictum, that justice delayed is justice denied.

It would be easy to blame the delay in the dispensation of justice on the natural penchant for litigation obtaining among Indians as a rule. But it is no use ignoring that the tremendous increase in the number of laws put on the statute book since independence has resulted to no small extent in a corresponding increase in the number of cases filed for disposal. Besides, as the Union Home Minister, Pandit Pant succinctly observed, the increasing and injudicious association of the members of the bench with "non-judicial activities" often makes for accumulation of cases. High Court

judges are often required for a number of other inquiries, investigations and tribunals. Additionally, arrears pile up because, thanks to disagreements between the Chief Justices of the High Courts and the Chief Ministers of the States, there are long and continuing vacancies on the benches. The accumulative effect of these is that while the work of the judges has increased both in volume and in nature, there has been no corresponding increase in the number of judges who are called upon to deal with it. Most judges are over-worked, and much as they desire to clear the desk, they simply cannot.

Apart from the frustration and suffering which is caused by unconscionable delay in dispensing of justice, this state of affairs is fraught with grave dangers because it brings the judicial administration itself into serious disrepute. For the nascent Indian democracy this is a major deterrent. It is, therefore, gratifying to learn that the Union Home Ministry contemplates taking steps for speeding up the disposal of the cases by the High Courts. It is to be hoped the Law Commission, which is currently conducting an inquiry into the legal system of this country, will suggest measures for curtailing the length of legal procedures and for the disposal of a vast majority of the petty cases at the first appellate court. Measures for limiting the excessive number of adjournments — now liberally demanded and generously granted — are also clearly indicated. With a view to expediting the filling of the vacancies at the bench, it would at the same time appear advisable to give the Chief Justices of the High Courts the authority to select the judges with the approval of the Chief Justice of India. The present procedure necessitating agreement between the Chief Justice of a High Court and the Chief Minister of a State has been tried and found wanting.

THE AGHA KHAN

IN ONE of her lavish moods Nature endowed the Muslim world with Agha Khan III. Being in the direct line of descent from Fatima, daughter of the Prophet Mohammed, he was the spiritual head of the Ismaili Muslim sects scattered throughout Asia and Africa. Inheriting a rich and worthy tradition the late Agha Khan enriched it abundantly as the role of a prelate was, only one of the many he played in a fabulous and constructive career. He was equally at home in the League of Nations, the Turf and an assembly of his devout followers. He was a renowned linguist, a versatile speaker, and a keen student of Muslim theology.

Agha Khan III was a benefactor of the Indian Muslim community. The outstanding monument is the Aligarh Muslim University of which he was one of the founders. He was a member of the Muslim delegation which waited on Lord Minto to demand separate electorates. Later, when the All-India Muslim League was formed to agitate for this issue, he was elected its chairman. His personal efforts and beneficence helped provide educational facilities for the Muslims, particularly the Ismailis, throughout Asia and Africa. The joyous occasions on which he distributed his weight in gold, diamonds and platinum to his followers were in keeping with the tone of his fabulous life.

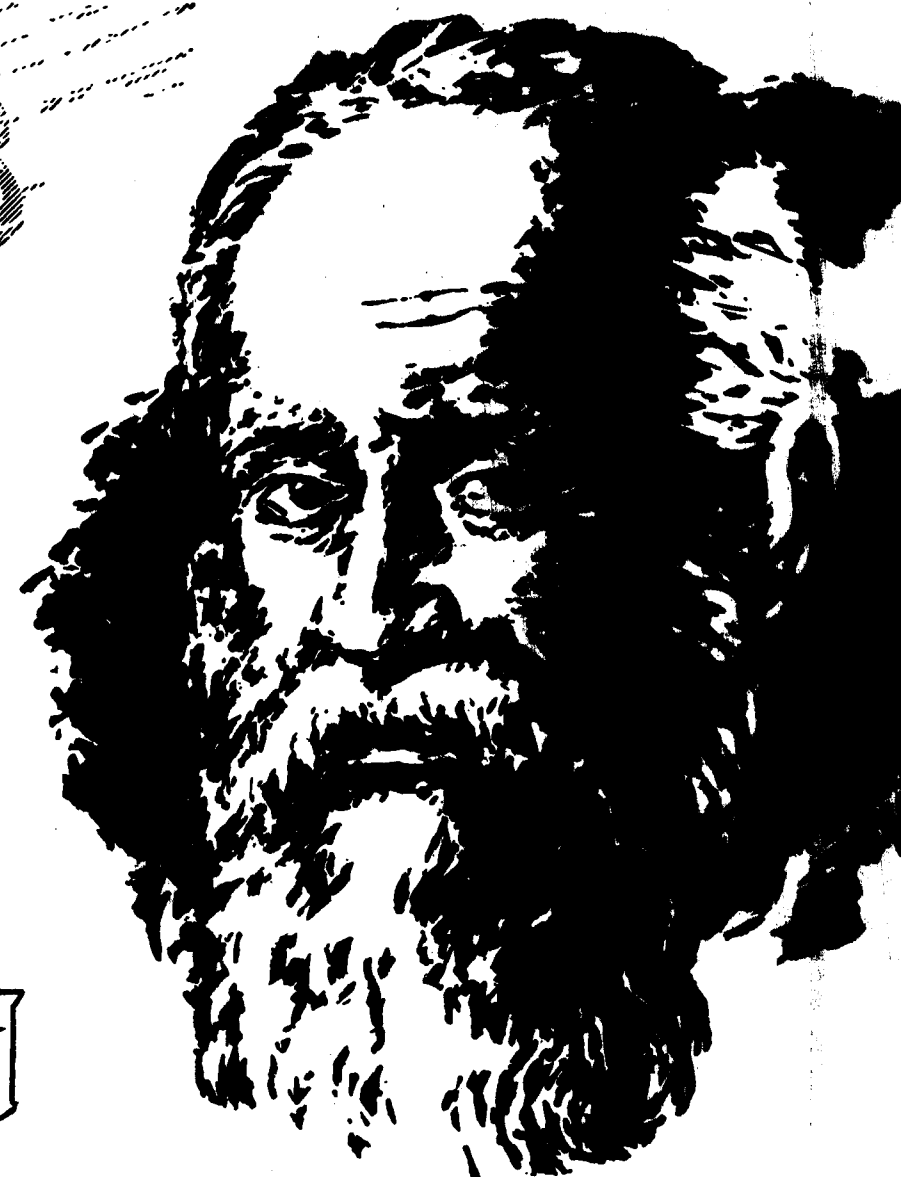
There are but a few of the many occasions when he was called upon to use his administrative talent and his flair for leadership. He was the youngest member of the Viceroy's Executive Council from 1902-1904. His book "India in Transition" was responsible, to some extent, for the final shape of the Montagu Chelmsford Reforms of 1919. He represented India at the world disarmament conference in Geneva and led the Indian delegation to the League of Nations Assembly on five occasions. He was elected president of the League of Nations in 1937—the first Indian to hold that office.

Truly, the world stage is the poorer without him.

That swinging lamp...

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WEST GERMANY AS A FOREIGN INVESTOR

(From Our Special West European Correspondent)

PARIS, July 13.

THE West German boom has now been going on for five years, and in fact every year since the currency reform of 1948 there has been an increase in production, consumption and investment. The transformation that this has wrought in the domestic scene in that country has been sufficiently well advertised under the label "the West German miracle". What is to be considered here, rather, is the consequence of this vast prosperity for foreign investment. The German boom, unlike the later (and in some ways equally spectacular) French boom, has been accompanied by consistent foreign trade surpluses, so the country has been well placed to undertake investment abroad. West German industry, with State encouragement and backing, has undertaken several well publicised projects in India and Pakistan, and so the opinion is common in those countries that West Germany is now-a-days a leading supplier of foreign capital and, moreover, that Asia has a special place in the interests of West German investors. The facts are quite different—not that we propose to make any polemical point of it. There are good reasons for the limited performance of West Germany to date as a foreign investor. The only polemical point that might be made in such a discussion can be stated, and laid aside, from the beginning: namely, that in the matter of foreign investment, especially in the capital-hungry undeveloped regions, the palm still belongs to those two dear old bankrupts, Britain and France, whose record in the matter far outshines all their more affluent competitors put together.

The mark has been to all intents and purposes freely convertible for some time; capital transfers are free but some control is still exercised over investments abroad. Government policy has been no discouragement to the placing of German savings abroad, but neither has it been any special encouragement. In other words, foreign investment is almost totally a private matter in West Germany; it is private savings that are invested, and they are free to choose their direction and degree. This contrasts with the position in the "imperialist" countries where investment in allied, friendly or dependent countries is naturally a political matter—almost all the immense French foreign investment is undertaken by the State, and the question is well within the range of Government interest in Britain. This point is worth digesting, because when we find that politically guided investment from Britain flows in substantial measure to India whereas free private investment from West Germany leaves India almost ignored, we learn something about the connection between politics and economics.

Granted then that investment is mostly a private concern in West Germany, the three questions we need to ask are: how much do the Germans save and invest, how much of that do they invest abroad as compared with investment at home, and what countries do they choose for their foreign investments? To anticipate what follows, the brief answers to these three questions are: the Germans save and invest a great deal; but most of it at home and very little abroad; and of what they place abroad only insignificant amounts go to Asia and the Middle East.

Last year West Germany invested 26 per cent of the gross national product; it was 27 per cent in 1955. This is a higher rate of investment than in any other West European country. The Germans live more abstemiously and save more than their French neighbours for example; their average annual fixed investment per head is 189 American dollars against only \$140 in France, while their average consumption annually per head was only \$591 against the high-living Frenchman's \$639. Naturally, while reconstruction and expansion were going on at home, far and away most of this investment went to industry and housing in West Germany, and only the tiniest trickle found its way abroad. A nation without colonies or even (what is much more expensive and demanding!) recently liberated ex-colonies, West Germany could afford to plough back its savings into its own fields while the British and French were stinting to find capital for abroad.

But by 1956 equipment and expansion within West Germany had reached very high levels, while West German exports began to encounter some resistance abroad. Not surprisingly, industry thereupon began to consider more earnestly the need to build plant abroad, in the consuming countries, rather than at home in West Germany. There ensued a notable expansion of foreign investment during the course of 1956, and all the figures quoted hereafter refer to this very favourable period for West German investment. That point is to be noted, because those figures are not in the event very impressive.

West Germany's foreign investments last year totalled 1,313 million marks, or 312 million American dollars. This represented only 2.8 per cent of total investment; that is, the other 97.2 per cent was invested in West Germany. Moreover, it represented only 0.7 per cent of the gross national product. It had no effect on consumption which increased during the same year by about 12 per cent. This figure for foreign investment is modest also if we compare it with the extraordinarily high favourable balance of payments, which increased by 55 per cent over 1955 to reach the fantastic level of 5,600 million marks. Thus, foreign investment in 1956 was less than a quarter of the current foreign exchange surplus that West Germany achieved in her trade with other countries. Most of this \$312 million was sent abroad by the big industrial combines, and if they did not send more it is because West German industrialists take the view that, even when investment opportunities contract at home, foreign investment is still not sufficiently secure or attractive. The West German Government might be expected to frame its views on political, rather than such reasonable economic, considerations, but in fact its performance was extremely modest: the Federal budget for 1956-57 contained an allocation of only 50 million marks for investment in under-developed countries, and in the event only a small part of this sum was actually lent up to the time of latest information.

Where did West German foreign investment, such as it was, go? The table overleaf shows that.

This interesting list shows that Brazil got 23 per cent of all the West German capital lent abroad (\$71 million out of \$312 million.) India is the only Asian country

represented in the list of countries whose share was worth reporting, but the amount of capital received by India was very small. Not only is Asia neglected, but the Middle East got very little German capital, although this region used once to be one of the main fields of German enterprise. The countries belonging to the European Payments Union received only 492 million marks as actual investment but of course they received very much more substantial loans from West Germany by virtue of the fact that that country is a heavy creditor in EPU. The sum of 121 million marks shown for France includes West German investments in the French African colonies and in other members of the franc zone. It is this very small amount that the French hope to see increased when the overseas territories are included in the European Common Market. To interest German industry in this prospect the French have consented in the common market treaty to open their dependent territories to West German commerce on an equal footing with French, but in return for this the West Germans have not promised to make any startling contribution to capital investment in those regions.

In sum, despite a long period of expansion and prosperity, a high rate of saving and a low level of consumption, and an embarrassing abundance of foreign currencies, the liberal West German economy has not ventured far into the field of foreign investment. The question of a more ambitious German contribution in this department is keenly debated in the Federal Republic. There are a number of plans to make foreign investment more attractive, and of course one of them is devised by the ever-ingenious Dr. Schacht. Dr. Schacht's proposal, like the plan put up by Vice-Chancellor Blucher, is that the monetary authorities make substantial sums available to West German exporters to help them intensify their activity in the under-developed countries. But, as is not uncommon, the grandiose plans for foreign investment are put up by people who have nothing of their own to risk, while the owners of capital are reserved, prudent or openly hostile; the criticism of such proposals comes especially from the directors of the leading banks.

The reluctance to venture capital abroad, and especially in the under-developed countries, is understandable in view of recent events. The disaffection of German capital for the Middle East, despite traditional connections, is eloquent as to the motives of this prudence. The shyness of capital to emigrate is especially notable in the case of West Germany simply because investment is free and private there, and investment abroad is not subjected to political considerations. We are in no position to rouse at the West Germans about this if when we meet such favourable political considerations in other countries we denounce them as imperialism, exploitation or dollar diplomacy.

WEST GERMAN FOREIGN INVESTMENT IN 1956

(In millions of Deutschmarks)

Brazil	299
Canada	163
U.S.A.	121
France	121
Switzerland	79
Argentina	77
Holland	52
South Africa	41
Spain	41
Italy	24
Britain	20
Egypt	20
Turkey	18
India	18

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WORLDGRAM

AGRICULTURE

Minimum Price for Food Grains: 130 lakh tons more food grains had been produced in India during the first Five-Year Plan, resulting in the saving of Rs. 530 crores on imported food grains, Mr. P. S. Deshmukh, Union Minister for Agriculture said recently. He said that the Government of India would shortly fix the minimum price for food grains, taking care that the farmer is not adversely affected.

Heavy Chemicals for Fertilizers: The importance of increasing production and consumption of fertilizers for stepping up production of food grains in India was stressed by the Union Deputy Minister for Commerce and Industry, Mr. Satish Chandra. With the increasing popularity of fertilizers it became necessary to supplement indigenous production of 86,000 tons nitrogen by import of 40,000 tons of nitrogenous fertilizers. Plans are under way for the production of ammonium sulphate, double salt of ammonium nitrate and ammonium phosphate, at Sindri, Nangal Rourkela, Naiveli and Alwaye. A target of 10,00,000 tons of nitrogen may be required for 1965-66.

British Sugar Corporation's Beet Crop: The beet crop of the British Sugar Corporation of 5,169,421 tons in the year to March 31, 1957, was the third highest in its history, although, due to weather conditions, the sugar content of 16.12 per cent was below the average of the past five years. In spite of difficult harvesting and processing conditions all factories were able to maintain their high level of efficiency. The demand for sugar increased during the year, and this trend is expected to continue. As reported in June, the net profit is £1,143,278.

US Cotton Acreage: This year America's cotton crop is likely to be produced from the smallest area under cultivation for about 80 years. The US Department of Agriculture said that the anticipated acreage was 14,224,000 compared with 16,962,000 under cultivation at this time last year. This reduction was anticipated in view of the American Government's policy of curtailing the embarrassing abundance of cotton, and the inducement offered to farmers and to reduce their acreage under the Soil Bank programme by giving compensation for not cultivating land. Last year's seasonal original crop estimate was reduced in November to 15,657,000 acres, but the farmers produced a large yield of 409 lbs. per acre and the crop was 13,310,000 bales. The growers will again do their best to use the most suitable land, and the better harvesting methods now being widely adopted should again bring a high yield.

INDUSTRY

Sodium Sulphate Manufacture: A pilot plant for the manufacture of anhydrous sodium sulphate from lime will soon be established in the salt producing vicinity of Deedwana town in Rajasthan. The plant to be installed at an estimated cost of Rs. 5,00,000 will have a capacity of manufacturing approximately 5,000 tons a year. The sodium sulphate produced will be the property of the Government which will take over the plant at the end of six months or even sooner. Sodium sulphate in considerable quantities is required in the paper industry and its derivatives are used in industry such as tanning or preparation of sulphur colours. India's annual requirements of sodium sulphate are estimated at 40,000 tons.

Electricity Output: During March 1957, 769 public electricity supply undertakings generated 872.7 million kilowatt hours of which 716.5 million kwh. were sold to ultimate consumers. This shows an increase of 63.5 million kwh. over the output in February 1957. New additions were new generating undertakings at Manipuri and Pipri in Uttar Pradesh. The figures of output and sale of power during March, 1957, were 798.5 million kwh. and 651.0 million kwh. and during March, 1956, 798.5 million kwh. and 651.0 million kwh. and during March, 1955, 798.5 million kwh. and 651.0 million kwh. respectively.

Production of Mill Cloth: Both production and export of mill-made cotton textiles from India have shown an upward trend during the first five months of the current year. According to official figures the January-May production totalled 2,285 million yards as compared with about 2,131 million yards during the corresponding period last year. The output in January, nearly 484 million yards, was the highest for any single month in recent years. As regards exports, a total of about 402.5 million yards of cloth was passed for shipment during the period, an increase of about 71 million yards over the total passed for shipment during the corresponding period last year. There has also been an increase in the production of yarn—752 million lbs. as against 665 million lbs. in the corresponding period last year.

Indonesian Coke: German engineers have now succeeded in converting Indonesian low grade coal into a quality coke, through a cheap process, according to the Trans European Press. This invention, will create new possibilities for the establishment of the Indonesian iron and steel industries, while the production of adequate gas from the good quality coke will fulfil the basic condition for the establishment of chemical works. Indonesia has large deposits of coal and oil, but the coal produced in Sumatra and Kalimantan is generally considered of such a low quality that its mining was not regarded economic. Indonesia imports annually 100,000 tons of coal and 50,000 tons of coke from the Netherlands and the USA.

Industrial Output in India: Industrial output in India in the first four months of 1957 has shown an upward trend according to a report. The increase is most significant in engineering goods, metal products, machinery, electrical appliances and apparatus and transport equipment. Significant improvement has also been achieved in cement, sugar, glass and textile industries. Cement production in the first four months of the year was 1,834,000 tons. If the present production rate is maintained, cement, production during the year should be 5,504,000 tons—an increase of 576,000 tons over last year's figure. Cotton textile production during the first four months was 1,835 million yards and at the present rate of production during the current year it should reach 5,507 million yards, an increase of 200 million yards over last year.

Nickel Supplies: In contrast to the weaknesses besetting other non-precious metals, nickel has remained a firm exception. Ordinary consumers in all parts have been finding it difficult to obtain adequate supplies. In its annual report in March, International Nickel stressed the anxiety which producers were feeling about the possible effects of this long-term shortage. Until very recently nickel as a metal has been genuinely scarce. Defence and stock piling demands in the US account for anything up to 40 per cent of the free world's supply of the metal. Canadian sources regard the market in the metal as "very strong" in contrast

to copper, lead and zinc. There is also currently a diversion of metal from the US stockpile destinations to an increasing number of US consumers. There is no danger of over supply. International Nickel on the strength of this has a new nickel project in Northern Manitoba. This is a \$175 million venture which aims at a milling and smelting rate of up to 12,000 tons a day. Canada has been the world's pre-eminent producer of nickel since 1905. This fact has depended on the Sudbury sulphide ores which are easily amenable of treatment. Outside of Canada there are abundant supplies of laterite nickel which till recently have been impossible of treatment. Modern metallurgy is putting this right.

TRADE

Pepper Exports: Exports of black pepper during the first six months of the current season from the major ports of India stood at 1,99,177 cwts. compared with 1,74,091 cwts. during the corresponding period last season, recording a rise of 25,086 cwts. Actual exports during April totalled 22,914 cwts. against 45,266 cwts. in March and only 7,568 cwts. during the corresponding month of 1956. An analysis of exports shows that a substantial quantity was shipped from Cochin which accounted for 13,433 cwts. and Allepey which exported as much as 6,843 cwts. The major consumer was the USA whose offtake has been estimated at 9,451 cwts., while Germany absorbed 4,620 cwts. during the month.

Egyptian Cotton: According to the latest indications, the quantity of Egyptian cotton licensed under the Special Payments Agreement has been progressing very well. The licensed quantity to date is about 16,555 bales. This leaves only 3,445 bales to reach the ceiling fixed. Egyptian reports show that spinner interest in Egyptian cotton is slowly expanding. The UK and France are likely to enter the market shortly. Inquiries from India and Japan are substantial, but the prices offered are said to be below the Egyptian market prices by shippers there. The statistical position of cotton supplies from Egypt is a little less comfortable. The total supply position with the carry over of 127,735 bales and the final crop estimate which is reckoned 990,440 is 1,118,189 bales. As against this consumption up to the end of June 1957 totals 218,080 bales, while exports account for 543,977 bales leaving a balance of 356,127 bales.

Australia-Japan Trade Pact: Under the trade agreement signed recently in Tokyo, Australia is likely to increase her purchases from Japan from £14 million to between £20 million and £25 million a year. The agreement will safeguard Australia's wool trade with Japan and develop a potentially valuable market for wheat, barley and other primary products. The agreement guarantees: duty-free entry of Australian wool for the next three years with up to 90 per cent of Japan's wool purchasing power available to Australia; competitive access to the Japanese market for Australian hard wheat and a new potentially great market for Australian soft wheat; Japan is placed on the normal trading basis which all other countries enjoy in Australia in import licensing, and which almost all countries enjoy in tariff treatment. Trade officials expressed the belief that despite the increased opportunities now given to Japan the imbalance in trade between the two countries would remain heavily in favour of Australia.

FINANCE

Income Tax Yield: The net collections of income-tax during 1956-57 exceeded the Budget estimates for the year by Rs. 6.1 crores. The actual net collection came to Rs. 195.7 crores as against the Budget estimates of Rs. 189.6 crores. Of this it was estimated that about Rs. 60 crores would represent the share payable

to the States, and the balance of Rs. 135.7 crores would be retained by the Centre. About 9,28,000 assessments were completed during the year as against 8,91,000 during 1955-56. In addition about 74,000 refund applications were disposed of. Intensive survey by the Department brought 92,707 new assessee to the register.

Smaller Loans from the I.M.F.: The International Monetary Fund is closing the most active year in history, but indications are that it will make fewer and smaller loans in the months immediately ahead. This is partly because the I.M.F. has already helped the gravest cases, and partly because its own resources, though large are not unlimited. Week before last the I.M.F. announced credits of \$125 million for Japan and \$34 million for Denmark, and these are expected to be the last relatively large loans for sometime. The cut back in I.M.F. credit activities has special significance for the sterling area and other dollar hungry parts of the world, for it means that the substantial flow of dollars which helped to offset the decline in the free-world's reserves is drying up. However, the reduction is not permanent. The I.M.F. loans are repayable in three to five years. The return flow of currency will enhance the I.M.F.'s capacity for lending and restore the creditworthiness of would-be borrowers.

Barter Agreements with East-European Countries: The State Trading Corporation is reported to have successfully concluded what may be the first of a series of barter agreement with East European countries, including Russia. The 25-lakh agreement for the import from East Germany of textile machinery against similar exports of tea, jute and leather manufactures is part of a dual purpose drive to expand the country's foreign trade and conserve valuable foreign exchange to be expended for hard currency areas, not amenable to other agreements. Discussions on similar agreements with other East European countries are in progress, and while the precise total value of these agreements is not known, they are considered sufficiently large to effect considerable savings on foreign exchange consumed on imports of heavy and other industrial machinery, and also to register a sizable increase in volume of exports. This is considered easy to achieve in view of the ready availability in Eastern European countries of a considerable variety of machinery urgently needed in India's second Five-Year Plan and of an equal surplus in India of items needed by East European countries. The private sector has already entered into credit supply agreements valued at 20 crores. At present West Germany, Italy, the UK, Switzerland and Sweden are the five principal suppliers of machinery to India. Most of these agreements have been arrived at with Government assistance. With the successful piloting of its current plans, the State Trading Corporation might well hope to achieve a record figure of Rs. 100 crores in volume of trade canalization through it. As it is, current figures are approximately Rs. 40 crores.

GENERAL

Jet Airliners for Scandinavia: Six Caravelle from jet, medium range airliners have been ordered by the Scandinavian Airlines System from Sud-Aviation of France. Delivery of the turbojets will begin early in 1959 and be completed by October of the same year. The swept-back wing gives the Caravelle the characteristic silhouette of the jet age. A distinctive feature is the location of the jet engines—Rolls Royce "Avons" with a thrust of 11,000 lbs. each — on the fuselage aft of the passenger cabin. This makes for a clean wing, which is aerodynamically advantageous and increases safety. Also, there is practically no noise inside the vibration free cabin. The Caravelle produces no more noise than a big piston engine aircraft. For this reason it was the first jet transport to be permitted to operate regularly in and out of New York's Idlewild Airport.

NEWS IN BRIEF

INDIAN

The Minister for Commerce, Shri Nityanand Kanungo, said recently that Indian exports of lemon-grass oil to the United States of America had been increasing. The value of these exports had gone up from about Rs. 9,91,852 in 1952-53 to nearly Rs. 46,25,770 in 1955-56. During the first eleven months of 1956-57 the exports had further gone up to over Rs. 51 lakhs.

The 2-crore Umtru hydro-electric system near Gauhati will soon be inaugurated. It has been completed with Canadian assistance under the Colombo Plan. The project used Canadian electrical equipment to the value of \$1 million. The local costs \$2.2 million came from money realized by sale of Canadian aluminium to the Indian Cable Industry supplied under the Colombo Plan.

3.19 million additional acres had been brought under irrigation in C.D. and N.E.S. areas by December 31, 1956. The total expenditure out of the budget for the programme amounted to Rs. 8.83 crores.

An Air-India International Constellation plane left Accra recently on its way back after inaugurating the first direct air service between Ghana and India. The flight of 5,200 miles takes 19 flying hours and the plane makes short stops at Sagos, Kano, Khartoum and Aden.

Negotiations with the World Bank for a loan to finance the foreign exchange needs of India's railway expansion programme under the second Five Year Plan have been successfully concluded. The Bank is advancing 90 million dollars during the current year, the loan is to bear the usual 5-½ per cent interest, and is repayable in 15 years.

New rules for the issue of permits to persons buying alcoholic drinks have been issued by the Government of Orissa. The necessity for a medical certificate has been eliminated, a declaration by the applicant that the quota asked for is required in the interest of his health is sufficient.

The Tungabhadra High Canal Project to be started soon will cost Rs. 25.35 crores, and an acreage of nearly 2,75,00 will be benefited by it. A tentative provision of Rs. 45 lakhs had been made in the budget estimates of 1957-58 since the principles of the scheme had been approved by the Planning Commission.

The aggregate value of the seaborne trade that passed through the minor ports in Andhra during 1955-56 was Rs. 10,77,20,174 as against 7,35,14,305 in the previous year. The total collection of port dues amounted to Rs. 1,21,538 as against Rs. 1,17,036 during the previous year.

The delay in shipments following the go-slow policy adopted by the dock workers is fully reflected in the latest stock figures of jute goods. Stocks with the mills have shown a sharp rise of 6,500 tons at the end of June as compared with the May-end figure, the rise in sackings being more pronounced.

FOREIGN

People in the U.K. last year consumed more butter and fats, sugar and syrups, meat, milk, poultry, fish and vegetables, and drank more tea. Consumption of potatoes, fruit and grain products showed a reduction according to a report. A table giving the nutrient equivalent of the foodstuffs consumed, shows that the energy value in calories, of food consumed last year was 3,140 per head per day, compared with 3,120 in 1955 and 1954 and 3,000 pre-war.

Pakistan has entered into an agreement with Burma for the purchase of 75,000 tons of rice. Together with what Pakistan had previously contracted to buy from Burma, the total quantity is now 1,50,000 tons.

The Bell Telephone Laboratories in the United States have a new message-transmitting machine which can send printed information to distant points at a speed of 1,000 words a minute—16 times faster than the speed of the tele-typewriter systems now in common use.

The National Assembly recently committed France to enter a Customs Union with "Little Europe"—West Germany, Italy, Holland, Belgium and Luxemburg—and also to share its atomic energy resources, knowledge and raw materials with the other five.

France has agreed to lend Israel another \$15 million (about £5,357,000) in addition to the \$30 million (about £10,714,000) loan already agreed on, according to a report. This will implement plans to construct the ports at Eilat on the Gulf of Aqaba and at Ashdod on the Mediterranean, and to build a railway line from Eilat to Beersheba.

France will receive Egyptian cotton worth £12,300,000 under a barter agreement concluded between the Egyptian National Bank and a Swiss Bank. France has agreed to open an account for Egypt to make purchases from the dollar area. Egypt plans to buy wool, fertilizers flour, tin, machinery and coal.

The industrial activity in Canada in 1956 pushed production of chemicals and allied products to new record levels. Factory shipments at \$1,112,600,000 were \$68,500,000 or 6.6 per cent over the 1955 total of \$1,044,100,000.

Africa replaced the United States as the leading market for Japanese green tea last year, accounting for 49 per cent of Japan's total tea exports which amounted to 22,578,568 pounds. Tea production totalled 156 million pounds.

A new chemical element—102—"Nobellium" produced by bombarding curium, which is element 96, with carbon ions accelerated in the cyclotron at the Nobel Institute by scientists from the UK, Sweden and the USA. The element was recognized by its unique nuclear properties, half life and radiations, and by its chemical properties.

The Toyota Motor Sales Company, a Japanese car distributing concern, expects to export to the USA small cars which will be four seaters with speeds of 60 m.p.h. and higher gear ratios. The estimated price will be between \$1,000 and \$1,200.

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Special Article

THE BOMBAY COTTON MILL WORKER

THE week has witnessed great commotion on the labour front. There are signs of pressure allround. Labour leaders are labouring to educate the public about the continuing hardship experienced by the labour. The appearance of the report 'The Bombay Cotton Mill Worker' by the Millowners' Association is thus timely. The report sets out a statistical comparison of the economic conditions of labour as they obtained in 1955 with that of 1940. An important conclusion to be drawn from the analysis of data is that the wages of the cotton mill workers have been consistently rising over the last one decade. This is in addition to several benefits and improvements in working conditions of textile labour. The data used have been collected from the service records of workers. A limited interviewing and observation on the spot was also made.

Service records can prove a mine of information to base a detailed study of labour problems. The report provides information on age distribution of workers, their length of service in the mill and in the industry, literacy, departmental distribution, place of origin, sex distribution, absenteeism, average earnings etc. It also presents simple statistical data on different aspects of life and work of the textile worker. The outstanding feature of this book is that it gives the statistical material without drawing any conclusions. The Mill Owners' Association has adopted a wise course in refraining from deducing any particular conclusions and adhering strictly to an objective analysis.

The total number of workers whose service records were tabulated in 1940 amounted to about 37,500. In the 1955 enquiry, the total number of workers covered amounts to nearly twice as much, i.e., about 74,700. The data collected for the present enquiry relate to over 33 per cent of the entire labour employed in the Bombay cotton mills. The number of mills covered in the 1940 enquiry was 19, it was 20 in 1955. The mills were selected from different areas. The sample in both the cases was quite large and representative of the cotton textile industry of Bombay.

Maximum interest attaches to the topic of wages, dearness allowances and bonus. The average monthly wage inclusive of dearness allowance amounted to Rs. 44 as. 13 in 1942. It increased to Rs. 97 as. 6 by 1950 and was Rs. 112 as. 4 in 1955. It is essential to translate this increase in real terms. Read alongside average Bombay Working Class Cost of Living Index, the real earnings of the workers have advanced by 16.5 per cent in the period 1942-55. The following table puts the real trend in the correct perspective:

Year	Average Bombay Working Class Cost of Living Index (Average Prices from July 1933 to June 1934=100)	Total Wages (Basic Wages + D.F.A.) (26 Days)	Real* Wages (In Rupees)
1951	330	102.9	31.2
1952	337	106.3	31.5
1953	363	117.6	32.4
1954	359	119.2	33.2
1955	338	112.3	33.2
1956	353	118.6	33.6

* Wages at 1933-34 prices.

It will be seen from the preceding table that real wages have adequately shared the general per capita rise in incomes of about 8 per cent during the five years. The real monthly wages per worker are calculated at Rs. 31.2 for the year 1951; they rose by about 1 per cent during 1952 and another 3 per cent the year next. The monthly real wages were stable at Rs. 33.2 during 1954 and 1955. In 1956 earnings again started rising, the rise being of the order of 1.2 per cent over 1955. In addition to the salary (basic wage plus dearness allowance) workers are paid bonus. In the year 1942, Rs. 65.4 were paid as bonus; in 1951 similar payment amounted to Rs. 136.8, a rise of over 109 per cent. In the year 1956 the Bombay cotton mill worker on an average was getting a basic wage of Rs. 47.48, a dearness allowance of Rs. 68.70 and an annual bonus varying from Rs. 28 to Rs. 144. As far as his indirect monetary benefits are concerned he gets about Rs. 7.25 by way of contribution to the Employees' Provident Fund Scheme and Rs. 3.50 to Rs. 3.75 to the Employees State Insurance per month per worker.

These days child labour is no problem. But interest attaches to female employment. The enquiry has revealed that whereas the total employment in textile industry has doubled in fifteen years (1941-55), female workers seeking jobs have diminished by more than one-half. Female workers constituted 7 per cent of the labour force in 1955, as compared to 16 per cent in 1940. No statistics are available regarding the number of earning members in the family. But still a lower percentage of female workers in employment suggests that the average worker's family can now do without sending its female members for work outside. This change is significant from the social viewpoint of the life of the working class. The diminishing rate of new employment amongst women workers in cotton textile industry is reflected in their age distribution. There are very few women who joined the industry during the last 15 years, and therefore, we have today relatively more aged women workers in the industry than in 1940. 39.2 per cent of women workers in 1940 were below the age of 30. The percentage dropped to 10.3 in 1955. As against this, 54.7 per cent of women workers in the year 1955 were above 40 years of age; similar figure for 1940 was 22.3 per cent. The department that provides maximum employment to women is 'winding and reeling'. The report does not provide wage rate for different types of jobs in a cotton mill. But, it is expected that the average earnings of female workers will be lower than of male workers, engaged as they are in comparatively unskilled jobs.

Thanks to the literacy classes conducted by member mills, the percentage literacy amongst workers has been increasing. In 1940 general percentage literacy was of the order of 29.7. And in 1955, the percentage rose to 42.5. The report has brought out an important fact which may not be generally known that the percentage of literacy amongst the male cotton mill workers is higher than the general percentage of literacy in the city of Bombay. In general there has been a significant rise in the age of workers seeking employment. The reason for this is perhaps in larger school-going amongst labour families. In 1940, 20.4 per cent of the workers in cotton mills were of 25 years or below. In 1955, similar figure slumped down to 6.4. The number of workers employed beyond the age group 46-50 increas-

ed substantially. It was 3.1 per cent of the total in 1940 and a little less than four times of that figure in 1955. One-third of the men and more than half of the women workers in the year 1955 were over 40 years old.

Information is provided about the place of origin of workers. There is a small rise in the number of workers hailing from areas outside Bombay; a healthy sign from the point of mobility of labour. One-fourth of the total workers in the year 1955 as compared to one-fifth of them in 1940 were drawn from areas other than Bombay city. Uttar Pradesh stands third as regards supply of labour to the Bombay textile industry; the first two being Konkan (Bombay, Bombay suburban, Thana, Colaba and Ratnagiri) and Deccan (Poona, Satara, Kolapur, S.M. States, Nasik, W. Khandesh, E. Khandesh, Ahmednagar and Sholapur). Departments staffed by the labour coming mostly from North and East India are 'Mixing' 'Blow Room and Card' and 'Speed Frame'. The departments of Warping, 'Drawing-in and Sizing' and 'Winding and Reeling' mostly employ local labour from Konkan, the actual percentage in each of these departments being more than 66.

An interesting feature of the report is in statistics relating to the length of service on the part of workers. Such statistics are available separately for service in the mill and in the industry. A little less than 50 per cent of the labour in the year 1955 had put in more than 10 years of service in the mill they were employed. One-third of them had worked in the same mill for 11 to 20 years. Comparative figures of percentage employees with the two periods of service for the year 1940 are 41 and 31 per cent respectively. The figures definitely indicate that the average length of service has been longer in 1955 than in 1940. As regards employment in the industry 43.7 per cent of the workers have worked in the cotton textile industry for 10 years. And since 52.4 per cent of them have worked in the same mill and for the same period inter-industrial immobility is indicated.

The Mill-owners' Association has been collecting absenteeism statistics during the past 10 years, particularly with a view to finding out as to how the "Badli Control System" introduced by the Association in 1938 has been working. The system has since been replaced by the Textile Employment (Decasualisation) Scheme, which was brought into force in 1950. The decasualisation scheme in other words, is "Central Badli Control" and workers required by any member mill are supplied through this scheme from amongst those workers who have previously worked in the industry and who are unemployed. In 1955, 1378 workers sought registration, there was demand for 3,984; 5,007 were submitted and about half of it were absorbed. On an average 40 to 50 per cent of the candidates submitted by the scheme find absorption. There has been a downward trend in the percentage absenteeism during the last four years, the actual figures being 12.70 in 1952 and 8.15 in 1955.

The report also gives an account of other welfare services provided to the mill worker. Post-employment training classes have been there for long, now pre-employment training classes have also been started. Grain shops are run at cost price basis for the benefit of workers. Steady progress has been made by the Credit Co-operative Societies. For recreation the Millowners' Association has been conducting Inter-Mill Sports Tournament since 1941.

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Economic Report from the U.S.

COMPARISONS AND CONTRASTS

(By GUY SIMS FITCH)

WASHINGTON, July 16.—Economists generally are wary of attempts to compare rates of growth between different nations. They are particularly cautious in approaching a comparison between the US and the Soviet Union. For one thing, there is the paucity and inadequacy of Soviet statistical data, in contrast to the copious information about the American economy. For another, the economic structures are so different that it is difficult to agree even on basic definitions—for instance, what makes up a nation's total output of goods and services?

Nevertheless, Soviet leaders often have made it a point to indulge in just such comparisons. Especially of late, they have over and over proclaimed their intent to "catch up" with American economic achievements—itsself a kind of tribute to the US way of doing things. Inevitably, American economists find themselves drawn into this game of comparisons. So from time to time, they try to take a realistic look at the two economies in juxtaposition. The latest results of just such a look were published here last week in a special report by the Joint Economic Committee of the US Congress. The Report's principal conclusion, supported by 149 pages of carefully compiled statistical tables and explanatory text, is essentially the same as previously arrived at in a similar study a few years ago.

The conclusion is simply this: over the years, the Soviet economy has been growing at a faster percentage rate than has the American economy, but the "absolute gap" between the two—the difference in the production of goods and services measured in actual figures—has continued to widen in favour of the United States. The reason is fairly obvious. The Soviet economy is about one-third the size of the American economy. This means that a two or three per cent annual expansion of the US economy represents a larger volume increase than does a six or seven per cent expansion of the Soviet economy. Put another way, the Soviet economy seems to be where the US economy was about 40 years ago. But, argue the Soviet experts, we are compressing in a few decades what it took the US a century to accomplish.

This may well be true. But, in any case, it has little to do with the Soviet system as such. The fact is, as the Congressional report notes, that the industrial trail-blazing of the past 100 years had already gone far in the more advanced nations by the time the Soviet managers started their own industrialization plans. Thus, they were able to make use of the prior achievements of the US and other free nations. Even today, they evidence considerable interest in US technical innovations. In fact, say many economists, it is quite conceivable that the Soviet Union could have advanced even more rapidly under a somewhat freer socio-economic system.

Instead, Soviet leaders have been bent on maintaining a centrally controlled economy, with priority given to heavy industry and military production at the expense of both consumer goods and agriculture. The average Soviet citizen has paid the price for this in low living standards and a lack of personal freedom, economic and otherwise.

This is where the chief difficulty of any US-USSR comparison enters. For the values upon which the two systems rest are in a very real sense worlds apart. In contrast to the Soviet pattern of strict State control, advances in the free US economy depend largely on private initiative and the satisfaction of exactly those human needs and wants so determinedly neglected by the Soviet dictatorship. In the United States, it is the average citizen, with his steadily rising "discretionary" purchasing power, who most effectively charts the path of economic development.

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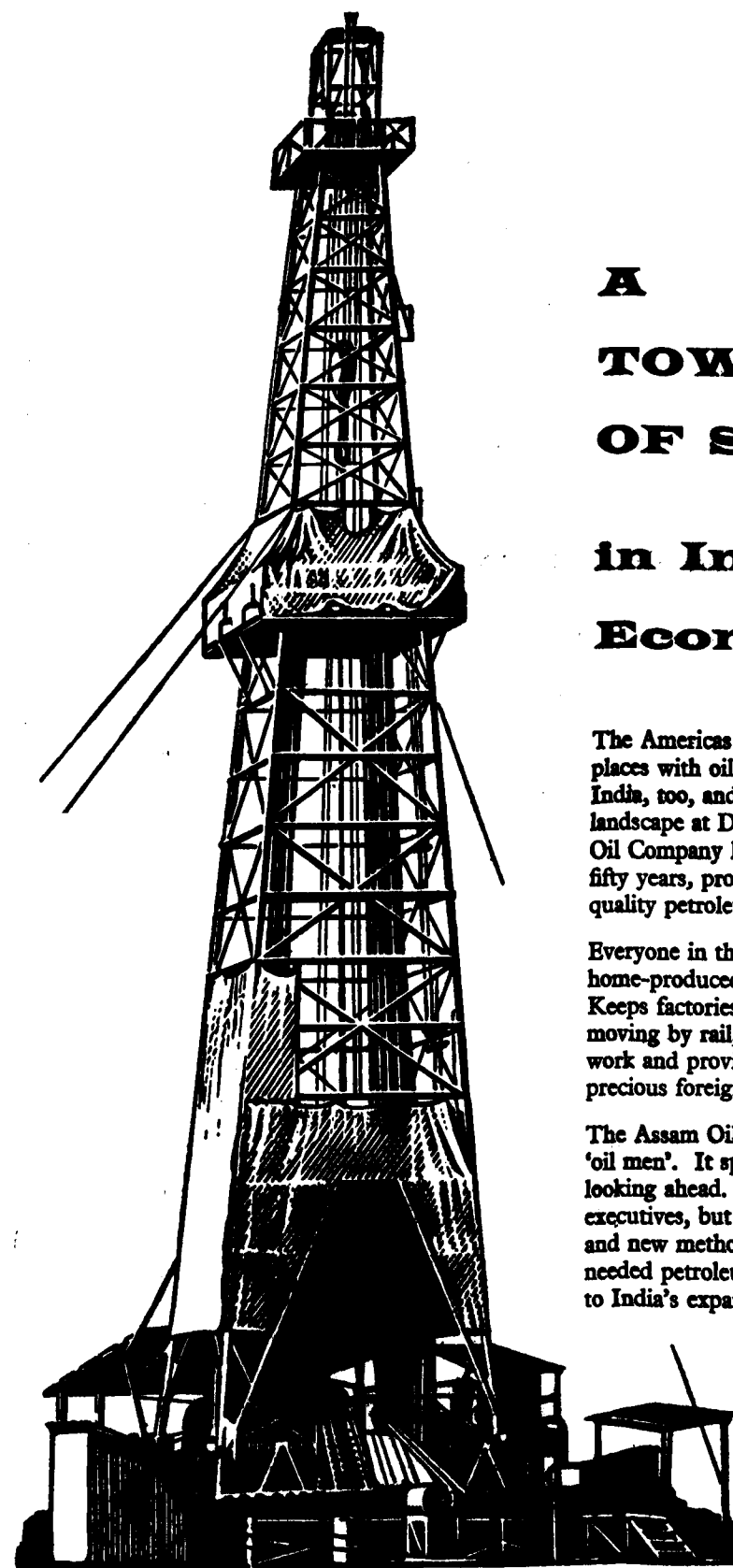
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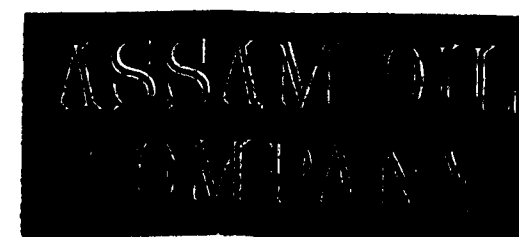
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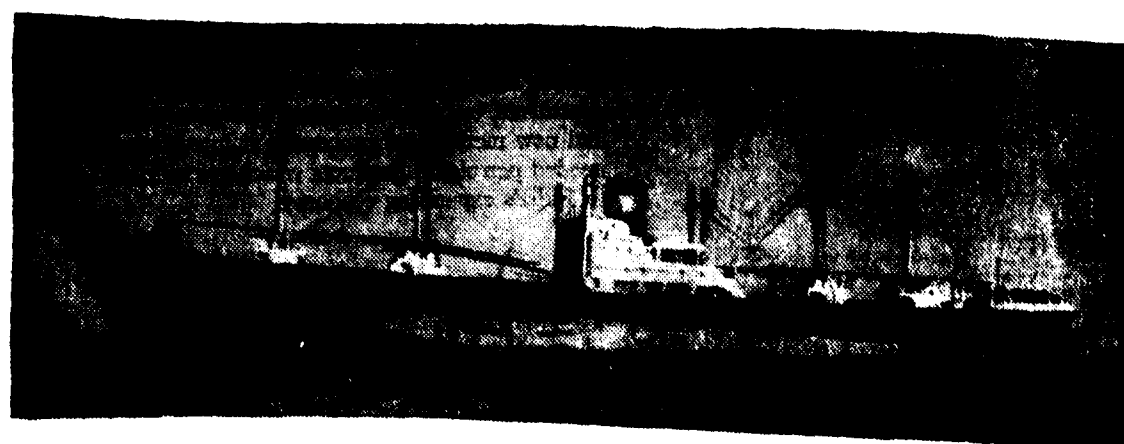
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BOOK REVIEWS

CHARACTER BEYOND OFFICE

Fullness of Days: Lord Halifax: (Collins, London, 1957: Price 25s.)

By C. S. Venkatachar, I.C.S.

Lord Halifax records that when he returned to England after his Indian viceroyalty, he was like the "proverbial red rag to many of the more right-wing Conservatives." When he went to the United States as Britain's Ambassador he admits he was somewhat suspect for his complicity in his capacity as Foreign Secretary in Chamberlain's policy of appeasement which had permitted Munich. In Washington he was naturally overshadowed by the war-time figure of Churchill. Were the twin attributes of strength of prayer and of simple goodness by themselves sufficient to make him great in these high offices? These pages reveal that the real greatness of the man appears to lie in the triumph of character over the offices which he adorned.

Of this no one was better aware than his friend Stanley Baldwin. Baldwin had the courage to tell the Conservatives, angry about the India Bill, that if at any time the Party he led could not find a place for a person of the character of Edward Wood, he (Baldwin) would have nothing to do with his Party any more.

Halifax tried his modest bit to construct a bridge of understanding between Britain and India but the strong political currents then flowing on either side were against it. He saw more penetratingly in the thirties than any other British statesman that the choice "lay between power which had served from the days of Clive, and influence which, if he could use it aright in the changed conditions of the twentieth century, would serve us better. . . . Of the two, influence was more securely founded and the more enduring." Wise words to remember, with the passing away of Britain's imperial power.

Lord Halifax quotes approvingly a dictum of Augustine Birrell that anything a man speaks of himself is still too much. What little he has chosen to speak of himself, his friends and contemporaries, of men and events in general, he writes with grace, dignity, and a charity of judgment born out of deep reflection on life. One gathers the impression that the divergencies in outlook between him and Churchill were clearly marked but they do not cloud the judgment of Halifax in his sincere tribute to Churchill: "Whatever might be Winston's faults they have been dust in the balance compared to the great debt we all owed to him."

To be detached and yet remain active in the centre of public life is a difficult art. Once mastered, public life can be viewed with the dispassionate judgment of an elder statesman. Lord Halifax frankly records that he had no particular regret in leaving the House of Commons, since he "found unsatisfying the Party exaggeration and one-sided statement of case which so often did duty in debates." When Chamberlain's Government fell in the summer of 1940, Halifax declined to be "the honorary Prime Minister living in a kind of twilight just outside the things that really matter." His advice was accepted "by the Prime Minister reluctantly and Churchill evidently with much less reluctance."

The irresistible impression left by this delightful and charming book is that in the public life of a great democratic society, character comes first; then the accomplishments in office.

THE FORD FOUNDATION ANNUAL REPORT, 1956

The Ford Foundation Annual Report 1956 contains a report of activities which would do credit to a Government. Indeed, the Ford Foundation now deals with practically every aspect of Government activities all over the world. Two paragraphs from the President's review at the beginning of the report give the key to the uniqueness of the Ford effort. "The impulse of philanthropy is as old as men's awareness of the need to join efforts within the civilising framework of a society. Organised philanthropy as now known in the United States is a recent phenomenon, however. The first foundations were established for limited and specific purposes. Only in this century have there emerged general purpose foundations — such as the Ford Foundation — dedicated to the improvement of man's lot on a broad scale."

Firstly, then the Foundation concept is relatively new, even in the United States. Secondly, the Ford Foundation happens to be at the top of the walk. The President says elsewhere:

"The Ford Foundation, it happens, is the largest single philanthropic foundation in the world. This is, and has been, a fact of our corporate existence and actions. Because the Foundation is large it has unparalleled opportunities for service. Because the Foundation has sought to realise those opportunities, it has grown in experience. Inevitably the Foundation's fiscal size has had to be a part of many of the trustees' contributions."

In nearly 300 pages there is explained in detail what one year's working involves. It certainly is an exciting record. On page 108 will be found details of the overseas development programme in graphs. India heads the list with 16,224,926 dollars for total grants and projects, from October 1951 to September 1956. This is a momentous contribution from a friendly Foundation, whose work is to be measured not only in terms of volume but also in quality supplying — as in small-scale industries or in the National Council of Applied Economic Research — what might be called a catalytic agent for the creation of new ideas. To Dr. Douglas Enslinger and his staff in India a warm tribute needs to be paid.

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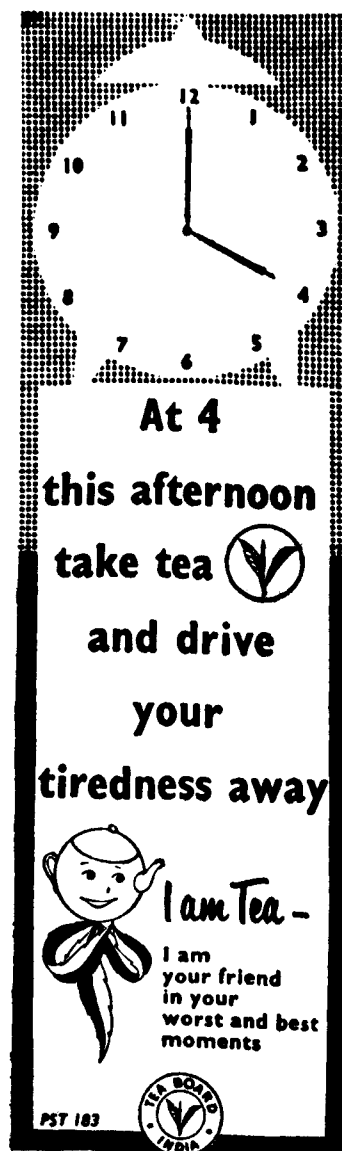


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THE DOCK STRIKE AND AFTER

By
(CROESUS)

EVERYONE is agreed that a major disaster has been averted with the prompt settlement of the Bombay Dock Workers' dispute. A strike anywhere in the country today will do enough damage to our economy, but a strike in the docks, the starting point and the terminus of the country's foreign trade, will inflict irreparable damage, and it is just as well, therefore, that the Government of India did not stand on any prestige but took hold of the situation itself and resolved the dispute. This, however, is the third occasion on which the Union Government has had to intervene to prevent a major breakdown, which has set some people thinking as to whether it is not time that the Government of India told the workers that it is in their own interests to settle its disputes in Bombay itself and with the authorities stationed here. One can understand the intervention of the Centre in regard to disputes involving all-India issues but, by allowing itself to be hustled into intervening even in small disputes of a purely local nature, I am afraid, it has unwittingly deprived the men on the spot of all initiative. A degree of decentralisation in such matters is good alike for the Central Government and for the workers' organisation.

This abortive strike of Bombay Dock Workers has brought to light a new aspect of the workers' bargaining power. It is the great accretion of strength to their organisation consequent on its being a member of the All-India Port and Dock Workers' Association, and, judging from the preparedness of workers in other ports also to follow suit—if their Bombay confreres went on strike in the event of their demands not being conceded, it is obvious that the A.I.P.D.W.A. can hold the country to ransom any time. That the Federation should have chosen to throw in its weight on the side of the Bombay dock workers for threatening to go on strike on a flimsy issue like the demand for payment of wages a few days earlier than normally seems to suggest that this all-India body may not be averse to adopting steam-roller tactics, throwing to the winds all caution and concern for the country's wider interests. This is a dangerous symptom. Organised labour and, more so, those at the helm of organised labour have a very great responsibility today, because they are a force to reckon with and, because of this, they can ill afford to be irresponsible.

The immediate cause of the threatened strike, it would appear, was the refusal of the employers of dock workers to concede to the request of the daily rated workers that they be paid their wages for June on July 7, instead of on the 10th as has been the practice every month ever since the introduction of the piece-rate scheme. Except for the fact that this was statutorily improper as contended, one fails to see why the employers did not see their way to comply with the request especially when it is believed they readily offered advances of anywhere between Rs. 50 and Rs. 75 to each worker depending on his monthly earnings. Moreover, the workers did not seem to want a permanent change to this effect but only wanted it to enable a section among them to celebrate Id.

Be that as it may, it is evident that for the workers this was only an ostensible grievance, coming on the top of a number of others one of which was the proposed cut of Rs. 1.32 lakhs from the total

quantum of bonus due to them of Rs. 4.5 lakhs for 1956-57 because of overpayment in the previous year. Any such adjustment, I understand, is duly covered in the Five-Year Agreement between the Stevedores' Association and the Transport and Dockworkers' Union, but the workers apparently doubt the accuracy of the calculations involved. Another complaint — perhaps a very legitimate one — seems to be the inordinate delay in the settling of disputes, even where no delay is called for. For instance, the time still being taken by the Special Officer appointed by the Government of India to inquire into the conditions of work in the major ports and their labour problems and to make recommendations is unconscionable, in all conscience. It is to be hoped that, at least now, following the Government's undertaking to see the report published in about a month, it will see the light of day and help alleviate the avoidable sufferings of workers. Coming on the top of these, even the latest innocuous demand acted as a lighted match to a keg of dry gun powder. Fortunately the resulting explosion has been effectively handled and not allowed to spread.

Since the calling off of the strike of some 40,000 dock workers of Bombay last Friday, the Ministry of Transport has sent a communication to the workers' representatives setting out the terms of the settlement. It is noteworthy that although this settlement refers in the main, to the dispute of Bombay dock workers, the terms thereof have been deliberately worded in a manner as would permit of their application to workers in other ports in the country as well. This means that, at least in respect of the issues covered by this settlement, dock workers in other ports need not resort to a fresh dispute.

Now that the workers have resumed duty, it must not be supposed that all would be well hereafter. Apart from the financial effects of the settlement on the employers and the users of the docks, to which I shall presently refer, there still continues the almost intractable problem of congestion of ships. Presently nearly 40 ships, at least a fourth of which are ships carrying food grains, are waiting for berths. A layman like me would think that, since the boys have come back to work satisfied, they would surely expedite the unloading and loading operations on the berthed vessels and thereby help clear the berths for the ships still anchored. But I am told the position is not that simple. Informed quarters say that, short of placing the work in the ports on a war-time footing, the problem defies solution. All means, not excluding the use of the two mechanical cranes installed by the Union Food Ministry, they add, must be employed, while the Customs and Post Offices should work round the clock even on Sundays, at least until the congestion disappears.

As a result of last week's Delhi settlement, it is feared, the Bombay Dock Labour Board may increase its levy on shipping companies. This levy, by the way, is intended to provide for the administration of the decentralisation scheme and amenities and welfare schemes for workers, and was raised only in May last to 75 per cent of the daily time-rated wage of a stevedore worker. It is likely to be raised further to almost a 100 per cent thereof, it is stated. Surely shipping companies

cannot go on absorbing these increases in the levy indefinitely without passing them on to their customers and they, in turn, to their customers, each adding his own quota, however negligible, to the rising cost structure. It is not my purpose, nor does it seem proper, to

single out any of these and blame them for intensifying the inflation in the country, but the facts must be noted. Whoever may be responsible and, however insignificant one's own quota, the relentless law of inflation does not fail to operate.

TIME TO RECONSIDER TAX PROPOSALS

By
(CROESUS)

NOW that Parliament is again in session and the controversial budget proposals of May last are to be further scrutinised by Select Committees, debated upon by the two Houses and finalised, the tempo of protests against the proposals may be said to have reached a crescendo. Apart from lengthy memoranda on specific tax proposals by leaders of the business community who recently waited in deputations on the Union Finance Minister in Bombay and Calcutta, public meetings have been organised all over the country, in particular in Madras and Bombay, to criticise the Centre's tax proposals. A common feature of all these protests, whether in papers and periodicals or at public meetings, is the appreciation of the Union Finance Minister's helplessness, more or less, in a situation of the kind he finds himself placed in. But that is the beginning and the end of all public sympathy for the Finance Minister in relation to his tax proposals. While nearly everyone appreciates the need to raise the low standard of living of our people and levy taxes to finance the Development Plan, what many people do not appreciate is the wide range and novelty of his latest tax proposals. It is true nobody has suggested any alternative proposals to raise a corresponding amount of revenue, as Mr. Krishnamachari has declared, but this is because most people are now convinced that the second Five-Year Plan is much too ambitious 'vis-a-vis' our resources, existing and expected alike, and that, therefore, it is no use viewing the Plan any more as something sacrosanct and toying with the idea of going the whole hog with the Plan or not at all. This 'ipso facto' means a reduction in the total outlay which, in turn, should help reduce the amount to be raised by fresh taxes.

It has been said with a passable air of plausibility that, inasmuch as the political party in power today has been returned mainly on the strength of its undertaking to the people to implement in full the second Five-Year Plan, there might be a public revolt if either the size of the Plan is pruned or the period of the Plan is elongated. This is an unwarranted fear. As a matter of fact, almost all sections of the public are today demanding a reduction in the size of the Plan to more manageable proportions, and this must be considered by the Government as a God-send, in that such provides it with a justification, in the form of popular demand, for reducing the size of the Plan. If, for any reason, this opportunity is missed and the Government decides to push through the Plan willy-nilly, undeterred by all the public criticism so far, the chances are that there will be greater frustration and resentment towards the Government at the end of the period of the Plan, what with its several unfulfilled targets. Psychologically that is a more explosive situation which might precipitate popular revolt. The most sensible thing to do now, therefore, is for the Government to take the people into confidence, tell them what the Government wants to do over a period, how, because of unavoidable limitations, it is humanly impossible to keep to the original schedule of the second Plan and why it is necessary for the people to submit themselves to a degree of austerity even to raise our standard of living slightly. Since people know only too well that the

time-table for the implementation of the Plan has been upset by some unforeseen odds, such as, for instance, the failure of the monsoons and the Suez episode, the present affords an excellent opportunity for the Prime Minister and the Finance Minister to tell the people about the inevitable cut in the second Plan. The ex-Finance Minister, Sir Chintaman Deshmukh, who, in fact, initiated this Plan, has done so already, thereby preparing the way, as it were, for them.

If it is thus accepted by the Government that the size of the Plan must be cut for reasons beyond the control of the powers-that-be, the demand for tax reliefs will naturally become intensified. It would be difficult for any Finance Minister to resist this demand and, much more so—if he should consent to do so—to give concrete shape to the reliefs, what with the convincing but conflicting claims of the common man and the business community, the former claiming relief under indirect taxes and the latter wanting relief in direct taxes. If he is to please all sections, however, the Finance Minister must reduce, if not withdraw, some excise duty, say on sugar or paper (these could be held in reserve for the budgets to come in future years) on the one hand, and do away altogether with the Wealth Tax on companies and the Expenditure Tax. While criticism against the latter is both because of its novelty and because of the fear of the inquisitorial form its strict enforcement may entail, criticism against the former, that is Wealth Tax on companies, is motivated by a genuine apprehension of its erosional effects on capital formation. Here are two considered opinions by people who are eminently fitted to express an opinion on this impost which has been aptly described as a "crippling blow".

Writing in the latest issue of 'Transport', Mr. M. A. Master says: "...we strongly hold the view that there can be no justification of a Wealth Tax on productive assets like those of organised industries, either on the ground of capacity to pay or on the plea of removing inequalities of wealth or for preventing ostentatious display of wealth..."

Remarking that Wealth Tax on companies leads to shattering of confidence, Mr. N. Dandekar, I.C.S. (Retd.) writes in the "The Hindu" of 13-7-57, the Wealth Tax on companies "is a clear departure even from socialistic principles; egalitarian arguments do not apply to companies, which must build up their wealth if they are to develop, but only to their shareholders."

Other and more elaborately framed arguments are sure to be placed before the Select Committees on these bills. What has been stated above is only to illustrate the strength of considered public opinion against the two new imposts in particular. It is to be hoped that, when all the implications of his proposals are placed before him in a comprehensive and objective manner, the Union Finance Minister will not insist on just "marginal adjustments", as he has been saying all along, but see his way to accommodate his critics in a more liberal measure.

BUSINESS NOTES

CONFERENCE ON COTTON TEXTILES

THE CONFERENCE on the cotton textile industry and trade held here on July 14 last, under the auspices of the Federation of Indian Chambers of Commerce and Industry was convened as much for the purpose of examining the problems of the industry and Government's policy on it as for carrying out self-examination with a genuine desire to set its own house in order. Industry and trade in the sphere of the same product usually find it hard to see eye to eye with each other in all questions and there is sometimes the unavoidable conflict of interests. This conference adopted a bold move in bringing the two classes of interests together. Its example is worthy of emulation. There was restrained but firm ventilation of grievances whenever the interests of the two involved divergence. But the discussion or criticism was free from bitterness or recrimination. For instance, the criticism of decline in quality and the encroachment of the manufacturing sector on the field of distribution trade was conducted in this frank spirit. The same atmosphere prevailed when the problems of mills situated in the regions labouring under comparative handicaps were discussed. One outstanding gain of the discussions at the conference was frank and unanimous recognition of the fact that the decline in quality must be reversed and attention concentrated on positive improvement if exports were to gain the ground lost.

In so far as the Government's policy on the industry was concerned, Mr. Morarji Desai explained certain issues on which Government was performing its part of the joint effort. His reference to the slow rate of installation of spindles—1.2 million have been installed so far out of a total of 3 million actually licenced—is a case in point. He referred to the closure of mills and to the contemplated closures. The conference urged, after consideration of this question, that uncoordinated units should raise themselves to the level accepted by the Planning Commission. The heart of the textile problem consists in reduction of costs to enable the industry to recapture its competitive strength. Rationalisation with emphasis on auto looms is a major solution to this question. The difficulties attending it were discussed exhaustively and one important aspect which emerged was that allotment of automatic looms should be, to the extent practicable, on an economic basis to make it really worth while. One hundred looms per unit was suggested as the economic level. The discussions also touched vital issues of taxation but it would be wishful to infer that it brought the solution any nearer. On the question of maldistribution of targets of increased production as between the organised and decentralised sectors Government is still unrelenting in its rigid and patently erroneous policy.

ANOMALY OF UNIFORM SALES TAX

THE PROPOSALS adumbrated in the Mysore Sales Tax Bill introduced in the recent session of the legislative assembly with a view to ensuring uniformity in sales tax in the New Mysore State are believed to act very regressively upon the commercial community of the State. In a comprehensive memorandum submitted to the State's Finance Minister, Mr. T. Mariappa, the Mysore Chamber of Commerce has accordingly preferred a clause-by-clause analysis of the Bill.

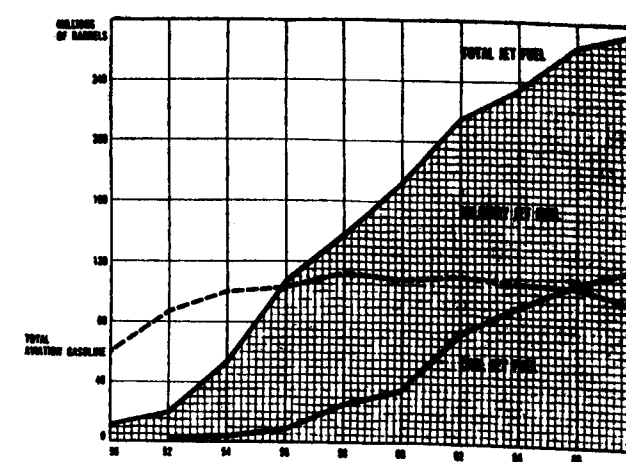
The memorandum begins by characterising the present Sales Tax Bill as containing the "evil of both the single-point and the multi-point systems". The Government of Mysore in trying to strike uniformity in the various sales tax laws now existing in the State, has evolved a pattern of taxation which, in the opinion of the Chamber, is a "remedy worse than the disease". The memorandum then goes on to say that some of the novel features of the Bill would, apart from paralys-

ing the business community, lead to inflationary conditions by raising the price level.

Among the several points raised by the Chamber, two points, though of a general nature, are of particular significance and deserve careful consideration, if the State of Mysore is to be assured of economic prosperity. The first one relates to the "Minimum Turnover". In the Bill, the minimum turnover of a dealer has been reduced from Rs. 7,500 to Rs. 5,000. This is the most retrograde feature of the Bill, inasmuch as every trader, however meagre his business may be, will be affected. There is every justification for the demand of the Chamber that the Government should raise this minimum turnover to Rs. 10,000. Another feature, which is also equally objectionable, is the imposition of a compulsory turnover tax of 2 per cent payable by all registered dealers. This involves double taxation and is opposed to all canons of equity and justice. The trade is already under an obligation, from the beginning of the month, to pay a sales tax of one per cent, as the Central Inter-State Sales Tax has come into force. A further turnover tax of 2 per cent on the top of this, it is feared, will not only take away all the profits from the traders, but "compel them to pay from their pockets". This also increases prices and affects adversely the much-talked of common man. The Chamber feels the existing system might be continued as the lesser of the two evils.

REVOLUTION IN AVIATION

PROBABLY FOR the first time has it been reported — in the July issue of "Oil Progress," published by the Caltex Group,—that the world demand for aircraft jet fuel is now higher than that for aviation gasoline. The position over time is graphically illustrated below. While jet fuel consumption was only slightly more than the demand for aviation gasoline in 1956, the trend in the future pattern indicates a sharp increase in the demand for jet fuels, reaching some 270 million barrels in nine years from now. As against this, the demand for aviation gasoline is expected to be nearly static and may even start declining around that time.



World Wide Demand for Aviation Fuel

A break-up into civil and military requirements reveals that the vast bulk of the increase in jet fuel demand — 95 per cent — has come from military services whereas the rise in aviation gasoline was about equally shared between the two. This leads to the conclusion that the character of military aviation is fast changing from the conventional to the jet.

In civil aviation also, long strides are under way to help airlines to make all the world one neighbourhood. It has been estimated that, by 1962, some 800 turbo-engine transports will be in operation. A remarkable characteristic of the engines, in most cases, is that

these can be operated equally efficiently with such fuels as kerosene, aviation gasoline and even light diesel oil, though there exist limiting elements to their general use. Calculations have also shown that "a four-engine jet transport is the equivalent of a modern ocean-liner in terms of passenger-miles per year", which lends the right perspective to the cost of the 800 turbo-engines at the enormous figure of two billion dollars.

CRITICAL CONDITIONS AT MAJOR PORTS

DISQUIETING REPORTS are current that the acute congestion at docks has led shipping conference lines to think of levying a surcharge of as high as 25 per cent in regard to both incoming and outgoing cargoes from India. By and large, this has taken away the relief that was felt throughout the country when the impending strike was called off recently by the dock workers, literally at the eleventh hour. If the threatened surcharge is actually levied, the prices of our imports as well as exports will inevitably go up by a substantial percentage, which would create another unforeseen complication in an already critical economic situation, particularly in foreign exchange and food grain prices. The lack of adequate facilities at the ports has been a major handicap in the country's development programmes. Mr. B. M. Chinai, President FICCI, has laid pertinent stress on the fact that it takes a long time at the docks to unload imported machinery and, after unloading, to be transported inland. Export cargo is facing the difficulties of finding space and it has been noticed that many foreign orders could not be executed for reasons of non-availability of shipping facilities.

A similar grievance has been voiced by the President of the Associated Chambers of Commerce, Mr. W. H. S. Michelmores. The serious nature of the problem can be imagined when it is known that within two months, the number of vessels waiting for berths inside or outside the four major ports of Calcutta, Bombay, Madras and Visakhapatnam had multiplied six-fold from 14 to 81 at the beginning of July. The waiting period for ships carrying steel imports to Visakhapatnam is of the order of 30 to 40 days. The pressure will continue to rise with the increasing imports of capital equipment for steel plants, etc., as well as food grains. While such imports cannot conceivably be reduced, they will have to be matched by ever larger exports. It will be unfortunate if docks fail to measure up to the requirements of the country.

However, the answer to the problem, at the present time, is not so much in embarking on long-term schemes as in imaginative, quick action to make optimum use of the existing facilities at the major ports and improvised use of lighters. The steps that have been suggested, like provision of more mechanised berths and better utilisation of minor ports, if implemented, should prove helpful in relieving part of the pressure. Labour has its own responsibilities, and now that its demands have been largely conceded, the country should expect its ungrudging co-operation which is the largest single factor that may go to relieve the pressure.

ADDITIONAL ENERGY FOR ASSAM

TO ASSAM, the home of many untamed rivers, the putting into commission recently of the Umtru hydro-electric project has brought new light and hope. This Rs. 2-crore project, situated 17 miles south of Gauhati, harnesses a 170-foot fall of the river Kollong's tributary from which the project derives its name. Built with Canadian financial as well as some technical assistance under the Colombo Plan, the project will increase Assam's electric energy by 8,400 kw of installed capacity. Read alongside the enormous figures of power potential of other Assam rivers, the present achievement may appear to be modest. For example, between them, the Dehang and Manas rivers are said to possess a potential of some 3.25 million kw. Those

rivers alone which have already been taken up for observation and investigation by the Central River Investigation Circle are estimated to produce as much as 2 million kw. Yet, the successful execution of the Umtru project cannot be over-emphasised inasmuch as it is the first scheme of this type to be taken up and completed by the State Government in the comparatively short period of some four years. The rapid pace with which success was achieved gains added significance when it is unknown that in 1952, when the project was first conceived, the Assam State had nothing beyond an Inspectorate of Electricity to draw upon.

It is an irony that with so much energy lying latent in Assam, the State's installed capacity and therefore per capita consumption of electricity are perhaps the lowest in India. Even a backward State like Orissa can boast of a capacity of 18.33 kw per thousand of population, against as little as 4.52 kw in Assam, at the end of the second Plan. In consumption, Assam's 5 kwh per capita in 1961 will be a mere 10 per cent of the figure for India as a whole. The peculiar geographical position of Assam, linked as it is to the mainland of India by a narrow stretch of difficult hilly tract, renders it almost impossible for the State to march abreast of the rest of the country in industrial progress. All this heavily underlines the necessity for the State to exploit fully its hidden electric energy which alone is one important resource that Assam can conceivably sell to the neighbouring States to mutual benefit. It is to the credit of the State authorities that substantial progress has already been made in regard to expansion of health, education and road transport facilities. Again, the Dibrugarh protection works is one of the major engineering projects executed with skill. With the completion of Umtru, the State's economic development has reached a stage when the Assamese people can derive benefits in physical terms. It is to be hoped that, with the passage of time, Umtru will prove to be only the first project in a chain of larger and multipurpose ones to follow.

A WARNING FOR CO-OPERATIVES

AT A time when it is generally pleaded in all quarters, and quite reasonably, that co-operative banks should be permitted to be bolder in advances, an audit report has come of the working of such a bank in Assam which leaves a chilling effect. The auditors have found not only that the bank had advanced money, in certain cases, without taking any collateral security which ultimately turned out to be bad debts, but also that there have been some gross irregularities on the part of some officials of the bank. As regards bad debts, it is reported that the bank advanced loans under directions of the State Government which holds a predominating interest in its share capital. In some other instances also, loans were given against little or inadequate securities.

It is neither important nor necessary to apportion responsibility between the State Government and the bank authorities in the present case. What is relevant constantly to remember is that so long as the participants in the activities of a co-operative bank do not have a sufficient stake in it, the results may often be disappointing. There is no doubt that in the peculiar conditions of India's backward economy, particularly in the rural sector, State assistance and guidance in setting up such societies is imperative. But once a co-operative bank comes into operation, the State should withdraw its invisible hand from directing the day-to-day affairs of the bank. The Assam case provides a timely warning for co-operative banks throughout the country. This, however, should not lead them to be very strict in demanding high securities in all cases. Such a course would defeat the purpose for which the banks have been conceived. For better results, vigilance may prove to be helpful more than strict criteria for advancing credit.

COMPANY AFFAIRS

TEXTILE MACHINERY CORPORATION

For the Textile Machinery Corporation Ltd., the year 1956 has turned out to be one of remarkable general improvement in working over the past, more particularly in the cotton textile machinery division where production as well as sales show a distinct rise. In total terms, the sales have sharply increased from Rs. 2.34 crores in 1955 to Rs. 3.57 crores in the year under review. While production of ring frames touched peak levels, the manufacture and assembly of cards commenced during the year under report. Substantial orders have been booked for carding engines and production in collaboration with a Japanese company has been progressing satisfactorily. The Directors feel that there is sufficient scope for still better results in the current year if demand for the Company's products increases. That, however, is possible only if the Government permits liberal expansion in the cotton textile industry. The rate of production of one locomotive boiler a month indicates that in the boiler and heavy engineering division also progress has been good.

Among other items, wagon production recorded improvement and with the completion of the shop extension, it is expected to improve further. A good proportion of the Company's output of steel castings is used in its own manufacture of wagons. Here also considerable progress has been achieved and steps are being taken to step up production in order to meet the increasing demand from various industries. The Jute Machinery division was, however, not able to produce to installed capacity which the Directors attribute to paucity of orders.

In the new schemes under implementation are included the manufacture of water tube boilers and sugar mill machinery in collaboration with two foreign firms of the USA and Holland respectively. Orders are already being booked in both items and the Company proposes to execute them on part-manufacture basis in co-operation with the collaborators during the initial "build-up" period. An Austrian firm is another collaborator in the fabrication of radical crest gates and the work has been taken on hand under contract with the Damodar Valley Corporation.

The financial working for the year shows a surplus of Rs. 72.15 lakhs. Provision for depreciation has been stepped up from Rs. 20 lakhs in 1955 to Rs. 21.21 lakhs in the year under review. In the case of reserve for development, an amount of Rs. 11 lakhs has been set apart which is very considerable when compared to no provision under this head in the previous year. For taxation, Rs. 20 lakhs has been provided, which makes the total provision under the three heads amount to Rs. 52.21 lakhs. That leaves a surplus balance of Rs. 19.95 lakhs, which, together with the balance brought forward and the previous year's provisions, goes up to Rs. 21.42 lakhs. From this written back, the Directors have recommended the following amount, the Directors have recommended the following dividends: on 15 lakh ordinary shares of Rs. 10 each at Rs. 1-4 per share free of income-tax (Rs. 18.75 lakhs); on 10,000 cumulative preference shares (tax-free) of Rs. 100 each at 5½ per cent per annum (Rs. 55,000); and on 30,000 redeemable preference shares (subject to tax) of Rs. 100 each, also at 5½ per cent per annum, less tax (Rs. 1,13,025). All together, these amount to Rs. 20,43,025 leaving Rs. 98,732 to be carried forward.

THE TATA OIL MILLS CO., LTD.

There has been a setback in the results of working of the Tata Oil Mills Co., Ltd. for the year ended

March 31, 1957. Thus, although the gross revenues for the year were higher by over a crore of rupees than in the previous year, thanks to substantially large sales of imported chemicals, the bigger turnover did not yield improved profits; prior to depreciation, managing agency commission, taxes and reserves, these (profits) were lower by about Rs. 12.80 lakhs. After providing for these items, the disposable amount stood at only Rs. 8.10 lakhs, as compared to Rs. 9.52 lakhs for the previous year. The reduced profits are reflected in the dividend recommended, which is only Rs. 2.50 per share, as against Rs. 3 per share for the last year.

Explaining the reasons for the setback, the Directors state that this was due to a rise in the price of oils, particularly groundnut oil, the upward revision of customs duty on all perfumery materials, lower sales of soap, an increase in the wage bill and the levy of excise duty of as much as Rs. 70 per ton on vegetable oils from March 1956. The effect of one of these, namely the extent of the increased incidence of the excise duty, alone is evident from the fact that the Company was required to pay a total sum of Rs. 33 lakhs on this account during the year under review. Despite the increase in costs of production as a result of this, the Company could not increase the prices of its products anywhere near to a corresponding extent (and that too only in February), by reason of the "severe competition from inferior soaps produced by cottage and small-scale industries which enjoy preferential treatment in respect of excise duties". The profits were also adversely affected by the upward revision in the rates of Income-tax and Corporation Tax and now by the introduction of Wealth Tax on companies as well.

The Directors report that the Government of India did not give the Company permission to issue 56,086 new Ordinary Shares of Rs. 25 each by capitalising Rs. 14 lakhs from the share premium account, on the ground that, after such capitalisation, the free reserves of the Company would be below 20 per cent of the increased paid-up capital. This now seems to be broadly the formula that the Government of India adopts in all such cases.

The sales performance of the Company was not uniformly good, although the output of all the Company's products, namely soap, glycerine, and vanaspati, was maintained. In fact, Tomco's vanaspati production was higher while the output of the entire industry was lower than in the previous year. Whereas sales of glycerine and vanaspati were higher, the latter by as much as 80 per cent, sales of soap were somewhat lower. But sales of Tata Chemicals' products, of which Tomco's are the Selling Agents (by the way, this sales agency agreement has been renewed for an additional period of 2 years), showed an improvement. Although the State Trading Corporation started handling imports of heavy chemicals, it is significant the Company was allowed to continue to distribute Soda Ash and Caustic Soda throughout the country, albeit on behalf of the S.T.C.

Except for the extension of the Hydro-generation Plant godown and the erection of another godown for storing seeds in Bombay, there was no major construction work during the year under review. The small soap factory at Calcutta acquired by the Company last year commenced production of laundry soap from September last.

COMMODITY NEWS AND NOTES

INCREASED OUTPUT OF COMMODITIES

Significant progress has been made in respect of production by village industries. In hand pounding of paddy, the production has increased from 359,000 maunds in 1953-54 to 1,348,000 maunds in 1956-57. Production of oil by crushing oil seeds in ghanies is now about 100,000 maunds as compared with a negligible quantity in 1953-54. The manufacture of soap has risen almost six times in the past four years. The production of hand-made paper rose from 127 tons in 1953-54 to 610 tons in 1956-57, and that of palm gur from 1,442,000 maunds to 2,300,000 maunds.

PRICE OF COAL INCREASED

A uniform increase of Rs. 1-8 per ton in the price of coal was announced by the Government of India. Also the by-products of hard coke and beehive hard coke by Rs. 2-8 and Rs. 1-8 per tons respectively. The prices of soft coke continue to be unaffected by the increase.

GROW-MORE-FOOD SCHEMES FOR BOMBAY

Fifty-eight schemes have been sanctioned by the Government of India under the "grow-more-food" programme in 1957-58. Of these 25 are for the development of fish cultivation and 11 for improvement and extension of irrigation facilities, for which the Centre has sanctioned loans of Rs. 76.92 lakhs and grants of Rs. 6.23 lakhs. Other schemes relate to distribution of improved varieties of seeds and fertilisers, protection of plants, reclamation of land and composting of refuse, for which Central aid will amount to Rs. 12.61 lakhs—Rs. 2.69 lakhs as loan and Rs. 9.92 lakhs as subsidy.

WORLD SUGAR PRICE

The International Sugar Council has set up a Committee to consider the world market price of sugar and to make such recommendations as it thinks necessary. Since the middle of February the New York spot price of raw Cuban sugar, has rarely been less than 6.00 cents a pound. Yet under the International Sugar Agreement the price at which there may be no quotas or limitations on exports is 4.00 cents. The main reason for high prices is that the Cuban surplus has been steadily run down in the past few years, but the available supplies were also limited by the small size of the European beet crop. Even the abandoning of quotas has not prevented prices from staying high. The Council revised its estimate of free market requirements for 1957 from 5.65 million metric tons to 6.21 million metric tons. But it stated that supplies had also increased for the year as a whole and would be ample to meet the demand.

CEYLON'S TEA OUTPUT

The total area under tea in Ceylon increased by 3,351 acres from the end of 1953 to December 13, 1956, according to the administration report of the Tea Controller for 1956. At the end of 1956, the total area under tea was 56,460 acres. During the year 3,482 acres were newly planted with tea, while 131 acres of old tea were uprooted and replanted with other crops. 51 per cent of the total area under tea was in large holdings—339 estates of 500 acres and above; and 13 per cent were small holdings, below ten acres; 8 per cent of the estates between 10 and 100 acres; and 28 per cent between 100 and 300 acres. Of the total

acreage, 34 per cent was under high grown tea cultivation, 42 per cent under medium grown, and 24 per cent under low grown tea cultivation.

INCREASED PRODUCTION OF KYANITE IN INDIA

The production of kyanite in India during 1956 increased to 14,870 tons as against 11,741 in the preceding year according to the Indian Bureau of Mines. Kyanite is used in refractory industry, such as furnace linings exposed to the action of products of combustion. It is also used in pillars required to support heavy loads at high temperatures or that are liable to shocks.

The amount of kyanite exported during 1956 was 26564 tons at a value of Rs. 76,85,000. Only a small percentage of the kyanite produced is sold to users in the conditions as mined. Usually, it is dressed, calcined and graded to size.

STANDARDISATION OF ACTIVATED CALCIUM CARBONATE

A draft Indian standard specification for activated calcium carbonate suitable for the rubber industry has been issued by the Indian Standards Institution. The rubber industry uses about 1,000 tons of activated calcium carbonate every year. This standard, which prescribes requirements and methods of sampling and testing the material suitable for the indigenous industry, is expected to help it in the supply of suitable quality rubber to the consumers. Calcium carbonate suitable for other industries, such as for dental preparations, tissue papers, etc., will be covered by other draft standards which will be circulated in the near future.

PRODUCTION AND USAGE OF ALUMINIUM IN INDIA

The production of aluminium in India reached a record figure during 1955-56. The production during 1955 was 7,225 tons, while the figure for the first half of 1956 was 3,449 tons. The annual consumption of aluminium in India has been estimated at 35,000 tons by the end of 1956. The total consumption of metal in India during 1955 was 22,765 tons. The Planning Commission has provided for an installed annual capacity of 40,000 tons by 1961. The consumption of the metal has been confined mainly to utensil manufacturing, but uses of aluminium have now been found in the manufacture of various articles from pins to planes. It is estimated that the consumption of the metal will increase to a much greater extent because of the increasing percentage of its use in industries.

SOUTHERN ZONE FOR RICE

The Government of India has created a rice zone in the South, comprising the States of Andhra Pradesh, Madras, Mysore and Kerala. Rice will now move freely within the zone but export from or import into it will be restricted. It is estimated that Andhra Pradesh has a surplus of about 6 lakh tons, while the deficit of the other three States is of the order of 4 lakh tons. Thus, there will be a net surplus of about 2 lakh tons of rice in the zone. Arrangement is therefore being made to allot suitable export quotas from Andhra Pradesh to Bombay and West Bengal to enable sale of superior varieties of rice in these principal consuming markets.

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. L.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	487.7	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	—	—	—	—
December 1956 ..	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 ..	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.9
March ..	402.7	518.1	403.3	384.1	569.8	421.3	89.9	98.9	79.8	111.5
April ..	408.3	514.73	400.0	384.3	567.8	422.1	89.9	99.0	78.7	106.8
May ..	419.3*	536.3	406.5	372.9	572.3	431.2	89.4	99.1	78.4	104.1
June ..	433.4	541.3	413.0	392.4	575.3	439.2	—	—	—	—
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
8-6-1957 ..	435.7	530.9	414.5	392.3	570.7	439.2	89.6	98.9	77.8	102.7
15-6-1957 ..	421.3	543.9*	413.3*	393.1	571.1	437.5	89.6	98.9	77.6	101.3
22-6-1957 ..	430.5	539.9*	410.6*	392.4*	563.5	437.3	89.4	98.9	77.3	101.8
29-6-1957 ..	438.1	540.9	413.0	391.6	601.5	441.2	—	—	—	—

* Average of weeks.

Revised*

†Economic Adviser's Series.

††Reserve Bank Series.

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	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	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	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	146	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											
	28-6-1957			21-6-1957			14-6-1957			7-6-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola ..	106.47	105.56	106.02	107.19	105.62	106.36	106.84	105.06	105.99	107.94	105.62	106.62
Silver (per 100 fine tolas)	182.56	179.87	181.19	182.69	181.37	182.08	184.06	181.37	182.25	185.19	183.69	184.42

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	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
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)	
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	664,72	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,42	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,196,19	22,98	1,219,18	40,02	648,81	688,83	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
1956-57*	1,475,77	18,75	1,494,52	44,42	545,61	595,63	39.95	115,61	755,22	1,494,52
				(117,76)		(683,37)	(44.37)			
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	1,487,26	40,02	624,16	664,18	44.51	109,49	718,59	1,492,26
August	1,440,10	27,31	1,467,41	40,02	610,68	650,70	44.43	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										
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	1,605,36	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
24-5-1957	1,578,40	27,58	1,605,98	117,76	412,52	530,28	33.0	125,83	949,87	1,605,98
31-5-1957	1,570,00	26,00	1,596,00	117,76	412,52	530,28	33.1	125,85	949,87	1,596,00

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
1948-49*	222,17	16,93	80,63	56,52	366,25	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	62,89	61,93	269,02	33,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,63
1953-54*	105,44	23,40	46,52	57,45	232,80	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
1956-57*	57,52	14,10	52,46	19,93	143,81	101,21	246,92	18,91	5,69	64,77	4,89	85,34	57,82	13,60
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	50,78	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	88,38	67,53	12,45
December	54,21	10,67	54,03	13,75	132,66	134,56	277,43	8,94	6,55	84,23	6,44	93,47	60,99	19,09
Week Ending														
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
24-5-1957	54,22	5,66	62,36	85,43	207,67	151,33	369,00	27,73	2,55	56,91	19,89	111,27	137,04	13,60
31-5-1957	53,65	6,83	68,24	86,17	214,08	149,67	374,55	26,14	2,27	42,55	19,00	106,55	164,39	13,64

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. † 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 gold reserves of Issue Department are revalued at Rs. 62.50 per tola from October 6, 1956.

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	..
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	523,69	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	63.02	370,71
1956-57	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56	71.39	359,35
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										
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	719,62	517,24	1,221,71	38,10	61,40	8.14	750,10	185,78†	76.60	344,06
17-5-1957	716,90	517,04	1,233,94	40,27	58,65	8.11	747,27	189,46†	76.81	343,99
24-5-1957	727,87	519,87	1,233,30	39,86	54,74	7.67	743,43	196,44†	76.21	343,34
31-5-1957	730,86	523,03	1,238,74	39,41	59,63	8.00	744,70	199,74†	75.27	340,63

* 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
1956-57	..	2,301,84	1,550,47	..	..	..	..
April	1956	2,228,11	1,538,18	689,93	677,43	12,50	+43,70
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	669,04	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	2,220,47	1,509,90*	711,57	700,80	10,77	+42,82
February	"	2,263,71*	1,526,58*	735,14*	723,36*	11,78	+42,24*
March	"	2,306,58*	1,563,06*	753,50*	741,87*	11,65	+42,87*
April	"	2,358,30*	1,584,78*	773,52*	761,01*	12,51	+51,72*

Production, Imports and Consumption of Sulphate of Ammonia, since Independence

(Figures in '000 Tons)

Year	Production	Imports	Total Availability Col. (2) + Col. (3)	Consumption
1	2	3	4	5
1947	21.3	131.8	153.1	Not available
1948	35.2	133.2	168.4	"
1949	45.9	120.8	167.7	"
1950	47.3	370.0	417.3	275.0
1951	52.7	104.0	156.7	282.4
1952	220.3	170.0	390.3	276.3
1953	321.4	100.0	421.4	427.0
1954	340.2	74.0	414.2	453.0
1955	393.1	200.0	593.1	499.9
1956	382.0	200.0	582.0	650.0 (Estimated)

Production, Imports and Consumption of Superphosphate, since Independence

(Figures in '000 Tons)

Year	Production	Imports	Total Availability Col. (2) + Col. (3)	Consumption
1	2	3	4	5
1947	5.0	0.4	5.4	Not available
1948	21.4	1.0	22.4	"
1949	50.6	0.2	50.8	"
1950	52.4	0.4	52.8	36.0
1951	61.0	2.6	63.6	43.3
1952	46.7	2.1	48.8	28.7
1953	48.3	6.8	55.1	51.4
1954	104.7	*	104.7	92.4
1955	75.7	*	75.7	78.0
1956	89.0	*	88.0	100.0 (Estimated)

* No import for Agricultural Purposes.

Note: The figures of consumption have been obtained from the publication of the Fertilizer Association of India.

AGRICULTURAL PRODUCTION, TARGETS & ACHIEVEMENTS UNDER THE FIRST FIVE-YEAR PLAN

(Figures in Million)

Crop	Base-Year	Target	Actual Production in						
			1955-56	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57*
Cereals (tons)	..	..	46.00	42.89	49.22	58.27	55.73	54.65	56.25
Pulses (tons)	..	..	8.00	8.29	9.04	10.45	10.87	10.19	10.00
Food grains (tons)	..	..	54.00	51.18	58.26	68.72	66.60	64.84	66.25
Oilseeds (tons)	..	..	5.08	4.95	4.66	5.29	6.24	5.66	5.89
Sugarcane (Gur) (tons)	..	..	5.62	6.07	5.02	4.42	5.76	5.86	6.30
Cotton (Bales of 392 lbs. each)	..	..	2.91	3.13	3.19	3.94	4.23	4.00	4.80
Jute (Bales of 400 lbs. each)	..	..	3.28	4.68	4.59	3.09	2.93	4.20	4.22F

Note: Base year for food grains is 1949-50 and for

* Advance Estimates and are subject to revision.

F=Final Estimate.

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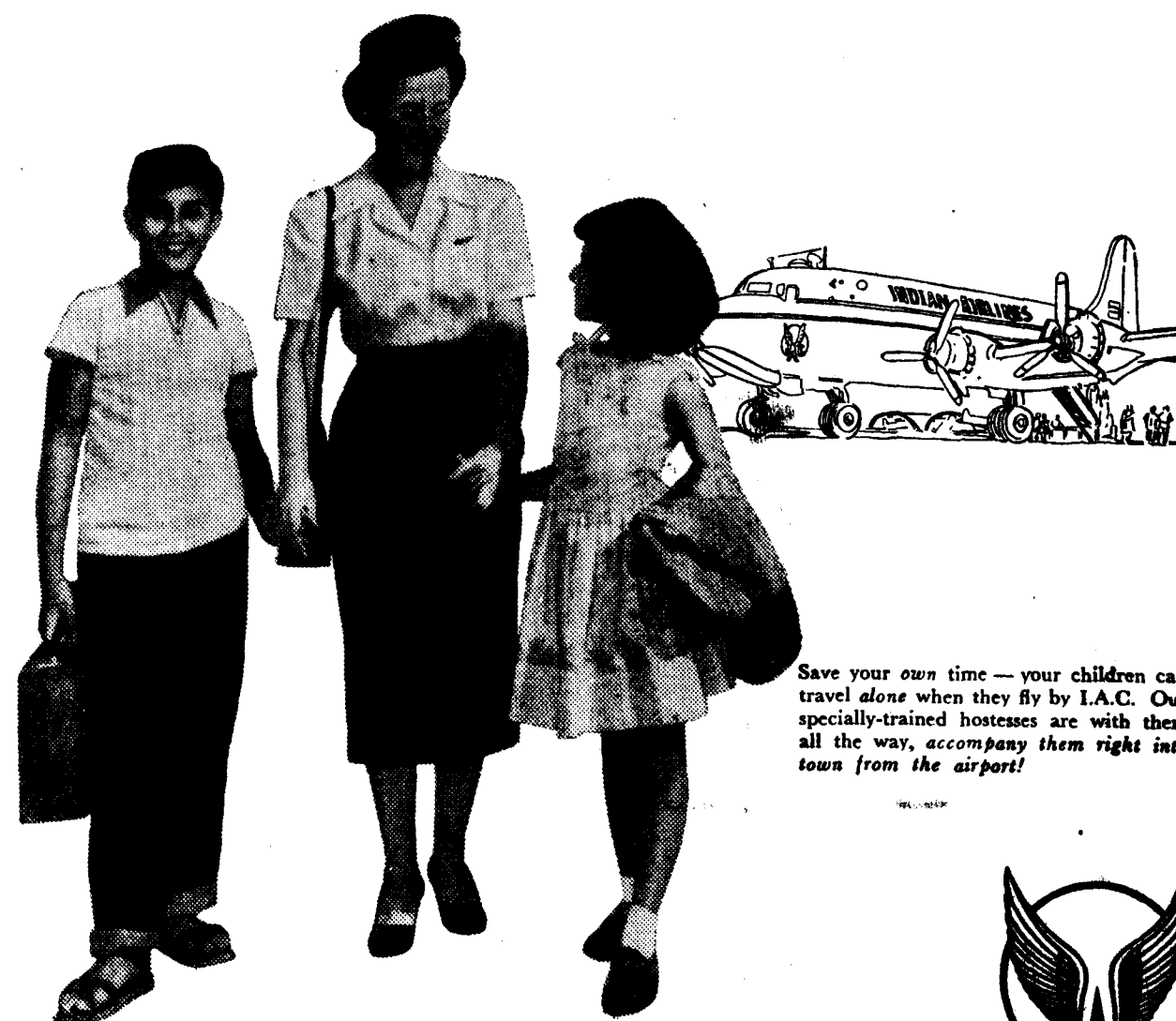
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Mid-Monsoon Review

THE rains have come, but happily not gone. The first indications are that the monsoon is very favourable. Our economic condition is still as much a gamble in the rains as it ever was. If the rains had failed this year, inflationary movements, notwithstanding generous P.L. 480 loans, would have been irresistible. At the present time, if one views the weather reports as a whole, one might say that this dire misfortune cannot take us. The fact that Cherrapunji and Assam are going short will not be a source of concern; the shortages will probably be accepted with resignation by residents in those areas. There is, it is true, also been abundance in the wrong places. There are certain portions of Bihar which are already threatened with floods. What seems to be a new development is the severity of the recent floods in East Rajasthan. It looks as though the difficulties of the present are not from shortage of rain but from excessive supply.

One might reasonably conclude from reports over the country that the agricultural situation which, in the last analysis is the prime mover in Indian prices, will not of itself initiate an inflationary spell. On the other hand, the difference between a good year and one just about normal is not so much that a severe fall in prices is possible. The belief sometimes entertained in the Indian Food Ministry that a crash in prices is possible is wholly unreal. Therefore nothing would be more disastrous than if a prospect of a good agricultural season changed the elements of Indian price policy. This must remain, as before, a reduction of food grain prices with the object of holding the price line in cereals. It has already been indicated that this must arise from the sale of P.L. 480 supplies as quickly as possible at a rate significantly below current prices.

While the inflationary situation might, in these circumstances, be deemed to have become

For those you leave behind

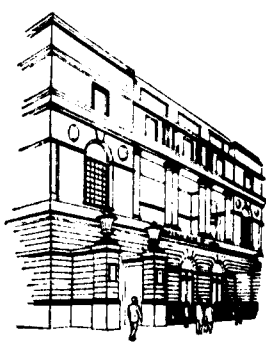
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THE WEEK'S NOTES

CRISIS IN NEPAL

THE RESIGNATION of Mr. Tanka Prasad Acharya's eighteen-month old Cabinet has plunged the Himalayan Kingdom of Nepal into yet another ministerial crisis. Mr. Acharya took this extreme step in accordance with the mandate of his party, the Praja Parishad, which had enjoined upon him to resign if the King rejected the suggestion to reconstitute the Cabinet in order "to achieve homogeneity". That this demand should have been made after eighteen months of office clearly indicates that it was not the principle of a homogeneous cabinet that weighed so much with the Praja Parishad as its desire to get rid of the inconvenient Independent Ministers and to enjoy the monopoly of power. This suspicion is reinforced by the King's proclamation calling upon Dr. K. I. Singh to form a coalition. The King has clearly stated that Mr. Acharya's resignation was accepted after he "explicitly informed me of his inability to hold the general elections in October this year as previously proclaimed by me."

Although India's policy is one of strict non-interference in the internal politics of any country, there is seemingly evidence of growing uneasiness in New Delhi over Nepal's endemic political instability. No less than five "popular" Governments have fallen since the overthrow of the Rana regime, some seven years ago. This frequency of change in Governments would be disquieting for any country, more so for a backward country living under the lengthening shadow of a none-too-platonic neighbour of Red China's dimensions and designs. The principal cause of ministerial instability has been the absence of full-fledged political parties; the democratic political institutions are so new to that country. This has largely contributed to the failure or incapacity of the Nepali politicians to find a viable coalition interim Government consisting of different groups until the general elections whenever they are held. Neither direct rule nor endlessly shifting coalitions of the parties without any popular mandate can be a substitute for popular representative Government. Consequently, the Kingdom is faced with the paradox of a popular King striving hard to quicken the processes of democratization and the politicians fighting shy of the ways of democracy. It will be truism to say that monarchy alone is capable, at least at this stage, of giving stability to Nepal and leading the Nepalis on the road of democracy.

King Mahendra's invitation to Dr. Singh has generally been welcomed in India. Besides being the most popular figure, with an almost legendary reputation, Dr. Singh has ever since his return from a three-year exile in China, been consistently campaigning for Nepal's closer ties with India. During his visit to this country last winter, he unequivocally stated that "we cannot pull on without India: just look at Nepal's geographical position". On the other hand, his opposition to China and Russia has been unambiguous. His forced stay in China seems to have disillusioned him of Communism. This seems to have occasioned in him heart-searching and rethinking on the position and prospects of his country. He strongly denounced not only the acceptance of the Chinese economic aid worth about Rs. 60,000,000, but also condemned Mr. Acharya's visit to Peking in winter last. An eloquent expression of his current thinking was his cryptic remark that "Rs. 60,000,000 is not the price of Nepal." In order to save his country from becoming the hot-bed of international intrigue, he is opposed to the opening of any new foreign diplomatic missions in Kathmandu, including Chinese and Russian, and is in favour of routing Nepal's foreign contacts through its embassy in New Delhi. He also wants to preserve constitutional monarchy for "securing the progress and prosperity of the

people of Nepal," on the pattern of British or Japanese monarchy.

But whether Dr. Singh is able to form a care-taker Government or not, it is obvious that the best course for Nepal's political progress lies through general elections as early as possible. This will resolve, in democratic terms, not only the uncertainties of the day but will also assure to the people the Government they deserve.

BHOODAN AND GOVERNMENT

SINCE ITS inception in 1951 the Bhoodan movement has collected a little over 5 million acres of land against a target of 50 million acres by the end of 1958 in all-India. As there is reason to believe that the movement has passed its peak, the utmost quantity of land that will have been collected by the target date may not exceed 6 million acres. Of these 5 million acres of donated land, not even a fifth has been distributed so far to the landless poor who are actual tillers of the soil. If the pace of collection has been slow, the pace of distribution has thus been slower still. If all this land is not expeditiously distributed, it would do no credit to a movement, the proclaimed purpose of which is to rehabilitate rapidly as many Harijan tillers of the soil as possible on their own lands. And this in spite of statutory arrangements in most States for the distribution of Bhoodan lands! This is a distressing state of affairs which calls for immediate remedy. The State Governments which have virtually no achievement to their credit by way of acquisition of surplus lands (above a certain ceiling) should at least bestir themselves in the matter of distributing the Bhoodan lands.

The Bhoodan movement has also in recent years collected more than 2,500 entire villages as donations. These 'Gramdan' villages have been marked out for collective ownership. Here, too, the pace of development has been unsatisfactory. There have arisen unexpected difficulties in this regard. Acharya Vinoba Bhave himself spoke sadly of this at the recent Sarvodaya Samelan at Kaladi: "When an entire village is donated, the money lenders go to that village and warn the inhabitants that they would not get any loans and that they must return the previous loans without loss of time. Thus the trouble starts from the day the village is donated and Bhoodan workers are worried about the future of the donated village and its progress. In fact some of them are already losing heart. One worker went to the extent of saying that it is a sin to plead for Gramdan, to ask people to give up their ownership in land, unless we are prepared to take up the responsibility for the development of the donated village and land. In Koraput (in Orissa State), only in 200 to 300 villages out of 1,500 Gramdan villages, development work is in progress. Inhabitants of the other villages naturally protest. It is suggested that this will impede progress and affect the Gramdan movement. In these circumstances, it becomes the duty of all to decide whether the tendency to give up ownership in land is in the interests of the nation. We would be happy to help in the development, but we refuse to consider that as our responsibility."

The responsibility, by implication, is that of the Government. It may be a fall for the Gandhians of the Bhoodan movement to invite the help of the State in a field which, they have all along thought, should be free from its intervention. But this fall is understandable for even the Gandhians cannot bite more than they can chew. The admission that the Bhoodan movement is not capable of distributing lands speedily or of developing the Gramdan villages is significant, and the Government might have to come into the field in a more active and massive way.

ESPIONAGE IN THE UNITED NATIONS

LAST WEEK the Prime Minister of Ceylon, Mr. Bandaranaike took occasion to deny publicly the truth of certain news reports that a Ceylonese employee of the United Nations was guilty of espionage. The specific allegation made was that he removed certain documents from the office of his country's delegation and passed them on temporarily to the Soviet delegation at the United Nations. The Greek and Ceylonese newspapers, which have carried the reports, have indicated that the alleged theft of classified documents was connected with the United Nations' Sub-Committee on Hungary, of which Mr. Gunawardene of Ceylon was a member. The matter is reportedly under investigation by the United Nations Secretariat itself.

In spite of Mr. Bandaranaike's denial there are certain curious ancillary circumstances of the case which need to be examined. The Russian concerned was declared 'persona non grata' and left New York in early April. There seems to have been no protest over this on the part of the Russian delegation—a procedure not quite normal if the basis for expulsion were untrue. Since any public protest could well have provoked publicity of the charges, to its embarrassment, the Soviet Union seems to have preferred to let the episode pass quietly.

Assuming that the newspaper stories are true—and the denials have been unconvincing thus far—one needs to consider why the Russians should be so interested in acquiring material which, following the United Nations' procedure, was bound to become public within a few weeks? It is possible that pressure on Mr. Gunawardene was one objective—and there have been indications that pressure was exerted on him from other quarters also to make him desist from signing the report. It is possible that the aim was to acquire information sufficiently in advance to prepare effective counterpropaganda. Regardless of the reason for it, it is significant that the Russians apparently considered the objective important enough to risk expulsion of a diplomat and not to object when that expulsion did take place. A countervailing question concerns the action of the United States Government which declared the diplomat 'persona non grata'. Within the purview of American law, espionage against any power is illegal. But in weighing responsibility for move and countermove in the cold war, one must account for why even the United States apparently has chosen not to publicize the matter. Such publicity would seem to have been natural if Washington were really engaged in cold war as is generally assumed in the country.

THE BOOMERANG

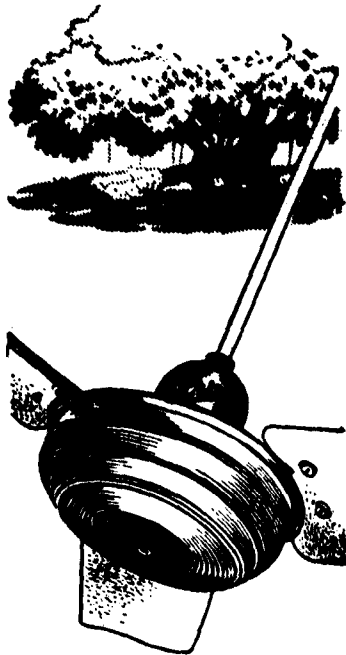
RECENTLY THE 'New York Times' published a letter from a Russian mother who had challenged the newspaper to publish it. Mme. Kopytskaya, describing the horrors of the last war and the devastation of human life, particularly of the helpless infants, appealed to the American mothers, to agitate against their "capitalistic" Government who were promoting a new atomic war. "They want dollars, they want profits, they want to drown mankind in a sea of blood". The Russian Government, according to her, is interested solely in the welfare of its people and has benefited them enormously.

The 'New York Times' published her letter verbatim, and wrote a lucid and reasonable editorial in reply to the Russian mother. Admitting the presence of dreadful atomic weapons, the 'New York Times' referred her to the Communist aggression in Finland, Korea and Hungary. In subsequent issues it carried the replies to Mme. Kopytskaya from many American mothers, including Mrs. Roosevelt. In her reply to these, which was published in the 'New York Times', Mme. Kopytskaya said, "I wrote my letter for all American women. Thank you for your publication. I do not consider personal meetings or contacts necessary".

Evidently, what started as possible propaganda for Russia has boomeranged. The very fact that Mme. Kopytskaya felt it necessary to "dare" the American paper to publish her letter is indicative of the colossal ignorance about the outside world in Russia. 'Pravda', which had featured Mme. Kopytskaya's letter to the 'New York Times', did not dare publish that newspaper's reply. It obviously thought it was "not good" for the Russians to hear the truth about democratic America.

Two American reporters in Russia later on tried and failed to contact Mme. Kopytskaya. This was extraordinary, if only because she had been anxious in the first instance to contact America. Evidently, she is not free to choose the people she would like to meet—not even in the post-Stalin 'liberal' era. Perhaps the Russian mother suspects, under the influence of her Government's strangle-hold on thought and expression, that contact with the West will pollute her Socialist purity. Of course, the possibility is difficult to rule out that Mme. Kopytskaya is no more than a set of efficient worker in the Russian Government's propaganda department.

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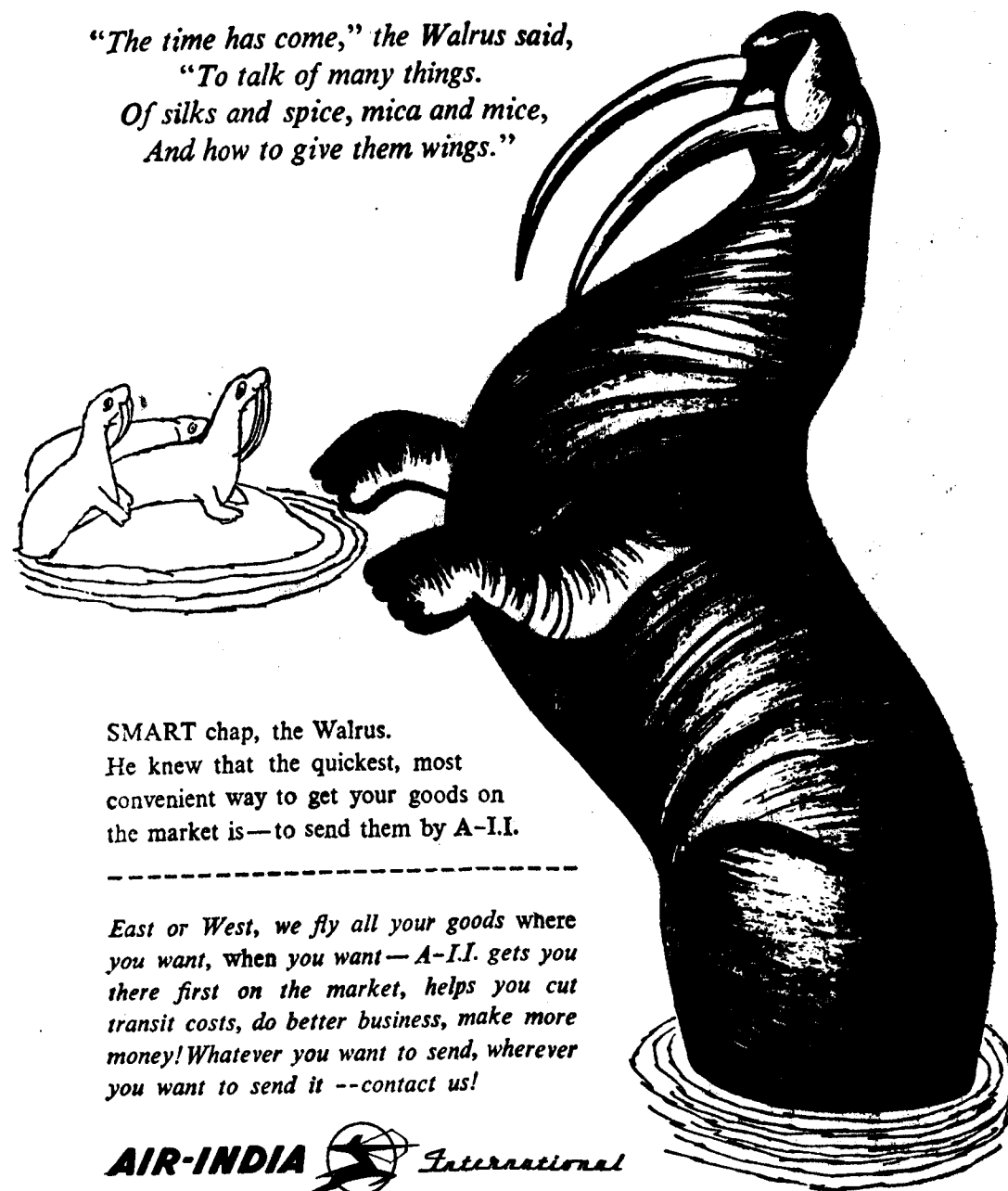
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"The time has come," the Walrus said,
"To talk of many things.
Of silks and spice, mica and mice,
And how to give them wings."



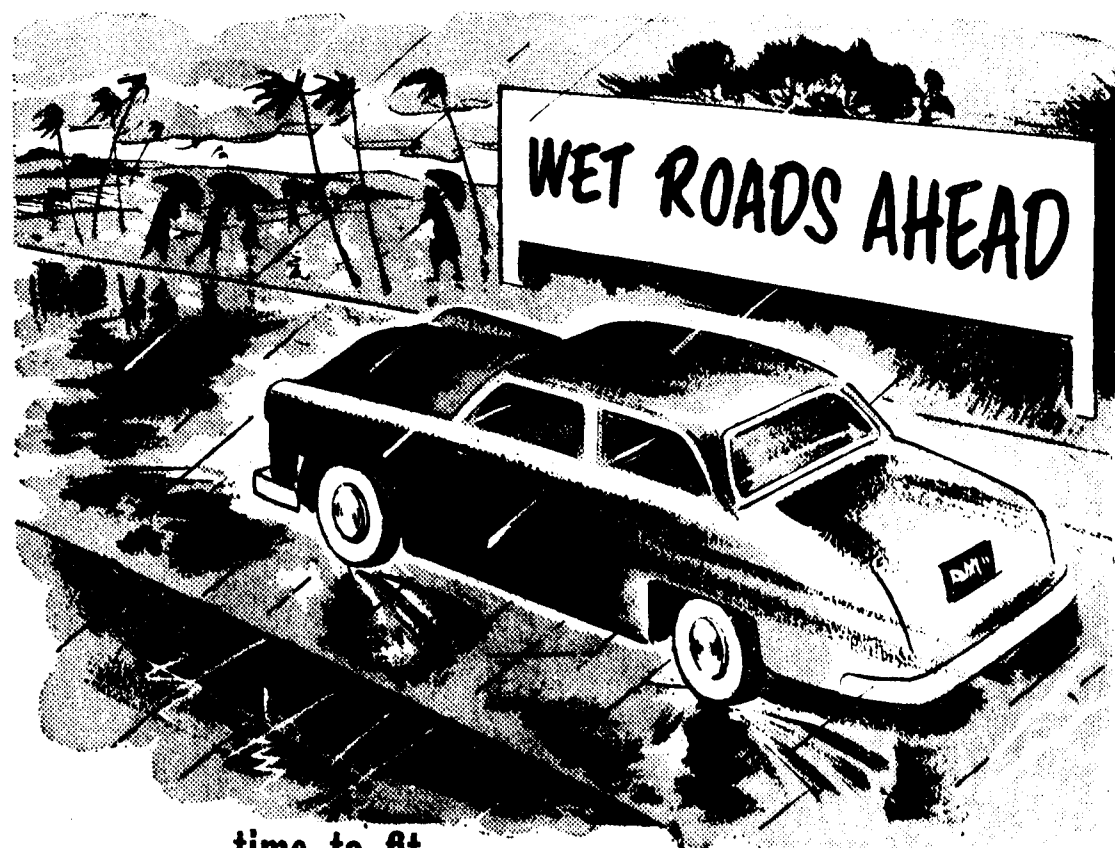
SMART chap, the Walrus.
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A. 63.

A Window on the World

ODYSSEUS IN GERMANY

THREE OUTSTANDING DEVELOPMENTS have launched a grand debate in Europe on the future of NATO — the North Atlantic Treaty Organisation, with its fifteen member countries the USA, the UK, Canada, Iceland, Norway, Denmark, West Germany, Belgium, Holland, Luxemburg, France, Italy, Portugal, Greece, and Turkey. These developments are, first, the British White Paper of last April, which said in effect that if the UK was to be a strong and reliable NATO partner, its economy must be prosperous; a military effort which strains the economy is of no value. The UK government therefore proposes certain reapportionments in military expenditure, combined with reduction in numbers of men and reliance on more powerful weapons and a new-look in strategy. Secondly, the Disarmament Conference in London has raised hopes and fears. Thirdly, the forthcoming German elections have attached something of a question mark to Germany's position in NATO.

These were the problems that I had most in mind in the course of a three weeks tour which took me from NATO headquarters in Paris to Bonn, capital of the West German republic, and to Dusseldorf, Hanover, Berlin, Hamburg, Kiel, Munich, Mittelwald, Frankfurt, and back to Paris.

In the next week or two I propose to render some account of the conversations that I was able to have with government officials, politicians, officers and men in the French, British, American, German, and other armed forces of the NATO countries, journalists, radio commentators, foreign correspondents, university students, professors, policemen and, for good measure, three ambassadors.

In Bonn, I attended a press conference given by Dr Rust, Secretary of the Ministry of Defence, and General de Maiziere, Director of Training to the German army, to a group of correspondents from NATO countries.

The basic point made by these official spokesmen was that the new German army is being re-constituted as a contribution to the common defence of the NATO countries and not primarily as a German weapon for Germany's national defence. The size and structure of the German army were conditioned by NATO's requirements. It was emphasised by these spokesmen, as by many other Germans, that defeat in two world wars had brought home to the German people that they could not defend themselves alone; they could hope to survive only as one of a group of allies. They dismissed self-sufficiency in armaments manufacture as an impossible ideal, placing too heavy a burden on the German economy. They were ready to buy in France, in Italy, in the UK, or wherever might be convenient, those armaments which Germany did not manufacture herself and they regarded this not merely as a common-sense easing of the burden on Germany but as a contribution to the integration of Europe's economy, a step towards the European common market, in the promotion of which Germany has played a leading part.

15 NATO FACE 240 COMMUNIST DIVISIONS

In conventional weapons and forces, the strength of the Soviets, and their satellites, towers over that of the free countries. There are 175 Soviet and 65 satellite divisions with the colours compared with less than 15 NATO divisions — a comparison which provides its

own comment on Soviet allegations of Western aggressiveness. What redresses the balance and prevents the USSR from exploiting its overwhelming "conventional" superiority is the deterrent of the H bomb. Nevertheless, NATO's military advisers consider that there should be 30 NATO "conventional" divisions available in Europe to guard against the risk of local or regional incursions. Without this NATO shield, the USSR might extend its influence by a series of regional accomplished facts, gambling on the reluctance of the NATO countries to turn a local war into a global war by recourse to the H bomb in the absence of adequate conventional forces.

The German Government has agreed that, providing US, British and other NATO forces are retained in Germany, it will contribute 12 divisions towards the required 30. These promised German divisions cause heart searching among several NATO countries. The French, Belgians, Dutch, Norwegians, and Danes find it hard to forget their sufferings under German domination in World War II, and while they recognise the necessity for a German contribution to NATO, they argue that if it is insisted that Germany should produce 12 divisions, she would have the most powerful land force in free Europe and be in a correspondingly strong position to dominate Western Europe. If the UK were to remain outside the European common market, Germany's domination, would be economically, as well as politically, complete.

The German reply to such fears is to insist, first, that they are not building a self-sufficient national defence but are integrating their armed forces to NATO requirements and relying on the whole of Europe's economy for their armament and maintenance, and secondly, that they would welcome the extension of the European common market to include the UK and as many other countries as wish to join.

This reply is convincing as far as it goes, but the fact remains that the Germans are a capable and hard working people who have the most flourishing economy in Europe because they have not handicapped themselves by socialist, state control, but have given free play to enterprise and initiative, and that, barring some unforeseen disaster, Germany cannot fail to play a dominant role in Europe. This is one of the facts of life that the French need to digest. If the French had ratified the plan for western European defence in 1954, Germans would today be forming part of the common European army and there would be no national armies, German or other, at all. But that historic bus was well and truly missed once and for all.

"COMPARABLE PROPORTIONATE EFFORTS"

That Germany will, however, raise all of the promised 12 divisions is not beyond doubt because, as General de Maiziere told us in Bonn, Germany is ready to make her "fair contribution, proportionate to the comparable efforts of her allies", and the divisions were promised before the British White Paper's proposals for reductions in Britain's contribution were announced. The British viewpoint is that their contribution to the defence of freedom, not only in NATO, but outside in the Commonwealth, has been proportionately greater than that of any other free country, and that the British balance of payments shows that they cannot keep this pace up and remain of any use to the alliance. Therefore a cut is necessary, but that does not mean



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that this is a precedent for Germany or any other country which is not as yet making its full proportionate effort.

Now, most observers with whom I talked in Germany thought that the forthcoming German elections would show that Adenauer's policy of defending Germany through the NATO alliance commands but a bare majority of the German people. In such a "touch and go" position, the German government may well wish to seize any excuse to slow down re-armament in order to capture the marginal voters. Many observers believed that the German government is ready to take advantage of the many practical difficulties that impede the constitution of the German army.

When, just over two years ago in May, 1955, Germany entered NATO, she had no armed forces whatsoever. Now, to build up an army, navy, and air force, from scratch, you need experienced officers and NCO's. At first sight it seems extraordinary that in a nation with Germany's military record, there should be an extreme scarcity of officers. But the war ended 12 years ago, and assuming that an "experienced" officer should have had, say, a minimum of two years with the colours and actual experience of command in battle, that would mean that he would today be at least 32 years old. But Germany is not anxious to recruit a middle-aged army.

A second difficulty arises because after the war there was a tendency on the part of the victorious allies to regard all German officers as potential war criminals, a suspicion which the mass of the German people—painfully conscious of their defeats in two successive world wars provoked by "German militarism"—found easy to accept. Consequently German ex-officers have found it difficult to get employment since the war—except as porters, night watchmen, garage hands, and in other similar jobs. From this it follows that, on the one hand, among a substantial section of German public opinion, service in the armed forces, far from

carrying any prestige, has some stigma attached to it, while, on the other, it was to be expected that all those German ex-officers who had failed to overcome the difficulties of making good as civilians would jump at the chance of returning to the life of "an officer and a gentleman."

But the German authorities do not want armed forces officered by cast-offs from civilian life — people who might be expected to have a grudge against the new German democracy. So the army accepts only those who have made good — like the captain I met who had risen from garage hand to motor car sales manager.

This selective policy explains why all the German officers and NCO's with whom I talked were men of outstanding guts and character, men who had given up a good job in civil life, and were ready to brave social stigma, for the sake of service in the armed forces.

But the net result is a serious shortage — particularly of junior officers and of NCO's, the ratio of whom to the troops is far below that in the British and American armies.

The widespread antagonism in Germany to the revival of "Prussianism" in the army adds to training difficulties and slows progress down. Knowing that popular feeling is behind them, the men are sometimes difficult to discipline. It can, for example, happen in any army that three of four young men who are off duty take a couple of drinks too many and proceed to beat the town up. But the German commanding officer of today hesitates to punish such behaviour in the manner normal to all armies — for fear that the men may write to the newspapers or complain to a member of parliament that they have been victims of old-time Prussian drill-sergeant bullying. Today's commanding officer in Germany has to jolly his men along and feel his way towards raising standards of discipline.

IN GERMANY—WEST AND EAST

By

ODYSSEUS

I CONTINUE to render you account of what I saw in the course of a three weeks tour of Germany and France. Last week I reported that official spokesmen in Bonn explained that the German Government's foreign policy was based on the recognition that the defeat of Germany in two world wars proved that Germany could not defend herself alone and could only survive henceforth as a member of a coalition of allies. This, you will observe, is the traditional basis of Britain's foreign policy. It is a policy which has at least one re-assuring point for the rest of the world, namely, that Britain's (and now Germany's) first aim must be to fashion her policy in such a way that her interests coincide with those of a majority of other countries and do not provoke a coalition against her. The fundamental condemnation of Britain's participation in the Anglo-French Suez canal adventure was that it provoked a coalition of virtually the whole world against her and was therefore directly opposed to Britain's interests.

The official spokesmen at Bonn went on to explain that the structure and numbers of the German army that was being reconstituted would be conditioned by NATO requirements and would henceforth form an integral part of NATO's common forces for the defence of Europe, and would therefore not be equipped for separate nationalist action. General Maiziere, Director

of Military Training, stressed that from the economic viewpoint, Germany's armed forces would be dependent on imports of heavy equipment from other European countries. This should re-assure those many countries which fear a revival of German chauvinism.

Dr. Rust, Secretary General of the Ministry of Defence, emphasised that the basis of German policy since 1948 had been to promote the economic integration of Europe, as a pre-requisite to political integration, and he pointed out that the manufacture of armaments provided an exceptionally good opportunity of carrying out this policy because if Germany tried to manufacture all her defence requirements she would overburden her economy, and Dr. Rust attached significance to the fact that before taking over his present appointment he had spent four years as chief German delegate to the European Iron and Steel Council.

OPPOSITION TO NATO

Later I attended a press conference given in the parliament house at Bonn by a spokesman of the official opposition, the German Democratic Socialist Party. He said that the party opposed Germany's participation in NATO. The basic question was: Will NATO bring nearer the re-unification of East and West Germany? Since the signature of the NATO treaty on April 4,

1949, the re-unification of Germany had not advanced one inch.

In the course of the question period, I asked the Opposition spokesman:

(1) Do you recall that between the end of the war in 1945 and Jan Masaryk's suicide in Prague on March 10, 1948, the USSR had absorbed Lithuania, Estonia, Latvia, Eastern Poland, Bessarabia and Northern Bukovina, part of Finland, East Prussia, and Ruthenia — a total of 192,000 sq. miles and a population of 24,000,000?

(2) That the USSR had inaugurated puppet governments in, and made satellite states out of, Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, and East Germany — a total of 400,000 sq. miles with a population of 87,000,000?

(3) That in August, 1948, the USSR decided to isolate the allied sectors of Berlin and, by starving the inhabitants, to force the Americans, British and French to abandon Berlin to Soviet domination?

(4) Do you regard it as of no significance that since the formation of NATO, the USSR has absorbed no further free territory in Europe?

(5) Would you agree that, if NATO had not been formed, the re-unification of Germany would have taken place behind the Iron Curtain?

To these questions, the spokesman of the German Democratic Socialist party replied: "Our party does not stand for re-unification without freedom. We recognise that NATO was created in direct reply to the aggressive policies of the USSR, that it has succeeded in preventing further Soviet expansion, and that without NATO, Germany would have by now been re-united as a Communist satellite" — admissions which were as startlingly frank as they were honest. The Opposition spokesman went on to explain his party's future policy in the event that they were to win the German general elections due in September. He said that their criticism of NATO policy was not that it had failed but that it had grown static and negative. It created a deadlock whereby the re-unification of Germany would be followed either by the advance of American and British tanks to the Soviet border or by the advance of Soviet tanks to Germany's frontiers with her Western neighbours. The first solution was unacceptable to the USSR; the second to the West.

In the view of the German Democratic Socialists, the way out of this deadlock is a general settlement between East and West of which the re-unification of Germany would be an essential condition. Germany's neutrality would then be guaranteed by the USSR and the USA. To this, Western observers reply that whereas since World War II, the West has absorbed not one square inch of Eastern territory, the USSR has absorbed all the Western territories listed earlier in this article, a record which suggests that whereas Germany runs no risk from the West, she does from the USSR. So that a guarantee of German neutrality would in effect be an American and Western guarantee to defend Germany against the USSR. Western spokesmen observe that while the other NATO countries are ready to spring to Germany's aid if she makes her contribution to Western defence, they do not see why they should if she does not. The German Democratic Socialist insistence that the deadlock allegedly created by NATO should be ended by means of a general settlement between East and West was precisely the point on which the Four Power Conference held in Berlin in January, 1954, broke down. The USSR refused any settlement which entailed the withdrawal of Soviet troops from their forward positions in East Germany.

I eventually left Germany with the impression that a majority of Germans support the NATO alliance and

that the substantial minority who are critical of it have no clearly thought out policy to offer in its place. If the Opposition were to win the elections, I expect a modification of emphasis in German foreign policy rather than any spectacular departure in a new direction.

WHAT I SAW IN EAST BERLIN

The contrast between East and West Berlin was striking. Whereas the streets of West Berlin bustle with traffic and the cafes are full of reasonably well-dressed people, there was scarcely any traffic in East Berlin. Outside food shops there were queues for sugar, fats, meat, and vegetables — a sight not seen in any country of free Europe since the war. The cafes were sparsely patronised and the people not nearly so well-dressed. So-called elections were being held for the East German Government, and although the walls were well plastered with official slogans and election advertisements, the comparative rarity of any display of red flags on private houses was remarkable, suggesting a very small membership of the Communist Party.

You will remember that the workers of East Berlin rose in revolt against the Communist regime on June 17, 1953, and were put down, as were the Hungarians last year, with the aid of Soviet tanks. Fighting occurred (among many other places) on the Potsdamer Platz. In the course of my tour, we visited this Platz where we encountered a commandant of the East German Police. We introduced ourselves as a group of Western journalist, and the following conversation ensued:

Question: "Where were you on June 17, 1953?"

The East German Police Commandant: "I was on duty here in the Potsdamer Platz."

Question: "Did anything happen here?"

Commandant: "Some juvenile delinquents got out of hand, and encouraged by anti-Communists from West Berlin, tried to delay the reconstruction of Berlin by drawing the workers away from their jobs."

Question: "Were there any tanks here?"

Commandant: "Yes."

Question: "What kind of tanks?"

Commandant: "Soviet tanks."

Question: "What were they doing?"

Commandant: "Helping the police to restore order among the delinquent youths." And the Commandant added spontaneously: "It took quite a time to get things quiet."

Question: "Do you think such a rising could happen again?"

Commandant: "No. All the delinquent youths have been educated in the proper way to Socialism. They are all hard at work increasing production now."

Question: "East Germany is called a democracy. Is there an opposition party here?"

Commandant: "Of course. We have seven Opposition parties here — all united under the National Front."

Question: "But is there no opposition to the National Front?"

Commandant: "If there is, they are enemies of the German people and should be in gaol."

The Police Commandant, a man of 50 or 55, spoke throughout in a low monotone. He created the impression of one who was reciting all the correct answers learned by heart from a party catechism. His hand trembled slightly as he spoke of the June 17, 1953, killings.

A German who had escaped from East Germany described to me what he had seen at a polling booth. "The Polling Officer asked each voter 'Are you for peace? If so, I'll put your vote in this box. If you're for war, you can put your vote in that other box for yourself.'"

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THE ALGERIAN BOOM

(From Our Special West European Correspondent)

PARIS, July 20.

THAT after more than two years of frightful warfare and sabotage Algeria should be enjoying a wave of economic prosperity that deserves to be called a boom is a fact of sufficient interest in itself. But it also has political implications: obviously the terrorist minority will find it harder to shoot its way to power when the European eighth of the population is making more money than ever before, when the mass of the Muslim population is benefiting from general prosperity and when metropolitan France sees in its Algerian provinces the promise of greater prosperity to come. It is true that all these groups are taking a short-term view, because the economic progress of Algeria is not great enough (and never could be) to support the only new dispensation that could make a conclusion to the war possible, namely an end to all racial discrimination, equal status for all communities and sufficient investment to cope with the rapidly increasing Muslim population. But in politics it is short-term views that matter. In the long run, Algeria must prove a dead loss to France, and she would save money by shipping a million and a half Europeans back to the Continent and leaving the multiplying Algerians to manage as they could on the fringe of the desert. But, in the short term, business is flourishing despite the war and so "defeatist" talk (i.e. suggestions for recognition of Algerian independence) gets no hearing whatsoever.

The Algerian boom is one of the reasons for the discrepancy in viewpoints of the local population and the metropolitan French. In Paris the commonest picture of Algeria is of a war-ravaged country where an insecurity reigns that must make work almost impossible and where capital equipment is being destroyed by organised terrorism; it is only a step from this picture to the conclusion that the best thing to do is quit Algeria. But in Algeria the war seems to be a series of incidents in the course of a steady boom — admittedly, pretty ghastly incidents when a bomb goes off in your bus or when your neighbour's farm is sacked, but the more horrible the incident the stronger the determination not to sacrifice a future that can be summed up in the magic word "petrol".

Some of the causes of the boom are factitious and temporary, but most are not. In two years retail sales have increased 50 per cent and savings deposits have risen faster than in France itself. There has never been so much work or so much money in the country. Of course, one of the principal reasons for this expansion is the presence in Algeria of 400,000 troops. Before 1954, military expenditure in Algeria used to be around £100 million a year, but last year it totalled £250 million, which represents an immense stimulus to a country whose total annual output is usually valued at around £600 million. This stimulus can only last as long as the war itself; it consists in spending by the troops, and public outlay on anti-terrorist protection, military buildings and repair of war damages. So all this element in Algerian prosperity is a factitious war-boom made possible by the diversion of tax revenues from metropolitan France. But that does not mean it is merely temporary, because as long as the French stay in Algeria they will be either spending equivalent sums on the war against terrorism or else spending even greater sums on the social and economic reforms and investments required to satisfy native Algerian aspirations. I have said above that the Alge-

rian economy could never support by itself the level of expenditure required, but France could — at great cost naturally to the metropolitan tax-payer. From the point of view of the European community in Algeria, the economic future is assured because France must continue to subsidise the colony either by war spending or by peace-time investment on a massive scale. In these circumstances, nothing is further from their minds than to capitulate to the nationalists and quit Algeria.

Another cause of present prosperity is the record output of Algerian agriculture, which far from being associated with the war has occurred in spite of it. Tobacco and cork, being produced in regions made insecure by terrorism, have been grown in smaller quantities, but the output of cereals, wine and citrus fruit in 1956 had never been surpassed. The total value of the last crops harvested was about £200 million. It is not only agriculture that has benefited; infant Algerian industry too is more active than ever. The inflationary boom in metropolitan France is absorbing most of the output of French industry, which is thus exporting less across the Mediterranean. Further, the general impression in France that Algeria is too insecure for business, or even that the days of French power there are numbered, disinclines French industry to take any interest in the expanding Algerian market, much less to invest in consumer industry there. The result is that native industry is benefiting from virtual protection just when its market is most favourable. This industry is, no doubt, small and the money value of its current expansion is moderate, but the psychological effects are considerable: the million and a half Europeans who control the greater part of the Algerian economy are confident of their future, especially as long as the metropolitan tax-payer bears the burden of fighting terrorism.

But it is the exploitation of the Sahara petrol that is providing the most powerful psychological stimulus to the Algerian economy. The oil companies have invested in the first half of this year £20 million, three-quarters in Algeria itself. This sum is not immense, but it is expected that within a few years the outlay on prospecting will have doubled, while expenditure on raising and transporting oil will rise rapidly. The oil companies are patronising local industry in preference to importing equipment, and consequently Algerian engineering firms are fully employed while road and air transport cannot meet the demand. Not only will subsidiary industries mushroom up in the shadow of the oil wells, but the supply of natural gas and local petrol will assure this industry, within two or four years, of cheap power — and of course, it is the cost of power that has limited the growth of industry in the coalless desert countries of North Africa. Besides, where oil is concerned the economist has to recognise that facts and figures are of less importance than the immense optimism that the spectacle of oil derricks has inspired everywhere black gold has been struck.

Quite apart from the war and from whatever extra investments will be required when the war ends, the French tax-payer is providing Algeria (as all the other French territories in Africa) with a steady flow of investment capital. This year this supply will reach £90 million and within a few years it will attain £150 million annually. A research group is now at work in Algiers drawing up a plan for long-term economic development, to be financed by the metropole. Plainly,

this prospect does not discourage Algerian commerce and industry already riding the wave of a boom.

It is not being suggested here that, even if oil revenues exceed all present expectations and if the Algerian economy continues to boom, the country can be converted from a backward desert with a fertile coastal fringe into a prosperous colony capable of providing equal status for all its rapidly multiplying population. Algeria is and will remain as far ahead as one can see a poor territory dependent on the metropole for finance; Algeria is and will remain a heavy liability for France and this liability will increase as long as the Muslim population continues to rise at its present staggering rate. But that is not the political problem. The political problem is the fate of a large European minority whose standard of living for a century past has been markedly lower than in France but who now are experiencing a vast prosperity which they hope will increase even further if the French Army can stem terrorism until the oil begins to flow from the Sahara Desert. In this frame of mind, the Algerian Europeans might be disposed to make some concessions to nationalist feeling, especially if this were presented as a guarantee of continued economic progress, e.g. certain political concessions capable of pacifying the country so that oil pipelines can function safely. But they

will not be disposed to sacrifice their stake in the country by permitting the metropole to recognise Algerian independence; even less will they be willing to quit Algeria or agree to its partition.

In September France will once again be called on by the United Nations to account for the failure of her army to restore peace in Algeria. Though there is much talk here of the need to have some liberal proposal ready to present the U.N., in order to gain a further extension of time, in fact no such proposal has yet come to light and the present Government does not seem likely to devise one. So it is quite probable that France will be arraigned in September with nothing to show for the reprieve that the U.N. granted her earlier this year, and this time it is less likely that the USA will be so anxious to protect her ally from the wrath of the smaller nations. A severe censure on French policy is thus to be expected, if not a plan for internationalisation of the conflict. The confidence and determination of the Algerian Europeans is such, and their influence over metropolitan politics so great, that this situation would probably be met by a drastic French reaction, possibly even open defiance of or resignation from the United Nations. Anyone who expects a French retreat in Algeria is reckoning without the tonic effect of the Algerian boom.

WORLDGRAM

AGRICULTURE

Community Development Progress: There were 1,814 Blocks in operation throughout the country covering 234,910 villages by March 31, 1957. Of this coverage 41 per cent were under the intensive development phase and the rest under the N.E.S. programme. The people's voluntary contribution in cash, kind and labour rose to Rs. 36.31 crores, as against the total governmental expenditure of 60.04 crores. The people's contribution thus accounted for about 60 per cent of the government's expenditure. The adoption of better methods and improved techniques of crop production have led to an increase of about 20 to 25 per cent in the yields of principal crops in the N.E.S. and C.D. areas. By the end of December 1956, 26,28,000 demonstrations were organised on farmers' fields; 74,90,000 maunds of improved seeds and 1,69,93,000 maunds of chemical fertilisers were distributed. A total area of 18,19,000 acres of land has been reclaimed.

A New Dam for Thailand: With World Bank assistance assured, Thailand has decided to build a second irrigation-cum-hydro-electric dam in Yarnhee, north-west Thailand. The first such project in Chainat, Central Thailand was opened early this year. The estimated cost of the new project is 2,000,000,000 ticals (\$100,000,000). It will take six years to build. The World Bank has approved in principle, the grant of a loan of \$66,500,000 for the project, repayable in 30 years. The new project will be bigger than the Chainat dam. It will be 154 meters high and 345 meters in length. The dam will generate 560,000 kilowatts of electricity. The Yarnhee project when completed will solve the growing power needs of the whole country.

Fertiliser for Yugoslavia: The Yugoslavia Parliament has adopted a plan according to which the use of artificial fertiliser will rise during the next five years to 2.2 million tons as against only 540,000 tons in 1956. This increase will be realised by larger imports and increasing domestic production. The construction of new plants and the expansion of existing facilities are planned. Three new factories were to have been built with Soviet credits but the terms were unacceptable. Now it seems possible that the credits will be forthcoming. With these plants it is hoped to produce 1.7 million tons of fertilisers.

INDUSTRY

Over-Production of Zinc in the U.S.: A report from the American Zinc Institute shows substantial over-production of zinc. Stocks at the end of June reached the highest level for over three and a half years, and deliveries to industries were the smallest for twelve months. Also, deliveries to Government stock-piles declined sharply during June. Stocks at the end of June were 133,455 tons, the highest level since November, 1954, while the deliveries of 69,957 tons were the lowest since July 1956. At that time the steel strike reduced supplies to galvanisers, thus cutting zinc consumption.

Steel Output in the U.K.: Steel production in the first half of the year was 5.1 per cent higher than in the same period last year. Total production this year is expected to exceed 22 million tons, compared with last year's record figure of 20.66 million tons. In all, 11.44 million tons were produced in the first six months of 1957, compared with 10.6 million tons in the first half of last year, when output was hit by the maintenance

of craftsmen's ban on overtime. In the first five months of the year the UK steel industry had a net surplus of exports over imports of £15.3 million, compared with a net deficit in the same period last year of £26.1 million. Pig-iron production increased by 7.2 per cent in the first half of this year, the output figure being 7.1 million tons.

Tinplate Output in Australia: A new mill established at Port Kembla in New South Wales for the production of tinplate will help Australia close its last major gap in the steel industry. This will carry Australia a step further towards self-sufficiency in steel which in 1955-56 cost £A46 million in imports to supplement local production. Steel is the fastest growing industry in a rapidly increasing population and the growing industrialisation which has lifted per capita usage from 325 lbs. to 675 lbs. in the past 30 years. In the space of six years production of steel has been doubled and with an output of nearly 3 million ingot tons, Australia ranks sixteenth as world producer and has the third place in the British Commonwealth.

Development of Heavy Machine Industry: The Government of India has decided in principle to develop the heavy machine building industry. The five major heavy industry projects to be taken first in hand are a heavy machine building plant, a foundry and forge shop, a heavy machine tool factory, a heavy structural works and plate and vessels works and a coal mining machinery and equipment factory. In 1954 indigenous production of machinery valued 19 crores, while 1954-55 imports were 83 crores; in 1955 indigenous production was 23 crores and 1955-56 imports 118 crores; in 1956 indigenous production was 30 crores and imports from April to December 1956-57 was 114 crores. It is estimated that India's requirements by 1960-61 will be of the order of 250 to 300 crores per annum and anticipated production in 1960-61, taking into account schemes already sanctioned in the private sector and schemes in production in the public sector, Rs. 90 to Rs. 100 crores per annum. Thus, there is still a gap of 150 to 200 crores, which has to be bridged.

TRADE

More Coffee for Export: The total coffee crop for 1956-57 is placed at 42,200 tons, and the blossom shower estimate of 35,750 tons for 1957-58 stands. The total quantity sold for export out of 1956-57 crop till the end of June 1957, including a quantity of 725 tons sold to Russia, comes to 7,980 tons, consisting of 7,629 tons plantations and 357 tons Arabica Cherry. The people of Bulgaria and Hungary are also going to taste Indian Coffee. The two countries have been added to the list of countries for which export quotas have been fixed during the current year. Bulgaria has been allotted 500 tons Plantation, and 300 tons Arabica Cherry, and Hungary, 200 tons Plantation and 100 tons Arabica Cherry. The release of coffee for internal consumption for the half year ending June 1957 were 12,467 tons as against 11,433 tons for the corresponding period last year, showing an improvement of over 1,000 tons. Of the total quantity of 1,994 tons offered to the trade through Pool Sales and local sales in June 1957, the actual off-take was 1,760 tons.

Payments on East German Imports: An agreement has been signed by representatives of the Union Ministry of Commerce and Industry and of East Germany, providing for imports from East Germany on a deferred payments basis. The agreement is designed



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to encourage the volume of trade between the two countries without straining India's foreign exchange reserves. This is the first of the series which the Government is attempting to negotiate with East European countries and the Soviet Union. The Deutsche Notenbank of East Germany is to open an account with the State Bank of India. The rupee proceeds of contracts for the import of essential machinery and industrial raw materials from East Germany will be credited to this account.

*

Record British Exports: Britain's total exports in the first half-year reached a new peak of £1,756.3 million, but fell short of imports of £2,100.3 million by £344 million compared with a trade gap of £305.4 million in the first half of last year. Part of the explanation for the higher adverse balance this year is to be found in the Suez crisis, which delayed arrivals in the British ports at the close of 1956 and led to a rise of about 6 per cent in the first half-year import. Exports to many different markets have improved this year, and overall they were about 5 per cent higher in the first six months compared with the same period of 1956. Among export commodities, engineering goods were not so buoyant, although metals and chemicals have expanded rapidly. Re-exports during June amounted to £10.1 million bringing the average for the first half-year to £11.5 million a month, 14 per cent less than a year ago.

*

Yugoslavia's Trade with Asia: The Vice-President of Yugoslavia is to make an extensive tour of South Asia and Japan, to help increase economic co-operation between Yugoslavia and these countries. South Asian markets should provide ample opportunities for Yugoslav industrial exports. In return for exports of various industrial, agricultural and semi-finished products, Yugoslavia would import chiefly cotton, phosphates, iron ore, spices, rice, rubber and fruit. Exports to South-East Asian countries in 1956 showed a great increase. Including China and Japan, total exports to eleven countries of the area were about \$21 million, against less than \$1 million in 1955. The first place was taken by China, followed by India, Burma, Pakistan, Indonesia and Ceylon. Imports from these countries last year were \$16 million against \$19 million in 1955.

FINANCE

The World Bank: The International Bank for Reconstruction and Development has arranged to borrow \$100 million in U.S. dollars from outside the United States. As evidence of its indebtedness the World Bank will issue 4½ per cent notes dated July 11, 1957, and maturing as follows: \$40 million on July 11, 1958; \$30 million on July 11, 1959; and \$30 million on July 11, 1960. The notes which will be denominated in United States dollars, are being privately placed with the Bank Deutscher Laender of Frankfurt-am-Main. Interest on the notes will be payable semi-annually on January 11, and July 11 of each year, with the first payment coming due on January 11, 1958. Payments of interest and principal will be made at the Federal Reserve Bank of New York. The total outstanding obligations of the Bank, giving effect to the present loan, will amount to about \$1,135,000,000 and will consist of \$935,000,000 of United States dollar bonds and the equivalent of \$200,000,000 of bonds denominated in Swiss francs, Canadian dollars, sterling and Netherlands guilders.

*

New Bonds: With the introduction of the 12-year National Plan Savings Certificates which offer 5.41 per cent simple interest or 4.25 per cent compound interest per year, many investors are planning to cash their holdings of 12 and 10 year certificates and switch over to the

new ones. In fact a large conversion business is reported to have taken place during the past six weeks as the new certificates are considered more remunerative. A comparative study of yields on Rs. 100 shows that the surrender value of new 12-year certificates comes to Rs. 165 against Rs. 150 in the old 12-year series and 145 in the old 10-year certificates. The individual limit of holding has been raised to Rs. 25,000 in the new series and the yield is calculated on the basis of compound interest. The yield at maturity for treasury savings deposit certificates has also been raised by ½ per cent to 4 per cent.

*

Sales Tax Difficulties: Inter-State business all over the country has come to a temporary halt as a sequel to the Central Sales Tax becoming operative from July 1, according to a report. Business men have not understood the implications of the new levy and many have yet to secure the necessary registration certificates. Consequently, traders have postponed execution of inter-state orders. Under the Central Sales Tax Act 1956, New Delhi will charge one per cent sales tax on all inter-State dealings in all commodities. The Government has, however, notified coal, cotton, hides and skins, iron and steel, jute, oilseeds and cotton yarn as declared goods and has asked the States not to levy more than 2 per cent sales tax on these items inside their territories.

GENERAL

Expansion of Technical Education: The All-India Council for Technical Education has approved the proposals of the State Governments to open 5 engineering colleges, 22 polytechnics and 61 junior technical schools during the second Five-Year Plan. The estimated cost of these schemes as provided for the States in their respective Plans was Rs. 195.83 lakhs for engineering colleges, Rs. 477.89 lakhs for polytechnics and Rs. 339.45 lakhs for junior technical schools. The five new colleges would be opened in Andhra Pradesh, Assam, Madhya Pradesh, Orissa and Punjab. These schemes had been formulated by the States and included in their Plans, therefore, there would be no question of the States sharing the cost. The Central Government will give financial assistance to the States to implement the schemes. The question of location and other policy matters would be decided by the State Governments in consultation with the Central Government.

*

Development of Fisheries: The F.A.O. is organising a training centre in fishery co-operatives and administration in Australia. The Centre will be held from December 16, 1957, to January 25, 1958, according to Mr. Colin Beevan, F.A.O. Fishery Economist. They expect to have 25 participants from Indo-Pacific countries, apart from those nominated by the Australian Government. The course will provide intensive practical instructions and demonstrations specifically directed towards dealing with the particular problems of organisation and methods in fishery co-operatives.

*

Super High Pressure Water Jets: A stream of water ejected by a fire hose at 4.5 atmospheres can break a stick as if it had been hit by iron. With the help of a water jet from a monitor, coal is being extracted in pits. A wall of black shiny stone instantaneously recedes under the impact of a water jet. Soviet scientists have conducted experiments with a hydraulic compressor which produced one ton of water of a pressure of 2,000 atmospheres per hour. The jet leaving the nozzle at super-high pressure does not turn into a cloud of drops, but preserves its shape. The higher the pressure, the more compact shape the jet assumed. When a knife blade was put in its way, a hole was bored through its 2 millimetre thick steel plate.

July 26, 1957.

NEWS IN BRIEF

INDIAN

The production of copper ore during the quarter ending March, 1957 was 102,192 tons. Compared with the corresponding quarter of 1956 the production registered a marked increase of 11,831 tons. The entire output of copper ore is from the Singhbhum district of Bihar State.

*

According to the new "marking system" to be adopted for future elections, the ballot paper will contain the name of all the contesting candidates along with the facsimiles of their respective symbols. A person will record his vote by placing a mark against the name of the candidate he prefers, in secret, and insert the ballot paper into the ballot box placed within view of everyone in the Polling Station.

*

It has been found that there is inordinately heavy concentration of displaced persons from East Pakistan in the States of West Bengal, Assam, Tripura. The Government of India have, therefore, decided that new immigrants will not be admitted into these states, but rehabilitation benefits will be extended to those who are eligible and willing to be resettled in other states.

*

An estimated reserve of 47.5 million tons of iron ore had been reported to occur in Starur Taluk, Salem District of Madras State. Mr. K. D. Malaviya, Union Minister for Mines and Oil told the Lok Sabha recently.

*

Under the second Five-Year Plan of the Andaman and Nicobar Islands, the allocation for cottage and small-scale industries has been raised from Rs. 5 to Rs. 11 lakhs. Rs. 5 lakhs would be spent on small-scale industries, Rs. 2 lakhs on handicrafts and an equal amount on village industries general schemes.

*

The Union Minister for Food and Agriculture said recently that the total number of fair price shops functioning in different States in the country was 28,739. Of these Kerala has 5,953 (including 212 wholesale shops), Bombay 5,900, West Bengal 5,433 and Bihar 5,377.

*

The factory for manufacturing pozzolon set up near the Bhakra Dam has started functioning. The present production is 1,000 tons per month, while the target contemplated was 3,000 tons per month. It was expected that 75,000 tons of cement would be saved by the use of pozzolon.

*

The Union Government has allotted 1,37,000 tons of wheat for the State of Bihar. About 50,000 tons of wheat have already arrived in the State, and over 4,000 fair price shops are functioning in distressed areas. About Rs. 1,40,000 have been distributed by the Government toward improvement loans of various kinds.

*

The production of cement in India during 1956-57 totalled 6,003,500 tons. The actual production represented about 90 to 95 per cent of the capacity of the industry. During the same period, 1,81,119 tons of cement were imported from foreign countries.

*

An agreement was signed between the Managing Director of the State Trading Corporation of India and the Commercial Attache of North Viet-Nam, providing for the export of 1.5 million gunny bags from India for the export of 1.5 million metric tons of rice to North Viet-Nam. The value of the contract is about Rs. 18 lakhs. A contract was recently concluded between the Corporation and North Viet-Nam for the import by India of 7000 metric tons of rice.

FOREIGN

The Government of Yugoslavia has offered three scholarships to Indian nationals for specialisation in Agriculture, Architecture, Art (Painting or Sculpture), Medicine or Technology (Metallurgy, Fuel Technology or Fuel Research) during the year 1957-58.

*

Chile wants to borrow about \$40 million from the US Export Import Bank to meet balance of payment difficulties. Chile is short of dollars because of the persistent sharp decline in the price of copper. It is estimated that Chile loses \$6.5 million of foreign exchange a year every time the copper price drops by one cent.

*

An increase in British coal exports to the European Pool from 750,000 to 900,000 tons per quarter was agreed upon recently. British deliveries to the Pool were cut successively from 5.3 million tons in 1954 to 3.6 million tons last year. Pool imports from the US rose from 6 million tons in 1954 to over 30 million tons last year.

*

South Africa's coal production last year of 37 million tons exceeded local consumption by 2 million tons, therefore opening up the possibility of the Union resuming substantial exports. At £20 million the Union value of coal output is exceeded only by gold and uranium among minerals.

*

A serious fall in Belgian steel production is expected this month on account of the metal workers strike. This together with the effect of the Whitsun holiday, accounted for the 18½ per cent fall in production in June compared with May. Compared with June 1956 the fall was over 120,000 tons or nearly 21 per cent.

*

Russia has ordered nearly 6 million feet of transmission belting worth about £200,000 from a British Asbestos company. The belting will be used for combined harvesters and other farm machinery in connection with the new Russian agricultural development plan announced recently.

*

Out of a total of 1,432 cars and taxis registered in Norway during the first quarter of this year, 483 or 33.7 per cent, were West German makes. Russian cars came second, with 367 units registered, 146 came from Czechoslovakia, 142 from East Germany and 124 from the UK.

*

US Contractors have placed orders for cement from Canada, Western Europe and the Dominican Republic as supplies shrink under the impact of the cement workers strike. One major company has reached a settlement for its eleven plants, but about half the nation's 170 mills with 16,000 workers remain idle.

*

A trade agreement between Tunisia and the Soviet Union signed recently in Tunis provided for an exchange to the value of Frs. 650 million (about £650,000). Tunisia will export cork, citrus fruits, olive oil, wool, dates, and local craft products in exchange for timber, paper and cardboard, petrol and fuel oil and ferrous metals.

*

Two UK ships start work this week laying the world's longest underwater cable, 2,400 miles, for American Telephone and Telegraphs. The \$37 million project will provide a telephone connection from Point Arena, north of San Francisco, to the island of Oahu in the Hawaii group.

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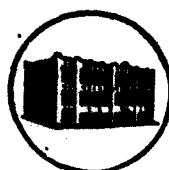
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**Economic Report from the U. S.****TOWARDS NORMAL TRADE BALANCE**

(By GUY SIMS FITCH)

WASHINGTON, July 23.—If the projections by foreign trade experts hold true, a number of countries this year will again add to their gold and dollar holdings as a result of their transactions with the US. The addition may not be large but it will continue the trend began early in 1952. Here is the way the National Foreign Trade Council, an organization of American companies engaged in foreign commerce, sees the situation. US exports this year will total a record \$19,000 million, some 10 per cent more than last year. This estimate does not include military goods sent to other countries under the US Mutual Assistance Programme: US imports this year will total a record \$13,000 million, about 3 per cent over the 1956 figure. This means that, in the aggregate, other countries will have a merchandise trade deficit with the US of about \$6,000 million.

But this deficit will be offset by other balance-of-payment elements. All told, the US will make some \$26,500 million available to other nations through purchase of goods and services. In addition to merchandise imports, this includes payments for transportation, travel, private investments, foreign aid, and other fund transfers. Other countries, meanwhile, will be using about \$25,700 million for similar payments to the US. This will leave them an \$800 million surplus, presumably to be added to their gold and dollar reserves. Even if these calculations should be off by as much as \$500 or \$600 million, other countries still stand to gain this year.

Even a small gain could be considered a heartening development, in view of the adverse factors operating earlier this year. Largely because of the Suez situation and last year's poor harvests in Europe and some

other areas, the US, during the first quarter of the year, shipped abroad abnormally large quantities of oil and agricultural products. The effects began to show up during the fourth quarter of 1956, when other countries, in the aggregate, drew down their gold and dollar holdings by about \$90 million to cover increased shipments from the US. The full impact came in the first quarter of 1957, when their reserves diminished by some \$450 million.

It is worth noting that the gold and dollar assets built up in the previous years, plus the loan activities of the International Monetary Fund and the US Export-Import Bank, helped other countries purchase the goods they needed from the US despite the temporarily adverse situation. But with the abnormal factors now largely at an end, the experts see US commercial exports receding to more normal levels. While US imports continue to maintain a steady record pace.

After hitherto high of more than \$2,000 million in March, US commercial exports declined to \$1,760 million in April and \$1,694 million in May, the latest month for which data are available. US monthly imports, meanwhile, have generally been running one to 4 per cent above the 1956 rate. Actual trade trends thus seem to be bearing out the experts.

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concerned estate ventured to take the injured workers to a hospital in his car for treatment, he found the road effectively blocked when he returned. When he got off the car to remove the impediment, other missiles greeted him to send him running back again to the hospital, this time for his own treatment.

Even cases where managers have been pulled out of their cars by hooligans and made to sign papers on the dotted line are not wanting. However, one of them, it is reported, was able to outwit the unruly elements once by signing and adding the words "under duress" afterwards.

Perhaps when one gets political power, one's range of knowledge of methods of harassment also widens. The Communist workers in Kerala have now learnt to enhance the nuisance value of their demonstrations by using the novel method of making the workers' children use offices of factories and factory managers' residences as their unofficial reading rooms on occasions. Of course, the children are made to read at the top of their sweet voices for the edification of the oppressed managers and their depressed household. So children have come to be in demand for more wonderful uses than just to line the roads of our cities when great leaders visit out country?

Thanks to the Kerala Government, workers may now even wrongly occupy estate quarters without any

fear of being challenged. For being impertinent enough to do so, the Manager of one estate had a good beating, not amounting to violence, of course. It is no longer the rule to tackle the Manager or other estate office people in the office premises only. Workers have the right of access even to the 'sanctum sanctorum' of any of these officers in the estates to voice their grievances in exercise of their right and to demand instantaneous enforcement of whatever solution they feel proper. This might be hooliganism or indecent behaviour, but it is not violence according to the Communist Government of Kerala. In one estate alone, within an interval of 30 days, the cases of such intimidations, threat and obstruction numbered nine, but the Police had helplessly to hold back, it seems, except on one occasion when it had reluctantly to restore to the estate a lorry carrying tea leaves that had been seized by a mob. Out of nearly 50 appeals for police help, it would appear, only ineffective help was forthcoming in some seven cases. Oddly enough, in all other cases, the police officers were either not on duty or they did not feel called upon to intervene. Any coercive move is glorified as "satyagraha" and the Police are automatically eliminated. This is the way that Communist trade unionism in Kerala is behaving to usher in a new order, but one feels seriously concerned that what will ensue will not be any new order but disorder, if not disaster.

A Letter to the Editor

SOME CORRECTIONS

Sir,

May we draw your attention to a number of errors of printing and arithmetical calculation in the statement entitled "Ten Years of Indian Agriculture" in "The Eastern Economist" dated June 28, 1957, pages 970, 971. Some of these are described below:

Page 970, Col. 8: Against 'Other Pulses' the averages of production and yield work out to 3036 and 304 instead of 3307 and 394, respectively.

Page 971, Col. 16: The average production ('000 tons) of wheat for quinquennium ended 1956-57 is shown as 3203 which is a misprint for 8203.

The "Total Cereals" figures in columns 14 and 15 should be 54,639 and 55,249 instead of 54,649 and 56,249. The "Total Food Grains" figures for all the years have been wrongly added. The figures in Columns 11, 12, 13, 14, and 15 add up to 58,266, 68,718, 66,604, 64,826 and 65,178 respectively.

In the interests of accuracy, you would perhaps publish a corrected statement in your next issue.

Yours faithfully,
H. N. MEHROTRA.

[The statistical tables, after correction, are reproduced in this issue on pages 141 and 142. The errors are regretted.—Ed.]

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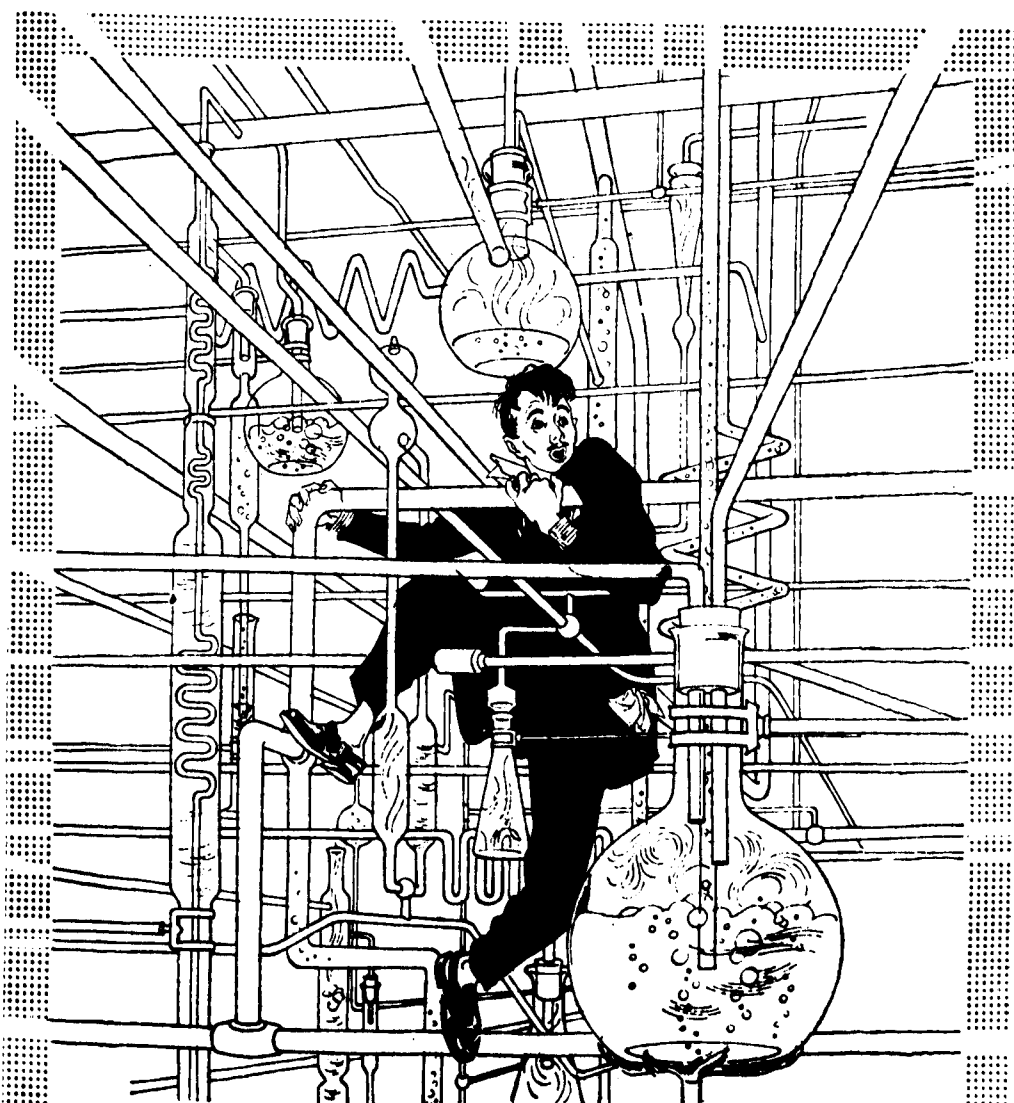
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BUSINESS NOTES

MORE CLOTH FOR EXPORT

THE COTTON FABRICS (Additional Excise Duty) Bill, 1957, introduced in Lok Sabha recently, is more than a formal piece of legislation. By recognising the need of increasing mill cloth production by 350 million yards beyond the targeted figure, the authorities have shown another indication of flexibility in some directions which has been in evidence for the past few weeks. The step, however, is not entirely free from limitations inasmuch as the increased production is meant for export and may be available in the internal market only with penalty to be imposed in the form of extra excise duty at different rates as laid down in the Bill. The concern of the Government to step up cloth exports as much as possible is not only understandable but is equally shared by all. But it is not without doubt that Indian piecegoods would find ready reception in the world markets. If past experience is any guide, the prospects are not such as to lull the country into complacency. Since 1950, when India ranked first in the world textile trade with an export of over 1130 million yards, the trend has been towards decline. Even conceding that this abnormal peak was achieved at the cost of the domestic consumer who was put to great hardship, the decline has been disturbing over the last three or four years. According to authoritative estimates of industry and trade, the actual exports of cotton textiles from India were 834 million yards in 1954. A year later, the figure had slumped by nearly 100 million yards to 735 million yards, which further dropped to 721 million yards in 1956.

Nevertheless, it is a matter of satisfaction that export performance during the first half of the current year has been far better. According to official figures now available, cloth exports during January-April are estimated at 339 million yards. Converted into annual terms, these would show a rate running at a little over 1,000 million yards. Whether or not this level will be achieved and maintained is more than can be stated with any definiteness at the present time. The possibility of foreign demand tending to subdue in the coming months cannot be ruled out altogether. However, it needs no emphasis that much depends on the behaviour of costs. If till now Indian cloth has not found its way into the foreign markets to the extent that the country aims at, it is not only because of the rising internal demand outpacing production by a substantial margin, but also because India's advantageous position in cotton manufacture has been weakening in the face of acute foreign competition, in shrinking markets, particularly from low-cost Japanese production. Till that competitive position is regained, which is not a short-term affair, India will have to struggle hard to attain the Plan target of 1,000 million yards per year. In such a situation, it seems proper for the Government to reconsider its policy of cloth excises, which are now turning out to be overburdening for the Indian consumer, so that he may find it less difficult to consume a little more of this basic necessity.

THE RAILWAY DEBATE

THE LOK SABHA debate on the Railway Ministry's demands for grants indicated that the House was in no mood to accept the policy of the Ministry and the working of the railways without a searching and critical examination. Criticism was offered no less vehemently from the Congress benches than from the Opposition. A pressing claim for more comprehensive amenities for third class travellers who sustain the passenger sector of the railways has now become a hardy annual. It must be recorded in fairness to the railway administrations that they are making earnest efforts to provide increasing amenities. But the problem of over-crowding poses a challenge to which no

effective solution is in sight. This menace and the hardship which it causes to the generality of railway passengers are assuming greater dimensions in recent months. Standing accommodation may be a workable solution on the suburban lines where distances travelled are short and passengers are unencumbered with luggage. But it is out of the question even for short journeys on the regular or through lines. Nor can any relief worth the name come from reducing the number of air-conditioned coaches. The real answer is increasing the number of passenger train services. This is a matter of investment in coaches, locomotives, other equipment and traffic operating services. The limited allocation of funds to the railways does not allow it on anything but a narrow scale.

For the rest, the debate mostly centred round regional claims and grievances. The demand for new lines was pressed with particular emphasis probably in the belief that such lines have an undoubted priority in the expansion plan. The Railway Minister had an easy escape in pointing out that he could undertake construction of new lines, some of which are really needed, provided the Planning Commission gave him the requisite funds. It is indeed unfortunate and surprising that in spite of the tight position of foreign exchange as well as, in some measure, of rupee resources for the inflated outlay on railway development, the case for new lines should have been argued in real earnest. It is not at all difficult to appreciate that goods transport capacity constitutes the hard core of the railway plan and it is here that genuine shortfalls are threatened. But this aspect of railway operations was hardly touched in the discussion. It is perhaps a legacy of our pre-freedom critical attitude towards the neglect of third class travel conditions that they still dominate our minds, while the question of freight capacity which is so critical to development activity is relegated to the back place.

A FORWARD POLICY FOR COTTON

IN VIEW of the steadily increasing 'per capita' consumption of cloth, the change in the psychology of our people, even among the lower middle classes who have become more and more cloth-conscious, and the urgent need to increase our exports to earn valuable foreign exchange, the call from Mr. Madanmohan R. Ruia, President of the Cotton Buyers' Association, whilst addressing the Twentieth Annual General Meeting of that body, to augment domestic cotton production "with the utmost speed and with all the resources at our command" is both appropriate and timely. Since the commencement of the Five-Year Plan, the consumption pattern of the people in our country may be said to have changed considerably. In an underdeveloped country such as ours, where the propensity to consume is generally high even as it is, whenever large sums of money are injected into the economy through developmental expenditure, the greater portion thereof naturally tends to be spent on food and clothing. Accordingly, an increase in the production of consumer goods, especially of food grains and cloth, becomes very essential as much to combat the resultant inflation as to ensure the successful implementation of the Plan.

In this context, Mr. Ruia's assessment of the statistical position of Indian cotton becomes noteworthy. According to him, the total supplies of Indian cotton for the 1956-57 season amount to no more than 66.80 lakh bales, including a carry-over of 19.30 lakh bales. After deducting the total distribution of Indian cotton of about 50 lakh bales, the carry-over to the 1957-58 season is not expected to exceed 17 lakh bales, that is, it would actually be lower by more than two lakhs, as compared to the position at the beginning of the current

season. But it was not the C.B.A. Chief's intention to strike any note of pessimism; on the other hand, he held out really good prospects for Indian cotton, when he said: "...with the steadily rising standards of living and the consequent prosperity which our Nation will gain in the second Five-Year Plan and the substantial increase in textile production that this is sure to bring about, we might reasonably look forward to an era of a greatly expanded activity in, and a more cheerful outlook for, cotton in the years ahead".

After reviewing the supply and distribution of Indian cotton thus, Mr. Ruia turned to the export problem and rightly described it as being somewhat delicate. "With our production still only approximating consumption and with no improvement in surplus stocks", he declared, "prospects for cotton exports have become rather uncertain for the next season".

Proceeding, Mr. Ruia emphasised the need for the utmost care being exercised whilst issuing quotas for the next season, especially in regard to the manner in which these quotas are allocated. He further suggested that "pooling of quotas" should be allowed by the Government. With regard to imports, he commended the Government's recent agreement with its counterpart in Egypt to obtain 40,000 bales of Egyptian cotton, against payment in rupees. He also urged the Government to explore the prospects of entering into a similar payments arrangement with Sudan.

SPECIAL PAYMENTS PROCEDURE: INDIA—EAST GERMANY

ON JULY 16 last an arrangement was concluded and formal letters were exchanged between the Governments of India and the German Democratic Republic for a special procedure in respect of payments for certain goods to be exchanged in the course of trade between the two countries. This is no new or separate agreement for trade, but it amounts to a procedure of convenience for payments in respect of specified transactions and in fact it will continue to be governed by the terms of the trade agreement entered into between the two parties on October 8, 1956. The central feature of the payments procedure is that the Deutsche Notenbank of the German Democratic Republic will open a special account with the State Bank of India under the style of the Special Trade Development Account of the German Democratic Republic. To this account will be credited the rupee proceeds of all contracts of imports from the German Democratic Republic which will be concluded either directly with the State Trading Corporation of India or through the Corporation with other parties in this country. India, in return, will export a range of goods to the German Democratic Republic which will be paid for out of the funds lying to the latter's credit in the Special Account with the State Bank of India.

The Government Press Note announcing the conclusion of this payments arrangement underlines the important point that contracts for imports from the German Democratic Republic for machinery are expected to be made on deferred payments basis. This arrangement is to be welcomed so far as it goes. How far it will go to assist and increase the trade can be evident in the course of time. The nature of the deferred payments facility will be assessed with reference to the actual conditions agreed to. Considering the critical requirements of our foreign trade—import as well as export—this payments arrangement promises to prove a forward step.

INDIAN BANK—GOLDEN JUBILEE

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working funds totalling some Rs. 50 crores, the bank's deposit figure exceeds Rs. 32 crores, which gives it an important place in a family of less than half a dozen banks in the country whose deposits are over Rs. 20 crores.

The story of the Indian Bank through the fifty years of its existence is one of remarkable initiative and perseverance. The bank's early years were marked by slow but steady progress. By the time of the arrival of the banking crisis of 1913-14, it had grown sufficiently strong to survive the storm. World War I created a new situation to which the bank reacted quickly. However, conservatism, prudence and economy being always the key-notes of its working, the bank had expanded into not more than 15 branches at the time of its Silver Jubilee in 1932. World War II and the coming of independence in 1947 brought to it new responsibilities which it has taken on readily. The bank's expansion during the 25 years between its Silver Jubilee and now has been rapid, and in this year of its Golden Jubilee, 109 branches spread over seven States of the Indian Union, plus four in Malaya and one in Ceylon, are participating in the celebrations.

Among its more significant activities, mention must be made of two. The bank has been a supporter, since 1947, of the Madras Government's loans both by direct subscriptions and by advances to intending subscribers. The other useful feature of the bank's activities has been its policy of making sizable funds available to smaller banks in South India to help them meet the demands for credit.

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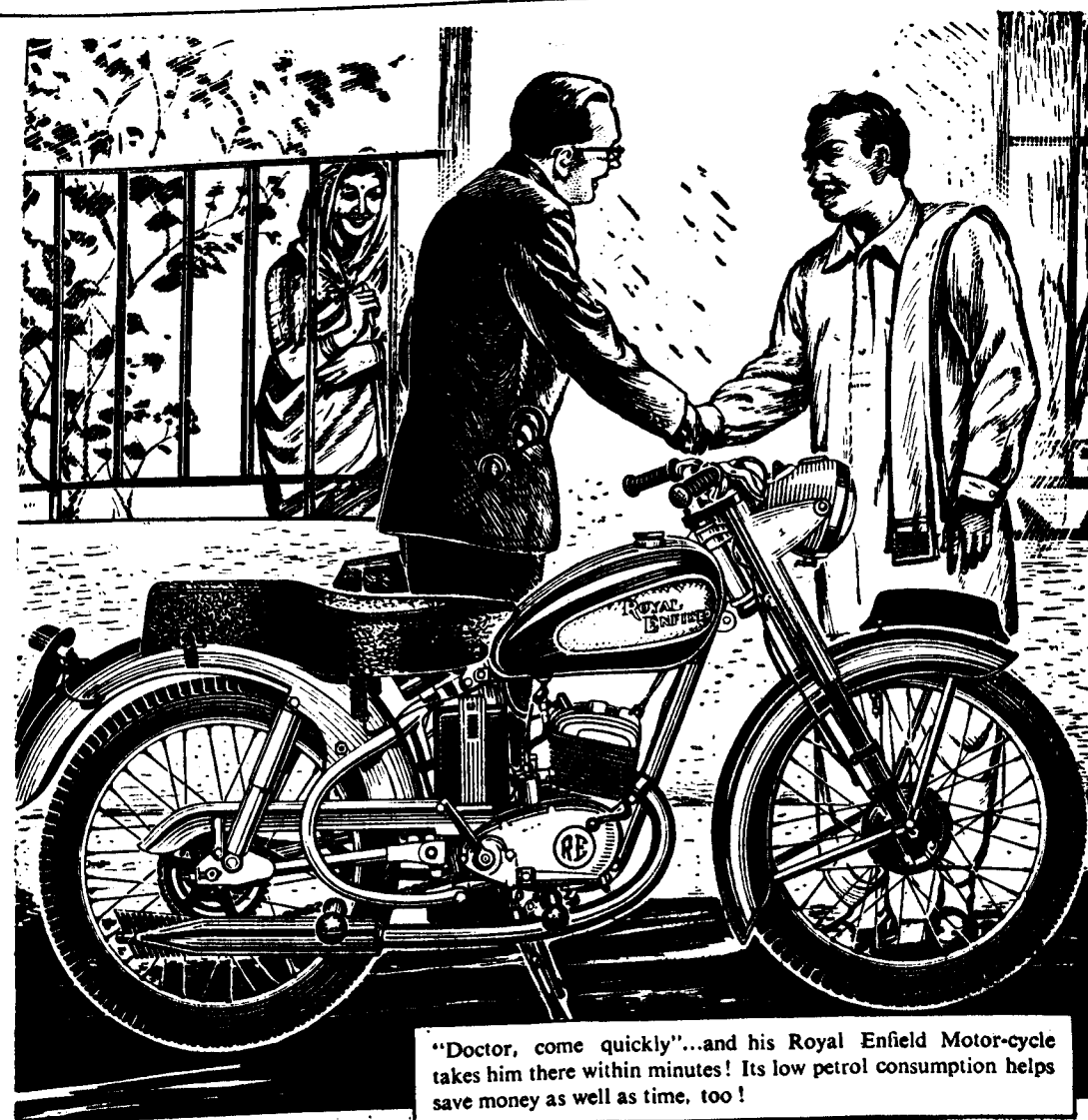
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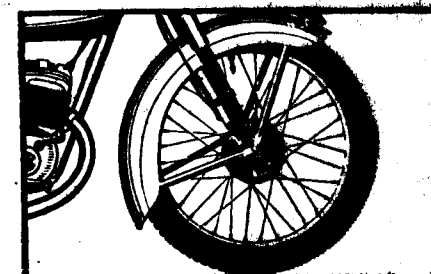
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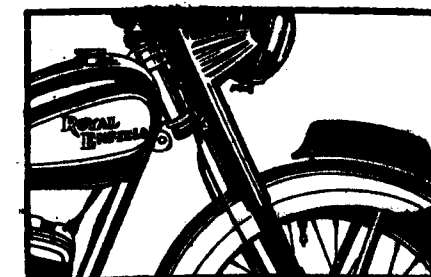
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says Adipocere (Pronounced 'adi-po-saire')

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1 Drilling partyRs. 6,00,000
making the impressive total of Rs. 10,40,000 per month.

Add to this a whole line of other

expenses and you can imagine what it costs to find me. In the Barco Concession of Columbia it took 17 years and Rs. 10,50,00,000 to make the first discovery; in Iraq ten years went by along with Rs. 31,00,00,000 before the first oil was marketed. And what's more—the search for oil is one of the world's riskiest businesses! In areas where oil has not been found before, as in West Bengal, only 1 out of 10 wells drilled ever produced oil. The other 9 are costly dry holes. See what I mean when I say that finding me is a costly business?



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COMPANY AFFAIRS

TATA HYDRO-ELECTRIC

The latest annual reports of two more units of Tata Hydro-Electric group, namely, the Tata Hydro-Electric Power Supply Co., Ltd. and the Andhra Valley Power Supply Co., Ltd., have since been published. As in the case of Tata Power, the gross revenues of both these companies also showed an improvement due to increased sales of energy and also higher revenues from other sources. Thus, the total gross revenue of Tata Hydro increased from Rs. 69.64 lakhs for the nine months of 1955-56 to Rs. 77.94 lakhs for the year 1956-57. In the case of Andhra Valley, the total gross revenue increased from Rs. 100.02 lakhs for the nine months of 1955-56 to Rs. 107.77 lakhs for the whole of 1956-57. In the case of both companies, there were also an increase in the total expenses due to the coming into operation of the first Unit at Trombay, and increases in repairs, maintenance, depreciation, etc. But in both cases the provision for taxes had decreased appreciably; the reduction in Tata Hydro amounts to Rs. 4.87 lakhs, while in the case of Andhra Valley this amounts to Rs. 9.83 lakhs. In either case, reduction is the result of Development Rebate and depreciation allowances on the first Unit at Trombay.

Comparing the net profits for the 9-month period of 1955-56 with the corresponding period for the year under review, the results of working showed an increase in net profit of 31.2 per cent in the case of Tata Hydro and 32.5 per cent in the case of Andhra Valley. But satisfaction on this account is hampered by the provision of a reserve, which the new taxes under the Finance and Wealth Tax Bills, 1957, have necessitated.

TATA LOCOMOTIVE AND ENGINEERING CO. LTD.

The Directors of the Tata Locomotive and Engineering Co., Ltd., have decided to recommend a dividend at 8 per cent per annum on the Ordinary Shares of the Company for the year ended March 31, 1957.

THE PUNJAB NATIONAL BANK LTD.

The working of the Punjab National Bank Ltd. for the half year ended June 30, 1957 shows that the Bank has made satisfactory progress in its deposits, working and profits during this half year. Deposits of the Bank as on June 30, 1957, exceed Rs. 117 crores showing an increase of Rs. 11 crores. The total working of the Bank exceeds Rs. 152 crores as against Rs. 141 crores on December 31, 1956.

Subject to audit, the net profits of the Bank for the half year after providing for contingencies, amount to Rs. 62.92 lakhs including Rs. 6.20 lakhs brought forward from previous year's account, as against Rs. 49.23 lakhs (which included Rs. 2.35 lakhs brought forward) for the corresponding half year in 1956. The Directors have decided to declare an 'ad-interim' dividend of Rs. 2.50 per share, free of income-tax, as against Rs. 2 for the corresponding period last year.

THE SHREE NIWAS COTTON MILLS LTD.

The net profit of the Shree Niwas Cotton Mills Ltd., Bombay, for the year ended December 31, 1956 showed a sharp rise over the profit of the previous year, being Rs. 15.22 lakhs as against only Rs. 9.73 lakhs. It may be noted, however, that the net profit has been arrived at after deducting over Rs. 8 lakhs for depreciation as against Rs. 6.24 lakhs in the previous year and providing Rs. 6 lakhs for taxation, which compares with a much higher figure of the previous year, namely Rs. 14 lakhs. No provision has been made in the accounts in respect of gratuity to mill operatives under the 110-

vember, 1956 award of the Industrial Court, because, according to the report, the liability of the Company under the said award has not been assessed.

The results of working would doubtless have been more favourable but for the heavy increase in excise duty from September, 1956. As a result of this, the Directors state: "the cloth stocks since then have continued to accumulate and the industry has had to face a difficult situation". This is fully borne out by the accounts, which show that, at the end of December, 1956, stocks of yarn and cloth, including goods in process, amounted to as much as Rs. 89.12 lakhs, as against Rs. 49.55 lakhs at the beginning of the year under report.

The Directors' report also refers to the results of working of its two subsidiaries, namely the Shree Madhusudan Mills, Bombay, and the Shree Gopal Industries, Ltd., Kotah. Neither of these has as yet any profits to show. Efforts are, however, being made to make the Kotah unit an economic one.

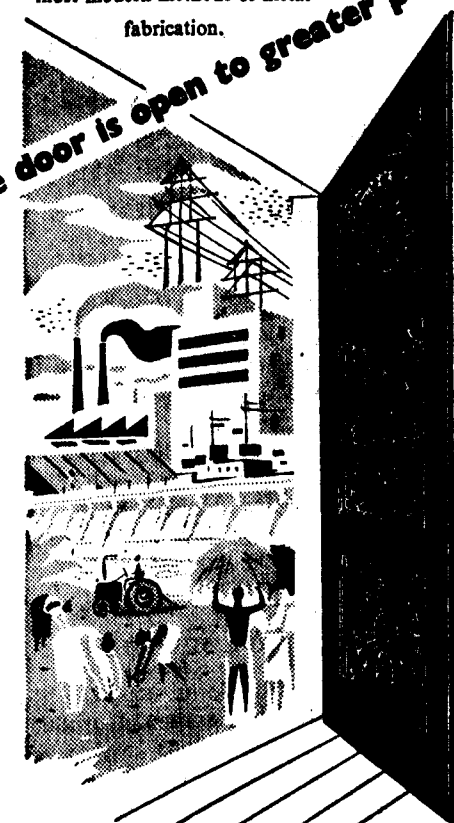
Reference is also made in the Directors' report to the renewal of the managing agency agreement between the Company and the Marwar Textiles (Agency) Private Ltd. for a further period of ten years, from January 15, 1957 on a remuneration of 10 per cent on the net profits earned by the Company. The Directors have recommended a dividend of Rs. 12 per Ordinary Share (without deduction of income-tax).

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COMMODITY NEWS AND NOTES

INCREASE IN SALT PRODUCTION ENVISAGED

Salt production in 1957 is forecast at 96.3 million maunds compared with the actual output of 88.9 million maunds in 1956 and 81.1 million maunds in 1955. The forecast of production during the current year in some important regions is as follows: Rajasthan 90.4 lakh maunds; Bombay 264.09 lakh maunds; Saurashtra 230.51 lakh maunds; Kutch 63.71 lakh maunds; Madras 159.06 lakh maunds and Andhra 56.05 lakh maunds. It is expected that the production figure for 1956 will be the highest ever achieved.

INCREASE IN WHEAT PRODUCTION

The all-India final estimate for wheat for 1956-57 puts the current year's area and production of the crop at 32,891,000 acres and 9,068,000 tons respectively, as against the partially revised estimate for 1955-56, of 30,386,000 acres and 8,569,000 tons. It shows an increase of 2,505,000 acres or 8.2 per cent in area and 499,000 tons or 5.8 per cent in production of wheat during the current year. The increase has been shared by all the principal wheat producing States, particularly Rajasthan, Madhya Pradesh, Punjab, Bihar and Bombay. The increase in production during the current year has been shared mainly by Punjab and Rajasthan and to lesser extent by Uttar Pradesh and Madhya Pradesh.

SUGAR PRICES

The Union Finance Minister's statement recently that the Government were considering measures to bring sugar prices under check has been effective. Sugar prices in Bombay city as in other markets have eased by half a rupee per bag. This fall though small is significant in view of the statistical position. The stock position in Bombay, due to the reluctance of the mills to sell and the difficult wagon supply position, is said to be unsatisfactory. Daily arrivals have dwindled. The floating stock at the end of the week was 32,000 bags compared to 36,000 bags a week ago. But the off-take has been satisfactory. In Madras arrivals amounted to 400 bags only, while the off-take was 2,200 bags. Unless speedy measures are taken to improve the stock position, traders apprehend an inevitable spurt in prices.

INCREASE IN SUGARCANE PRODUCTION

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India final estimate of sugarcane, 1956-57, puts the current year's area and production at 5,019,000 acres and 66,890,000 tons of cane as against the partially revised estimate of 4,564,000 acres and 59,317,000 tons for 1955-56.

This shows an increase of 455,000 acres or 10.0 per cent in area and 7,573,000 tons of cane or 12.8 per cent in production over last year.

Expressed in terms of gur, the current year's production is placed at 6,745,000 tons, as against 5,982,000 tons for 1955-56.

FINAL ESTIMATE OF SMALL MILLETS FOR 1956-57

The all-India final estimate of small millets for 1956-57 puts the current year's area and production at 12,209,000 acres and 2,010,000 tons respectively, as against the partially revised estimates of 12,713,060 acres and 1,937,000 tons for 1955-56 according to the Ministry of Food and Agriculture. There is, thus, an increase of 73,000 tons or 3.8 per cent in production during the current year, even though the acreage under small millets has declined by 504,000 acres or 4.0 per

cent over last year. The decrease in area is attributable largely to unfavourable seasonal conditions at the time of sowing. Despite decrease in area, the production of small millets during the current year shows an increase over last year. The increase in production is shared mainly by Uttar Pradesh, Andhra Pradesh and Madras and is due to favourable climatic conditions during the growing period of the crops.

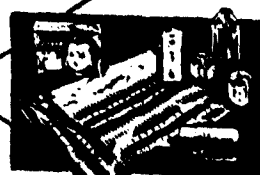
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1956—57 EDITION

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4. Details about Second Five-Year Plan both in public and private sectors elaborately dealt with, and appropriate visual graphs and charts are given alongside.
5. Map of India with the states formed under the S. R. C. Report. Details of about Company Law. Formation of Joint Companies, Income tax and Super Tax, Estate Duty, Securities Control Act, State Enterprises, Control of Capital Issues, Industries (Development and Regulation) Act. In fact all details as to how to set up a new industry.
6. Details of Port Trust, Improvement Trust, Municipal and Government Loans, Agricultural Income Tax, Debenture issues of various public institutions, incorporated.
7. Abstract of rules of the Stock Exchanges in India.
8. All company matters re-written and brought up-to-date.
9. For almost all sections, maps have been drawn showing the location of various industries.
10. Provision of thumb makes reference easy.
11. Balance Sheets received after set up of main body, incorporated in a separate section at the end of the book.

Note: First edition in 1936 had only 168 companies and 369 pages. Now this book gives details of 1,560 companies in 2,329 pages.

TEN YEARS OF INDIAN AGRICULTURE

PULSES

Crop	Production/Yield Per acre	1947-48	1948-49	1949-50	1950-51	1951-52	Average for quinquen- nium ending 1951-52
1	2	3	4	5	6	7	8
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	3,037
	Yield per acre (in lbs.) ..	296	317	317	291	301	304
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	51,799

GOVERNMENT OF INDIA

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(3½ PER CENT 1967) -

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ISSUE PRICE Rs. 100.00 PER Rs. 100 (NOMINAL)

REPAYABLE ON 1ST AUGUST, 1972.

Subscriptions to the above bonds and loan will be received simultaneously and will be limited to a total of Rs. 100 crores (approximately). Subscriptions may be in the form of (i) cash/cheque, or (ii) securities of the 3 per cent Victory Loan 1957 or 3 per cent Loan 1958 which will be accepted for conversion at the following rates:

3 per cent Victory Loan 1957	Rs. 100.00 for Rs. 100 (nominal)
3 per cent Loan 1958	Rs. 99.70 for Rs. 100 (nominal)

Interest will be paid on the 3 per cent Victory Loan 1957 and 3 per cent Loan 1958 tendered for conversion up to 31st July, 1957 inclusive.

The new bonds and loan will bear interest from 1st August, 1957. Interest will be payable half-yearly on 1st February and 1st August.

Subscriptions lists will open on 5th August, 1957 and close on 8th August, 1957 or earlier without notice.

Applications for the bonds and loan will be received at:

- (1) Offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras, Nagpur and New Delhi;
- (2) Branches of the State Bank of India at other places in India except at places mentioned in (3) and (4) below;
- (3) Branches of the State Bank of Hyderabad conducting Government business; and
- (4) Branches of the Bank of Mysore Ltd., in Mysore State.

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

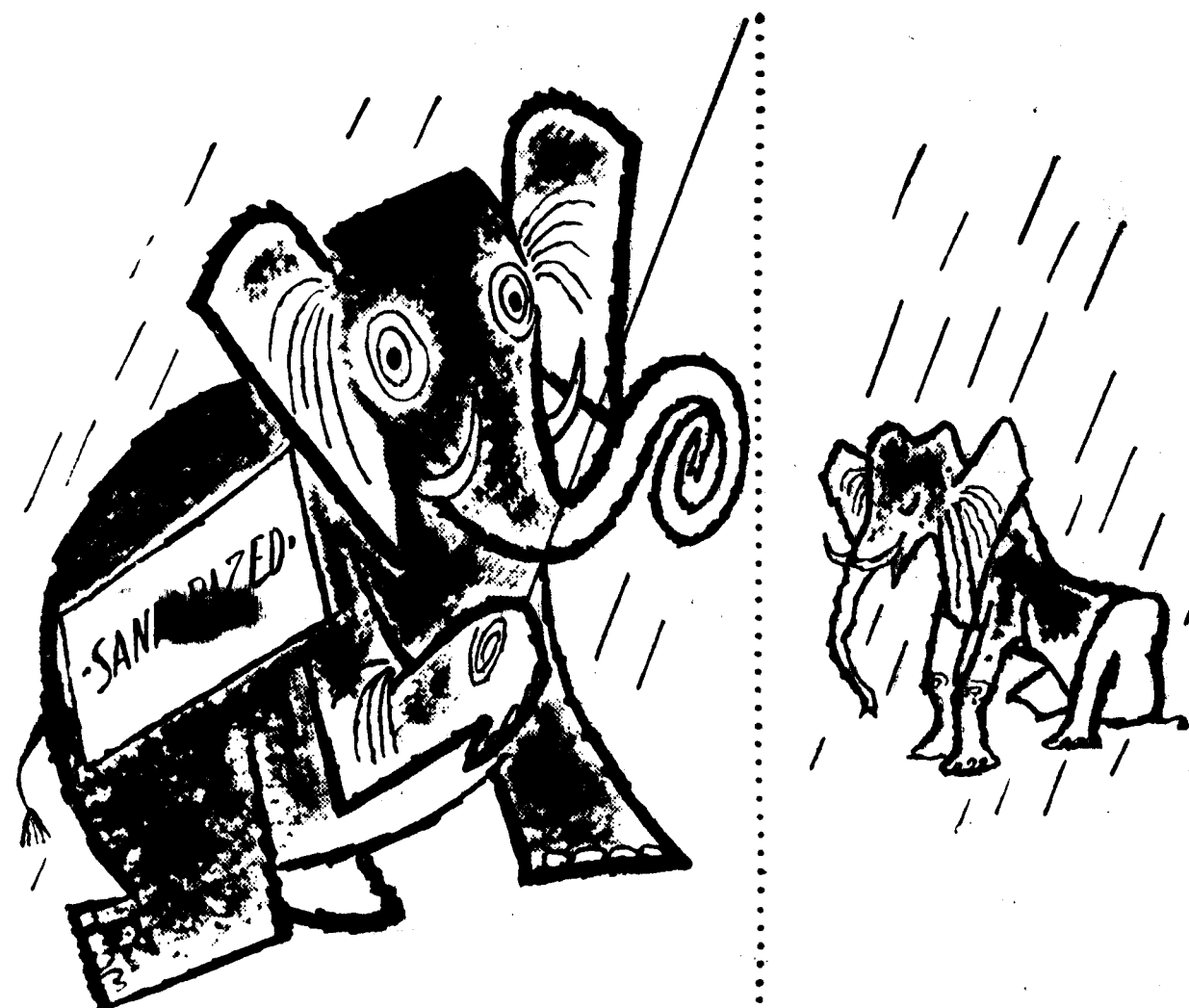
TEN YEARS OF INDIAN AGRICULTURE (Contd.)

Crop	Production/Yield Per acre	1952-53	1953-54	1954-55	1955-56	1956-57	Average for quinquen- nium ending 1956-57
1	2	3	4	5	6	7	8
CEREALS:							
Rice	Production ('000 tons) ..	22,537	27,769	24,531	26,846*	28,142F	25,965
	Yield per acre (in lbs.) ..	682	805	724	772	806	760
Jowar	Production ('000 tons) ..	7,243	7,954	9,093	6,602	7,424	7,663
	Yield per acre (in lbs.) ..	374	406	469	345	403	399
Bajra	Production ('000 tons) ..	3,142	4,475	3,421	3,379	2,931	3,469
	Yield per acre (in lbs.) ..	264	333	274	271	240	276
Maize	Production ('000 tons) ..	2,825	2,991	2,939	2,554*	3,020F	2,866
	Yield per acre (in lbs.) ..	710	701	707	627	732	695
Ragi	Production ('000 tons) ..	1,316	1,846	1,646	1,820*	1,914F	1,708
	Yield per acre (in lbs.) ..	532	717	646	716	756	673
Wheat	Production ('000 tons) ..	7,382	7,890	8,773	8,348	8,616	8,203
	Yield per acre (in lbs.) ..	681	670	713	640	658	672
Barley	Production ('000 tons) ..	2,882	2,905	2,870	2,721	2,443	2,764
	Yield per acre (in lbs.) ..	805	746	774	748	657	746
Small Millets	Production ('000 tons) ..	1,895	2,438	2,456	2,379	1,759	2,185
	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
PULSES:							
Gram	Production ('000 tons) ..	4,142	4,756	5,393	4,865	4,865	4,804
	Yield per acre (in lbs.) ..	517	542	548	548	548	541
Tur	Production ('000 tons) ..	1,675	1,834	1,688	1,814	1,603	1,723
	Yield per acre (in lbs.) ..	633	691	636	706	643	662
Other Pulses	Production ('000 tons) ..	3,227	3,860	3,789	3,508	3,522	3,581
	Yield per acre (in lbs.) ..	287	309	441	393	295	345
Total Pulses	Production ('000 tons)	9,044	10,450	10,870	10,187	9,990	10,108
TOTAL FOOD GRAINS	..	58,266	68,718	66,604	64,836*	66,239	64,931

F—Final Estimates.

* Partially Revised Estimates.

** Advance Estimates—subject to revision.



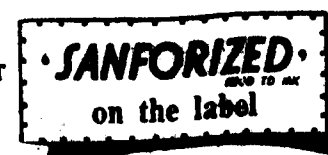
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Anytime, unannounced—our expert visits a mill licenced to use the trade mark 'Sanforized'. There he selects samples of cloth at random, subjects them to the rigorous international wash-test, and reports on his findings. Only cloth which passes the strictest anti-shrinkage test can carry the trade mark 'Sanforized' on every yard!

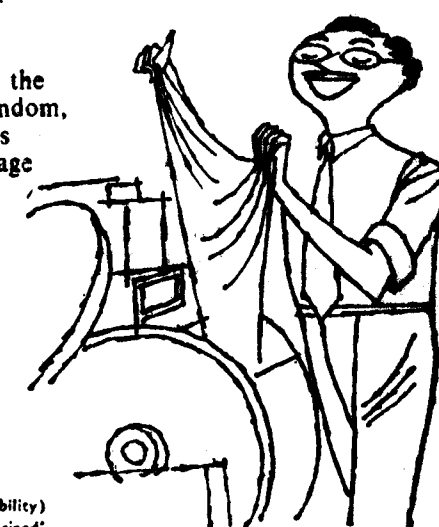
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For information 'Sanforized' Service, 95, Marine Drive, Bombay 2.



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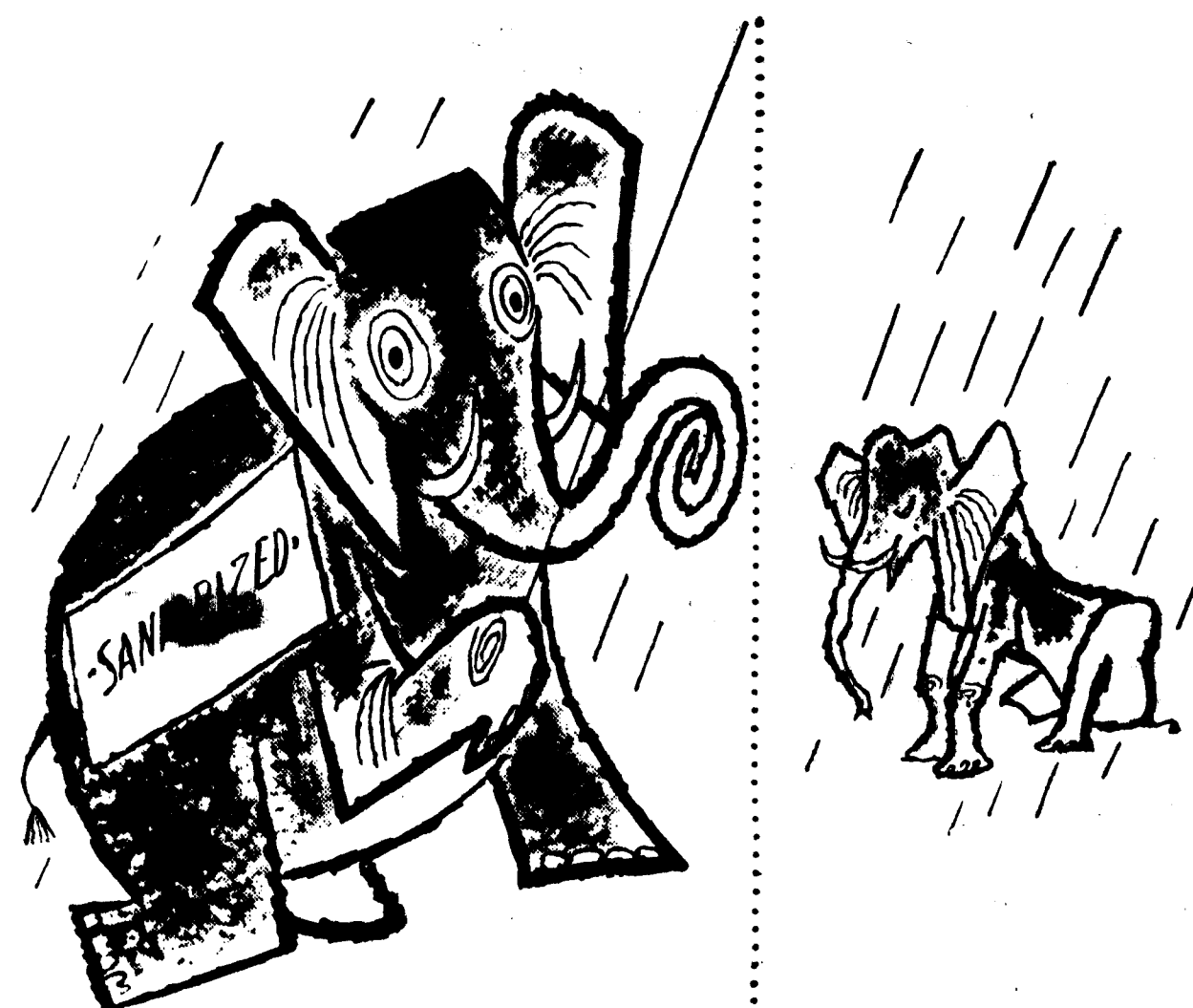
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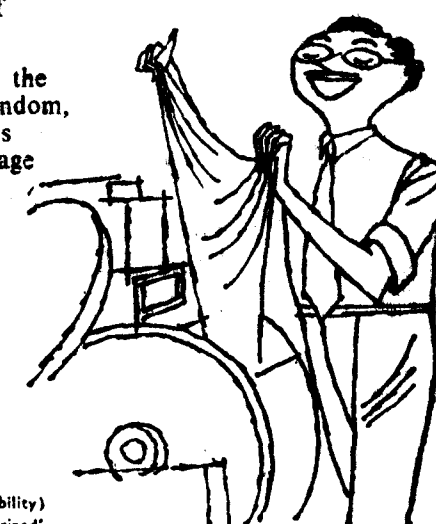
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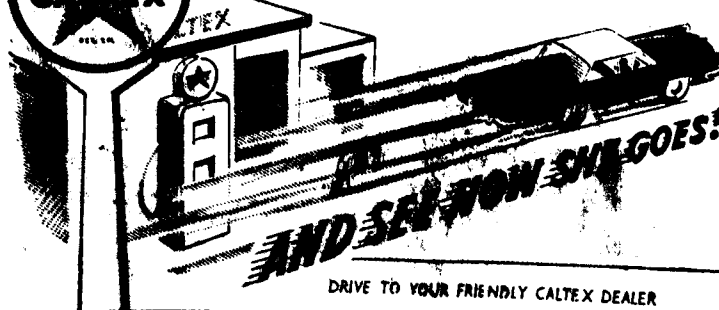
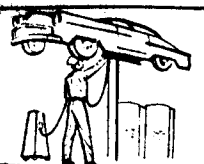
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Avert the Strike

ZERO hour is fast approaching in the threatened crisis of the strike of the P & T employees. But between now and the midnight of August 3-9, there is a precious span of six days. It provides opportunity to strain every nerve in an earnest effort to reach a compromise. The strike must be averted and failure must not be admitted on any account. The strike of the P & T employees, if it is allowed to materialise, will undoubtedly produce very serious and far-reaching repercussions on the economy. This strike cannot be considered in isolation. At this critical juncture, when pressing and acute problems of warding off inflation and breaking the stalemate in the Plan call for concentrated attention dark clouds are about to gather fast. Over a wide range of government employment there are threats of strike held out by the staff. Besides the P & T Department, Civil Aviation, Income-tax, Audit and Accounts, Customs, Mint and a few others are on the list of direct action if demands of employees are not conceded. It could not be by accident that these notices of strikes have been

issued in close proximity. Central Government employees need to ponder over this coincidence.

The P & T strike needs to be interpreted and settled in the larger context of the repercussions which it is bound to produce in other government spheres. Prolonged efforts have gone in recent weeks into arriving at a reasonable settlement. If these efforts have not borne fruit up to the present moment, there is no need to accept defeat. Indeed, defeat can never be accepted in a supreme endeavour to avert a crisis of a great economic magnitude. Negotiations leave no ground for doubt that a sincere desire to arrive at a compromise has been shown by both the parties. It is obvious from the course of negotiations up to the present time that the area of dispute has been narrowed down. This is no small achievement. In one sense it offers strong ground for a determined effort to eliminate what now appears to be an area of irreconcilable issues. The fact that the Government has adopted an attitude of sympathetic understanding to give redress where it could

be given on the merits of the exclusive grievances of the P & T staff should invoke a similar response from it. On the P & T staff rests the responsibility to take a correct view of the issues involved in the dispute and to desist from any course of action which will precipitate a chain reaction and add to the challenging problems in the current economic situation.

The charter of demands presented by the P & T staff is not restricted in its consequences to the pay and service conditions of that department alone. The demands, in reality, can be split up into two categories. The more important of the two has a direct and immediate bearing not only on the employees of the Central Government but also on the employees of the State Governments. This set of demands cannot be considered in isolation. The other class of demands concerns the P & T staff exclusively and it is here that the differences have been bridged to an appreciable extent. This is a vindication at once of the justice of the grievances of the staff as much as of the earnest desire of the Government to do justice where it is unquestionably required. It should augur well for an attitude on both sides for a determined effort to obviate direct action.

The P & T staff has certainly won a substantial part of the demands which relate exclusively to their department. The distinction between Class III and Class IV employees in respect of leave rules, leave reserve and benefits in the nature of medical attendance has been wiped out and parity of treatment has been established. A similar gain has been scored by the staff on another demand. The distinction in regard to pension rules in their application to Class III and Class IV employees has been removed. What is more significant, pension rules have been liberalised in a general way for both the classes. Over a wide area of grades of employment promotion opportunities have been enlarged. The particular grievance of P & T staff posted in Assam in respect of a compensatory allowance has caused more bitterness than any other issue of a purely departmental nature. Tentative conclusions have been reached on this question pending consultation with the Assam Government. The rest of the demands of the staff are by no means of great significance when considered in the light of the demands that have been granted. A Standing Committee has been appointed to provide a departmental machinery for speedy negotiations of disputes. The remaining grievances can be settled through the medium of this machinery. Any claim that a strike is necessary for their redress will hardly carry conviction.

The crux of the P & T dispute consists of three demands in which any other segment of Central Government employment is vitally concerned. It is inevitable that they must be judged and decided against the comprehensive background of the interest which other Central Government employees (as well as State Government employees) have in them. These demands relate to immediate increase in the dearness allowance in accordance with the Central Pay Commission's recommendations, grant of interim relief and merger of the entire quantum of dearness allowance in the basic pay. The Prime Minister, the Finance Minister and the Communications Minister have been candid throughout the negotiations in expressing their view that, in the context of the change in the level of cost of living, a comprehensive enquiry into the pay structure and allowances and allied questions was called for.

But a decision on instituting an organisation for such an enquiry has to be taken after full consideration of its far-reaching implications. The vague description of this organisation as some sort of enquiry body could not enthuse the National Federation of the P & T Employees and doubts lingered in its mind about the real status and authority of this body. The Prime Minister has been forthright in conceding that the Government will have no objection to describe the investigating organisation as a Pay Commission. The Federal Council of the Federation on its part has conceded that the Pay Commission should consider the entire question in the light of the economic situation and the pay scales prevailing in the various departments under the State Governments.

Mr. T. T. Krishnamachari's spirited statement of the Government's attitude should convince the P & T staff that, while the Government is prepared to go the farthest limit of reasonable acceptance of demands, it cannot overlook the financial responsibilities which it would consciously undertake. He has placed the estimate of immediate grant of an increased dearness allowance at the rate of Rs. 15 per head per month at an aggregate of Rs. 30 crores a year for all Central Government employees. To this must be added the burden on State Governments. There is considerable disparity between the scales of allowance granted by the Centre and those granted by the State Governments even in cases where the load and quality of jobs done are the same. It needs to be recalled that in spite of the Central Government's offer made a few months back to share half the burden of the additional dearness allowance to State Government employees drawing salaries of Rs. 60 and below, six State Governments have been unable to accept it so far. The total bill of additional dearness allowance for Central and State Government employees at the above rate would be much higher than Rs. 30 crores per annum. No one can ignore the immediate repercussions of the additional bill on the exchequers. It is a liability which needs to be analysed and carefully scrutinised for its effects on the country's inflationary situation.

The deadlock over the three issues of increase in dearness allowance, interim relief and merger of D.A. with basic pay must be resolved from a broader angle. The P & T staff has shown patience over the last year and a half in negotiating a settlement of its grievances. Surely it stands to lose nothing by showing the same commendable patience for some time more. It should find adequate assurance in Mr. Krishnamachari's significant statement in the Lok Sabha on July 26 last that justice will be done to it. He announced with candour: "The level of all prices is such and the cost of living is such that it is undoubtedly a case of setting right many of these (P & T staff) grievances." This statement made with the fullest realisation of its implications must be taken at face value. Compromise can be reached even at this late stage and the strike averted, if the personnel and the terms of reference of the Pay Commission are announced immediately and a reasonable deadline is prescribed for the Commission to make interim recommendations. Interim relief should suffice to relieve the staff from its pressing hardships. As employees of a strategic public utility, the P & T staff owe it to the community that its normal life will not be allowed to be paralysed when the use of the extreme weapon can be avoided.

Progress without Strain

THE Planning Commission's review of the progress of the first Five-Year Plan is of greater value than a mere post-mortem. It is true that the first Plan was in essence an endeavour to co-ordinate development programmes which were already under way and to integrate these into a broad frame-work. The valuable effort which had gone into the preparation of these programmes would have probably helped to achieve the task of co-ordination and integration in an effective manner but for the intervention of a major disturbing factor. Partition caused a serious disequilibrium in the economy particularly in its agricultural sector and correction of this disequilibrium demanded the highest attention. Even so, there was some room undoubtedly left for drawing up a scheme of priorities in the light of the available resources and urgent requirements of the community. This was not neglected. The verdict that must be given is that the twin objectives of rectifying the imbalance and initiating a pattern of planned development were achieved in a remarkable degree during the first Plan period.

The programme of outlay in the Plan was carried through with a shortfall of about 15 per cent in the public sector. The original allocation of Rs. 2,069 crores was revised upwards to Rs. 2,378 crores. The shortfall is to be computed in relation to the revised allocation. A break-up of the allocations indicates that as against the Centre's share of Rs. 1,390 crores in the revised allocation, the States were allotted a combined share of Rs. 988 crores. The size of the shortfall in the outlay allocated to the Centre is relatively large and is of the order of 19.8 per cent. This is explained mostly on the ground of difficulties of availability of material resources and delays in preparing the individual schemes at various levels. Actual outlays on transport and communications, irrigation and power, and agriculture and community development showed comparatively small deficiencies as against the Plan allocations. The additional outlay of over Rs. 300 crores was made in order to allow adjustments to be made to raise the size of the Plan for the express purpose of minimising unemployment. The chief failure of the first Plan is to be seen in its inability to reduce unemployment.

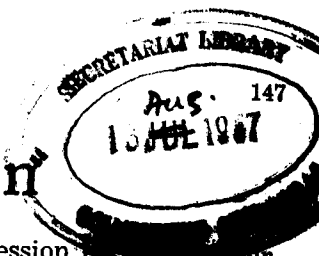
The performance of the first Plan in so far as the increase in the national income is concerned was certainly impressive. The original expectation of increase in the national income over the five-year period was pitched at about 12 per cent. The actual increase achieved was about 17.5 per cent. Its pace could not be expected to be steady, but the total achievement can surely be regarded as satisfactory. The rise in the national income gives an annual rate of increase of 3½ per cent which has emboldened the planners in fixing a target of 5 per cent per annum for the second Plan. During the first Plan per capita income rose by 10.5 per cent. If allowance is made for allocations for capital development, the improvement in the consumption standards of the people amounts to a little less than 2 per cent per annum. This can reasonably be regarded as a substantial achievement in a backward economy sufficient to give it a dynamic impulse.

Agriculture which accounts for over 50 per cent of the national income showed quite distinct improvement. From 1953-54 until the end of the

first Plan there was a succession of favourable monsoons. Peak production of food grains was reached in 1953-54 at the level of 68.8 million tons. Although there was a relative decline in the subsequent two years, output in 1955-56 stood at 64.8 million tons. At this figure it was 11 million tons above the level of 1949-50 which was the base year for the first Plan targets. The spectacular improvement in agricultural production set in motion a bold policy of decontrol which was a powerful factor in pushing up production all round. Although the share of irrigation, Japanese method of rice cultivation, improved seeds and extensive use of fertilizers in improving productivity cannot be denied, the basic fact remains unchanged that unduly favourable seasons played a decisive part in agricultural prosperity. The elements of instability in agriculture persist and it cannot be claimed that they have been eliminated on any appreciable scale.

Industry and mining were allocated a small share of 7 per cent in the total outlay fixed for the public sector. The public sector's performance in this sphere was far from satisfactory. Actual outlay on industries and mining incurred in this sector was Rs. 100 crores as against the Plan allocation of Rs. 188 crores. It is safe to assume that a substantial proportion of this shortfall of Rs. 88 crores is to be attributed to industries. Fixed investment in the manufacturing industries in the public sector was Rs. 60 crores. As against this, fixed investment in this group of industries in the private sector was of the order of Rs. 233 crores. A major part of the increase of 38 per cent in industrial production which was registered in the first Plan was contributed by free enterprise. Practically over the whole sphere of industry the targets fixed for the private sector were fulfilled and in key industries like cotton textiles they were exceeded by a good margin. The inadequate emphasis placed on the organised sector of private industries in the second Plan ignores the strategic role of this sector. By contrast, the accent that is placed on small and village industries is quite unwarranted by their failure to measure up to the modest targets assigned to them in the first Plan.

The success which was achieved in fulfilling the targets of the first Plan has undoubtedly created among the masses a confidence in the technique of planning as an instrument for securing improvement in their standards of living. But it needs to be answered how far scientific techniques of planning were tried and tested in the first Plan. Essentially, it was the spectacular improvement in agricultural production in the last three years of the Plan which gave a healthy tone to the economy. The marked improvement in the balance of payments was sustained primarily by higher output in agriculture. The import programme was restricted within moderate limits and foreign aid which was available to the tune of Rs. 300 crores was not used to the extent of 33 per cent. The programme of investment was conceived on a modest scale which did not create any serious problems usually associated with the task of mobilising the resources. It was only in the last year of the Plan that the economy began to show signs of stretching out. The second Plan with a bold size and a distinct accent on industry, particularly heavy industry, invites the real problems of resources mobilisation and severe strains attendant upon it.



Congestion at Ports

A MINISTERIAL statement in the Lok Sabha on Monday has highlighted the problem of clearance of congestion at India's major ports. At least four ports — Calcutta, Bombay, Madras and Visakhapatnam — are now overflowing with commerce and shipping. This phenomenon which is an index at once of the high tempo of development and of its difficulties under planning is by no means new or sudden. In fact congestion at ports causing shipping delays has been endemic for some years now. The latest congestion, however, is of an unprecedented magnitude, and this is attributed to certain unusual factors. The simultaneous arrival of ships in large numbers both from the Cape route and from the Suez Canal route after the reopening of the Canal is one of them. The increased availability of shipping for the back-log of cargo held up during the Suez crisis is another. And the inevitable increase in the import of food grains is yet another. These three factors, besides some others, have aggravated the present congestion in spite of the fact, according to the Secretary of the Transport Department, that the cargo handled during the first five months of 1957 was substantially more than the quantity handled in the corresponding period of last year at every one of India's ports. According to one estimate, over Rs. 130 crores worth of cargo in the ports has now to be cleared with expedition.

There are other figures which tell their own story in this connection. The five major ports (including Cochin), it may be recalled here, handled about 20 million tons of traffic a year at the beginning of the first Plan. This was their maximum capacity at the time. In 1955-56 these ports together with Kandla (a new entrant with a limited initial capacity) handled about 24 million tons of cargo; in 1956-57 the quantity of cargo handled by all the six ports went up to 28 million tons which was perhaps above their capacity. In 1957-58 this is expected to exceed 30 million tons, with Bombay alone accounting for not less than 13 million tons. But the increase in handling capacity has so far not been commensurate with the increase in traffic. The development programme costing Rs. 62 crores was finalised late in the first Plan, and only half the estimated expenditure was incurred by the end of the Plan so as to raise the total handling capacity of the major ports to about 25 million tons of traffic a year. Works started or to be started under the second Plan, are expected to cost in all Rs. 76 crores and to expand the handling capacity further and modernise the docks.

With the completion of the second Plan's port development programme, the total handling capacity of the major ports may well provide for all the additional needs arising from the economic development of the country. Currently, however, there is an emergency which has to be dealt with as such even if there is to be no formal declaration of emergency (as suggested by the shipping interests at the recent meeting of the Overseas Shipowners' Consultative Committee) putting port and dock clearance on a "war footing". As there are legal difficulties in the way of declaring a state of emergency at the ports, some constructive suggestions advanced by shipping interests

would bear consideration. One of these is that the system of wage payment be modified to provide an inducement to higher labour efficiency. Another suggestion is that the railways should provide more wagons to move out from the dock-side cargoes which are lying idle and obstructing the discharge of further cargoes. A third one is that the practice of allowing consignees to keep, in certain circumstances, goods either in the sheds or in the open in the docks without demurrage should be discontinued. And there is also the suggestion that food cargo should be diverted to other less crowded ports (minor ports) as unloading of such ships does not require any special knowledge or equipment not obtainable in such ports. The Consultative Committee appears to have considered these suggestions among others and has agreed on some incentive schemes for workers calculated to ease off congestion in about two months' time.

These incentive schemes are of immediate urgency for it is mostly human labour that has to do the job now. There is already in operation a piece-rate payment scheme at the Bombay port, and a similar scheme is to be brought into effect at the Calcutta port on an interim basis pending the finalisation of a regular scheme. The shipping lines can also employ additional labour on a casual basis if the dock labour unions agree to workers being secured for temporary periods of one or two months. But they are reluctant to do so because the conditions governing employment are such that once labourers are employed for three months, the employers would be obliged to decasualise them. As this is a discouraging prospect for the shipping lines, they might have to get the co-operation of dock labour unions in this regard. The contention of the shipping lines that it is not financially feasible for all companies to employ additional hands cannot be seriously questioned. In a contingency like the present they can, if at all, employ additional labour only on a temporary basis.

If the labour unions rise to the occasion in a spirit of patriotism at this hour of emergency, employment of additional hands on a purely temporary basis and increasing of labour efficiency will become possible. As dock labour may be expected to be reasonable and co-operative with the institution of special incentive schemes, there is now the certain prospect of congestion at the ports being overcome in two months' time. In the circumstance the shipping conference lines have done well to postpone for the time being any surcharge on freight to and from Indian ports, even though it may seem justified by loading and unloading delays. Such accommodation has been shown to ports in other countries under similar, if not worse, conditions of congestion. As far as India is concerned, any such surcharge, if imposed, would only raise the cost structure of imported goods and adversely affect the export trade at a time when the second Plan has run up against unexpected difficulties of which the present congestion at ports is one. Responsibility rests squarely on port trust authorities and dock labour not to provide any justification for a possible freight surcharge.

THE WEEK'S NOTES

NEW APPROACH TO THE NAGA PROBLEM

IN HIS reply to the debate on the External Affairs Ministry's demands in Parliament, Mr. Nehru has indicated his Government's willingness to amend by "mutual consultation" the Sixth Schedule of the Indian Constitution so as to ensure "as much autonomy to the Nagas as possible." Together with his statement that it may be possible sometime to bring all the tribal areas under one administration, this gives the best hope for a final settlement of the problem. These statements are welcome. They are, however, also an admission of the failure of the six-year old policy of enforcing of the failure of "police action" of the Indian army. It is unity through "police action" that the tribal people to New Delhi. In truth, even those of the Nagas, who do not subscribe to the extremist views and violent methods of Mr. A. Z. Phizo have not been very happy with the administration of the area since 1951-52 when, for the first time, the exclusiveness of the "excluded area" was ended.

Precipitate somewhat as this action was, the Government of India could, perhaps privately, seek justification for it in its acute concern over the possible military consequences of the Chinese Communist occupation of neighbouring Tibet. The Government of India thus found itself inheriting a new frontier, strategic but wild and ill-defined. India's military outposts were pushed up to the internationally recognized McMahon Line since 1914. But the Chinese maps have always showed the border as running much farther south, and the Chinese Communists, despite their protestations of friendship for India, have shown no sign of changing these maps. This may have further confirmed the suspicions and fears of the Government of India.

The end of the exclusiveness of the "excluded areas", in turn, resulted in the influx of merchants and usurers from the plains, and the consequential alienation of land from Nagas to non-Nagas. This is being interpreted—and not unreasonably—by the former as "a grave danger to their freedom, way of life and livelihood". The situation was made worse by the introduction of cheap cloth, which caused detriment to the indigenous cottage industry. The tragic situation that followed was described in sombre words by the Council of Naga Elders (Kilonsers) in a letter to the President of India, in September 1954: "The Indians treat the free Nagas as their subjects.... The free Naga people have no more patience left...." It is a pity the letter was not considered as sympathetically as it should have, coming as it did from a simple, elemental folk given to extreme conclusions. And the incidents of loot and arson which followed occasioned large scale operations by our armed forces.

Though it is preposterous to draw a parallel between the British onslaught on the Afridis and Indian army's action against the Nagas—as a member of Parliament attempted to do—it is hard to deny that the policy-makers or its executors, or both, have failed to appreciate that the first prerequisite of lasting peace in Nagaland is a sympathetic understanding of the fears and aspirations of the hill tribes. As it is, even after seven years, the Government of India has not been able to make much headway. The problem is, as the Prime Minister now seems to have realized, political and calls for political action rather than unthinking and exercise of brute force. Moreover, a problem like the Nagas' weakens India's stand abroad. When we pursue a policy of military operations against our "own people", with what face can we advocate a policy of peace among the nations of the world?

THE SECOND "SUEZ"

THE FLARE up in the small Arab States of Muscat and Oman has hit the headlines on this side of Suez. While the British Government is giving another demonstration of "getting tough" by ordering troops and air force movements to quell the revolt of the Imam of Oman against the Sultan of Muscat, the initial sweeping victories won by the former show that the insurgents are not without powerful friends and a mass base. The British intervention lacks legal justification. Britain's treaty of friendship with Oman does not impose on it any responsibility to intervene in the internal affairs of the latter. Presumably political considerations have prompted the British Government to take the present precipitate action. Its view is that if Britain did not stand by the Sultan now and helped him to stay in power, British prestige would collapse throughout the oil rich and strategic Persian Gulf area. The British Government also probably hopes by acting swiftly, firmly and decisively to regain some of the prestige and influence it has lost in the Middle East. But what it seems to have glossed over is the emotional hysteria which its action could not but generate in Asian countries. The episode may well turn into another "Suez". Even otherwise, it needs to be asked whether foreign military intervention is justified on the basis of "loyalty" to a "staunch friend". If conceded, the argument would imply that the Soviet Union had a cause for intervention in Hungary, and further, that possible future Soviet action in the Middle East could be defended as action in support of a friendly Government. Thus the British action in Oman would seem to be not only highly regrettable and wholly unjustified but also utterly impolitic.

Many newspapers and politicians in this country have seen Anglo-American rivalry behind the trouble in Oman. Their argument is simple—and rather facile. America wants to push Britain out of the oil region of the Persian Gulf. What these newspapers and politicians forget, however, is that in spite of several years of oil prospecting no oil reserves have been found so far in Muscat. Besides the Iraq Petroleum Company, whose shares are jointly held, among others, by Britain and America, there are other concerns operating in the region. It is also unbelievable that the United States would permit the safety of the Middle East and its oil resources to be jeopardized by an armadeggon which might transcend national boundaries. The British Press has been emphasizing in recent weeks that misunderstanding with America would be dangerous.

There does not appear to be any particular reason either to believe that the separatist movement sponsored by the Imam of Oman has anything to do with "nationalism". In point of fact indications are that it is related to Saudi Arabia's oil and territorial ambitions. Imam Ghalib bin Ali who, on his return home, has assumed the leadership of the insurrection, spent his three years of exile in Saudi Arabia. One of the two fronts of the assault is Nizwa which lies to the south of the Buraimi Oasis, the oil rich region, which, it may be remembered, is a serious bone of contention between Britain and Saudi Arabia. Finally, the tribesmen are found to be using such complicated modern military devices as land mines with remarkable success.

NEW MOVE FOR VIETNAM ELECTIONS

PEOPLE IN India are apt to get considerably worked up at even the mention of Portugal's stand in respect of Goa, and the fact that the future of the territory, geographically and historically a part of India, was decided upon by Britain and Portugal. Their sensitivity on the point is understandable. This makes it the more surprising that they should apparently remain unmoved at the position into which the Republic of

Vietnam has been pushed as a consequence of the Geneva Agreement of 1954. Vietnam's position is made relevant now by a report which says that Mr. T. N. Kaul, Chairman of the International Armistice Commission in Indo-China, has unofficially suggested to the British and United States embassies in Saigon that the time was ripe for holding the general elections.

It is questionable whether the Republic of Vietnam is obliged to recognize the Geneva Agreement and adhere to its stipulations. It may be remembered that the Agreement was concluded with the Vietminh insurgents after a conference in which the principal participants were Russia, the People's Republic of China, Britain and France. The United States was present as an observer. The delegates from Vietnam lodged a strong protest. They protested, because the Vietminh had no recognizable status: the sovereignty which Vietnam had been forced to yield when conquered by France reverted to it under a solemn treaty signed with the French in the early 1950's. But that treaty was disregarded at Geneva, and Vietnam was partitioned.

Apart from this, it would be interesting to know how far the Armistice Control Commission is in a position to ensure fair elections. Is Mr. Kaul convinced that his vigilance will cover every polling booth? Has the Control Commission been sanctioned the power to enforce freedom of choice and secrecy if these were threatened? It would also be interesting to know if Mr. Kaul has come across this passage in an article by a Vietnamese writer, Sy-Ngoc, in 'Nhan-Van' of October 15, 1956, "If somebody tells me to keep my mouth shut in case the Americans and Diem should make capital of what I say, I reply: Diem has a very good case when he refuses to hold joint consultations with us on the ground that there is no freedom in North Vietnam." As if to prove the truth of these words, the Communist rulers of North Vietnam swooped upon the journal and suppressed it in December, 1956, on the plea that "it deformed the truth." In the face of all this, Mr. Kaul would have the world to believe that time is ripe for holding elections in Vietnam!

ALL INDIA RADIO: THIRTY YEARS OLD

THIRTY YEARS ago, broadcasting stations began to function at Calcutta and Bombay. The Government of India had granted a licence to the Indian Broadcasting Company to set up stations at Calcutta and Bombay, operating on the medium wave-band. They started broadcasting on July 23 and August 26, 1927 respectively. The Government of India assumed direct responsibility for broadcasting nearly three years later. After thirty years of interesting and profitable experience, All India Radio has 27 stations in the country, covering all the important linguistic areas. It ranks third among the users of broadcasting frequencies in the world.

All India Radio has successfully planned programmes to reach all levels of taste and understanding. They are usually stimulating and educative. Much thought and much time is evidently spent on them; broadcasting is an art, and in any art much hard work and polish is necessary before it is worthy of presentation. All India Radio may congratulate itself; it cannot afford to rest on its laurels. India's constantly changing needs, and her population, as it grows mentally, demands an appropriately increasing standard. Discrepancies and biases will be less and less tolerated. Instances may be cited of the disproportionate length of time devoted to the speeches of various ministers on celebrations like Buddha Jayanti which was overdone.

Bias against film music is also hardly reasonable. Music that has been passed by film censors must surely be good enough for A.I.R. listeners. This is perhaps the reason why Radio Goa and Radio Ceylon are most often tuned in to, rather than All India Radio. A.I.R. must, in short, look to growth and expansion in addition

to a good deal of pruning. The flowers bloom only when the weeds have been removed.

THE STATE OF THE ECONOMY

THE REPORT on Currency and Finance for 1956-57 is of special significance because it provides a comprehensive survey of the economy for the first year of the second Five-Year Plan. While the year 1956-57 saw a marked stepping up of the development effort in the economy, it was accompanied by a considerable degree of strain which was evident in more than one sphere. Outlay in the Plan in the public sector was estimated to have gone up from Rs. 625 crores in 1955-56 to Rs. 761 crores in 1956-57. The private sector also saw a sharp rise in investment, but appropriate estimation at this stage is not available. Industrial output went up by 9 per cent in 1956 and agricultural production also improved considerably.

An overall budgetary deficit of about Rs. 250 crores, about Rs. 100 crores larger than in the previous year, has sown the seeds of inflation. A rise in the wholesale price index by 8 per cent on top of a rise of 12 per cent last year certainly pointed towards an impending strain. There was a loss of reserves to the extent of Rs. 219 crores, even after taking credit for Rs. 55 crores of foreign exchange from the I.M.F. Efforts were, however, made to correct the imbalance by more foreign assistance and drastic restriction of imports.

According to the Report, scheduled bank credit recorded an expansion of 18 per cent following a rise of 22 per cent in 1955-56. The expansion of money supply was, however, moderate at 5.9 per cent against 13.7 per cent in 1955-56. The economy continues to be in the grip of acute financial stringency due to increase in demand in every sphere. The issue market had a setback with a fall in share prices by about 9 per cent against 6 per cent rise during the previous year. The year under survey was undoubtedly noteworthy for the impetus which expansion programmes got. But it has revealed severe strains on resources at various levels. The second year of the Plan which has been launched under this stress is witnessing a greater severity which will put the country's capacity to test. Upon the experience of the current year will depend the answer whether and to what extent the goals ought to be modified to suit available resources.

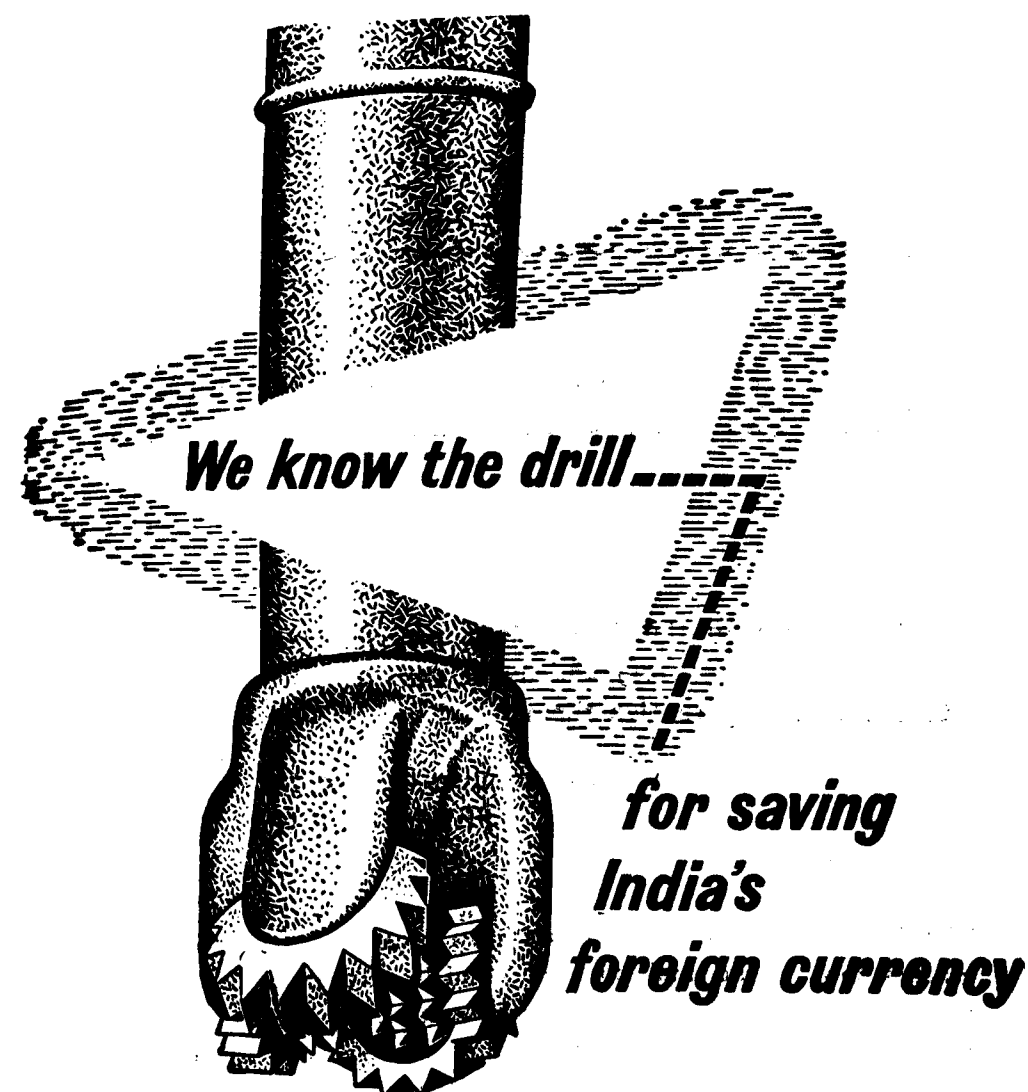
THE FAIR CRUSADER

IT HAS been said that culture is the gift of feudalism to a bourgeoisie in too much of a hurry to spare time for the refinement we associate with culture. A recent incident would seem to illustrate the truth of this.

In the House of Lords the debate was moving slowly, with the dignity associated traditionally with that great institution. Suddenly there was a stir, then hushed silence. A visitor had interrupted the proceedings—a thing unheard of. The interruption came from Vivien Leigh, and it came in support of culture threatened by expanding Big Business. The subject of the debate was the demolition of the nearly 200 years old St. James theatre, because a group of business men wished to erect an office building at the site.

The gracious and versatile lady of the stage and the screen became the object of "icy glances" from the peers, and was escorted out by the Gentleman Usher.

Great though the need is for offices in the growing industrialisation of our age, it would be veritably blasphemous to destroy a theatre made precious with associations. Support for the cause of culture has now come from an unexpected quarter. Sir Winston Churchill expressed his sympathy in a letter which was read to a mass meeting of British show-people by Vivien Leigh. Sir Winston has promised to contribute £500 towards a public subscription fund for the theatre. Lovers of the stage the world over will appreciate his gesture. Perhaps, Vivien Leigh has not dared the anger of the peers in vain.



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A Window on the World

HAS THE GERMAN OPPOSITION AN ALTERNATIVE TO N.A.T.O.?

By
ODYSSEUS

MAY I ASSUME that no thoughtful reader would agree that because India's foreign policy has committed her to neither power bloc, she has, therefore, contracted out of the world's problems and is destined to live by herself happily ever after?

Apart from the fact that the outbreak of a war in Europe could not be kept local in this hydrogenic age, one of India's interests in the unity of Europe is her need of foreign capital and of prosperous foreign buyers for her exports.

I therefore make no apology for reverting to the attempt to explain (1) why the German Opposition, the Social Democratic Party (which I miscalled the Democratic Socialist Party last week), object to Dr. Adenauer's policy in support of the alliance of the North Atlantic Treaty Organisation, and (2) the apparent alternative that they propose. That I am not alone in finding the policy of the Social Democrats difficult to grasp is suggested by the interesting fact that in their respective messages from Bonn published on July 15, the correspondents of the 'Manchester Guardian' and of 'The Times' interpreted in opposite ways a new policy declaration made by the party.

The 'Manchester Guardian' reported that "the Social Democratic Party has restated, in terms so blunt as to be significant, its intended foreign policy if it comes to power at the Federal election in September. It will begin at once to negotiate the withdrawal of the Federal Republic from NATO. It will abolish conscription. Finally, it will take the initiative in seeking a means of re-unifying Germany and creating a system of European security. The Social Democrats have nailed their colours to the mast and this declaration—authorised by the Party Executive and officially emanating from the party group—leaves no room for doubt..."

On the other hand, according to 'The Times' Bonn correspondent:

"...Their policy remains consistent and it is difficult to see why it should lead to the end of Germany, NATO, western Europe and indeed the entire civilised world as the apocalyptic speeches of Dr. Adenauer would have it.

"The spokesman of the Social Democratic parliamentary party said yesterday that they would invoke Article VII, paragraph ii, of the Bonn treaty to request the western Powers to examine the situation in regard to the reunification of Germany. The western Powers should consider whether the Federal Republic could not leave NATO to permit a reunited Germany to become a member of a European security system. At the same time a Social Democratic Government would submit for examination its reunification programme and plan for the establishment of a security system.

"Article VII, paragraph ii, of the Bonn treaty allows, pending a peace settlement, for the signatories to co-operate in the achievement by peaceful means of their common aim of a re-united Germany enjoying a liberal democratic constitution, like that of the Federal

Republic, and integrated in the European community. A Social Democratic Government would therefore merely be exerting a treaty right in asking the western Powers to review the situation in regard to reunification.

WHAT IS A "EUROPEAN SECURITY SYSTEM"?

"The Social Democrats have rejected neutralisation, and have already stated that a European security system, guaranteed by the United States and the Soviet Union, in which a reunited Germany was an equal member, would be necessary because neither East nor West would agree to the alignment of a reunited Germany with the other side.

"As an exercise in political possibilities it has its points; indeed, the idea was provided by Sir Winston Churchill at Aachen 15 months ago. As it stands, it is properly cautious, in that the Federal Republic would withdraw from NATO only when Germany joined a security system guaranteed by the United States and the Soviet Union."

At first sight the contradiction between "The Times" soothing rejection of, and the "Manchester Guardian's" gloomy acceptance of, the apocalypse seems complete. But as a result of my own conversations with both government and opposition spokesmen, I believe that I can disentangle these two distinguished correspondents from their deadlock.

The first clue is provided by 'The Times' correspondent's mild reproach to Dr. Adenauer for trying to create the impression that the end of the world will come if his opponents win. This reminds us that we are listening to rival politicians bidding for votes in an electoral campaign. If Dr. Adenauer apparently feels it electorally necessary to overstate his case, so do the Social Democrats. It was my impression that a majority of Germans support Dr. Adenauer's NATO policy because they see no alternative to it other than a unilateral disarmament in the face of the 175 divisions of the Soviets and their satellites, which would be suicidal. On the other hand, it cannot be denied that the NATO policy seems to imply the maintenance of the international status quo—the armed truce of the Cold War—for an indefinite number of decades to come and that with each passing decade East and West Germany must drift further apart in experience and outlook, and reunification so passionately desired by most Germans must become more and more unlikely. It is to cash in electorally on these misgivings that the Social Democrats proclaim far and wide that they have an alternative policy to NATO.

NO RE-UNIFICATION WITHOUT FREEDOM

But have they? The difficulty of understanding 'The Times' correspondent's interpretation arises, I suggest, from the concision forced on him by considerations of space in a daily newspaper. "The Western powers should," he reports, "consider whether the Federal Republic could not leave NATO to permit a re-united Germany to become a member of a European security system." True, but it was stressed to me by

Social Democrat spokesmen that their party does not stand for re-unification at any price. "We do not seek re-unification without freedom," i.e. they would not withdraw West Germany from NATO until after agreement with the Soviets had been reached on the conditions necessary to ensure genuinely free elections for a new government of re-united Germany, and it would be for that government subsequently to negotiate the withdrawal of all Germany from the NATO alliance. Moreover, they specify that the NATO countries would be kept fully informed of the progress of all negotiations between East and West Germany and the USSR.

But the difficulties and delays in attaining even this prior step to a European security system could be substantial and prolonged. Would the Soviets be prepared to allow genuinely free elections in East Germany? This was one of the points on which the Four Power Conference in Berlin broke down in January, 1954. All this suggests that the Opposition's loud electioneering bark will culminate in a very mild bite if they win.

The Social Democrats (a) reject "neutralisation" and (b) seek a European security system guaranteed by the USA and the USSR. But what is the difference between (a) and (b)? Essentially only of words. "Neutralisation" is not a good word in internal German politics, I gather. It is not in keeping with a great nation like the Germans to have its neutrality guaranteed as if they constituted an "insignificant" country. So instead of the USA and the USSR guaranteeing Germany's neutrality they are to join in a guarantee whereby all the states of Europe undertake to combine against an aggressor. If the USA were to violate the neutrality of any European state, the USSR and the

rest of Europe would combine against the USA, and vice versa.

But if it is probable that the Soviets would be reluctant to agree to free elections in East Germany, it is also probable that the Americans, and the rest of the NATO allies, would in their turn be reluctant to guarantee a European security system to which Germany would, ex hypothesi, make no contribution. NATO observers point out that the history of post-war Europe is not one of Western aggression against the USSR. It is not the free West which has absorbed or "satellite-ised" 592,000 sq. miles of Europe with a population of 111,000,000. It is not the free West which has kept 5,000,000 men and 20,000 planes on a war footing. By May, 1946, the forces of the West had, on the contrary, fallen from over 5,000,000 to less than 900,000, and today NATO has fewer than 15 of the 30 divisions that its military leaders consider necessary to police Europe.

In view of all this, NATO observers point out, the risk is not that German neutrality would be threatened from the West but from the East, and while the USA and her NATO allies are ready to spring to the aid of a Germany which is bearing its fair share of the burden of common defence they see no reason why they should rescue a Germany which is not.

These considerations give point and emphasis to "The Times" correspondent's otherwise somewhat cryptic final paragraph quoted above, and which led me to observe here last week that if the Opposition wins the September elections in Germany, I would expect a modification of emphasis in German foreign policy rather than any spectacular departure in a new direction.

THE POOR MAN OF EUROPE

(From Our Special West European Correspondent)

MILAN, July, 27.

WITH the progressive ratification of the Common Market treaty by the Continental parliaments, the economic future of West Europe is henceforth officially held to be determined by the terms and dispensations of that complicated pact. Here in the capital city of Italian commerce and industry the prospects of the Common Market are seen in a very different light from that of the more prosperous North European centres. Not that, on balance, Italian industry is more anxious or more confident than the Northerners. But the sum of prudent optimism that everywhere has permitted ratification of the treaty is arrived at here by adding up a different mixture of hopes and fears.

The first and most evident reason for this is that Italy is the poor man of West Europe, and as the weakest partner in the customs union she naturally has different advantages to seek and different dangers to avoid in the Common Market. The following figures for per capita gross income in 1955 (in dollars) will show as clearly as any other index Italy's weakness:

Belgium and Luxembourg	.. . 1,132
France	.. . 1,076
West Germany	.. . 779
Holland	.. . 711
Italy	.. . 451

Regarding what happens when a poor region is united in a Common Market with more industrialised regions, an example drawn from Italian history has been much canvassed in West Europe generally, notably by M. Mendes-France, and of course this example is much more in the minds of the Italians: this concerns the fate of Southern Italy after the unification of the kingdom in the last century. Unification was followed by relative impoverishment of the backward South, and by a much more rapid advance in the more prosperous parts of Northern and Central Italy. It is this increasing imbalance that is nowadays sought to be rectified by the ambitious agricultural and multi-purpose plans for Southern Italy. (Indians will know that similar fears are seldom far from the minds of South Indians.) Italians, even here in the industrialised North, fear that this process might now be repeated in the Common Market, with backward Italy playing the role of the impoverished South.

This danger would be regarded with less apprehension if within the Common Market, as within unified Italy, labour could migrate freely from areas of unemployment to busier centres, and if capital could move equally freely toward low-wage areas, i.e. if the imbalance could be rectified as it is slowly being in the United States where Southern labour drifts North while Northern capital invests in the South. But this is not likely to happen within the European Common Market. This is because, while the treaty is very explicit about abolition of trade restrictions, it is less precise about the need for a free migration of labour, and quite vague about the free movement of capital. It is feared in Italy that such increased movement of labour as occurs inside the Common Market will not relieve Italy's vast surplus of untrained workers but will mean the migration of scarce Italian specialists and technicians toward more active centres in the North; and that moreover the inclusion of the overseas colonies of France in the Common Market will mean that cheap untrained labour

will be drawn not from Italy but from such regions as Algeria.

Inadequate movement of labour within the Common Market will not be compensated for, in the Italian view, by an adequate movement of investment capital. The view here, in a capital-hungry country, is naturally that the Common Market will never really work until capital movements across the borders of the six countries are virtually free, as they have been for the past three years within Benelux. The Italians think (and here critical French opinion agrees) that the European Social Fund and the European Investment Bank set up under the treaty will not be able to supply anything like enough capital to safeguard the progress of the undeveloped regions of Europe, namely Southern France below the Loire and Italy. The European Bank will have a capital of only £40 millions, though of course it will be able to borrow and thus lend much larger sums.

Finally, on the adverse side of the account, there is keen awareness here of the dangers of cartellisation and market-splitting agreements between firms in the various countries, designed to protect them against the "beneficial" effects of competition in a unified market. No doubt, the text of the treaty explicitly forbids international cartels, but it also mentions numerous exceptions to this ban for cases where such agreements will increase output. It is thought that these escape clauses will be abused, to protect invested capital at the expense of the West European consumer, and indeed it is common knowledge that leading firms, especially in France and West Germany, are already negotiating "specialisation" pacts between themselves against the day when competition in the Common Market might prove inconvenient. In other words, big industry is already taking out secret insurance policies just in case liberalism works. It was shown on this page lately ("A Benelux Balance Sheet", July 12) that it was by means of such specialisation and market-splitting that Dutch and Belgian industry solved the problems of free trade within Benelux. Still, it is recognised here that it would be innocent to expect West European industry to accept a genuine return to free trade, and that specialisation pacts are the price the consumer must pay for the other advantages of the Common Market.

Now against these specifically Italian fears must be set the hopes Italy places in the Common Market. There are of course all the generally accepted arguments in favour of the experiment, but here we are concerned only with the special advantages the Italians hope to gain. The first is that Italy has already gone further than any of her partners in liberalising imports. This courageous policy has not produced any shocks for Italian industry and so there is a willingness to press liberal trade policy further. But it is realised here that it would be very difficult to obtain any further measures of liberalisation from Italy's partners, such as would guarantee an increased offtake of Italian exports, unless the Common Market is introduced. In other words, the Italian economy has reached a point in liberalisation where it is better to go forward than backward, and the Common Market is the only hope of advance. Not only that, but it would be uncomfortable for Italy to stand still: because she has liberalised her imports more than the five other countries have increased their imports of Italian goods, Italy is paying the price of this boldness in unfavourable trade. Thus in 1955, because of

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unequal liberalisation of imports, Italy bought 14.1 per cent of the total exports of her five partners, but provided only 9.3 per cent of their total imports. Therefore, any further freeing of trade induced by the Common Market treaty must benefit Italy more than the others, who have hitherto been less enterprising in freeing imports.

Italian industrialists see another advantage in the Common Market which, if it materialises, will be peculiar to their own case. Italy is by far the most over-controlled of the six Continental economies; Italian business feels the strait-jacket of Government planning and restriction much more than German or even French business. Now, Italian business men hope that the Common Market, no matter whether it takes a "liberal" or "regional protectionist" turn, will surely break up the internal controls that bind the Italian economy. If the Common Market turns out to be a liberal, old-style, free-trade institution, this unfreezing of the Italian internal economy will certainly be produced. But even if, as many people fear, the Common Market comes to mean protection on a bigger scale (where West Europe and not any single country is the area to be protected), the Italian Government will still have to surrender many of the chains by which it now binds domestic trade and industry. Supra-national protectionism (a prospect regarded with distaste by Belgian business men who already live in one of the world's freest and most liberal economic regimes) would be

welcomed by Italian business men as a lighter burden than the heavy hand of the Government in Rome.

In France, critics and detractors of the Common Market usually meet the lyrical arguments of supporters by pointing out that most of the advertised advantages of the treaty would in any case accrue to the French economy with or without the treaty, because that is just the way economic events are tending. For instance, it is no argument in favour of Euramarket to say that it will oblige French industry to modernise, because French industry will just have to modernise anyhow, if France signs the treaty or not. Here in Italy, on the other hand, supporters of the Common Market usually meet the gloomy prophecies of detractors by pointing out that the advertised dangers of the pact would be encountered by Italy whether or not she joined the Common Market. It is no argument against the treaty that it will present Italy with capital and labour problems, because she would face increasing difficulties on these scores even if she declined to join her partners. Probably both sides are in the right: the Common Market will not after all call up dangers that could otherwise have been avoided, and no more will it present advantages that would otherwise have been missed, by the nations of West Europe acting individually. But it will constitute a stimulus and an encouragement for reluctant Governments to do the inevitable, to do today what they would have had to do tomorrow in any event.

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WORLDGRAM

AGRICULTURE

World Record Grain Production: More grain was produced in the world last year than ever before in history—a total of 465 million tons—according to an official review. India and Pakistan ranked second to the United States as world producers. The US was the top producer with 130,100,000 tons followed by India and Pakistan with 55 million tons and Canada 29,300,000 tons. The Commonwealth Economic Committee, surveying the production, trade and consumption of wheat, wheat flour, maize, barley, oats, rye, rice for the present year, said the record production of grains was a fifth higher than before the war. The figures exclude the Soviet Union and China. Barley production of 55 million tons was a record as a result of heavy crops in Western Europe. The recovery of Asian production was reflected in the large world output of rice estimated at 85 million tons. Commonwealth countries supplied a quarter of the wheat produced outside Russia and China and over 40 per cent of the rice.

Need for Raising Cotton Output: The President of the Cotton Buyers' Association emphasised the need for increasing domestic production of cotton with utmost speed in view of rising internal consumption, at the recent annual meeting. The 1956-57 cotton crop, was estimated at 47.5 lakh bales, the domestic consumption was running at a record level of more than 47 lakh bales during the season on the basis of the current monthly average consumption of 393,000 bales. He predicted that the total carryover for the new season would be lower as compared with that at the beginning of the season. Prospects for export next season had become uncertain on account of lack of improvement in surplus stocks. The President stressed the need for imports of superior long-staple cotton in view of the insufficient domestic output and suggested that the problem of foreign exchange for the purpose could be solved by entering into arrangements in rupee, like the one made with Egypt. Prospects should be explored for such arrangements with the Sudan and East Africa.

INDUSTRY

Lead and Zinc Ores in India: The production of lead and zinc ores in India during the quarter ending March 1957, was 25,242 tons as against 22,241 tons in the quarter ending December 1956, according to the Indian Bureau of Mines. The production reached an appreciable increase of 6,866 tons as compared to the corresponding quarter of 1956. The entire production is reported from the Zawar Mines of Rajasthan. The lead and zinc concentrates recovered from the ores during the first quarter of 1957 totalled, 1,143 and 2,255 tons respectively as compared to 1,069 and 1,815 tons in the preceding quarter. The lead concentrates are sent to the smelting plant in Bihar.

Engineering Units: At the annual meeting of the Textile Machinery Corporation Ltd., the chairman Mr. K. K. Birla pointed out spectacular increase in output in certain engineering industries since 1950-51. The efforts to produce various types of machinery and machine tools in collaboration with foreign interests is specially important from the national angle. There is considerable scope for further expansion as the value of indigenous products is still only a fraction of the value of imported engineering goods. The Tata Locomotive and Engineering Company Ltd., has done well

in the manufacture of locomotives, diesel engines and road rollers. In the year ended March 1957, the sale of products and services amounted to Rs. 21.45 crores against Rs. 11.98 crores in 1955-56. There was an increase in the output of locomotives and boilers by 30 per cent over the previous year. Against the scheduled output of 50 complete locomotives and 50 spare boilers, the actual 1956-57 output was 67 complete locomotives and 44 additional boilers. The indigenous content of each unit produced was well over the figure of 75 per cent stipulated by the Railway Board. In the automobile division the output of Tata Mercedes-Benz vehicles exceeded the target of 6,000 units, while the progress of indigenous manufacture was strictly maintained.

The Caltex Refinery: The Caltex Oil Refinery at Visakhapatnam is now in full operation. Since the last unit went on stream on July 14, tests confirm that the entire refinery is operating satisfactorily and will be able to maintain its designed capacity. Costing Rs. 15 crores, the Caltex Refinery, an offspring of India's second Five-Year Plan, took approximately two years to build. It is situated on a site of 515 acres leased from the Visakhapatnam Port. At the peak of construction there were 9,000 Indians on the job. There are now about 500 employees on the operating staff. The Caltex Refinery's yearly output of quality products is 74,000,000 gallons of petrol, 21,257,000 gallons of superior kerosene, 8,177,300 gallons of inferior kerosene, 31,631,000 gallons of diesel oils and 26,495,000 gallons of fuel oils.

TRADE

Export of Ores from Mysore: The State Trading Corporation proposes to export 50,000 tons of iron ore and 30,000 tons of manganese ore from the port of Cochin, during July 1957 to June 1958, Mr. Satish Chandra, Deputy Minister for Commerce and Industry told the Lok Sabha recently. The S.T.C. had come to the conclusion that it would be a practicable proposition to use the Cochin port for shipment of iron and manganese ores. Madras, Musulipatam, Kakinada, Vizagapatam, and Bombay are the other ports which are being used at present for export of these ores from Mysore State.

Scope for Trade with Ghana: Reports from Trade Representatives abroad suggest that the new Republic of Ghana offers a potential market for a variety of Indian goods generally, and engineering and textile goods in particular. Items such as printed cotton piece-goods, rayon fabrics, cotton hosiery, bicycles, cement, trucks and automobiles, corrugated sheets, certain types of perfumery and household articles, could establish a good market. Ghana is said to produce 420,000 tons of cocoa and needs packing materials to the extent of 5,500,000 new jute bags and 250,000 used jute bags annually. Besides palm kernels, cocoa kernels and other farm products require 2,15,000 jute bags for packing. The customs tariff in Ghana is relatively low, but it is rather high for deluxe products such as perfumery cosmetics, wines and alcohol. The monetary unit in Ghana is West African pound, but commercial money is pound sterling (980 francs).

Industry and Trade: Maintenance of the upward trend in industrial production and an increase of more

than 11 per cent in foreign trade, accounted for by a sharp rise in the price of imports, were two broad features of Indian economy in 1956. A report of the Ministry of Commerce and Industry said a remarkable quickening in the tempo of the country's economic development since the beginning of the year, and the emergence of a seller's market in capital goods and machinery, resulting in an increase in the value of these goods, affected the pattern of India's foreign trade during 1956. Imports in India valued Rs. 808 crores as compared with Rs. 649 crores in 1955, while the value of exports amounted to Rs. 606 crores against Rs. 602 crores in 1955. The trade deficit increased to Rs. 193 crores from Rs. 40 crores in the preceding year. Increases in imports were "significant" in the case of metals, machinery and vehicles and "notable" in respect of chemicals, drugs and medicines, instruments and appliances, hardware, art silk yarn, provisions and oil man's stores.

FINANCE

Foreign Exchange Spent on Lubricating Oils: Mr. K. D. Malaviya, Union Minister for Mines and Oil recently gave the Lok Sabha the figures of foreign exchange, involved in India's annual import of lubricating oils for each of the last three years. The figures which were based on an extract from the publication "Accounts relating to the foreign (Sea, Air and Land) Trade and Navigation of India" were:

Year	U.S.A.	U.K.	Other Countries
1954	Rs. 3,69,61,072	2,01,47,665	2,51,73,746
1955	Rs. 3,03,34,378	2,56,29,225	2,23,12,913
1956	Rs. 2,85,39,077	3,44,47,613	2,52,00,242

Valuation of Property: In order to assess the value of different kinds of properties for purposes of the Estate Duty Act, the Government of India propose to appoint qualified persons as valuers. Property for valuation may be divided into eight broad categories and experts will be selected for each of them. Valuers will be drawn from Surveyors, Engineers, Mining Engineers, Architects, Specialists in Agriculture and Farm valuation, Specialists in Works of Art, in jewellery in precious stones and ornaments, Accountants and Actuaries. Scales of remuneration of valuers have been fixed by the Government. For any property up to Rs. 50,000 the scale of charges is $\frac{1}{4}$ per cent, on value of property exceeding Rs. 50,000 but not exceeding Rs. $\frac{1}{2}$ lakhs, $\frac{1}{4}$ per cent, and on the balance $\frac{1}{8}$ per cent.

New Currency Bill in West Germany: Resident convertibility in Germany will be almost complete under the new German currency and foreign trade bill drafted by the Ministry of Economic Affairs. Four liberalisation moves are foreseen in the field of transfer of money abroad. There will be unlimited and permit-free purchase of participations abroad in all currencies including dollars. The DM 3 million ceiling is being abolished. Unlimited purchase of real estate also in dollars, and unlimited transfer abroad of gifts and donations including dollar transfers, will be possible. The last move is an allowance of unlimited money for travelling purposes including dollars, with a limitation that in the case of dollars the country to be visited must be stated. The last three moves will have to wait for the Bill to be passed. Together with the freedom to buy foreign shares and securities granted last year, they will enable any German citizen to transfer his assets to any country this side of the iron curtain.

Compromise on the U.S. Aid Bill: President Eisenhower will receive a smaller foreign aid authorisation than he asked for, but a larger one than the House of Representative has voted to provide. The result seems assured because the Bill that will go to the White House will represent a compromise between a \$3,116.8 million measure that passed to the House of Representatives and the \$3,617.3 million Bill that won Senate approval last month. President Eisenhower had asked for \$3,864.4 million of new foreign aid funds for the fiscal year that began on July 1. The House Bill authorised \$1,500 million for military aid, a reduction of \$400 million from Mr. Eisenhower's request, \$250 million for the President's special assistance fund, a reduction of \$50 million, and \$15.9 million for Point Four technical aid, the amount that President Eisenhower asked for.

GENERAL

Fish Boat Construction: The government of India has opened a training centre in fish boat construction for nominees of maritime State Governments. The first centre of its kind in South and South-East Asia, it will speed up mechanisation of fishing in the country. The object of the course, which is of six months duration, is to train fisheries officers of State Governments in marine engineering, naval architecture, boatyard and mechanical workshop practices and fishing gear. Practical training will also be imparted to candidates in work relating to engines, boat-building and electronic equipment. Each State Government will depute two candidates for training at the centre.

The Metric System: Mr. Morarji Desai inaugurating the inter-States conference on the metric system said that the Government has taken two main decisions—to standardise weights and measures throughout the country, and to establish the metric system. Weights and measures in use vary from state to state, and even in the same place from one trade to another in our present system. Units like the seer and the maund do not have the same magnitudes everywhere. The metric system obviates these discrepancies. It is almost a world wide system recognised by law in the USA, UK, and several other countries. A reform of this kind must be gradual. Parliament has, therefore provided a transitional period of 10 years. On April 1, 1958, it is proposed to introduce the metric weights and measures over a limited field. It will be extended gradually so that by 1966, or if possible earlier, the metric system is fully established in the country in all branches of trade and industry.

Newspapers in India: There are 6,750 newspapers including periodicals in the country according to the first report of the Registrar of Newspapers for India. There are two lists of newspapers. In list "A" are included 4,569 newspapers about which the Press Registrar has received particulars. In list "B" there are 2,001 newspapers about which no information has been received, but the States vouch for their existence. The report which covers the period from July 1 to December 31, 1956 shows that Hindi, with 1,254 dailies and periodicals has the largest number of newspapers. The study of circulation and ownership has been confined to about 2,400 newspapers in respect of which detailed information has been received. These include practically all important newspapers of different categories and their circulation in the country comes to 94.0 lakhs—78.2 lakhs sold and 15.8 lakhs distributed free.

NEWS IN BRIEF

INDIAN

The Government of India Resolution on the Tariff Commission's Report (1957) on the continuance of protection to the Piston Assembly Industry, recently published, reports that the government have accepted the main recommendation that protection should be continued till December 30, 1960 at the existing rates of duty.

Seven States have been sanctioned financial assistance by the Government of India for the schemes for preserving and reviving the Indian traditional craft of toy-making and developing it on modern lines.

The Government of India have approved the slum clearance projects of the Madras Government, and have sanctioned a sum of Rs. 16,25,985. The schemes pertain to the areas of Meenambal Sivarajnagar, Thiruvengadapuram, Mallikuppam, Lock Nagar and a housing plan for pavement dwellers.

Sixteen sugar factories are lying idle. Of these the machinery of ten were so worn out that it was no use rehabilitating them. The remaining six, with an annual production capacity of about 30,000 tons were idle due to reasons such as financial disputes and the plant being of an uneconomic size.

India's largest sheet glass factory—a joint enterprise of Japan and India in Bihar was formally switched on to production by the Japanese ambassador in India. About 30 Japanese technicians are helping to run the concern which aims at making India self-sufficient in glass requirements.

The Government of India have announced the simultaneous issue of two loans for a total sum of Rs. 100 crores. Interest on the loans is payable half yearly on February 1, and August 1, and will be subject to income-tax.

Rupees 3,29,92,940 was sanctioned during 1956-57 to various State Governments for Primary Education, out of which Rs. 2,19,13,177 was utilised. Rs. 77.155 lakhs were sanctioned towards increase in salaries of Primary School Teachers.

As on January 1, 1957, of the 28,746 foreign citizens in India, 22,190 were traders, 1,663 students and 4,893 were missionaries. The nationals of Commonwealth countries are not subject to registration and therefore not included in these figures.

The Employment Exchanges in the country registered 4,520 displaced persons and secured placements for 775 during May 1957. In the previous month, the number of registrations was 4,330 and placements 683. Of those placed during May, 380 were immigrants from East Pakistan and 395 from West Pakistan.

The Indian and Eastern Newspaper Society have offered a voluntary cut in import licenses for newsprint up to a maximum of 15 per cent in either of their licensing periods January-June 1956 or July-December 1956, as an effective contribution to curtailing of imports in view of the tight foreign exchange position.

FOREIGN

In Britain 100,000 company-employed provincial busmen are on strike. If it proves fully effective, some 27,000 buses, or more than half of those operating outside London, will be off the roads.

A special committee of the West German Defence Ministry is at present studying British, Canadian, US, French and Italian jet fighters to determine which model the new German airforce should purchase.

The US Treasury is offering a 4 per cent interest rate, the highest since the depression years, on a \$24,000 million issue of Government securities.

West Germany and Canada have talked about Canadian Uranium exports to begin on January 1, 1958. Germany plans to buy from Canadian uranium concentrates and metallic uranium corresponding to a quantity of 100 tons of uranium metal annually for five years.

Rocks and stone sculptures worth about 3,500,000 yen were shipped recently to France for the purpose of making a Japanese garden in the compounds of the UNESCO Headquarters in Paris. A modern Y shaped building is now being constructed on Place Fontenay donated by the French Government.

Brazil's crude oils production rose to record levels in the first half of 1957. It is predicted that 1957 production would be almost 10,000,000 barrels, more than double last year's. It is estimated however, that increase in consumption will match this increase in production.

With orders for over 2.7 million gross registered tons on their books French shipyards are very busy. Activity seems certain to grow until by 1960 the yards which delivered just under 300,000 gross registered tons in 1956 will complete 500,000 gross registered tons of shipping.

The UK motor industry exported nearly 205,000 cars in the first six months of this year—24,500 more than the same period last year. Export to the US in June with a record total of 8,300 brought the first half year's exports to the US to 43,000, three times the figure for last years.

The Pakistan Finance Minister said recently that he had failed to negotiate a long-term surplus commodities agreement with the US, but he had secured supplies of 800,000 tons of US surplus wheat and rice for the current year. A loan of \$2.5 million for the proposed Investment Corporation and another loan of \$32 million for Pakistan's railways would be finalised in August.

Directors of Egyptian concerns are to be subjected to a progressive tax ranging from 10 per cent on £E2,000 to £E3,000, up to 80 per cent on sums over £E10,000 per annum. This new sliding scale is in addition to normal taxation.

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Special Article

NEW BASES FOR PRICE INDICES

HITHERTO the Economic Adviser's Index Number of Wholesale Prices (Base: Year ended August 1939 = 100) has been the sole indicator of changes in the general price level and movements in the purchasing power of the rupee. Recently a new price series with much wider coverage and 1952-53 as base has been released. The new series is intended to replace the old one, though obviously both the series must remain concurrently in use for some time. In a similar manner, the base periods of the Working Class Consumer Price Indices (popularly known as the cost of living indices) have been shifted to 1949. It is the object of this article to analyse the implications of these changes in the price indices.

The old series of wholesale prices suffered from a number of imperfections. Its narrow coverage represented by only 78 commodities, 30 marketing centres and 222 price quotations revealed its non-representative character for a country of the vastness of the Indian Union. Significant structural changes in the economy brought about by the war and partition of the sub-continent altered the relative importance of different commodities in the index, necessitating a change in the "weights" of commodities according to their latest importance. In view of these defects in the old series the new series needs to be welcomed because it eliminates some of the major shortcomings of the old series. Moreover, the new series has been brought out after incorporating most of the strong points made in the severe criticism to which the old series was subjected during the last decade.

The revised series of wholesale prices covers no less than 129 commodities and 555 quotations which clearly shows that coverage has more than quadrupled. From this angle, the base of the revised series is ideal and comprehensive. There is another cogent factor which goes in favour of the revised series. The base year 1952-53 can easily be accepted as a representative and normal one because it did not register any violent fluctuations in prices. Another important characteristic of this year is that it was the year in which price controls were dismantled, thereby leaving the determination of prices to the operation of the normal market forces of supply and demand. No doubt, it would have been better to take average prices for three consecutive years for the base, but it seems that the violent fluctuations in prices consequent upon partition of the country and the Korean War stood in the way.

The revised index of wholesale prices which was expected to untie some old knots has, however, added

one more. It is the large divergence as disclosed between the price changes in the two series during the last twelve months. Table I below sets out wholesale prices for food articles and the general index for both the old series and the revised series. It will be seen that the old series shows a rise of 18.4 per cent in food prices during the last one year while the revised series shows a rise of 10.4 per cent only. Similarly, the over-all rise in prices, as represented by the general index, according to the old series works out to be 10.6 per cent as against a rise of 8.3 per cent according to the revised series. The revised series, therefore, has shown a slower rate of rise in prices in the recent past as compared with the old series. In the current inflationary spell, it certainly makes a considerable difference if the official indicator of price changes reduces the price rise by forty to fifty per cent. It has created misgivings in certain quarters about the purpose behind the issuance of the revised series.

The explanation for these differences is not far to seek. Since the coverage of the new index and the relative importance of the various commodities are materially different from the old index, the discrepancies are natural. Moreover, the base of the old index was undoubtedly remote and therefore had become outdated. The only precaution needed for the time being is that the old series should not be stopped. It should be allowed to continue till the appearance of the next deflationary cycle in the Indian economy. At that time, the old series, in all probability, will show a steeper fall, than the new series. After having demonstrated the comparative stability of the revised series in periods of rising and falling prices, the Economic Adviser could safely withdraw the old series without creating any scepticism in the mind of the public.

It will be interesting, however, if the Economic Adviser in the meantime devised a suitable linking factor between the old and the new series. It will be a tough task because week-to-week movements in the two series do not seem to show any correlation.

In the case of consumer price indices, where the base period has uniformly been changed to 1949 for all the industrial centres, there seems to be no scientific basis for conversion. As a matter of fact this type of shift is absolutely unnecessary. It is unscientific since it is not based upon any new consumer surveys. The change, therefore, is arithmetical, designed only to hide the highly fluctuating character of the old series based upon pre-war prices and consumption habits. Except that this conversion is a matter of convenience, it cannot be justified on any other ground. For lack of scientific approach, this move to 1949 lays itself bare to criticism

TABLE I

WHOLESALE PRICES

(A Comparison of the Two Series:)

	Base: 1952-53 = 100			Base: Year ended August 1939 = 100		
	(1)	(2)	(3)	(4)	(5)	(6)
	June 1956	June 1957	Percentage Change of (2) over (1)	June 1956	June 1957	Percentage change of (5) over (4)
General Index	102.1	110.6	+ 8.3	397.9	439.2	+10.6
Food Articles	99.0	109.3	+10.4	366.2	433.4	+18.4

and doubts. The new change is also unnecessary, not only because it adds to confusion but because it is of no practical value. The dearness allowance of the working classes in all industrial towns is linked with indices either with the pre-war or 1944 base. Even recently no agreement between management and labour has been signed which has 1949 as a base in the computation of dearness allowance. In the latest decision of the Wage Board for Working Journalists, the dearness allowance has been linked with 1944 and not 1949. The utility of the new series of consumer price indices with 1949 as base can hardly be vindicated. A shift to 1949 seems to have been made only on psychological grounds. Table II compares the consumer price index for working classes in Bombay with regard to the new and the old bases, for the year 1956. It will be found that between January and December, the old series with 1933-34 as base shows a rise of 21 points, whereas the new series with 1949 as base shows a rise of 7 points only. That the fluctuation in the new series is 1/3 of that in the old series is the only consolation.

As a matter of fact, the proper course would be to organise fresh consumer surveys in all the important industrial centres in 1960-61 — the last year of the

second Five-Year Plan — and then link allowances and salaries with the new indices.

TABLE II
CONSUMER PRICE INDEX: BOMBAY

1956	1933-34 = 100	1949 = 100
January	334	109
February	377	110
March	350	114
April	358	117
May	357	116
June	358	117
July	354	115
August	361	118
September	352	115
October	358	117
November	356	116
December	355	116

The Business World

MORE MUDDLING IN MANGANESE

By
CROESUS

SINCE I wrote on this subject in mid-May (vide "The Eastern Economist" dated May 17, 1957 — Pp. 751-2), there has been more muddling still — and not less as I had hoped — in this business of manganese exports. When the subject figured prominently in Parliamentary discussions recently, I must say, the State Trading Corporation managed to produce an impressive catalogue of its export and import contracts up to May 1957, and got away with it. Surely export contracts of an aggregate value of Rs. 2,447.74 lakhs and import contracts worth Rs. 1,235.61 lakhs could not fail to impress anyone, not excluding some of the severest critics even of the S.T.C., but it would be interesting to know to what extent these contracts have actually materialised. In so far as manganese exports were concerned, it may be noted, the S.T.C. claimed it had contracts on hand to the tune of 365,642 tons, which were supposed to bring in over Rs. 7 crores of valuable foreign exchange. What a timely and magnificent contribution the S.T.C. would have made to our balance of payments accounts, had it fulfilled all these contracts? But I maintain, with all the emphasis and responsibility at my command, that not all these contracts — nor even a major part thereof — have fructified yet. I am also in a position to state, as a result of my exhaustive enquiries, that, out of about 4½ lakh tons of manganese exported from this country up to the end of June last, the actual share of the S.T.C. was only about a lakh of tons or less than 25 per cent of the country's total exports of manganese!

The one reason for this is the known unwillingness of the S.T.C. to listen to the advice of even those in the Private Sector who, looking to the larger interests of the country, have offered wholeheartedly to co-operate with the S.T.C. in making a success of the S.T.C. Expectedly, the result has been that, instead of getting all the co-operation of miners and shippers for which it so fervently appealed, the S.T.C. has been alienating more and more of its erstwhile friends. Only last month, the representative of the Western India Minerals' Association was withdrawn from the Liaison Committee appointed by the Union Ministry of Commerce and Industry as a protest against this Committee's refusal even to listen to, let alone accept, the views of the Association.

I would not regard even this attitude as serious, unfortunate though it certainly is, but, when an officially-sponsored body like the S.T.C., which claims to, and ought to, serve as a model to the others, resorts to unworthy tactics just to absolve itself of its liability or responsibility on the flimsiest of pretexts, I feel, the public must take up cudgels. If all the allegations I have heard against the S.T.C. are true, I would be satisfied with nothing less than a public inquiry into these allegations. Meanwhile, it is for the authorities to ascertain the correct state of affairs. If only to provoke them to this action, as much as to focus public attention on these alleged shortcomings of the S.T.C., let me cite a few that I have heard.

In the first place, adequate stocks of manganese are not ready at the port of loading on the dates indicated to the parties. It is an accepted trade practice that it is the buyer's right, especially when the seller does not undertake the responsibility of chartering the carrying

vessel, to insist on the contracted stocks being ready at the port of loading on the stipulated date. But, because of failure to keep to the schedule thus, it would appear, frantic efforts are made by the S.T.C. at the eleventh hour to persuade the parties concerned to arrange for loading at some other ports, where too, eventually, it is believed, stocks of the requisite quality are found to be not forthcoming, but the parties are bamboozled nevertheless, into accepting whatever is available. Even after accommodating the S.T.C. in all these ways, it seems, there is wrangling in regard to settlement of claims for consequent losses, additional expenses, etc. after specific assurances are made earlier to meet all these. All these only suggest that there is a woeful lack of appreciation of how serious a matter it is to get a party to charter a vessel on solemn assurances of delivery on a given date even when the supply of the required stocks are not there. Secondly, when parties express a wish to let the contracts lapse rather than agree to all such impossible demands, a sizeable price reduction is offered (In one case, the shipment involved was about 20,000 tons, I learn) as a bait.

The third allegation — and this is most reprehensible — is that false pleas are made to shift the responsibility for the delay, thereby involving others, with or without their knowledge (if with their knowledge, I should use the term "connivance", but let me give the benefit of doubt). On one occasion, I am told, the delay was explained away by saying that the stocks of manganese could not be moved from the depot alongside the waiting vessel owing to lack of sufficient water to the Bombay Port Trust Locomotives! I did not know this was one more contributory factor to the present congestion in the Bombay docks, but, if this is so, a part at least of the blame for the congestion must, in fairness, devolve on the Municipal Corporation of Greater Bombay.

A much more serious "frivolity" than this happened on another occasion, when, it is alleged, because the stocks were not there, some persons connected with the S.T.C. tried to use their influence with the concerned Port Trust staff to delay giving berth to the vessel that was scheduled to take a consignment of manganese negotiated by the S.T.C.! Unfortunately for the S.T.C., the vessel in question was carrying food to this country and its top priority for berth evidently prevented the concerned Port Trust people — even if they had been inclined that way — from obliging the S.T.C. men.

Fourthly, the S.T.C. does not seem to countenance shippers entering into deals with any country they like and if, in spite of the S.T.C., any deals are entered into by them with some countries which it wants to monopolise perhaps, the shippers are compelled not to quote below a given price. It is hardly necessary to add that, more often than not, such a price bears no relation to realities, with results which anyone can guess.

Hearing all this sordid tale, I feel like repeating what a fellow columnist wrote in a Bombay contemporary about another Corporation a few days ago: "Those clever men who think they are having the best of both worlds — some politicians, some officials — seem unaware that the advantages are transient and adventitious".

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ANS/G/18

CONSUMER AND NATIONAL INTERESTS ABOVE PROFITS

By
CROESUS

IT may appear strange that profits of industry should tend to diminish rather than rise during a period of inflation. But this bids fair to be the pattern of industry after industry hereafter. Lest ardent advocates of the Socialistic Pattern of Society should hasten to claim this as an achievement to their credit, it must be straightaway pointed out that this is rather the outcome of the recognition by the more responsible of our manufacturers that it is their duty to keep in mind consumer and national interests.

Indeed, this is what Mr. J. R. D. Tata said in explanation of the less satisfactory profits of the Tata Oil Mills Co., Ltd. for the year ended March 31, 1957 as compared to its profits for the previous year. This happened, despite larger revenue, as Mr. Tata explained at the annual general meeting of the Company last Monday, because of (i) the steep rise in the cost of vegetable oils — the average rise in groundnut oil, for example, being as much as 45 per cent — and (ii) the mounting labour costs — the rise in salary and wage bill during the year being as much as Rs. 4.35 lakhs. Normally, any industry may be expected to compensate itself for these rises by raising the selling prices of its products to a corresponding extent. In the case of the soap industry, however, this does not seem to be possible — apart from the sense of responsibility consideration referred to above — partly because the market price of soap is not determined by the units of the industry concerned and partly because of the highly competitive nature of the soap industry.

Oddly enough, the competition in the soap industry that the organised section complains of is that of the non-power-operated section of the industry — the small units. For there is a very much higher excise duty on the organised sector of the industry than on the non-power-operated sector, and this is in addition to the enhanced import duty on perfumery materials and coconut oil and the latest increases in excise duty on all vegetable non-essential oils, from which the non-power-operated units are exempt. Referring to this, Mr. Tata said:

"Such discriminatory treatment has proved a great disincentive to the sound development of the soap industry. The total soap production of the organised sector in 1956 was a little under 110,000 tons, against the target of 200,000 tons set by the Planning Commission under the second Five-Year Plan. It is becoming increasingly apparent that the organised industry will not be able to attain the target allotted to it even though the estimated 'per capita' consumption of soap in India stands at the woefully low figure of 1.5 lbs. per annum, which is about the lowest in the world."

At the same time, Mr. Tata made it clear that he was not opposed to the Government's desire to assist and promote cottage industries, in order to relieve unemployment in the rural areas and he added he did not even mind some loss of market to the organised sector of the industry on this score, but he strongly felt that "some of the Government's policies in this direction have obviously gone too far and become wholly unrealistic." Explaining why he thought so, Mr. Tata observed:

"These policies protect and bolster up not so much the real cottage industries, for whose benefit they are primarily intended, but the small-scale soap makers in big cities like Bombay, whose activities and growth at the expense of the organised industry are of no real benefit to the country. In order to secure total or partial exemption from excise and other duties, they split up their operations into small, uneconomically sized units; they provide their labour neither with good wages nor with good working conditions, nor with the many fringe benefits which the organised industry provides; they make inferior soap, spend no money on research and, in effect, contribute little or nothing to the industrial development of the country".

In the result, as Mr. Tata remarked, the Government is causing great harm to the organised power-operated sector of the industry. Several units of this sector, potentially valuable producers of wealth of the country, operate at a fraction of their capacity — and are on the verge of extinction. It is time, therefore, that the Government recognised the realities of the situation and reorientated its policy in such a way that "while protecting, to the extent required, the cottage and small-scale industries in rural parts it would also permit the organised sector to play its due and practicable role in the national development."

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Economic Report from the U. S.

GLOBAL MOVEMENT OF PRIVATE FUNDS

(By GUY SIMS FITCH)

WASHINGTON, July 30.—The flow of private capital around the world reached record proportions in 1956. This is the gist of a report prepared at the United Nations headquarters in New York for the UN Economic and Social Council's meeting in Geneva. Among the large contributions to the increased global movement of funds last year were the United Kingdom and West Germany. But, as has been the case throughout the post-war period, the chief impetus came from capital exports from the United States.

One reason, of course, is the availability of capital in the United States. But, beyond that, the price of US capital still is below that prevailing in most other countries despite the recent rise in US interest rates. In all, the net outlay of long-term capital from the United States nearly doubled in 1956, reaching a record total of about \$3,000 million. Most of these funds went to Canada, Latin America and the world's newly developing lands. But there also was a perceptible rise in US investments in the more advanced countries of Western Europe.

The Latin American experience provides an interesting example of the importance of outside capital investment. Foreign funds have traditionally laid a large part in Latin America's capital formation. Rising 50 per cent in 1956, they represented 9 per cent of the region's total investment, including public funds. To be more specific, take Venezuela, a country that historically has encouraged private foreign investment. This type of investment has been instrumental in the development of petroleum, Venezuela's principal industry. Already turning out three million barrels of oil a day, Venezuela last year earned nearly \$250 million from the sale of new petrol. It is estimated that some 73 per cent of the Venezuelan Government's income in 1956 came from oil. With its earnings augmented, the Venezuelan Government is helping to expand the country's steel production including a petrochemical industry.

Among other countries whose development is being speeded by private foreign funds are Bolivia, Costa Rica, Guatemala, Peru, Israel and Turkey, the UN report notes. The report attributes their development pace largely to the enactment of liberalized investment legislation in recent years. Experience also shows that foreign private investment can contribute importantly to economic stability as well as to economic development. As many countries with balance-of-payments problems have discovered, private capital from the United States has helped to bolster their dollar supplies.

It is encouraging, then, to find the UN report predicting a continued high level of US foreign investments

in 1957, particularly of long-term direct investments in productive facilities. The US Department of Commerce estimates that the net capital outflow from the United States in the first quarter of 1957 was substantially larger than in the same quarter of any other post-war year. Significant, too, was the relatively large outflow of short-term US capital—largely private bank loans—during the first quarter of this year. With few exceptions, as the Commerce Department notes, the short-term funds went to countries that had balance-of-payments difficulties, and reduced their need to draw on reserves or lower their foreign expenditures.

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BUSINESS NOTES

NEW TYPE OF ASSISTANCE FROM THE IFC

IN SPITE of the welcome arrival of more resourceful industrial finance institutions in this country in the recent past, the field for assistance which the Industrial Finance Corporation of India can provide will in no way suffer from any diminution. This is for the obvious reason that the demands for industrial credit are growing much faster than the existing resources of the various industrial finance agencies can cope with. For some time past reports had emanated from informed circles that the functions of the Industrial Finance Corporation of India are to be made more broad-based than heretofore. These reports have now been confirmed.

On July 29 last, the Deputy Finance Minister introduced in the Lok Sabha the Industrial Finance Corporation (Amendment) Bill which aims at widening the IFC's area of operation and its powers to acquire funds. The principal amendment is to the effect that the IFC will be authorised to enter into contracts of guarantees with foreign exporting firms in respect of the payment of the value of capital goods which those exporting firms undertake to supply to importing industrial concerns in India on deferred payment. Since the question of exploring the possibilities of imports of capital goods on deferred payment took an acute form, it became clear that one of the basic requirements to facilitate imports on this basis was lacking. This was the necessity of an institutional agency which would undertake to guarantee performance of deferred payments contracts. In fact foreign suppliers expressly mentioned this point. It is to meet this inadequacy partly that the IFC is being clothed with legal authority to undertake the business of guarantee.

In his address at the last annual general meeting of the IFC, the Chairman had made a strong point that considering the rising tempo of the IFC's lending operations and the growing volume of demand for loans which must be expected during the second Plan period, it was urgent that the IFC's lending resources should be augmented. The Amendment Bill contains a clause which doubles the borrowing powers of the IFC. At present it can borrow from the public, the Reserve Bank and the Central Government amounts totalling up to a maximum of five times the paid-up capital plus the reserve fund. This power to borrow from the three sources mentioned will be raised by the Amendment Bill to ten times the value of the paid-up capital and the reserve fund. Another amendment deserves to be noted. Under the existing Act all risks arising out of fluctuations in the exchange rate of the rupee in terms of foreign currencies is to be borne by the Central Government. It is plain that the high magnitude of transactions in foreign exchange will raise the size of this risk. The amendment provides that the risk concerned should be borne by the industrial concerns on whose account the foreign exchange transactions are concluded.

OMINOUS OBSERVATIONS

SOME OF the observations made by the Union Minister for Commerce and Industry at a reception held in his honour last week-end by the Bombay Yarn Merchants' Association and Exchange are bound to give rise to a first-rate controversy on forward trading in this country. From what Mr. Morarji Desai said on the occasion, it would seem that the Government of India, at any rate the Union Minister for Commerce and Industry, is perhaps having second thoughts on the utility not only of forward trading but even of the Forward Markets

Commission itself. Whether or no there should be forward trading in cotton yarn may be a debatable issue, but one thought that the Government of India had been fully converted to the view that forward trading is an indispensable adjunct of the present-day economic mechanism. It is, therefore, difficult to appreciate the significance of the Minister's sweeping statement that "the element of covering one's risks by resorting to forward trading has largely disappeared and forward business has assumed the proportion of large-scale gambling." Although it is true that forward trading in any commodity may tend to, and at times does, degenerate into rank gambling, this cannot be put forward as an argument to condemn the entire institution of forward trading as such or to give it a bad name perhaps as a preliminary to finishing it. Whether this is the intention or not, the Union Minister's observations are regarded as ominous and have caused considerable misgivings not only among yarn interests but among a much wider circle.

Again, a new dichotomy in forward trading was introduced by Mr. Morarji Desai when he sought to distinguish between forward trading in commodities produced seasonally and those produced all the year round. In respect of the former, especially basic raw materials, however, he seemed to concede that forward trading was necessary and workable. He even went so far as to say that, because these happened to be seasonal commodities, it was advisable to provide facilities to traders to cover their risks and maintain stability in prices. If this definition is applied strictly, perhaps only primary or agricultural commodities would fall within the category of goods in respect of which forward trading is held to be permissible by the Union Minister. But there are commodities other than agricultural commodities which are not necessarily seasonal, such as, for instance bullion, which enjoy the benefits of forward trading already. Does the Minister suggest then that there should be no forward trading in bullion? Again, a particular raw material may be neither agricultural nor be produced only seasonally, such as, for example, cotton yarn, but, for this reason, it does not cease to be a raw material for the textile industry and if it is thus accepted to be a raw material, even according to the tenets enjoined by Mr. Desai himself, it becomes entitled to the benefit of forward trading.

Forward trading, as Mr. Desai's own observations clearly denote, is necessary because it serves two useful and essential purposes. Firstly, it provides facilities to trade and industry to cover risks. Thus, it is customary for a cotton mill to cover its sale of finished goods by purchase of raw cotton simultaneously, so as to keep its production going. Secondly, it makes for stable prices, hedging operations serving as a cushion, as it were, to offset the otherwise disturbing effects of either a sudden rise or fall in demand or a surfeit or shortfall in supply. There is as much need of these twin purposes for non-seasonal and finished goods as for seasonal goods and primary commodities.

THE NEW LOANS

THE TWO new Central medium- and long-dated loans opening on Monday next will be fully subscribed or very likely they may even be over-subscribed. For one thing, the amount of Rs. 100 crores fixed as the aggregate of both the loans, with individual figures for each left to the market preference, is comparatively modest, particularly in view of the fact that the State Governments, with the probable exception of Bombay, are to keep away from the money market. During the

previous year the borrowing of the Centre alone was a little under Rs. 158 crores on a cash-cum-conversion basis; in addition 15 State Governments borrowed well over Rs. 68 crores almost entirely in cash. For another, the terms offered are attractive both in regard to the interest rates and the issue prices. Again, with a proviso that the unredeemed portion of the 1957 loan as well as 1958 loan, which between them account for about Rs. 82 crores, can be converted into the present flotation leaves, theoretically, only a cash subscription as low as Rs. 18 crores for both the loans. It is relevant to recall here that the Reserve Bank holds a high proportion of the 1958 loan.

Against this background, it is not surprising that both the 10-year 3½ per cent (issue price Rs. 99.5) and the 15-year 4 per cent (issue price Rs. 100) loans are open for a short duration of four days from August 5 to August 8. It is easy to appreciate that the Government will choose to accept substantial cash subscriptions and only the balance by way of conversion offered either by the public or the Reserve Bank. In addition, the Government retains the right to accept 10 per cent subscriptions in excess of the stipulated figure. The cash subscriptions are expected to account for something like three-fourths of the total offer. It would appear that the prevailing tight condition in the money market, coupled with the high tax proposals for the year, have influenced the decision in regard to the loan figures. It may be safe to assume that the issuance of the two loans will not disturb the existing pattern of yields on other securities.

SAVINGS THROUGH "PEOPLE'S SHARES"

AUSTRALIA HAS hit upon a new form of savings for investment which may provide the urgently needed capital for developmental measures as well as obtain the common man's participation in the economic progress of the country. Low denomination "people's shares" are offered by the State to the general public on attractive terms which have evoked an extraordinary interest in the broad masses of the population for direct association in what may eventually turn out to be a "people's capitalism". Following the amendment of the Nationalisation Act of 1946, the issue, for the time, of such shares of two major nationalised banks has evoked over-enthusiastic response inasmuch as the issue was oversubscribed by some 80 per cent. For the widest possible accommodation, therefore, the authorities had to cut down the maximum value of orders specifying higher nominal values to more manageable levels. It is understandable that a wide sweep of this magnitude would be too unwieldy for voting purposes, which explains the retention, by means of issuing non-voting preference shares, of as much as 87 per cent of the voting stock with the State which owns some 60 per cent of the share capital of the banks. At the same time, a novel structure of nationalised enterprises has come into being in that they include direct private investment.

This new scheme is not confined to one country but has caught attention in some others as well where need is felt for making savings attractive in order to find more and more investible funds. In West Germany, for example, the shares of a large concern, run on behalf of the Government, would be offered for sale, specially in small denominations, and the idea is being projected to stock companies owned by the Government. The scheme, of course, has its inevitable difficulties like the problem of adequate representation of the shareholders, the proper utilisation in productive investment of the sale proceeds, and so on. Whatever the problems may be, they are obviously of secondary importance in the overall picture. The primary objective is of increasing capital formation, which seems to be realisable. For India, all the time groping for financial resources, the scheme holds out the prospect of succeed-

ing to a large extent in tapping potential sources of this type of investment. Perhaps, in course of time, the present high levels of taxation would be rendered unnecessary, without in any way making for a diminution in investments. Indeed, not only would it relieve pressure on this front, but almost certainly it would generate in the people a real feeling of participation in the enterprise of construction, which the leaders of the country cherish so much. Nobody can, however, suggest a large-scale switch-over to the "people's shares". But a modest beginning is worth while, at least in the extension or launching of new ventures.

NEW GREAT INSURANCE COMPANY

IN HIS presidential address at the last annual general meeting of the New Great Insurance Company of India Ltd., Mr. Tulsidas Kilachand has touched upon some of the problems facing general insurance concerns. Among the more important ones is the necessity of a substantial increase in the share of the Indian Insurance Companies' Association Pool in the Government insurance business. This is a genuine demand and deserves a sympathetic consideration and early concrete action. As regards the working of the New Great, the results for 1956 are satisfactory. Except for the Marine department, premium incomes have advanced; the aggregate balance of Rs. 3.40 lakhs at the end of the year shows an impressive increase over the previous year's figure of some Rs. 2.66 lakhs.

After the nationalisation of life insurance in India, insurers have had to confine their business in a relatively much narrower sphere. The altered circumstances, therefore, underline heavily the necessity for general insurance interests to extend their activity both within the country and, beyond its frontiers, in the neighbouring countries. In this context, the revised Code of Conduct is of special significance in developing insurance mindedness. It is a matter of satisfaction that general insurers are largely conscious of their problems as well as responsibilities and are trying to evolve a new pattern suited to the prevailing conditions and needs of the country. For example, the setting up of the India Reinsurance Corporation is an important step towards improving the position of foreign exchange.

FUTURE OF GENERAL INSURANCE

THE CHAIRMAN of the Indian Insurance Companies' Association, Mr. R. M. Desai, in the course of his address at the 29th annual general meeting of the Association, has outlined the details of the possibilities of the expansion of general insurance vis-a-vis India's developing economy, with its inevitable stresses and strains. The primary need of the present time is to earn foreign exchange and Mr. Desai is hopeful about the Indian insurance companies' scope in this direction. Already, the revised Code of Conduct, which came into effect at the beginning of the current year, is expected to be a determined effort to improve general insurance operations. Indeed, the Code will prove fruitful only if it receives the "earnest support of all those who wish that this important business should continue as a free enterprise in the private sector."

One disquieting element, however, for general insurance today is the impending termination, at the end of the current month, of the institution of principal agents. Representations for the continuance of the existing system have been made. In view of the useful link that the principal agents provide between the insurer and the insured, and the peculiar conditions prevailing at the present time, the Government may reconsider its decision and permit the continuance of the principal agency system. This has particular relevance at a time when the future growth and expansion of general insurance, bound as it is with the progress of industrialisation, demands strong units with well trained personnel both in the field and the office.

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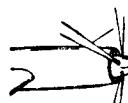
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Company Meeting

THE NEW GREAT INSURANCE COMPANY OF INDIA LIMITED

Speech of the Chairman, Mr. Tulsidas Kilachand at the Fourteenth Annual General Meeting of The New Great Insurance Company of India Limited at Baroda on July 27, 1957.

PRESIDING over the Fourteenth Annual General Meeting of the Shareholders of the Company held at Baroda on the 27th July, 1957, and in moving the adoption of the Directors' Report and Accounts, Mr. Tulsidas Kilachand, the Chairman of the Company, made a brief survey of the existing economic situation. Speaking in particular on the second Five-Year Plan, Mr. Tulsidas felt that the success of the Plan depended, in the ultimate, on the mobilisation of active support and co-operation of all sections of our society. People, high and low, should be enthused into undertaking voluntary sacrifices and accepting certain compulsions. Past experience, however, showed that rigid controls on different aspects of economic life hardly promoted expansion of productive activities, and in this context, the Chairman deprecated the growing tendency on the part of the State to assume ever-increasing functions through a series of legislative enactments and other measures.

In the sphere of finance, Mr. Tulsidas added, the tendency towards over-centralisation manifested itself in the mobilisation of the bulk of the financial resources of the community by the Government through taxes, borrowings etc., a major portion of which was first earmarked for programmes sponsored by the Government, thus placing the non-Governmental Sector at a serious financial disadvantage.

The Chairman also expressed concern at the mounting non-developmental expenditure of the Government and opined that it was essential that the Government should better focus their energies on getting rid of wastage in expenditure through inefficiency. If this was achieved, it was likely that additional imposts for financing the second Plan might not be necessary or at least might be lessened.

Dealing next with the problems facing General Insurers, the Chairman expressed the hope that the revised Code of Conduct would enable most of the Insurers who had yet to develop fully to take advantage of the industrialisation of the country and to extend their activities, both in the Acme market and in neighbouring countries. He also took the opportunity to plead for a substantial increase in the share of the Indian Insurance Companies' Association Pool in the Government Insurance Business.

Before concluding his general observations, Mr. Tulsidas referred to the setting up of the Indian Re-insurance Corporation, financed and managed by General Insurers, and hoped that the successful functioning of the Corporation would be of considerable assistance to the country, not only in reducing the drain on the foreign exchange but also in contributing, in course of time, to the country's foreign earnings.

Dealing with the departmental accounts, Mr. Tulsidas stated that the gross income for the year 1956 was Rs. 64,75,988 in Fire, Rs. 26,63,959 in Miscellaneous Insurance and Rs. 45,60,403 in Marine, whilst the net premiums were Rs. 31,00,407, Rs. 20,68,855 and Rs. 15,34,009, respectively. After providing for losses and expenses, and reserve at 50 per cent in respect of Fire, a sum of Rs. 4,35,426 was transferred to the Profit and Loss Account. The Chairman, also added

that Rs. 1,96,273 and Rs. 1,16,242 respectively were transferred from the Profit and Loss Account to the Miscellaneous and Marine Revenue Accounts.

In the Profit and Loss Account, after providing for the necessary outgo, the balance left over amounted to Rs. 3,40,257. The Directors proposed to transfer to Taxation Reserve Rs. 1,00,000, to Staff Gratuity Account Rs. 40,000, and to pay Eighth Dividend on Ordinary Shares at Rs. 1.50 per share free of income-tax, amounting to Rs. 1,50,000 being at the same rate as last year.

The Chairman also took the opportunity to thank the Company's Agents, fieldworkers, officers and staff for the splendid work that they had done last year.

The resolutions relating to the adoption of the accounts and the re-election of the Directors, Messrs. Gulabchand Hirachand, Ambalal Kilachand, Lalitkumar M. Khatau, Anandlal H. Sheth, Vrajilal Chhotalal, and Mohanlal L. Shah, and the declaration of dividend were carried unanimously. The appointment of Messrs. Dalal and Shah as the Company's Auditors for 1957 was duly approved by the Shareholders.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting of the Company.

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Company Meeting

INDIAN INSURANCE COMPANIES' ASSOCIATION

General Insurers Urged to Tap Vast Potential Market

THE view that the progressive implementation of schemes for the economic development of the country was bound to result in a gradual improvement in the general living standards of the people, thereby providing ample opportunities for insurers to add to their premium income, develop new lines of business and improve further the lines they were engaged in was expressed by Shri R. M. Desai, Chairman of the Indian Insurance Companies' Association, while presiding over the 29th Annual General Meeting of the Association, held on Tuesday, the 23rd July, at Bombay. Shri Desai emphasised that in order to explore and utilise the vast potential market, they required strong indigenous units with high administrative standards, capable of rendering efficient service.

Shri Desai stated that a disquieting feature of the national economy was the decline in foreign exchange resources, necessitating the imposition of severe restrictions on imports etc. It would be necessary to step up our exports—both visible and invisible—if this problem was to be tackled effectively and on a long-term basis. In this connection, he mentioned that Indian insurance companies, through their operations abroad, had proved a valuable source of foreign exchange earnings. He added: "There is an excellent scope for our companies to extend their activities still further....and help materially in augmenting our foreign exchange earnings." Referring to the recently set-up India Reinsurance Corporation Ltd., he remarked that it was a happy augury that Indian and other insurers were co-operating in a joint venture which was intended to meet a long-felt want for providing adequate reinsurance facilities to the trade.

Referring to the imminent termination of the principal agency system Shri Desai remarked: "Discontinuation of Principal Agents would have far-reaching repercussions and should be deemed particularly unfortunate at the present juncture when major efforts are under way to put the insurance business on a sound and healthy footing."

The Chairman next recalled how a Code of Conduct was evolved in 1952 with a view to setting up standards and sound practices for conducting the business and an administrative machinery was also created to ensure proper observance of the Code. He said: "...there is an inherent advantage of a certain degree of flexibility in operation under the Code, which a legislative enactment....cannot possess".

Emphasising that the stabilisation of the market on the basis of new standards would imply avoidance of competition among insurers for securing one another's business, for a period of two or three years, the Chairman observed that such a course would create the confidence that no company would lose through adherence to the Code. He urged that at least top Indian units should, besides conserving their business, devote their

energies entirely to creating new business. This would not only reduce wasteful competition, but also help in exploration of new lines of business.

The future growth of general insurance, said Shri Desai, was bound up with the progress of industrialisation and the diffusion of insurance consciousness among the mass of the people. Implementation of economic development schemes would result in a gradual improvement in living standards. This should give "ample opportunities to insurance companies to add to their premium income by developing new lines of business as well as by improving further the lines in which they are already engaged". In this connection, he emphasised the need for a well-organised and integrated market formed of strong indigenous units, with high administrative standards, capable of rendering efficient service.

The Chairman pointed out that with the expanding scope of insurance in India, there would be a growing demand for trained personnel, both in the Office and on the Field, qualified to give efficient service to the insuring public. He said it was very heartening to note that the Insurance Institutes in India were providing the requisite training facilities to insurance personnel and he hoped that the insurance staff would take full advantage of the facilities available. Finally, Shri Desai felt another matter which deserved their earnest consideration was proper publicity designed to spread the "gospel of general insurance" among the people.

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COMMODITY NEWS AND NOTES

GROUNDNUTS ARRIVALS IN MADRAS

Summer crop arrivals increased appreciably in South Arcot recently, Villipuram alone reporting about 100 tons of kernels daily. Pucca prices worked out at Rs. 169 to Rs. 170 per candy, (531 lbs.) Daily arrivals in Madras of old winter and new summer kernels averaged 500 bags and prices ruled firm around Rs. 170 to Rs. 172 per candy for summer and at Rs. 165 to Rs. 166 for old winter normal Madras bazar terms. Calcutta interest were actively buying oil for ready and July third week deliveries in Madras and outstations in South Arcot and Tirvannamalia, the total offtake being about 3,000 candies.

PRODUCTION OF INDIGENOUS SUGAR

The production of indigenous sugar amounted to 20.18 lakh tons up to July 15, 1957 in the current season as against 18.53 lakh tons in the corresponding period of last year. The total offtake including quantities despatched for export was 14.93 lakh tons. Stocks with the factories on July 15, 1957 stood at 10.49 lakh tons according to the Ministry of Food and Agriculture, Directorate of Sugar and Vanaspati.

SUPPLY OF WHEAT PRODUCTS TO SOUTHERN STATES

In order to ensure adequate supply of 'maida' and 'suji' to the States of Andhra Pradesh, Madras, Mysore and Kerala, the Government of India has decided to meet the entire requirements of the roller flour mills in these States from imported stocks. As the milling capacity in the four Southern States is somewhat inadequate, the Government of India has further decided to permit roller flour mills in the three wheat zones—namely, the Punjab, Himachal Pradesh, and Delhi, Madhya Pradesh, Rajasthan and Bombay, and Uttar Pradesh—to export 'maida' and 'suji' to the States of Andhra Pradesh, Madras, Mysore and Kerala. The Bombay Government has been advised to fix suitable monthly export quotas for mills in Bombay city for export of wheat products to other parts of the Bombay State and the southern region, after taking into account the requirements of the Bombay city. The Bihar mills are being supplied with wheat from Government stocks, and it is expected that these mills will be able to meet the requirements of Bihar. Assam, Orissa and West Bengal districts will continue to receive supplies of wheat products from flour mills in Calcutta.

TEA IN 1956

Mainly because of voluntary crop regulation in Northern India, and unfavourable weather in Ceylon, World tea production in 1956 (excl. China and the USSR) was 677,000 metric tons. It was just equal to the previous year's output. Production in India, the leading producer, was 301,000 metric tons. The second place was held by Ceylon with 170,400 metric tons. Japan and Indonesia produced 70,700 metric tons and 42,500 metric tons respectively. At 33,000 metric tons, output in Africa increased by 3,000 metric tons due to newly planted areas, and this rise has offset the slight decline in the output of Asian countries.

Sustained demand from overseas markets and expanding domestic consumption facilitated the marketing of crops, though prices at the Far Eastern auctions were generally lower. Exports from producing countries (excl. China) reached an all time record with more than 490,000 metric tons, or 20 per cent above 1955. India, with an increase of 70,000 metric tons over 1955, had the largest share (88 per cent) of the rise in total

1956 exports, although the unit export value declined by 22 per cent. Ceylon exported 162,300 metric tons; 1,400 metric tons less than the previous year. Indonesia and Africa improved their exports at 34,500 metric tons and 28,000 metric tons respectively.

On the importing side, the United Kingdom registered an increase of 3 per cent in net imports at 229,600 metric tons. The continental European countries, Canada, the Union of South Africa and New Zealand all imported more tea than in the previous year, and after an absence of several years from world markets, the USSR bought 4,600 tons from India in 1956. Purchases continued in 1957 and totaled 7,700 tons at the end of March. On the other hand, imports into the United States continued to decline for the second successive year. The main Near Eastern and North African markets—Iraq, Egypt, Sudan, Morocco—had to curtail their tea imports under the impact of the Suez Canal crisis.

INCREASED COAL OUTPUT DURING APRIL

Coal output in the country increased from 3,656,896 tons in March to 3,726,106 tons in April this year, according to information received from the Chief Inspector of Mines in India. Despatches of coal during April were 3,184,079 tons as compared with 3,248,079 tons in the previous month. Coal stocks at pitheads at the end of April were 3,086,772 tons as against 3,004,205 tons at the beginning of the month. During April, 830 collieries were reported to be working with an average daily employment of 352,369 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 13.70. Nine coke plants at collieries elsewhere produced 376,660 tons of hard, soft and other kinds of coke during the month, and despatched 202,802 tons.



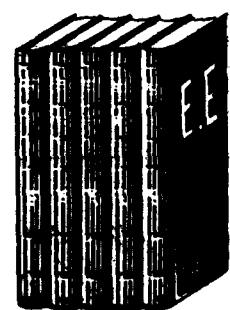
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CURRENT STATISTICS

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 ..	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	113.9
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	..	..	..	..
December 1956 ..	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 ..	404.3	514.73	400.0	384.3	567.8	422.1	89.9	99.0	78.7	106.8
May .. c ..	419.3*	536.3	406.5	387.7*	572.3	431.2	89.4	99.1	78.4	104.1
June .. c ..	433.4	541.3	413.0	392.4	575.3	439.2	89.5	98.7	77.6	102.6
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
8-6-1957 ..	435.7	530.9	414.5	392.3	570.7	439.2	89.6	98.9	77.8	102.7
15-6-1957 ..	421.3	543.9*	413.3*	393.1	571.1	437.5	89.6	98.9	77.6	101.3
22-6-1957 ..	430.5	539.9*	410.6*	392.4*	563.5	437.3	89.4	98.9	77.3	101.8
29-6-1957 ..	438.1	540.9	413.0	391.6	601.5	441.2	89.3	98.9	77.4	103.8
6-7-1957 ..	440.1	543.3	410.6	392.8	617.6	442.6	89.3	98.9	77.0	105.3

* Average of weeks.

Revised*

†Economic Adviser's Series.

††Reserve Bank Series.

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 — 100	Ahmeda- bad July 1927— 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbul- pur†	Madras June 1936— 100	Ludhi- ana†	Jamshed pur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	144
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	146
1952	321	337	250	143	351	441	380	150	330	161	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)

	WEEK ENDED											
	12-7-1957			5-7-1957			28-6-1957			21-6-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola	106.12	104.84	105.55	107.47	106.28	106.86	106.47	105.56	106.02	107.19	105.62	106.36
Silver (per 100 fine tolas)	179.75	177.19	178.70	181.75	179.06	180.45	182.56	179.87	181.19	182.69	181.37	182.03

SCHEDULED BANKS

Rs. in Lakhs)										
Period (1)	LIABILITIES			Cash (Notes + Coins) (5)	Balances with Reserve Bank (6)	(8 + 9) as percent- age of (4) (7)	Advan- ces (8)	Bills Discount- ed (9)	(8 + 9) as per- centage of (4) (10)	Invest- ments in Govt. Securities in India (11)
	Demand (2)	Time (3)	Total (2 + 3) (4)							
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
1948-49	674.66	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	..
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	428.74	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	52.29	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	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.22	7.96	626.08	155.66	71.39	359.35
Average of Fridays										
October 1956	639.78	455.05	1,094.83	38.15	49.08	7.97	612.27	146.94†	69.35	373.01
November	648.62	457.21	1,105.83	36.36	50.84	7.99	601.41	162.79†	70.24	365.95
December	652.09	460.42	1,112.51	36.63	51.06	7.98	611.97	168.62†	71.07	365.11
January 1957	659.71	459.06	1,118.77	35.49	49.32	7.64	647.60	165.94†	73.29	362.67
February	683.02	464.95	1,147.97	36.01	50.29	7.58	687.52	166.33†	74.97	367.27
March	705.11	466.94	1,172.05	36.27	51.79	7.58	708.67	168.45†	75.55	348.75
April	728.28	491.75	1,220.03	39.31	65.12	8.64	719.66	183.45†	74.69	346.68
Week Ending										
14-6-1957	712.67	544.13	1,256.80	40.94	59.78	8.19	743.32	187.03†	74.82	334.88
21-6-1957	711.26	551.01	1,262.27	40.80	68.10	8.73	741.61	178.90†	73.77	332.96
28-6-1957	723.38	553.02	1,276.40	42.38	68.72	9.60	746.03	173.05†	72.88	332.71
5-7-1957	713.14	563.76	1,276.90	41.30	73.51	9.12	741.69	173.27†	72.71	332.64
12-7-1957	715.71	569.88	1,285.59	41.32	74.74	9.22	737.10	167.11†	71.85	332.25

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday (1)	Money supply with the public (2) = (3) + (4)	Total currency with the public (3)	Deposit money with the public			Total variations in money supply (7)
			Total (4)	Demand liabi- lities of banks (5)	Other deposits with Reserve Bank† (6)	
1952-53	1,784.71	1,199.25	685.46	548.95	136.51	-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	687.22	12.01	+263.69
1956-57	2,301.84	1,550.47	..	..	..	..
April 1956	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	2,220.47	1,509.90*	711.57	700.80	10.77	+42.82
February	2,263.71*	1,526.58*	735.14*	723.36*	11.78	+42.24*
March	2,306.58*	1,553.06*	753.50*	741.87*	11.65	+42.87*
April	2,358.30*	1,584.78*	773.52*	761.01*	12.51	+51.72*
May	..	..	..	..	..	..

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

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
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62*	1,253.86
	(5.58)	(—)	(5.58)					(80)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	53.98	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	468.08	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	688.83	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
1956-57*	1,475.77	18.75	1,494.52	44.42	545.61	590.03	39.95	115.61	755.22	1,494.52
				(117.76)		(683.37)	(44.37)			
Average of Fridays										
October 1956	1,429.31	21.34	1,450.65	40.02	531.85	571.87	39.42	120.18	709.30	1,450.65
November	1,443.67	16.72	1,460.39	117.76	460.22	577.98	39.58	121.92	760.48	1,460.39
December	1,465.63	8.76	1,474.39	117.76	447.30	565.06	37.93	123.93	785.35	1,474.39
January 1957	1,488.29	15.48	1,503.77	117.76	441.09	558.85	37.57	123.46	821.46	1,503.77
February	1,508.89	13.48	1,522.36	117.76	412.52	530.28	36.70	122.05	870.03	1,522.36
March	1,521.09	13.54	1,534.64	117.76	412.52	530.28	34.55	121.37	882.98	1,534.64
April	1,569.25	11.86	1,581.11	117.76	412.52	530.28	33.58	126.41	922.42	1,579.11
May	1,582.22	17.53	1,599.75	117.76	412.52	530.28	33.35	125.60	943.87	1,599.75
Week Ending										
7-6-1957	1,587.94	16.30	1,604.24	117.76	412.52	530.28	33.05	124.15	949.81	1,604.24
14-6-1957	1,580.56	23.93	1,604.49	117.76	412.52	530.28	33.05	124.40	949.81	1,604.49
21-6-1957	1,539.24	36.41	1,575.65	117.76	412.52	530.28	33.23	125.66	939.81	1,595.65
28-6-1957	1,542.17	39.50	1,581.67	117.76	412.52	530.28	34.53	126.58	924.81	1,581.67
5-7-1957	1,551.49	29.27	1,580.76	117.76	412.52	530.28	33.54	125.67	924.81	1,580.76

BANKING DEPARTMENT

(Rs. Lakhs)

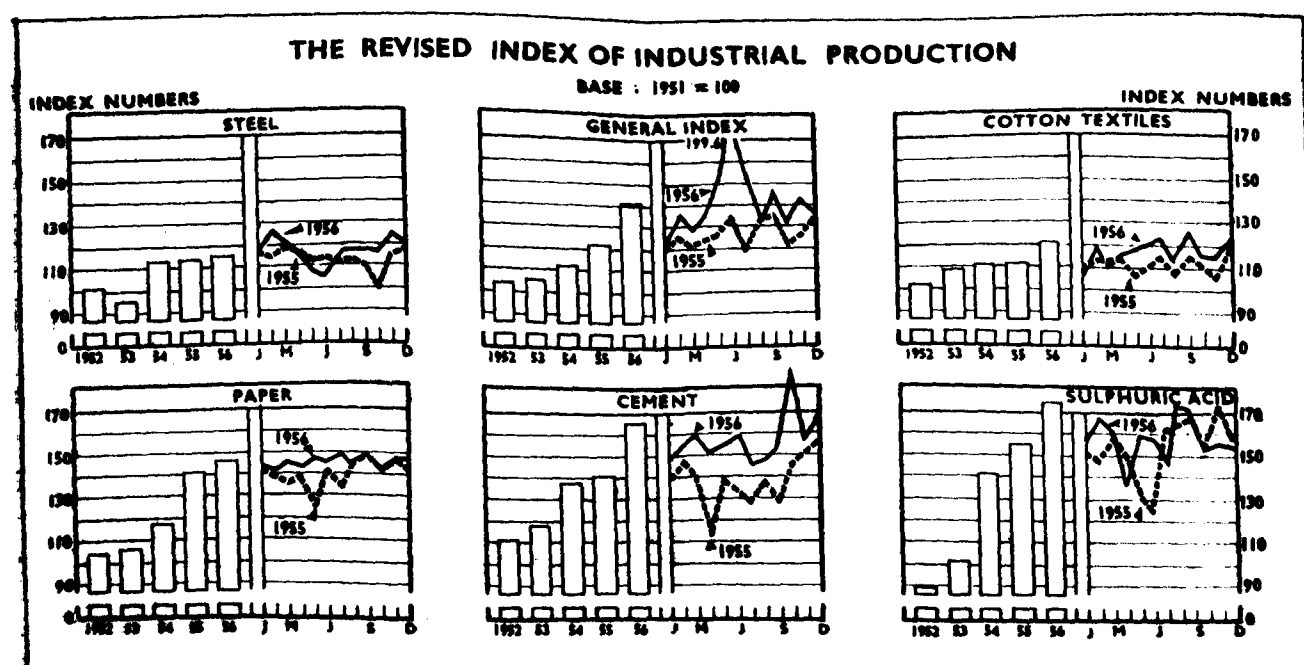
PERIOD	DEPOSITS					Other Liabilities†	TOTAL LIABILITIES & ASSETS*	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14.90	..	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1948-49*	222.17 (14.33)	16.93 (3.04)	80.63	56.52	393.72	15.33	419.05	22.12	4.28	307.78	1.71 (1)	3.34	75.65	4.14
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	960.54	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52*	181.30	15.95	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53*	136.40	7.79	52.89	61.93	259.02	33.69	292.71	28.03	6.84	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	81.68	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	45.69	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
1956-57*	57.52	14.10	52.46	19.73	143.81	101.21	246.92	18.91	5.69	64.77	4.89	85.34	57.82	13.66
Average of Fridays														
October 1956 ..	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	60.99	10.99
January 1957 ..	52.63	9.81	52.33	13.13	127.89	139.22	277.12	15.69	1.74	81.45	8.08	102.84	52.83	14.60
February	52.40	13.48	53.30	34.96	154.16	142.59	306.74	13.70	1.54	108.96	6.74	116.42	45.95	13.44
March	56.01	19.27	53.28	61.44	189.99	147.48	347.47	13.74	3.33	114.30	8.42	115.24	79.07	13.37
April	54.61	5.37	67.33	74.83	201.91	150.10	362.01	11.99	14.03	102.31	16.46	101.37	102.55	13.30
May	52.89	4.38	63.37	83.53	204.16	152.64	266.82	17.67	4.45	64.50	18.91	111.31	136.35	13.62
Week Ending														
7-6-1957	54.65	1.41	68.62	87.18	211.85	150.61	372.46	16.38	4.64	33.95	24.30	109.11	170.49	13.55
14-6-1957	52.46	1.19	64.82	121.00	239.46	157.63	407.06	24.08	5.83	61.19	25.98	98.06	178.65	13.26
21-6-1957	53.45	2.39	71.51	121.63	248.89	152.27	411.16	36.55	4.68	51.86	23.95	93.46	187.47	13.19
28-6-1957	51.80	8.25	82.15	85.78	261.98	154.98	426.96	36.62	13	40.82	23.88	91.46	216.81	14.24
5-7-1957	53.18	4.47	75.89	149.69	283.72	118.79	412.01	29.34	1.87	37.41	26.40	84.67	218.52	13.79

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									
		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
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
September 1955	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	153.9	119.5	205.3	142.3	160.0	108.4	167.5
January 1956 ..	122.9	110.0	107.7	112.4	105.4	121.2	164.3	148.2	116.7	170.3	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	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	363.4	112.2	163.9
October ..	131.8	109.3	116.2	122.4	113.2	111.8	170.5	188.1	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	157.8	191.6	65.3	177.2
January 1957 ..	138.9	124.4	122.4	130.8	118.2	123.8	176.8	169.0	129.3	241.2	156.0	135.6	129.9	174.1
February ..	140.9	133.6	122.7	133.1	117.5	123.5	192.3	174.4	120.5	256.6	157.7	128.0	135.6	180.0
March ..	..	125.3	116.0	126.8	110.6	117.3	..	..	..	..	154.2	169.7	..	..

* 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		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	1956-57	78,174	+1.7	28,142	+4.8
Wheat	Final	1956-57	32,891	+8.2	9,068	+5.8
Jowar	Second	1956-57	39,839	-3.2	..	..
Bajra	First	1956-57	23,620	-5.5	..	..
Maise	Final	1956-57	9,244	+1.4	3,020	+18.2
Ragi	Final	1956-57	5,674	-0.3	1,914	+5.2
Gram	First	1956-57	22,937	+3.0	..	..
Tur	Final	1956-57	5,696	+10.0	2,047	+11.9
Oilseeds						
i. Edible—						
Sesamum	Third	1956-57	4,996	-7.9	417	-3.9
Groundnut	Final	1956-57	13,101	+3.2	4,086	+5.8
Rape & Mustard	Second	1956-57	2,682	+4.6	..	..
ii. Non-edible						
Linseed	Second	1956-57	2,682	+4.6	..	..
Castorseed	Final	1956-57	1,403	-0.2	129	+4.0
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	Final	1956-57	738	+29.0	1,474*	+27.2
Other Crops:						
Tobacco	First	1956-57	826	+2.1	..	..
Potato	First	1956-57	573	+2.3	..	..
Sugar cane	Final	1956-57	5,019	+10.0	66,890	+12.8

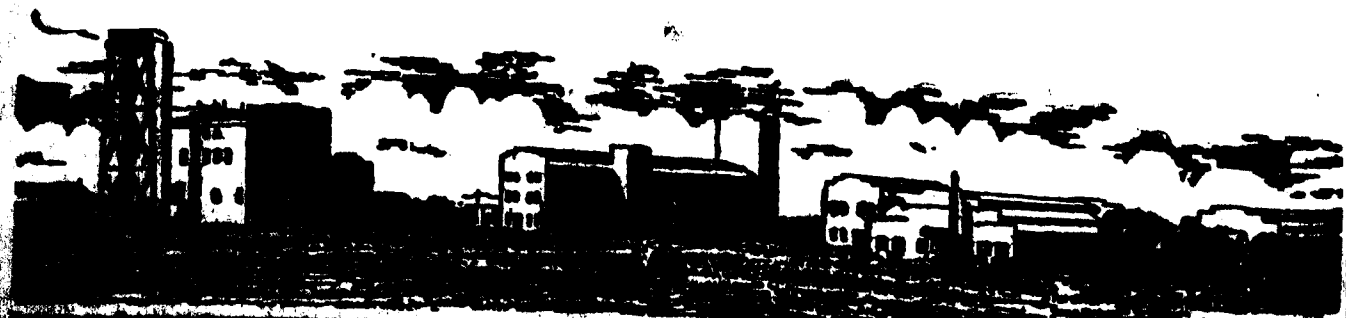
Source: Ministry of Food and Agriculture.

* Bales

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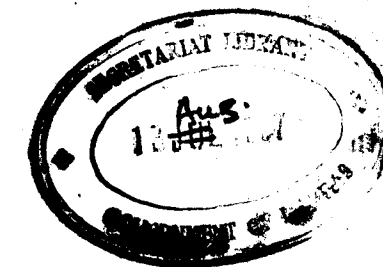
ATUL

DYES CHEMICALS PHARMACEUTICALS



THE ATUL PRODUCTS LIMITED

ATUL, via BULSAR, Western Railway



The Eastern Economist

VOL. XXIX. NO. 6.

NEW DELHI: AUGUST 9, 1957

ONE RUPEE

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Another D-Day in Delhi

AUGUST 9 or, rather mid-night of August 8-9, is another D-Day in Delhi. At the time of writing, it would appear that the Action Committee of the Posts and Telegraphs Workers' National Federation will launch a strike which, undoubtedly, will affect a large section of the postal and telegraph network in the country. Already there has been a slowing down in that registered articles have not been accepted from August 5. The dislocation will be

severe in many areas. It is not, however, the mere fact of dislocation and the serious waste of energy and effort at a critical time which is at this moment important. There are times when it is necessary to turn away from the event of the moment in order to concentrate on the philosophy and the character of the minds which have made the thought which has made the event. The magnificent unity of the Indian people in these matters is being disrupted; the reasons for this call for a probe more

deep than the acrimonious and inconclusive debate in Parliament in the last week has been able to do. There remains, at the present time, some considerable uncertainty in the public mind as to the rights and wrongs of the present dispute. It is essential that the public, before it throws its weight on one side or the other, should know precisely what is at stake.

In the first place, it must be admitted that most of the members of the P. & T. Department are seriously underpaid in the sense that it is not possible, at the current cost of living, to meet what might be described as their minimum needs. This might look as though it is justification enough for the interim relief which the leaders of the movement have claimed. But, surely, if the principle is accepted that all those whose standards of living are deplorably low must have an increase in real income, relief would need to be granted much more urgently to many others outside the P. & T. Department and, indeed, outside Central Government employees. Central Government employees remain, by and large, the best paid of all Government employees in the country. There are, before their claim can be conceded, other claims of higher priority also to be considered at least on the plane of social justice alone. Again, the admission that standards of living are deplorably low does not give us the resources wherewith to raise them. Those resources must be organized, and then must be augmented by hard work and not by lesser effort such as a general strike necessarily involves. The method by which pressure is being brought to bear on a country inadequately equipped to supply these wants is one designed to lower further our capacity to remedy the disease. Thus it comes about that, though the needs of the men are great and social justice would require some effort to meet these needs, the method of a general strike cannot, even on the proved admission of the necessity to relief, be approved by those who wish to approach this problem in a constructive spirit.

This issue is different from the one which was raised in the House on both sides and, particularly, by amendments suggested by Mr Frank Anthony and Mr M. R. Masani on the Essential Services Bill passed by the Lok Sabha. The point that the theoretical right to strike in a democratic society should not be undermined is admitted; but every strike, like every other action in a society, whose cohesion has to be maintained at any price, must be limited by the breaking tensions of the particular case. There is no fundamental right either to strike or to lock-out. The issues are not merely legal. They are fundamentally moral, and it is immoral for a legal right to be exercised to the detriment of the good of the community. It is always difficult to determine what the good of the community is. But it is broadly recognized that when a small sectional interest is given the right to strike, the admission of the liberty involved contains a spiritual gain against which there can be set the material national loss, leaving possibly a net gain to the community. A general strike stands on a different footing for the theoretical right to strike, which, because of the liberty given, is a spiritual gain, is offset by so tremendous a material loss that the balance-sheet assumes a different aspect. A general strike also curtails the liberty of other members of the community so severely that one can well wonder whether, on balance, liberty is gained or lost in the process. It is wholly wrong to argue on the basis of the fundamental right of freedom of association and of withholding of work that there are no limits

beyond which exercise of such freedoms is reprehensible. A general strike and a minor withholding of labour stand on different ground.

Nor is it possible to support the apparently sound point that Mr Masani made that recourse to the Essential Services Act should only be had if conciliation proceedings had previously been conducted and failed. Since the strike notice precedes the strike by only 14 days, the acceptance of this amendment would have implied that all conciliation proceedings for the purpose of admitting the Essential Services Act might have to be completed within fourteen days. This is an unreal condition to impose in the practical affairs of a large national dispute. The Government was perfectly right to reject this as well as other amendments, and to place on the Statute Book a comprehensive, if severe, measure to protect the community against the general, or totalitarian, strike.

This is by no means derogatory to the fundamental principles of democratic liberty. There is a totalitarian character in the Essential Services Act, but it arises from the emergency; emergencies are essentially things which justify a restriction of democratic liberty particularly in the face of a totalitarian threat. The emergency in the present case, in view of the inflationary character of the present situation, is great enough, in the opinion of *The Eastern Economist*, to justify the action the Government has taken. Indeed, there are many who would hold the view that the Government should have taken this action earlier. There is in the common law of other countries—particularly in the United Kingdom as Sir John Simon showed clearly enough in 1926—a tenor of legislation on this matter not different in principle from the Essential Services Act which has now been put on our Statute Book. A general strike is by its very nature so restrictive of the conveniences of the community and of the fundamental rights of normal citizens to pursue their lawful vocations that it is generally ruled illegal. Thus most democratic countries have argued that a general strike involves a restriction of the liberty of the community so great that democratic principles cannot uphold its validity. There is no reason why in India we should take a different view. In the last analysis, as Bernard Shaw put it admirably in his preface to *St. Joan*, “the degree of toleration attainable in any society is directly proportional to the strain under which it is preserving its cohesion.” Anyone with eyes to see will not underestimate our strain at this time.

Thus it comes about that the public at this moment can be in a single mind as to the manner in which to meet the challenge which has been raised against its convenience and, in a larger sense, against its basic liberties. Now that a Pay Commission has been appointed empowered to deal, if necessary, with interim relief, the issue might be said to have been placed in safe hands. It is true that Government has the technical right to reject the report, but every one knows in fact that public opinion as well as political pressure will compel acceptance of much the greater part of it. In the critical situation in which the country finds itself today there can be no quarrel with the final voice of the executive government which, after all, is responsible both for staying inflation and increasing our production so that our exports can continue to develop without being priced out of international markets. Against the hard facts of our economic life, the nice legal and philosophical argument presented in the debate by the Opposi-

tion on the Essential Service Bill look somewhat thin.

All that is left for us now is to endure stoically the tribulation brought upon us. Whichever way the strike goes, it should be an instrument of dedication and experience to those who feel that this nation, which attained Independence after suffering almost ten years ago, needs yet more

Dialectics in Kerala

THE peaceful professions of the Communist Government of Kerala are just being tested on the touchstone of law-and-order maintenance as disquieting, if not alarming, reports of lawlessness in the State's plantations and factories are coming in. The Chief Minister, Mr. Sankaran Namboodiripad, has denied that a state of anarchy has emerged in recent weeks. In the same breath, however, he has admitted that “the Government have had reports that, in certain instances, direct action (by workers) has gone beyond these (peaceful) limits, satyagraha in front of a factory or a plantation or other institutions has, sometimes, gone to the extent of surrounding the houses of the employer or his staff members, preventing them and even their family members from going into or out of their houses for their normal, daily, peaceful life.” In the light of this admission by the Chief Minister himself, the reports given by others may have to be taken as substantially true after allowing for an element of inevitable exaggeration in them. That this manifest lawlessness is probably due, in some cases, to the aggressive attitude (in the context of existence of a Communist government) of Communist labour unions towards the rival trade unions on a particular plantation or factory, may also be inferred from a reliable report from Kerala. This deterioration in the law-and-order situation appears to have flowed from the State Government's policy regarding the role of the Police in what is prematurely thought of as “the new order of things”.

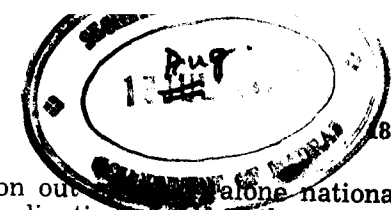
This is the background against which the Chief Minister's recent law-and-order statement has to be examined. The long statement does not sound like a laboured apologia; if anything, it is a bold and frank re-affirmation of his Government's policy regarding the role of the Police in the maintenance of law and order. This much credit is due to Mr. Sankaran Namboodiripad although none is due to him for the policy itself which is at the bottom of the mischief. In spelling out the details of this policy, the Chief Minister has distinguished the role of the Police in tracking down crimes from its role, since Independence, in restricting the activities of “certain democratic parties”, particularly the Communist Party. It is not difficult to see the specious logic behind his implied contention that the violent, insurrectionary activities of the C.P.I. following its Calcutta Congress of 1948 were ‘legitimate’ and ‘democratic’. If this logic is applied to the proclaimed determination of the Chief Minister to change the rules and practices so that “the Police will not be allowed to use the provisions of law and the duties of maintaining law and order in such a way as to suppress or restrict the democratic activities of any political party,” it is again not difficult to see that the Communist Party in Kerala has the greenlight to engage itself in activities which are ‘violent’ or ‘coercive’ or ‘undemocratic’ only by ‘bourgeois’ standards. This

trial and tribulation out of the national discipline and subordination of self to the good of all can grow. Perhaps, in the wisdom of Providence, this has come upon us because the national character is unworthy at this moment of facing the destiny which was assigned to us in the great chapter of the Gandhian Age. We will have to find ourselves anew; perhaps this is the way.

is not an insignificant inference to draw from the Chief Minister's policy statement.

An even more significant inference could well be drawn from those elements of policy concerned with the role of Police in “such things as strikes of workers, peasants' struggle, students' agitation and such other people's movements.” While recognising that “the right of toiling classes to resort to collective bargaining” should not involve “violence either to the person or property of the individuals and families of the owning classes”, the Chief Minister has given the assurance that the Police will be ordered to intervene if direct action should go beyond peaceful limits. In other words, the Police will intervene only after violence and intimidation have had their intended effect. To prevent violence from taking place is one thing; to appear to deal with it after it has taken place quite another—like the locking of the stable door after the horse has been stolen. In denying protection to the ‘owning’ classes so as to prevent violence to their person and property, the Chief Minister has advanced the plausible plea that the Police force might be used by them “to suppress the activities and movements of the toiling people.” The employers cannot expect Police help, continues the policy statement, in working a factory, or plantation, or other institution against the declared will of the workers, who have resorted to collective bargaining, and to strike and other forms of direct action.

On the other hand, they are expected “to adopt a policy of recognising the unions, carrying on collective bargaining and settling all industrial disputes through them.” In the context of intimidation to which rival trade unions are being subjected by the Communist unions—an intimidation that cannot be prevented by the Police in view of the ‘neutral’ role assigned to it—the expected recognition of trade unions by employers would, in effect, mean recognition of Communist unions to the exclusion of others. In the light of the first inference concerning “the democratic activities” of the Communist Party, the real aim of that Party in Kerala appears to be to eliminate the influence of moderate and thus genuinely democratic parties in the trade union field with the connivance of the Government. The two most significant inferences drawn here from the Kerala Chief Minister's law-and-order policy statement should be sufficient to convince anybody that the Communists are not playing cricket. But the public, cricket-loving or otherwise, will not be deceived. If “normal” protection of life and property is not maintained, enterprise, private or public, will disappear. Will the Central Government acquiesce in this philosophy or in the dialectics on which it is sought to be justified?



The Industrial Mission

A DELEGATION of leading industrialists from this country is visiting Europe and America on an important mission at a juncture which is certainly critical for us. Because the mission is of vital national importance its progress is bound to be followed with keen interest. The domestic economic situation has gone on changing with such speed in the course of at least the last three quarters of the year or perhaps more that it could not but produce a chastening effect on the mood of the people. A realistic attitude towards the second Plan is now being adopted. The country has run into foreign exchange difficulties which have put a brake on the pace of the development programmes. The acute turn which the foreign exchange problem has assumed has probably taken the country unawares. Nevertheless, its impact on our progress has caused much sound rethinking on the question of resources for the Plan and its size. There is now much greater and more frank appreciation than ever before of foreign collaboration and assistance in the execution of several important projects in the Plan. The bias regarding foreign investment is disappearing and a healthy outlook on mutually beneficial co-operation is being readily accepted. This augurs well for the delegation since the new attitudes give it the moral support of the country.

The Mission is going abroad undoubtedly for the purpose of building as well as renewing industrial contacts in order to create a broader base for economic co-operation between India and other friendly countries. But in a sense an important part of its functions will be to perform the job of public relations. Much water has flowed down the bridge in recent months and the necessity has arisen to interpret the economic situation in this country in an objective manner. This task has become all the more urgent inasmuch as the change in the foreign exchange situation has given rise to a variety of impressions not least among which identifies it with a situation of crisis. This picture has been overdrawn and the delegation will need to explain the position with reference to similar situations in recent times in some other countries. Not a little persuasion will be needed to convince other countries of the firm and drastic steps which the Government of India has taken to correct the situation. These measures ought to suffice to show that this country is prepared to accept its own responsibilities before it seeks assistance from outside.

The non-official character of the delegation gives it complete authority to act as a free spokesman of the private sector. The object of the delegation's visit is to acquire first-hand knowledge of the latest conditions of the international markets, both in relation to imports and exports, in order to assess what adjustments India needs to make in her own dealings with them. But of greater significance than this object will be its function of seeking collaboration from private enterprise in foreign countries in the execution of individual industrial projects. This collaboration will obviously take the form of direct private financial assistance as well as supply of technical know-how. Both are vital for the sound growth of Indian industry, but in the current context the need for financial assistance is

greater. More specifically, the pressing problem at the present time is one of securing imports on the basis of deferred payments. It involves different considerations all of which are not necessarily within the control of private enterprise in this country to satisfy. In part, they depend upon such incentives and policy measures as the Government can provide.

Mr. G. D. Birla, leader of the delegation, has uttered a word of caution against too much optimism regarding the outcome of the delegation. Mr. Birla's attitude of caution is not difficult to appreciate. In a sense, the function which the delegation will be called upon to perform will be one of arguing the approval and acceptability of the Plan in the context of the economic policies pursued by the Government. This is by no test an easy task. The obstacles that will need to be surmounted are now fairly well known. The central objective of the Plan to double the national income on the basis of 1950-51 by 1967-68 and to double the per capita income on the same basis by 1973-74 is accepted by informed critics as not ambitious. What is objected to is the profound bias of the Plan for heavy and producer goods industries at a great cost of consumer goods industries. In the short run, the strain on domestic investment will be very severe and very acute problems of foreign currency would have to be confronted. This prospect, in the opinion of expert critics, is one which India can hardly afford to stand up against. A democratic framework of government rules out the possibility of imposing severe self-denial on the masses of the people whose living standards are already low.

In so far as the economic policy of the Government is concerned, the main criticism is directed against taxation policy which would act as a disincentive to the foreign investor. Besides this central obstacle, the trend of the entire recent economic legislation is viewed abroad as aiming against free operation of the private sector — free in the reasonably accepted view. Regulation of private enterprise as embodied in the Industries (Development and Regulation) Act, the Companies Act, and so forth, is considered as unwarranted intervention in normal operation. Critics have emphasised that assurances of flexible interpretation and application of the laws would be of little avail. Their contention is that since they have to take a long view of their investments, under a changed set-up the same laws might be used to stultify free enterprise carries force.

A large number of the countries to which India looks for supply of credit or direct export of capital are themselves called upon to face new and emerging situations of balance of payments difficulties and inflationary pressures within. Restraints are being applied to bank credit involving a steepening of interest rates. This makes suppliers' credit costlier than we would expect. Although some European countries including West Germany may be inclined to assist India with export credit, our main hope for securing credit centres upon the United States which alone has a potential surplus to spare. Expectations of success in the endeavours of the delegation should be pitched at a moderate level; there is no reason why pessimism here, as elsewhere, should hold the ground.

I'm in harness

by Adipocere

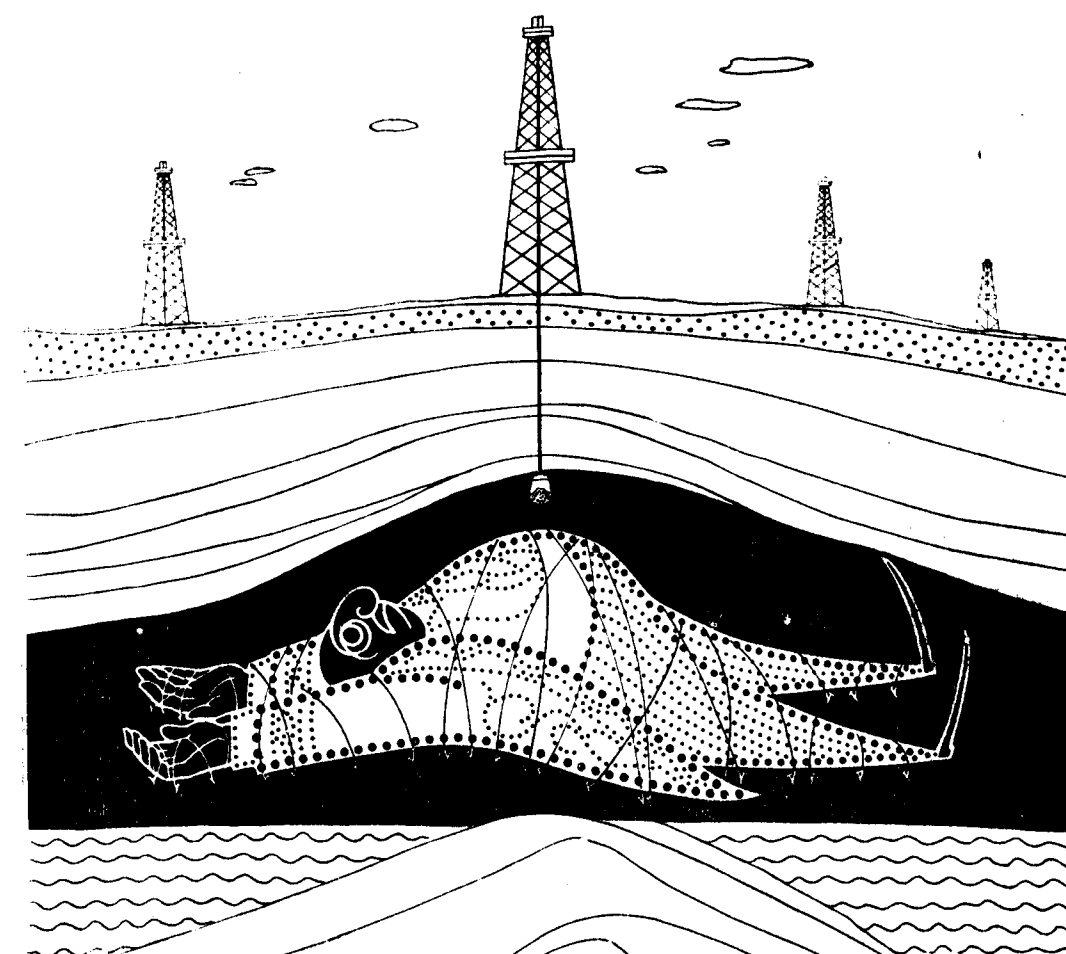
(Pronounced 'adi-po-saire')

They tell me that once I have been found, it takes 30 years for those who have spent their time, money

and energy to equate their investment. What an important person I appear to be!

An enormous structure, called a Drilling Rig is now the centre of all attention, and the operation of drilling commences. They say that drilling oil wells is a highly technical business requiring complex expensive machinery and men of specialised skills.

Day by day, and hour by hour the oil-finders come near me, until at last I gush out and make a lot of noise at the taste of fresh air and try to escape... but these men are persevering and I am channelled into a maze of pipe-lines as they feel that I should now be "Refined," in other words, become a Gentleman. So, I undertake a journey to a huge gigantic structure called an Oil Refinery.



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DEVADAS GANDHI

THE SUDDEN demise, following an attack of coronary thrombosis, of Devadas Gandhi, the youngest son of the Mahatma, removes from Indian journalism one of its most powerful leaders and, from the public life of the country, an unstinted worker in many fields. Devadas Gandhi was known to be in ill-health for some years, but he continued to drive his emaciated frame to accomplish the numerous tasks to which he had set his hands. Offices he has held, sometimes more than once, included the Presidentship of the All-India Newspaper Editors' Conference, the Chairmanship of the Press Trust of India, and of the Indian and Eastern Newspaper Society. He was also the Managing Editor of "The Hindustan Times" since 1940, and it is here that his monument has been well and truly laid. Under his guidance "The Hindustan Times" in the last twenty years, has made itself the leading paper of North India and with "Hindustan," its Hindi version, has acquired great influence, particularly in Congress ranks over the whole country.

Few of those who have known Devadas Gandhi have been unaffected by his charm of manner and his singular devotion to duty. His passing has evoked profound tributes which are well deserved. Indian journalism, which has not been very successful in creating leaders of his stature, will deeply feel the loss. "The Eastern Economist," of which he was Managing Director since the formation of the Company, also owes him a deep debt of gratitude.

CRISIS OF COMMUNITY DEVELOPMENT

THE COMMUNITY development programme is yet to become a real "people's programme". This much is clear from Mr. S. K. Dey's refreshingly frank speech in the Lok Sabha. The Minister for Community Development has made the candid admission that "efforts to interest the people at large actively in community development have failed." "Without the co-operation of the people", he continued, "the government might be able to push ahead development but it would not be community development." The hope expressed by Mr. M. L. Wilson (Ford Foundation Consultant) last year that community development as an 'administered government programme' might well become a real 'people's programme' is yet to be fulfilled. It may yet become a full-fledged people's programme because, in the words of Mr. M. L. Wilson, "any government that is so forward looking as to have a continuous evaluation process going on outside of the legislative and administrative functions is most likely to succeed in its objectives." Mr. Dey's own remark that "his Ministry is constantly engaged in a merciless and ruthless criticism of itself" augurs well for the future of community development as a 'people's programme'.

Mr. Dey has tried to explain why it has not been possible to enlist people's participation or co-operation to the desired extent. The Union Ministry of Community Development is helpless in the matter of implementing even those schemes the cost of which is shared by it and the State Governments because the latter "have no tradition of working through the people". The Ministry has also "found difficulties in people's institutions" like panchayats and co-operatives. Here Mr. Dey's seems to be an under-statement in deference to the sensitivity of Congress leaders who have a touching faith in panchayats. He has, however, made the significant point that "it is not possible to establish

THE WEEK'S NOTES

healthy panchayats and co-operatives unless land reforms are effectively implemented". But how are these land reforms, in their turn, to be implemented? The second Plan which has formulated a formidable land reform programme has also assigned a crucial role to panchayats and co-operatives in the enforcement of land reform measures. These measures are so controversial and disruptive of agrarian harmony that they, in their turn, are bound to produce local frictions which, again, will get reflected in the panchayats and co-operatives. These people's institutions will thus have their class squabbles, besides the traditional local feuds caused by caste differences, and these will render them largely ineffective in the matter of constructive pursuits connected with community development and the like. Mr. Dey's expectation that healthy panchayats will result from land reforms may not, after all, be fulfilled. If anything, they may become still more unhealthy and confirm afresh Dr. Daniel Thorner's finding that "to approach the goal of rural economic development through the agency of the existing Village Panchayats would appear to be an exercise in frustration." The Community Projects Administration might have to evolve its own popular institutions by trial and error without relying on the Panchayats which "are not today tried and tested instruments for furthering India's economic development."

LIGHT ON SOVIET INDUSTRY

ABSOLUTE FIGURES of Soviet industrial production which, in some ways, has been something of a mystery so far are available for the first time in an official statistical publication — "Industry of the U.S.S.R. — Statistical Abstract", Moscow 1957. Some key statistics of Russian Industry, just available in Delhi, pertain to the years 1928, 1940, 1950 and 1955 and cover different groups of industries. These groups are fuel and power, iron and steel, chemicals and fertilisers, building materials, agricultural machinery, electrical equipment, general engineering, vehicles, earth-moving equipment and consumer goods. Figures for 20 selected industries are given below to bring out the relative progress registered between 1928 and 1955 by consumer goods and other industries:

Industry	Units	1928	1955
Cotton Fabrics	mn. metres	2,678	5,904
Wool	"	86.8	251.0
Footwear	mn. Pairs	94.3	405.6
Soap	'000 tons	311	1,075
Coal & Lignite	mn. tons	35.5	391.0
Crude Oil	"	11.6	70.8
Electric Power	'000 Mn. Kwh	5.0	170.1
Pig Iron	mn. tons	3.3	33.3
Crude Steel	"	4.3	45.3
Fertilisers	'000 tons	135	9,629
Caustic Soda	"	58.6	563.4
Cement	mn. tons	1.8	22.5
Turbines	'000 KW	44.1	5,561
Generators	"	75.0	4,526
Ball bearings	million	"	218.0
Machine tools	'000s	2.0	117.1
Motor Vehicles	"	0.7	445.3
Tractors	"	1.8	321.8
Excavators	number	"	5,250
Bulldozers	"	"	7,511

mn — million. Tons are metric tons.

It may be seen from the above figures that production of such articles of universal consumption as cotton and woollen fabrics, and footwear and soap had

increased by two to five times since 1928 whereas other industries (heavy or producer goods) have increased their production by more than 10 times. This phenomenal progress of industries other than consumer goods explains the present lack of balance between heavy, light and consumer goods industries in the Soviet Union.

It may be recalled that the question of consumer goods production which alone is of relevance to the real standard of living of the Soviet people had figured prominently in the struggle for power among the top Communist leaders since Stalin's death. One wonders what type of consumer goods Mr. Malenkov had in mind. If it was the group of essential consumer goods like cotton, linen and woollen fabrics, stockings and socks, leather and rubber footwear, paper and soap, there was certainly a pressing case for increasing their production. If it was the group of luxury consumer goods, there was, it appears from the figures, no case for increasing their production at the expense of the essential needs of the agricultural and industrial proletariat of the Soviet Union.

Statistics of production of luxury consumer goods bring to light in this connection a lack of balance between the growth of production of such goods and of the more essential consumer goods. The production of silk fabrics, for example, has increased from 9.6 million metres in 1928 to 525.7 million metres in 1955; clocks and watches from 0.9 million in 1928 to 19.7 million; radio and television receivers from 161,000 in 1940 to 4,024,000; domestic refrigerators from 3,500 in 1940 to 151,400; domestic washing machines from 300 in 1950 to 87,000; domestic sewing machines from 286,000 in 1928 to 1,611,000; and cameras from 355,200 in 1940 to 1,022,500. Although the increase in production of these luxury consumer goods has been spectacular, it is perhaps not sufficient to cater to the needs of the entire privileged class in the Soviet Union. At this rate, how many five-year plans will be required to make these goods available to the under-privileged classes in the land of Socialism?

PRODUCER GOODS Vs. CONSUMER GOODS

THAT THE first Plan gave progress without strain is a matter of great satisfaction. The usual tears accompanying planning are greatly an outcome of shift in emphasis upon different sectors of the economy consistent with plan priorities. For the purpose of building a sound base for economic development, the producer goods sector receives greater attention in comparison with consumer goods. It will be of interest to have a comparative appraisal of the progress made by industries in these two sectors in the course of the first Five-Year Plan. According to the progress report of the first Five-Year Plan the production of capital goods increased by about 70 per cent. The production of intermediate goods, mainly industrial raw materials, increased by 34 per cent. And so did the consumer goods. The overall increase in industrial production amounted to 38 per cent. In the context of the importance of different industries in the economy of the country the higher rise in the case of capital goods appears deceptive. Capital goods are assigned with a weight of only 7.46, as compared to 43.81 for intermediate goods and 48.73 for consumer goods. In this connection a detailed study of the progress in industrial production made during the five-year period will be enlightening.

The production of mill-made cloth increased by about 37 per cent, from 3,718 million yards in 1950-51 to 5,102 million yards in 1955-56. In this case the plan target was exceeded by about 400 million yards. The production of sugar which stood at 14.94 lakh tons in

1951-52 rose to 18.56 lakh tons in 1955-56, showing a rise of 24 per cent. Paper and paper board, another consumer goods industry, recorded a rise of over 40 per cent during the Plan period. The progress made in producer goods, although impressive in percentage terms, is, however, slower in comparison. The production of aluminium, for example, which stood at 3,848 tons in 1951 arose to 7225 tons in 1955. Finished steel showed an increase of 184 thousand tons, from 1,076 thousand tons in 1951 to 1,260 thousand tons in 1955. Cement of all the producer goods, recorded an impressive rise from 3,196 thousand tons in 1951 to 4,487 thousand tons in 1955. The production of coal rose by about 11 per cent in the course of 1951-1955. In the private sector, in some of the producer goods industries, progress in the establishment of additional capacity fell short of anticipations in the plan. This was markedly so in the case of iron and steel, aluminium and nitrogenous fertilisers. The progress of modernisation and replacement of plant and machinery, an economic over-head according to Mrs. Ursula Hicks, has been slower than was expected, the expenditure on this account being estimated at Rs. 110 crores as compared to the plan estimate of Rs. 150 crores.

In the light of this study the first Five-Year Plan was rather on the cautious side as regards shift in emphasis from Consumer goods to producer goods industries. And that precisely explains the circumstances in which the economy was not stretched out. The second Five-Year Plan, on the other hand, has decreed a bias in favour of producer goods industries. The effects of this are being felt in the very second year of its working. The recent pressure on the price line holds testimony to the altered circumstances.

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A Window on the World

HELL

By

ODYSSEUS

I HAD A NIGHTMARE last night in which it was revealed to me that the Satanic authorities have long ago discarded flames and boiling oil. Today eternal damnation is more subtle. For his sins, the individual is condemned to study the particular problems of this world that interested him in life. He is not permitted the national prejudices and human emotions that confused his study in life, but is compelled to apply cold logic. That this is the refinement of torture will be appreciated by anyone who reflects what a painful operation it is to strip from an average man the popular illusions which he has absorbed from childhood upwards in a particular era and place.

In my nightmare I was sentenced to join the Standing Hellish Committee which concerns itself with international relations as they affect India. I found its members engaged in a debate on Muscat and Oman.

The chairman fixed me with a steely eye and said: "what are India's interests in Muscat? What is the Muscat problem? How would you solve it?" I replied: "India has no interest in Muscat, save her general interest in peace everywhere. The problem arises because the British have illegally interfered in the domestic affairs of the Sultanate. The solution is for the Arab peoples to get together to decide on a common attitude towards the Sultan and the British." I was pleased with this reply which seemed to me neatly to sum up what I had read in the press. My words were, however, greeted with laughter. In the course of the next twenty minutes the hellish viewpoint on India and Muscat was driven into my quivering soul. Here it is:

History has shown that India is liable to invasion by land over the Burma frontier on the North East and over the old North Western frontier (in the safety of which India retains the same stake even though political control is now with Pakistan). History has also shown that whatever power controls the Indian Ocean (and the approaches thereto around Indonesia in the East, and the Suez Canal, Red Sea, and Persian Gulf in the West) has in the first instance India's seaborne trade at its mercy and, in the second India's very independence itself. The Aryan speaking peoples, and the various Mughal and Pathan waves, broke over the North-West, while the Japanese attempted the North-East and were blocked there in World War II. Among the factors leading to the break-up of the Mughal Empire and to the inability of the Hindu successor states to fill the power vacuum thus created (remember we are in hell where they compel us to use these horrible terms) was their failure to develop sea power to prevent the Portuguese, Dutch, and finally the British, from monopolising India's maritime commerce and eventually from conquering the sub-continent from the sea.

By the early nineteenth century, the British had established themselves in India. By land, between them and the Russians, the major power capable of threatening India, lay a vast, sparsely populated, loosely and locally ruled no-man's-land, stretching from Mongolia in the East, through Tartary in central Asia, to Persia in the West. Some people today profess to dismiss Britain's nineteenth century apprehensions of Russia as an unfounded obsession. This overlooks the historical

facts that in a series of pushes Southwards and Eastwards from 1734 to 1896, the Russians conquered an enormous colonial land empire. Kazakhstan, Uzbekistan, Tajikistan, Kirghizia and Turkmenia — to name but the central Asian conquests alone — cover an area bigger than India before partition. From about the middle of the nineteenth century, the broad policy of the Indian government was to stabilise the eastern frontiers, and to safeguard the continued independence of Iran and Afghanistan against Russian expansion.

To seaward, the Indian government found it necessary to suppress piracy and slave-trading in the Indian ocean, especially along the coast of Arabia from Aden, along the Hadramaut, Oman, Muscat, and into the Persian Gulf, and to promote stability in Arabia against the southward expansion of the Turkish Empire.

The success of the British in attaining these objectives ensured the peace and security which prevailed in the huge area from Aden to Singapore for over a century. One result of this was to condition the average Indian to the comforting illusion that India's freedom from foreign invasion, the stability of her frontiers and of her far-flung bastions in southern Arabia on the West and Malaya on the East, are parts of the natural order, as solidly and eternally established as the Himalayas. The truth is that now the British have left India, the responsibility for suppressing piracy and slave-trading, and for bolstering the stability of neighbouring states in areas essential to India's political freedom and economic prosperity, has devolved on India. And since for decades to come India will not be strong enough to police this area by herself, she will not keep her independence unless she seeks to collaborate with other powers whose interests in these areas coincide with hers.

There are still too many people who believe that the threat to India from Russia in the nineteenth century arose because Britain was an imperialist power seeking to protect her Indian Empire and that now that British imperialism has been removed from India, the threat from Russia automatically disappears because independent India is peacefully minded and free from imperialist provocation. This (the Standing Committee in Hell pointed out to me) is nonsense. Russian imperialism was not attracted southwards by desire for battle with British imperialism, but because that was the direction in which it found peoples too weak to defend themselves and without powerful friends ready to come to their aid. The Russian expansion ceased only when it came up against a power strong enough to halt it. Whether that power was British as in the nineteenth century, or is to be Indian today, is immaterial provided it is strong enough to defend its frontiers, with or without allies, against encroachment.

The British are friendly to India for many reasons, one of which is that, like India, they are a great sea-trading nation, and they have a common interest with India in ensuring that their ships traverse the Indian Ocean unmolested. But British power in the Far East, the Indian Ocean, and the Middle East has declined and since, so far, the withdrawal of British power has been viewed with equanimity by India, the net result has been increasing restlessness on all India's outposts from

Indonesia to Arabia. What is not realised (they pointed out acidly to me in my hellish nightmare) is that as British influence in these areas is undermined, so is India's safety. The departure of the British from Suez may be a slap in the face for the British, but it is also one in the pants for India's political freedom and economic interests. If anyone thinks that Nasser thinks that he has a vested interest in a free and prosperous India, they will not have to wait more than a few years (at most) to find out their error.

A remarkable fact which has passed without audible expression of indignation in the free world is that now that the British navy has been forced to abandon its practice of inspecting suspect ships in Arabian waters in order to prevent the slave trade, this cruelty of man to man has re-emerged for the first time in a hundred years.

I have not the space to expound in detail the premisses on which these hellish arguments are based, but the Standing Committee suggested that when I returned to this world, I should read "India and the Indian Ocean — An Essay on the influence of Sea Power on Indian History" by K. M. Panikkar (Allen and Unwin, 1945), "Soviet Empire" by Olaf Caroe (Macmillan, 1953), and "The Foundations of India's Foreign Policy: 1860/1882" by Bisheshwar Prasad (Orient Longmans, 1955). Although Mr. Prasad sometimes creates the impression that there would have been a vast difference in India's foreign policy if it had been in Indian, instead of British, hands in 1860/1882, that was not the view taken in Hell, where they insisted that whoever had been in charge in the nineteenth century would (or should) have sought to halt Russia's advance and to secure peaceful passage in the Indian Ocean. The point becomes clearer if, for example, wherever Mr. Prasad writes that the object of policy was to protect "British commerce", we substitute "Indo-British" in the nineteenth cen-

tury and "Indian" at the present time.

Hell's authorities declared that it confuses the contemporary issue to assert that there is no threat of a communist invasion in the Middle East, that communism as a crusading creed has lost its vigour, that economically and socially many Middle East countries are not advanced enough for the spread of communist ideas. The basic danger is not the existence of communism but of a power vacuum into which an outside power will inevitably percolate. Its ideology is irrelevant. What is relevant is (a) its power and (b) the local people's weakness in relation to it, and above all (c) to ensure that this power is friendly to India.

It was not the contention of the Hellish Committee that the moral of all this is that Britain has a special right to keep armed forces in the Middle East with a view to maintaining the political and economic status quo for ever. History never stands still. Powers rise and fall as best they can. No nation which shows itself incapable of maintaining its position in the struggle for survival has a right to survive. No, the moral is that all those interested in the prosperity of a given area must join their political and economic forces together to try to ensure that changes come about gradually, peacefully and with the most benefit for all concerned, as opposed to brutally and catastrophically. A country which fails to recognise its international responsibilities and tries to contract out of making its contribution to upholding, with the help of its friends, its overseas interests, and likewise of rendering its share of aid to those with similar interests, will see the old familiar and re-assuring frontiers disappear one by one, until it wakes up to find — at this point I myself woke up. My nightmare was over. I returned to this carefree India and saw how absurd these arguments are. I may be an ostrich but it is cool and pleasant to have one's head in the sand in these hot days and troubled times.

THE WEST GERMAN ELECTIONS

(From Our Special West European Correspondent)

PARIS, August 3.

THE elections to the West German Bundestag are to take place on September 15 but so far the campaign has not aroused much popular interest. It is summertime, everyone in the Federal Republic is prosperous and can afford holidays, most people feel that, whatever happens, Konrad Adenauer is bound to be Chancellor again after September 15; so one has to be fanatical about politics to bother attending a meeting. The campaign slogans are scarcely inspirational: "Peace, Unity and Prosperity", says the Chancellor's Christian Democratic party, and one feels that the first two abstractions were just thrown in to make the third very solid reality seem more respectable; "Against Atomic War", says Ollenhauer's Social Democrat party, and this is not political because no one disagrees with it; "Vote Right to Maintain the Balance", says the extreme-Right German Party, and this is political enough but rather obscure.

Foreign governments are seeking to intervene in the campaign by making supposedly spectacular pronouncements on the future of German unity. Ten days ago the East German Communist Premier, Herr Grotewohl, produced a half-baked plan for a federation between the two German republics, a Moscow-inspired political stunt that was so patently insincere and impractical that it failed to have any propaganda effect. A week ago, the Western Powers issued a "solemn declaration" on reunification which just re-hashed the familiar Western case for doing nothing about it. And in the next few days the Bulganin-Khrushchev circus is to make a brief stand in East Berlin, when no doubt the Russians will again seek to disguise their intention to maintain the status quo by making obviously impossible suggestions for changing it. None of these interventions will have any effect because reunification is not a live issue in these elections and probably will not become so in the four-year life of the parliament shortly to be elected.

The West Germans are now reconciled to the fact that the country is to stay divided indefinitely. The main reason for this is that the Russians are well content with the present situation, for they have resigned themselves to accepting West Germany's membership of NATO, which has plainly done nothing to increase the insecurity of the Communist bloc, whereas reunification and the liquidation of the East German republic would involve total reorganisation of the much shaken Warsaw alliance. While continuing to pretend to seek German unity, it is better for the Communists to leave matters as they are, and the limit of Russian ambitions is now to secure the recognition of the puppet regime in Potsdam as the equal of the Bonn Republic. Once the Russians have taken this line, there is nothing any power on earth can do to promote German reunification, so the question just fades out of the field of practical politics. Moreover, in West Germany itself it is increasingly common not even to wish verbally for reunification: the country is economically prosperous and politically stable, and the entry of 18 million "lost brothers" from the Communist state would throw all of this in doubt. So to many West German electors, reunification appears not only impossible but not especially desirable.

Foreign affairs being thus ruled out, the election issues are narrowed down to internal social questions. And here the Adenauer regime has the immense ad-

vantage of the continuing boom. A Government that has made West Germany the richest country in Europe, that has secured a persistent 12-16 per cent yearly increase in output, that has given all classes better housing than in 1939, that has filled the shops with goods at stable prices and that has obtained a modest but steady rise in the workers' living standards should have little to fear from a confrontation at the polls.

True, the Gallup pollsters predict that the Social Democrats will obtain about the same proportion of votes (40 per cent) as the Christian Democrats. But the remaining votes will go to smaller Right-wing parties with whose purchased co-operation Dr. Adenauer can manage to form the new Government even if his own party fails to get an absolute majority. And once Adenauer is Chancellor, the course of West German politics is set, for the Chancellor has shown that he can pursue the same sort of policy with variously constituted majorities. Dr. Adenauer is now aged 81, but if he has to pass over the reins of power during the life of the new parliament they will probably pass to his present Finance Minister, Fritz Schaeffer, whereupon no notable change would occur in the Republic's domestic policy.

The Social Democrats, despite their considerable support in the electorate, lack dynamic leaders and an original policy such as could woo votes away from the Government coalition in the middle of a boom. The most they can hope for is that the clarification of the political scene and the rising cost of election campaigns will this time wipe out the smaller parties and leave West Germany in the position of Britain and the United States, with two and only two serious political parties. In these circumstances four years' of service as King Konrad's Loyal Opposition might prepare them for victory in 1961. These limited prospects are an interesting reflection on the German political temperament, because the economic prosperity of the Republic does contain features that would certainly be exploited by a Leftist party in most other countries.

The chief of these is that West Germany's boom has undoubtedly benefitted the workers less than the owners of capital, so that although the workers are better off absolutely they are not so relatively. Since 1950 the number of wage-earners has increased from 17 to 20 millions, but their share of the national cake (admittedly an expanding cake) has fallen from 36 per cent to 32.5 per cent. You might think that as long as the workers are better off in absolute terms, they should not worry about the disproportionate gains of employers, especially since these gains are devoted to re-investment and not to socially offensive conspicuous consumption. Jealousy about relative gains when everyone is admittedly getting richer seems to be the sort of low consideration we could leave to British socialists. But this disproportion is a serious matter, envy quite apart, and indeed it lies at the base of West Europe's present economic unbalance.

This is because, while West Germany is producing more than her neighbours, her workers — who naturally are the bulk of the population — are consuming less than their neighbours. This is reflected in West Germany's astronomically favourable trade balances, which have filled the German banks with gold, dollars and every sort of European currency while EOEC and the French Republic have to come cadging loans so that they can go on buying West German exports. The

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origin of this situation, which could soon become critical for all West Europe including West Germany herself, is that in the Federal Republic only 56 per cent of the national product goes to private consumption, against an average of 67 per cent in the rest of Europe. Average annual private expenditure by the West German is only 1,543 marks, against 2,605 for the Frenchman and 2,564 for the Briton. Although the West German works harder (a 47-hour week), he gets paid less; West Germany has only one fourth as many TV sets as Britain and only one third as many motor-cars. (This last-named deficiency does not stop the Germans having more road accidents than any other people in the world, mainly because the road network has hardly been developed since Hitler's days).

Thus because of under-consumption in relation to their output and in relation to their neighbours' habits, the West Germans are finding their way back to the traditional German economic system, and to the economist this is not so different from the Hitlerite economy. Heavy industry (heavily cartelised, as always in Germany) has expanded 2.4 times in seven years, while consumer goods industries have expanded only 1.7 times. The economy thus becomes bottom-heavy, with heavy industry producing a greater value of goods than

all other industries combined and being obliged, because of inadequate consumption within the country, to export 60 per cent of its output. German industries thus secure a dominating position in foreign markets, especially in West Europe, they drift toward tighter concentration and continue to pay low wages.

A Social Democrats party less dazzled by the financial and technical skill of the capitalists, and less servile than the German working class, would find here matter for agitation, and they would be supported by all of West Germany's neighbours. The healthiest thing for the West German economy and for the country's trading partners would be higher wages at home, more emphasis on consumer industries and imports, some emulation of the French taste for high living and even of the British worker's class envy. The loans that the Federal Republic is now negotiating (£90 million to the French and a £350 million credit to EOEC) will alleviate but not resolve the difficulty. It is as urgent for the Germans to learn to live up to their means as it is for the French to learn to live within theirs. But this consideration does not seem likely to play any part in the current West German election campaign.

A TREASURE TO OWN



16th Century Italian Earring

A PLEASURE TO SMOKE



Will's
The "Three Castles"

TC/142

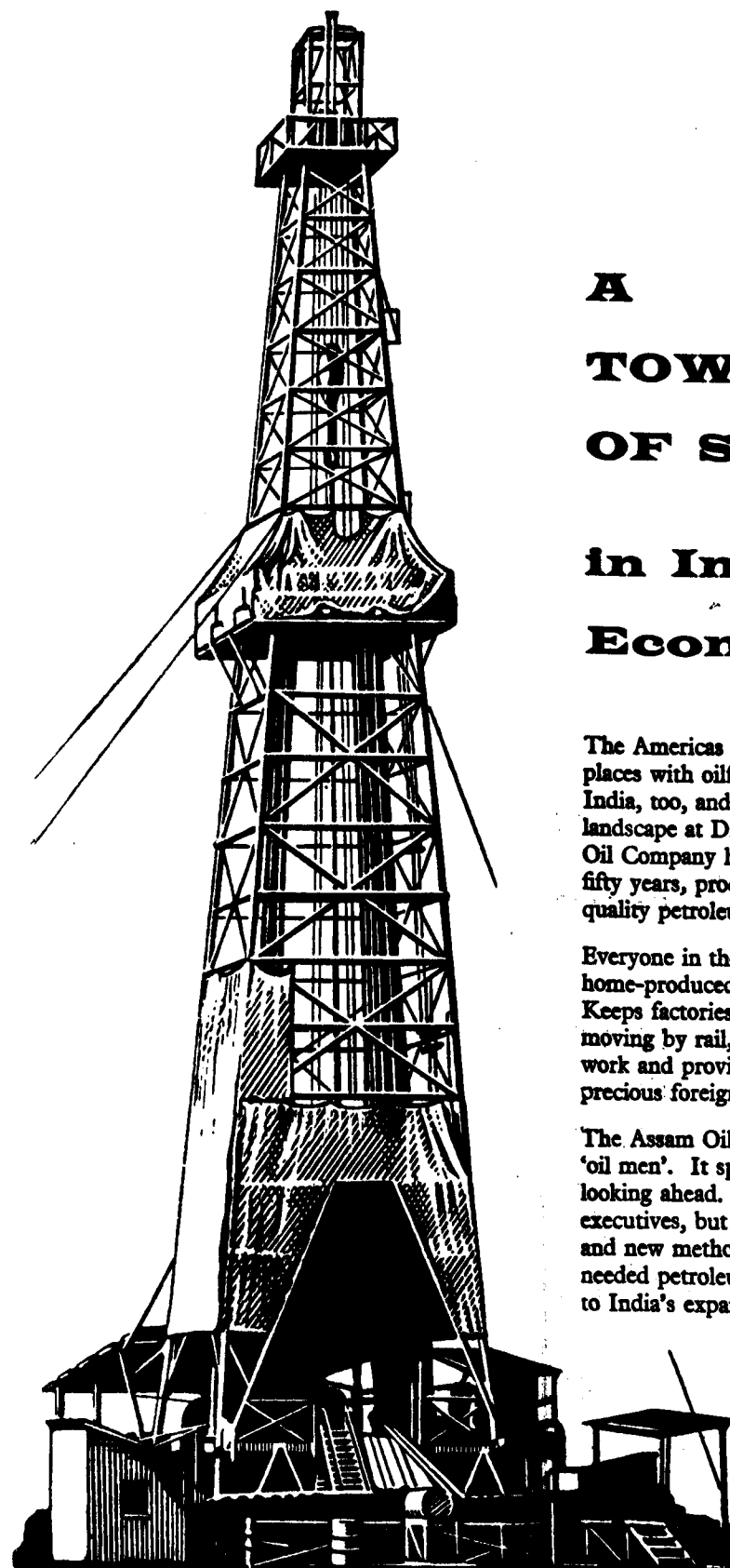
A TOWER OF STRENGTH

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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WORLDGRAM

AGRICULTURE

Raising Jowar and Wheat in Rotation: Two high-yielding crops — 'jowar' followed by wheat — have been successfully raised in rotation within a year on a plot of land, after adequate use of fertilizers, in the Indian Agricultural Research Institute, New Delhi. An important method of increasing per capita and per-acre agricultural production, double cropping is at present limited to 15 per cent of the entire cropped area, the two crops usually grown being paddy and pulses in the southern and eastern parts, and bajra and gram or wheat and maize in the northern and western parts of the country. But the yields in double-cropping have so far been low. During the last three years practical experiments have been conducted by the I.A.R.I. to raise two crops in a year in exhaustive rotation of 'jowar' and wheat. The 'jowar' crop, sown in July, gave a normal yield of about 275 maunds of green fodder. In early November wheat was sown on the same plot of land, after applying graded doses of 1½ maunds and 2½ maunds of ammonium sulphate per acre. When the smaller dose of ammonium sulphate was applied to wheat following 'jowar', the additional wheat production was 4 maunds per acre. As a result of the larger dose of this fertilizer, the additional production rose to 7 maunds per acre. In addition, the production of 'bhusa' was 8 maunds and 14 maunds respectively. This indicates that ammonium sulphate supplied to the soil for wheat crop restored all the nitrogenous plant food used up by the preceding 'jowar' crop. It was also found that the wheat crop required one extra irrigation to restore water consumed by the 'jowar' crop. If the method of double-cropping with adequate application of fertilizers is extended, effective use of labour and land could be ensured.

Cotton Development Schemes: Forty-four research schemes on cotton were in operation during 1955-56 and as a result, 11 improved strains were evolved, Mr. A. P. Jain reported to the Lok Sabha recently. Of these 11 strains, 4 had been recommended for general cultivation. There are 24 seed multiplication and distribution schemes in operation and the area under the improved varieties increased from 11.7 million acres in 1954-55 to 13.6 million acres during the year 1955-56 showing an increase of 16 per cent. The total extra income earned by the growers of improved varieties was estimated at Rs. 14.4 crores. The total expenditure during the year 1955-56 on the various schemes amounted to Rs. 12.56 lakhs including Rs. 10.65 lakhs on cotton research, Rs. 1.70 lakhs on seed and multiplication and distribution schemes and Rs. 0.21 lakhs on marketing and crop surveys.

INDUSTRY

British Steel Output: Britain's steel industry has announced plans for stepping up production. A Five-Year Plan costing a total of £600,000,000 envisages an increase in the country's output from 23,500,000 tons in 1958 to 29,000,000 tons by 1962. The Iron and Steel Board estimate that the demand for steel in 1962 is likely to be in the neighbourhood of 24,000,000 ingot tons for home consumption and 5,000,000 ingot tons for direct export. The board does not envisage a large scale application of nuclear energy to steel-making, but points out that if the electricity is reduced by the use of nuclear reactors, this may lead to the greater use of electric furnaces in the industry.

Coal Deposits in Darjeeling District: A reserve of five and a half million tons of coal seams in the Kalim-

pong sub-division of Darjeeling District in West Bengal has been estimated by the Geological Survey of India. The Department carried out a survey which reported that coal is present in the Lethi, Noam and Ramthi Blocks in the Chel Reserve Forest of the District. The reserves are more than five feet thick up to a depth of one thousand feet from the surface with less than 22 per cent ash content. The deposits occurring in the foot hills of the Darjeeling District, are powdery, low in moisture and require a good draught for burning. Although the quality is inferior to the coal obtained in the Raniganj and Jharia fields, it can be successfully utilised after suitable treatment for generation of power, especially for the Railways, brickfields and tea-gardens.

TRADE

Export of Roofing Tiles to Ceylon: Scope for developing India's exports of roofing tiles to Ceylon is indicated in a Report received from the Commercial Secretary of the Indian High Commission in Colombo. The annual requirement of tiles in Ceylon is about 20 million. This is likely to go up considerably with the implementation of the national housing policy designed to provide more and better homes. Wood and timber being plentiful in Ceylon, roofs are generally made of wooden frames and tiles. India is already the chief supplier of roofing tiles to Ceylon. Exports of Indian tiles were valued at about Rs. 30 lakhs in 1954 and 1955. The exports in the first ten months of 1956 were worth nearly Rs. 25 lakhs. The local manufacturing industry is also expanding its output. The requirements of Ceylon cannot be fully met with the present capacity of about 3 lakhs tiles per month.

Export Risks Insurance Corporation Ltd: A Corporation to provide protection to exporters against risks arising in export trade, has been constituted by the Government of India, as a measure for stimulating the country's exports. Known as the Exports Risks Insurance Corporation of India (Private) Ltd., the Corporation was registered recently under the Companies Act, 1956 with headquarters at Bombay. The Corporation will have an authorised capital of Rs. 5 crores to be entirely subscribed by the Government of India. Its principal function will be to insure the risk involved in the export of goods from India, on credit basis, which are not wholly covered by commercial insurers. The main risks which will be covered are diversion risk, import and export risk, war and civil war risks, transfer risk and any other which is caused by factors outside the control of the exporter or buyer which arises from events occurring outside the exporter's country.

U.S. Aircraft Exports: U.S. exports of aircraft have been rising sharply in 1957. Deliveries during the quarter were about 25 per cent higher than in the same quarter of 1956, according to recent Bureau of the Census figures. Aircraft exports for the full year 1956, were more than 43 per cent higher than in 1955, so that in the past 15 months deliveries have risen substantially. The increase over last year has been continued in the second quarter of this year. Exports of commercial aircraft have shown an increase this year over last, especially those with air frame weight of 3,000 lbs., or over. In the first quarter of this year, 48 such aircraft were exported compared with 26 in the same period of 1956. Such exports aggregated some \$36.9 million in the first quarter of 1957, against \$30.7 million in the same quarter of 1956, 267 were

exported in the first quarter of this year, compared with 221, valued at \$2.2 million in the first quarter of 1956. About 100 rebuilt aircraft and 10 helicopters also were exported.

*

Japan's Trade in 1956: Japan's exports in 1956 registered a high record of \$2,500 million according to the customs statistics. This was a rise of \$490 million, or 24 per cent, over the previous year. Exports continued to rise, from \$1,270 million in 1953 to \$1,630 million in 1954, and \$2,010 million in 1955, and finally reached a level twice the 1953 record. Imports in 1956 rose higher than exports by \$760 million, or 31 per cent, to reach the record of \$3,230 million. Imports which had been more or less stagnant since 1953 at the level of \$2,400 million suddenly shot up to the highest level in Japan's history. In the foreign exchange account, receipts by export increased by \$450 million or 23 per cent, to \$2,400 million; payments amounted to \$2,740 million, \$620 million or 34 per cent over 1955. The trade balance which was \$110 million in the positive in 1955 tumbled down to a deficit of \$70 million.

FINANCE

The U.S. Raises Duty on Wool Fabrics: The U.S. Customs Bureau has raised tariff rates on woollen and worsted fabrics to 45 per cent ad valorem from the standard rate of 25 per cent. Customs officials say the quota limit for imports at the standard rate has now been reached. An executive order issued by President Eisenhower in May 24, specified that imports in excess of 14 million pounds of fabric this year would be dutiable at the higher rate. The rate will now stay in effect for the rest of 1957. The application of the higher rate of duty had been expected by wool fabric exporters since mid-August. It has been usual for the U.S. customs to fix an import limit up to which wool fabrics are admitted at a duty of 37½ cents per pound ad valorem. When the limit has been reached, the remainder of imports until December 31 of that particular year qualify for an ad valorem duty of 45 per cent instead of 25 per cent.

*

Jordan's Prospects: A 10 year investment programme costing \$118 million is recommended for Jordan in the report of a World Bank survey mission on the country's economic development. The mission which spent the second quarter of 1955 in Jordan believes that about half the cost could be financed out of the Government's revenue if foreign aid did not fall below the 1955-56 level. The programme together with the increased private investment it would make possible, could be expected to lead to an increase in total production of about 4 per cent a year. This would not be sufficient to reduce unemployment among the refugee population which would continue to need international aid after 1955. Agriculture should receive priority. Over a ten-year period 15,000 acres a year should be brought under cultivation producing olives, figs, apricots and grapes for raisins. A revival of Jordan's potash industry would be profitable, and expansion of the phosphate mining. Technical assistance could raise phosphate production from 250,000 to 1 million tons in 1965.

GENERAL

Training of Engineers for Steel Plants: The first batch of 115 out of 1,000 engineers to be trained in steel works in the U.S. left India recently. India has received international co-operation in her programme of training about 2,000 engineers required to run the three new million steel plants at Rourkela, Bhilai and Durgapur. In addition to 1,000 engineers to be trained in steel works in the U.S., the U.S.S.R. Government has offered training facilities for about 600 steel engineers. The

U.K. Government has agreed to train 300 engineers under the Colombo Plan. West Germany has offered to train 50 engineers in addition to 80 who are already there. Canada and Australia are willing to train 14 and 12 respectively. One hundred and thirty-five Indian steel engineers are already under training in the three modern steel works in the Ukraine Province of the U.S.S.R.

*

Import of Books and Periodicals: The cancellation of Open General Licenses is the cause of difficulties for importers and users of books and periodicals in maintaining a steady supply and in clearing consignments in transit. The Government of India are keen to ensure adequate facilities for the import of these items and have accordingly instructed licensing authorities to dispense with the usual formalities and to grant licenses speedily and liberally. Prospective importers need not submit income tax verification certificates, nor give detailed information in regard to past imports. Licenses will be issued against orders placed by them with suppliers abroad. Collector of customs have also been asked to release consignments of magazines and periodicals held up in foreign post offices for want of licenses.

*

Diamond Industry in Russia: Soviet economist predict that the increasing use of diamonds in Soviet industry will bring about marked changes in technology and greatly raise productivity. They recommend that a diamond cutting and processing industry be built up as soon as possible in eastern Siberia to utilise the vast resources of the virgin Yakutia fields. A recent Soviet publication said that the scarcity of diamonds for technology has retarded the development of Soviet industry, particularly machine building and produced goods of a quality lower than was desirable. The first hints of diamond wealth in Yakutia came in 1949. Five years later in 1954-55, the discoveries of the great fields of unknown limits were made. It is assumed that two of the six diamond fields known to exist in this area will yield millions of carats, enough to satisfy the demands of Soviet industry for some years to come.

*

Record Kuwait Oil Output: Kuwait oil output set a new record in June at 5.6 million tons. Announcing this recently, the Kuwait Oil Company, jointly owned by British Petroleum and Gulf Oil, stated that production for the first half year was 25.2 million tons.

During most of the period, however, output was held down as a result of the post-Suez diversion of tankers. The total for the first six months is therefore about 3.6 million tons lower than in the same period of 1956.

But the June production was almost 1 million tons higher than in June last year and was also nearly 1 million tons above the figure for May, when output was affected by the tanker shortage until half-way through the month. At the present rate of output, Kuwait should be little behind last year's total for the first three quarters of the year. In September, new tanker loading facilities should be available at Mina-al-Ahmadi, which will make a further large rise in exports possible. Other Middle East countries have also recovered strongly since the reopening of Suez to British and U.S. tankers. The exception is Iraq, where the sabotage of the Iraq Petroleum Company's pipelines across Syria has continued to hold down output. Exports from Southern Iraq, which is not connected with the pipeline system, continued at a high level. This together with the partial flow through the pipelines from Northern Iraq, brought the country's total production for June to 1.7 million tons, compared with 2.8 million tons in June last year. The total for the first half-year — 8 million tons — compares with 16.7 million tons for the same period of 1956.

NEWS IN BRIEF

INDIAN

Internal consumption of tea in India rose to approximately 213,220,000 lbs. in 1955-56, from 167,190,000 lbs. in the previous year. Despite the increase in population from 371,000,000 in 1955, to 374,600,000 last year, the consumption of tea per 100,000 of population during the year under review was higher at 56,920 lbs. against 45,065 lbs. in 1954-55.

*

Madras and Kanpur have been selected for the location of Southern and Northern Higher Technological Institutes. A sum of Rs. 2 crores has been provided for each Institute during the Plan period. An Institute in the Eastern region has already been established at Kharagpur, and the Western Institute is in the course of establishment in Bombay.

*

The Industrial Finance Corporation of India advanced a total amount of Rs. 1,98,00,000 to twelve units of the textile industry in six states during the period July 1, 1956 to June 30, 1957. The total amount of loans due from the textile industry and allied units is Rs. 1,43,00,000 as on April 1, 1957.

*

During January-March 1957, there was a deficit of Rs. 82 crores on current account. A rough indication of the trend in the balance of payments position during the second quarter of 1957 was provided by the net drawal of Rs. 109 crores from the sterling balances over this period.

*

The Government of India have accepted the Tariff Commission's recommendations that the present protective duty of 25 per cent ad valorem, to the grinding wheel's industry be continued and the period of protection extended up to December 31, 1959. Also protection to the sago industry will be continued till the end of 1959.

*

Mr. Kanungo, the Minister for Commerce told the Lok Sabha recently that India has supplied 21,356 tons of cement to East Pakistan by the end of June 1957. During the same period India had received in exchange for this quantity of cement, 11,648 tons from West Pakistan.

*

The Bhakra Dam has risen to a height of about 260 feet above the foundation, more than one-third its total height of 760 feet. The quantity of concrete placed during June was 1,32,527 cubic yards, bringing to total to date to 16,27,745 cubic yards, about one-third the total concrete required to complete the Dam.

*

In order to ensure supplies of wheat and wheat products to Jammu and Kashmir, the Government of India has now modified the order of June 31, 1957 setting up three wheat zones. A notification issued by the Ministry of Food and Agriculture has the effect of permitting the export of wheat and wheat products from Punjab to Jammu and Kashmir.

*

The quantity of steel that will be imported into the country during 1957-58 both against Government contracts and commercial licences will be about 1.5 million tons. The foreign exchange to be spent during 1957 would be about Rs. 120 crores.

*

The Government of India have issued a notification fixing the price of tea for the purpose of determining the export duty, at Rs. 2.55 per pound as against Rs. 2.43 per pound in force from July 1, 1957. The export duty at this price will be 38 naye paise per pound, as against 25 naye paise per pound in force hitherto.

FOREIGN

The G.E.E.C. Ministerial Committee for agriculture and food met recently in Paris. The agricultural Ministers of many European countries including France and West Germany attended.

*

Total output in the U.K. in the first three months of this year at £4,546 million was the highest ever achieved in any first quarter. The increase over the first quarter of 1956 was 6 per cent, but of this only one third represented a rise in volume, the remaining two-thirds being due to higher prices.

*

U.S. construction concerns completed overseas contracts estimated at between \$750 million and \$1,000 million in 1956 and are currently engaged on major projects in over 30 countries. According to a recent survey most of this activity is on account of foreign Governments or private interests with only 10 per cent representing contracts for the U.S. Government.

*

West European countries, including Britain, will send Communist China precision instruments, stainless steel tubes, spare parts for cars and lorries and other goods under new agreements following the relaxation of trade controls with China. Under these contracts British, French, West German and Belgium concerns would ship the goods to Tientsin starting from the fourth quarter of this year.

*

The drive to redesign Soviet industrial management entered its second phase early this month when 105 newly created economic councils throughout the U.S.S.R. began wrestling with the day-to-day problems of this mushrooming economy. The councils are charged with organising and supervising production in most of the Soviet Union's 200,000 plants and factories.

*

Total world mine production of tin in May amounted to 13,600 tons, against 14,100 in April. This does not include output in the Soviet Union. Exports of tin metal in June totalled 5,128 tons, and in the first half of the year 36,220 tons (36,885 tons).

*

The Indian State Railways recently invited tenders from Yugoslav enterprises for the delivery of another 13 bridges with a cumulative weight of 845 tons. This request of the Indian Railways followed the conclusion of contracts with a group of Yugoslav factories on the delivery of 55 railway bridges.

*

The Government of France has decided to raise the guaranteed minimum wage of French workers by 5½ per cent. The new figure made up of a basic figure and a bonus 133 francs (about 2s. 8½d).

*

The sterling areas gold and dollar reserves fell by \$14 million during July. The total reserves — an indication of Britain's economic health — stood at \$2,367 million on July 31.

*

It is reported People's China's industrial output increased by nearly one-third in one year (1956). A communique by the Chinese State Statistical Bureau, distributed in Hong Kong recently said 1956 had shown "a decisive victory" in the transformation of the national economy from capitalism to socialism.

Special Article**SOIL DEPLETION AND FERTILIZER TARGETS**

By

C. R. RANGANATHAN

[This is the first of a series of four articles on fertilizers by a former Chief Conservator of Forests, Government of India and now Executive Director, The Fertilizer Association of India.]

EXCEPT for deltaic soils and soils subject to periodic inundation by floods, which are rejuvenated by silt deposits, Indian soils have in general been depleted of plant nutrients by continuous cropping, the replacement of nutrients being at best partial and often negligible. It is not realised as widely as it should be that one reaps not only as one sows but as one manures, weeds, cultivates and; when possible, irrigates; that one cannot harvest indefinitely from the soil more than one has put into it by way of nutrients. The amazing feature of Indian soils is not that their yields are low, but that they are as good as they are, considering the low standards of manuring and the generally poor husbandry. There are, evidently, natural causes which help to restore a minimum of fertility to the soil, since it is unusual in India for lands to be retired from cultivation on the score of low returns.

A BALANCE SHEET FOR NUTRIENTS IN INDIAN SOILS

An interesting balance sheet showing the plant nutrients removed by crops in India and restored by manuring as well as the resulting drain on the soil was worked out for the year 1955-56 in a recent issue of the 'Fertiliser News'. The figures are:-

	(In tons)		
	N	P2O5	K2O
Estimate of plant nutrients removed from the soil in harvests: . . .	2,742,000	1,559,000	3,614,000
Estimate of plant nutrients restored to the soil by manures, composts, oilcakes and fertilizers: . . .	649,000	312,000	699,000
Drain: . . .	2,093,000	1,247,000	2,915,000

The above estimate took no account of losses of nutrients through leaching and soil erosion. It was assumed that the losses were balanced by accessions due to weathering, ammonia in rain and nitrification by bacteria. Whatever may be the validity of these assumptions and the accuracy of the estimates, the figures are suggestive of the magnitude of the net annual drain of nutrients from the soil under current agricultural practices. They point to the master factor in the group of agnomic factors responsible for the low yields — namely, depletion of plant nutrients in the soil. They point equally to the master remedy — the use of fertilizers and manures.

FERTILIZERS TO THE RESCUE

The prospects for extension of cultivation being negligible, increased production has to be sought through the extension of irrigation and through the intensification of cultivation, that is to say, through the application of science to farming techniques. Accord-

ing to the second Five-Year Plan the following development programmes were expected to contribute to the increased production in the proportions shown against each:

Major Irrigation:	24%
Minor Irrigation:	18%
Fertilisers and Manures:	25%
Improved Seeds:	10%
Land Reclamation:	8%
General Improvements in Agricultural Practices:	15%

It will thus be seen that the biggest contribution to increased production was expected to be made through the use of fertilizers and manures. Expressed as a percentage of the total annual yield of food grains the increase ascribable to fertilizers works out to less than 4 per cent. There are good reasons for supposing that if fertilizers are made available in adequate quantities the percentage increase in yield is likely to be considerably higher.

TARGETS OF FERTILIZERS CONSUMPTION AND PRODUCTION

The targets of agricultural production first adopted in the second Five-Year Plan were revised in an upward direction after the Conference of Agriculture Ministers at Mussoorie in 1956. The target for food grains was first fixed at 75 million tons and then raised to 80.4 million tons, against the estimated production of 85 million tons in 1955-56, the last year of the first Plan. But it does not appear that a corresponding formal revision in fertilizer targets of consumption has yet been made. The original targets of consumption for the year 1960-61 were 373,000 tons of nitrogen, 120,000 tons of P2O5 and 30,000 tons of K2O. According to Dr. S. P. Deshmukh (Circular Letters Nos. XXXV and XXXVI, Part XIX), it was proposed, as a result of the Mussoorie Conference, to raise the nitrogen target to 484,000 tons, but no mention was made of P2O5 and K2O.

This question has been examined by the Fertilizer Association of India. Estimates arrived at by three different methods, which agreed fairly well, indicate the following revised targets of consumption securing the direct targets of agricultural production:

	(Targets in tons)		
Year	N	P2O5	K2O
1957-58: . . .	240,000	60,000	20,000
1958-59: . . .	350,000	90,000	29,000
1959-60: . . .	480,000	130,000	39,000
1960-61: . . .	650,000	195,000	50,000

As against these estimates of consumption, the present productive capacity is as follows:

N — 88,000 tons (corresponding to 430,000 tons of Ammonium Sulphate).

P2O5 — 49,600 tons (corresponding to 310,000 tons of Superphosphate).

The proposed new fertilizer production units are shown below:

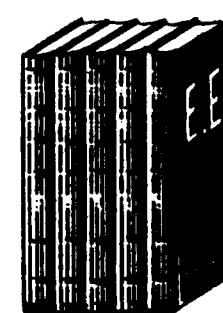
Place	Product	Quantity in tons	% N content	Production in terms of N-Tons
1. Sindri	Urea	24,000	45	10,800
	Ammonium Sulphate-Nitrate	148,000	26	38,480
2. Nangal	Calcium Ammonium Nitrate	340,000	20.5	69,700
3. Neyveli	Urea	40,000	45	18,000
	Ammonium Sulphate-Nitrate	200,000	26	52,000
4. Rourkela	Calcium Ammonium Nitrate	442,000	20.5	90,610
				<u>279,590</u>

In addition to the above, factories are proposed to be set up in Bombay, making use of refinery gases, for the production of Urea, Ammonium Sulphate-Nitrate, and Calcium Ammonium Nitrate. But their capacity is not known and it is doubtful whether they will come into being before the end of the second Plan. Not taking these proposed Bombay factories into account, the total installed capacity in 1961 will be under 370,000 tons and the actual production may not exceed 300,000 tons.

A target of 120,000 tons of P2O5 has been prescribed for 1960-61 in the private sector.

As far as potassic fertilizers are concerned, indigenous production is of the order of a few thousand tons and is not likely to rise substantially during the period of the Plan.

If the targets proposed above are accepted, the gap between them and the actual indigenous production will have to be met by imports. It must be clearly recognised that the use of fertilizers to the extent of the annual targets indicated cannot be made to wait on indigenous production, if the food targets are to be fulfilled.



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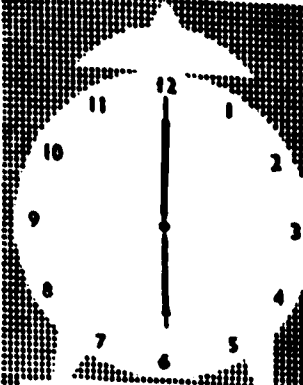


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The Business World**PROMOTING RAYON EXPORTS**

By
CROESUS

AFTER examining the broad features, of India's balance of payments during 1956-57, the July, 1957 issue of the Reserve Bank of India Bulletin appropriately stresses the important role of export promotion and urges the stepping up of exports, especially of commodities in which this country enjoys a comparative cost advantage. Although it cannot be claimed that India's rayon and silk goods enjoy such an advantage, their export potentialities cannot be underrated. According to Mr. D. N. Shroff, Chairman of the Silk and Rayon Textiles Export Promotion Council (S.R.T.E.P.C.) "our 1956 performance, both in regard to silk and rayon trade, has shown a welcome change for the better and the export curve has started looking up. A small increase in the rayon exports of 13 per cent nearly and 26,000 yards over the 1955 figures and of 7 per cent nearly and 201,000 yards in silk exports have been registered during 1956". Since then also, as Mr. Shroff observed, these exports have tended to rise further, the value of all types of rayon textiles during January and February, 1957 alone being about Rs. 5.26 lakhs. But this is exclusive of the value of exports by post-parcel, which, it would appear, comprise more than 75 per cent of our total exports of rayon and silk textiles.

What is necessary to bear in mind in judging the export performance of India's rayon and silk textiles is the extremely keen competition of Japan. Lately Japan has re-emerged as one of the leading producers and exporters of rayon fabrics (both filament and staple fibre). In 1956, Japan's total output of rayon yarn amounted to 920 million sq. yards, which represented an increase of 19 per cent, while her exports aggregated 440 million sq. yards — nearly half her total output — which represented an increase of nearly 50 per cent, both over the corresponding figures of 1955. In regard to exports of silks also, Japan improved her position over 1955 by over 16 million sq. yards or by as much as 80 per cent compared to 1954, the outlets being Canada, West Germany, France and the U.S.A. It is not just this predominant position as producer and exporter of rayon and silk textiles generally that India has to reckon with in respect of Japan but it is her place as the most dominant participant in the markets of the Asian-African region which are what may be described as the natural markets for Indian rayon and silk.

Accordingly, the S.R.T.E.P.C. Chairman dwelt on the need for active export promotion and also on the need for more production, the latter necessarily being an essential prerequisite to the former. In this connection, it is necessary to point to the impression in certain quarters that, because there is need to import

raw materials for manufacturing rayon textiles, and also because India managed in the past without rayon fabrics, there can be no harm in imposing a ban on all further imports of rayon pulp until our foreign exchange position improves. This view, however, ignores two vital aspects of the question, namely the employment potential of the industry internally and its export potential externally. An increase in the production of rayon goods is necessary not only to maintain, if not increase, employment in the industry at home but also to push our exports of rayon goods and earn valuable foreign exchange, especially as there is found to be an obvious potential in the export markets for both rayon and silk textiles. "Only an effort is required on the part of Indian manufacturers — especially to produce export qualities". It is here that the task of the Export Promotion Council comes in or begins, and the Council, one is glad to note, has already bestirred itself in this behalf. The activities of the Council during the brief period of its existence referred to by Mr. Shroff do credit to the organisation. In this connection, particular mention must be made of the Chairman's suggestion that the industry should take advantage of several favourable factors in so far as this country is concerned, such as the large number of Indians residing overseas, most of whom belong essentially to the commercial community, and the existence of firms, associations or branches of the Council's export-members in these markets. These are in a position to place at the disposal of the Council all available information relating to their markets, so that the latter (the Council) may know the precise requirements of these markets and arrange for production of the same by the industry at home. The representative of the industry on the Government of India Delegation, which will be leaving this month for West Germany, among other places, also should bring back with him valuable information to stimulate our exports of rayon and silk fabrics to the countries he visits. The same purpose should be served by the Council's participation in international exhibitions, the appointment of correspondents in some important markets like East Africa, Aden and Ceylon, and the publicity campaign — newspaper advertisements and exhibition of cinema slides — in these and also other markets, including Singapore, Burma and Fiji. If, along with these well-conceived and well-directed export promotional efforts, the Government's assistance also is forth-coming, as, for instance, by way of special import licences for raw materials against exports of finished products, drawbacks in customs duty, etc., there is no reason why our rayon and silk industries should not make quite a handsome contribution to the country's earnings of foreign exchange.

PROGRESS OF BANKING : 1956

By
CROESUS

THE Publications of the Reserve Bank of India always provide the reader with a wealth of authentic statistical information and throw considerable light on the state of India's economy. This week, it has published two of its annual Publications — "Trend and Progress of Banking in India during the year 1956" and "Statistical Tables Relating to Banks, 1956". While the former discusses problems like economic and banking develop-

ments in 1956, banking organisation and control, "the task before the banking system", etc. the latter provides a fund of information pertaining to individual banks and the banking system of India as a whole, based on the annual balance sheets of banks.

After discussing the "Monetary and Banking trends abroad", as usual, the Report turns to developments in

India in 1956. Naturally enough, it makes a special mention of the acute financial stringency which the money market experienced throughout last year and says that this was due to the "mounting demand" for credit by trade and industry, unaccompanied by a commensurate expansion in its resources. Consequently, according to it, a financial stringency analogous to the experience in 1951 emerged during 1956. Advances of the banks, increased on account of growing developmental activity without there being, at the same time, a corresponding accretion to the deposit resources of the banks. In fact, says the Report, the pace of deposit expansion actually slowed down in 1956. The increased demand for bank credit naturally enough compelled the banking system to have larger recourse to the Reserve Bank — the bankers' bank — thus leading to an increase in the total outstanding borrowings of the banks under Section 17(4)(a) and 17(4)(c) of the Reserve Bank of India Act by Rs. 56 crores, as compared with no more than Rs. 20 crores in 1955.

With regard to investments, the Report says that the total of bank investments declined in 1956 by Rs. 18 crores, the ratio of their net deposits also recording thereby a fall from 42.3 per cent to 37.5 per cent. This decline is attributed to the unloading by banks of their investments in Government securities to meet the demands of trade and industry.

In the last chapter — "The task before the banking system" — the Report observes that, in view of the rising investment, particularly in the Private Sector, banks may also be required to meet "a part of the medium-term credit needs of industry; subject to proper safeguards and the availability of medium-term funds". This, it is significant, makes a refreshing departure in the policy of the Reserve Bank which until only the other day used to frown on any such suggestion. It may be recalled that the Bank fully endorsed the view of Sir J. R. Raisman, a pre-independence Finance Member of the Government of India, expressed at a Press interview that, like the bankers in the U.K., he too was not in favour of mixed banking. Be that as it may, it is gratifying to note that the publication approvingly refers to the proposal to set up a Re-finance Corporation to help augment the resources available with the banking system for the use of medium-sized industrial units in the Private Sector. With a view to meeting the rising demand for bank credit of the Private Sector under the second Five-Year Plan, the Report emphasises the need for extensive branch expansion.

The Statistical Tables cover the operations of the banks in India and outside. It shows that the total deposits of all reporting joint-stock banks rose by Rs. 80 crores during 1956, as compared to a rise of Rs. 92 crores in 1955. The Tables further show that, while total deposits of Indian scheduled banks rose by Rs. 84 crores, those of foreign-scheduled banks declined by Rs. 7 crores. The total credit extended by joint-stock banks, however, rose by Rs. 158 crores in 1956, as against Rs. 92 crores in 1955. Their investments, on the other hand, declined in gilt-edged securities by Rs. 18 crores, while "other investments" increased by Rs. 3 crores.

According to the Statistical Tables, the operating earnings improved by Rs. 8 crores in the case of Indian scheduled banks; their expenses also rose by Rs. 5 crores, leaving only Rs. 3 crores as net profit before taxes.

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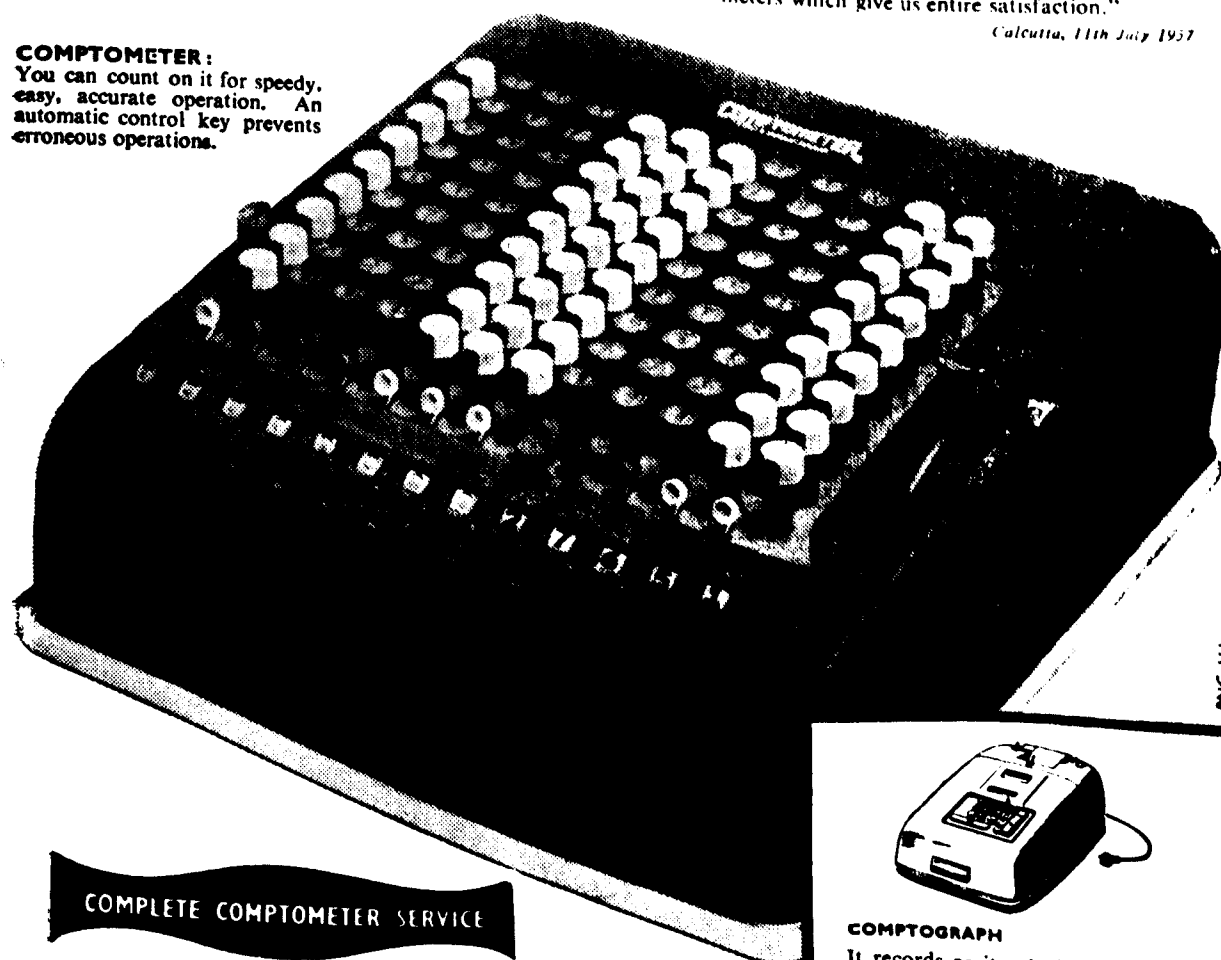
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BUSINESS NOTES

THE BALANCE OF PAYMENTS, 1956-57

THE OFFICIAL analysis of our balance of payments in the first year of the second Plan comes at a time when attention is focused on the big size of the deficit and the serious draft on our foreign exchange reserves. The analysis released in the July issue of the Reserve Bank Bulletin will surely be of value in trying to tackle the problem of the heavy deficit. During 1956-57 the deficit on current account rose steeply to Rs. 292 crores from the nominal surplus of Rs. 16 crores in the previous year. This adverse turn in the payments account was not due to trends in exports which remained just fractionally lower than in 1955-56 at Rs. 637 crores. If, however, it was an absolute certainty that the volume of imports was going to be increased at a fast rate, it should be clear that the performance regarding export promotion was much below anticipations. Imports rose by Rs. 325 crores to Rs. 1,076 crores in 1956-57. They were obviously the main cause of the large gap in payments. The imports on Government account increased from Rs. 138 crores to Rs. 280 crores, while imports on private account increased from Rs. 611 crores to Rs. 795 crores. It will thus be seen that in both the sectors there was an increase of 30 per cent in imports last year.

Deficit of this magnitude was met by withdrawal of Rs. 220 crores from the official foreign exchange reserves and by a loan of Rs. 61 crores from the IMF. It is now common knowledge that these heavy imports which aggravated the payments gap rose from two sources. In the first place food imports went up to Rs. 102 crores as against the Plan average of Rs. 48 crores. The official analysis says that although heavy food imports were incurred because they were available under PL 480, it must not be overlooked that these imports were urgently required to check the upward movement in food prices. The second factor which contributed to the high rate of imports was the intake of machinery, iron and steel and other metals. Expenditure of import on raw materials was in keeping with the expected average envisaged in the Plan. What is not quite well known and what has been appropriately emphasized in the analysis is the expenditure of foreign currency on manufactured articles which was much in excess of the Plan programme.

The steep increase in last year's import bill is ascribed to different factors. Part of it is the result of under-estimation of the requirements of imports of a current nature, part is due to building up a reserve of inventories, some portion must have gone to satisfy the higher requirements of defence, and 'a fair share' must have been swallowed up by the rising demand for consumption. Now that we have come up against a real crisis in foreign exchange great vigilance is being exercised on the issue of licences. But last year licences were issued on a scale which could be characterised as liberal in the given situation. The analysis uses the language of caution and states that the effect of these licences is 'likely to extend' beyond the year under review. It is now known that licences of about Rs. 435 crores are outstanding, a substantial part of which is due to the heavy rate of issue of licences. The only way out of this situation is foreign assistance in the form of deferred payments and other conventional modes.

SUCCESS IN THE LOAN PROGRAMME

IT IS heartening to note from the Press Communique, issued this evening (6-8-1957) by the Reserve Bank of India, that the subscription lists for the 3½ per cent National Plan Bonds — Fourth Series (3½ per cent 1967) and 4 per cent loan 1972 have been closed as the noti-

fied amount has been subscribed fully. This was not unexpected. In fact, the success of these loans was a foregone conclusion in the market circles. But it must be said, in all fairness, that the success of these loans within such a short time was due, by and large, to the realistic way in which the Government of India's borrowing programme for the current financial year was framed. This year Government floated, unlike the previous year, two loans simultaneously: (i) 3½ National Plan Bonds, Fourth Series, redeemable at par on August 1, 1967, and (ii) 4 per cent loan, redeemable at par on August 1, 1972 for an aggregate sum of Rs. 100 crores. Two good features of the present borrowing policy — a reasonable rate of interest fixed realistically and the moderate amount to be borrowed — were perhaps responsible, in the main, for the ready response which the loans had.

Details as to how these were subscribed are not known yet. But it may be said that a considerable percentage might have been realised through the conversion of 3 per cent. Victory Loan of 1957 and 3 per cent loan of 1958 at 100 per cent and 99.70 per cent respectively. Final judgment on the loans ought to be postponed until information about subscriptions in the two components — cash and conversion — is made available.

HASTE AND CONFUSION OVER SUGAR

TWO SPECIFIC points in the Government's recently changed policy on the sugar industry have proved that there had been much haste and some confusion in coming to the decisions which the Government and the Reserve Bank took. The directive given by the Reserve Bank to the scheduled banks a few weeks ago to restrict advances against sugar was influenced by the view accepted by the former that the large size of advances was not justified by genuine requirements of trade but that it contained a good element of speculation. The pros and cons of this view were discussed in this journal at the time the curb was applied to advances and the same ground need not be covered here again. The fears about use of bank credit for speculative purposes have proved substantially wrong. The original directive has been modified now and stocks held by mills have been exempted from it.

This leads to a probe into the reason for the slow movement of stocks from the mills and their comparative immobilisation at the source of production. The main explanation is to be found in the depressed demand from overseas. The question of export of sugar cropped up in the Lok Sabha last week. Mr A. P. Jain's answers during question time reveal how brittle is the base of our sugar export trade. A few months back high hopes were pinned on the export trade and it could hardly have been expected then that they would be so short-lived. Mr. Jain stated that the global prices of sugar were declining in such a manner that there was now a slender chance of exporting Indian sugar. It will be recalled that the excise duty on sugar was increased from Rs. 5.62 per cwt. to Rs. 11.25 per cwt. on two grounds, namely, that it would produce a disinflationary effect by reducing home consumption and encourage export. The prospect of encouraging export is dim. When asked how far the higher excise had discouraged consumption, Mr Jain promptly stated that the intervening time was too short to enable this assessment to be made. But — this is significant — another reason behind the excise was avowedly emphasized. Mr. Jain admitted that more important than its potential as an incentive to export the object of the excise was to earn higher revenue.

REPORT ON MACHINE TOOLS

THE TEAM of American experts on machine tools which examined the problems of the Indian industry during its stay of one month here left this country recently. Due weight attaches to the report of this team in view of the fact that it was sponsored by the US department of Commerce and International Co-operation Administration. Presumably the team has tendered an interim report to the Government of India and what has appeared in the Press relates to this interim report. The final report which would give a picture of the detailed views and judgment of the team is to be submitted after some time to the US Government. It is some satisfaction to know that technical assistance can be available from America for the development of the Indian machine tool industry. The likelihood is that it could be procured on a government level through the Technical Co-operation Mission for specific objects like designing, maintenance, tool engineering, and so forth. It appears that the team has emphasized the necessity of the Indian industry evolving its own indigenous designs. This is important from the strategic view-point. Moreover, India's present requirements and requirements in the near future were mostly limited to simple designs and did not cover high-precision, costly instruments which were in high demand in Western countries. Moreover, the possibilities are that India would develop an export market for simple type of tools for which the demand is expected to grow in the neighbouring countries of South-East Asia. The Hindustan Machine Tools factory would serve this purpose of developing designs in an appropriate manner.

Mr. Merryweather, leader of the team, has given some home-truths which should make us ponder seriously over the points raised. When specifically asked about the prospect of American investment in India's machine tools industry, he frankly replied that one major hurdle was the tax policy of the Government of India. The team has explained to the Government that if American investment was to flow the tax structure ought to permit the investor to make profits which he reasonably expects in the international market in the current situation. The manufacturing potential of the indigenous industry can be raised provided sizable orders were placed on the plants. There was also need of improved types of equipment. The system of pooling of orders was recommended for the purpose of enabling medium manufacturers to undertake continuous programmes of production. If purchases did not materialise, the Government would have to come in the picture to buy the products in the meantime. The conditions of a small sector of the industry in Punjab was unsatisfactory. Mr. Merryweather's remarks in this behalf suggest that quality leaves considerable room for improvement and about half the production capacity is now lying idle which makes the problem of production costs still more difficult. Government assistance by way of loans has been urged. All in all, the report suggests that notwithstanding its present weaknesses the Indian machine tool industry can be strengthened and a healthy structure build up in the near future.

THE RAILWAY PROGRAMME

THE CLARIFICATION which was given by Mr. K. B. Mathur, Member (Transportation) of the Railway Board, in his Press conference on August 1 last about the import programme of the railways gives assurance that there is a reasonable certainty that the railway expansion programme will not encounter any further difficulties for the present—until deliveries under the outstanding orders are made this year or so. But it does not give the same degree of assurance that the railway foreign exchange problem will be solved without difficulty and disturbance in the third and fourth years

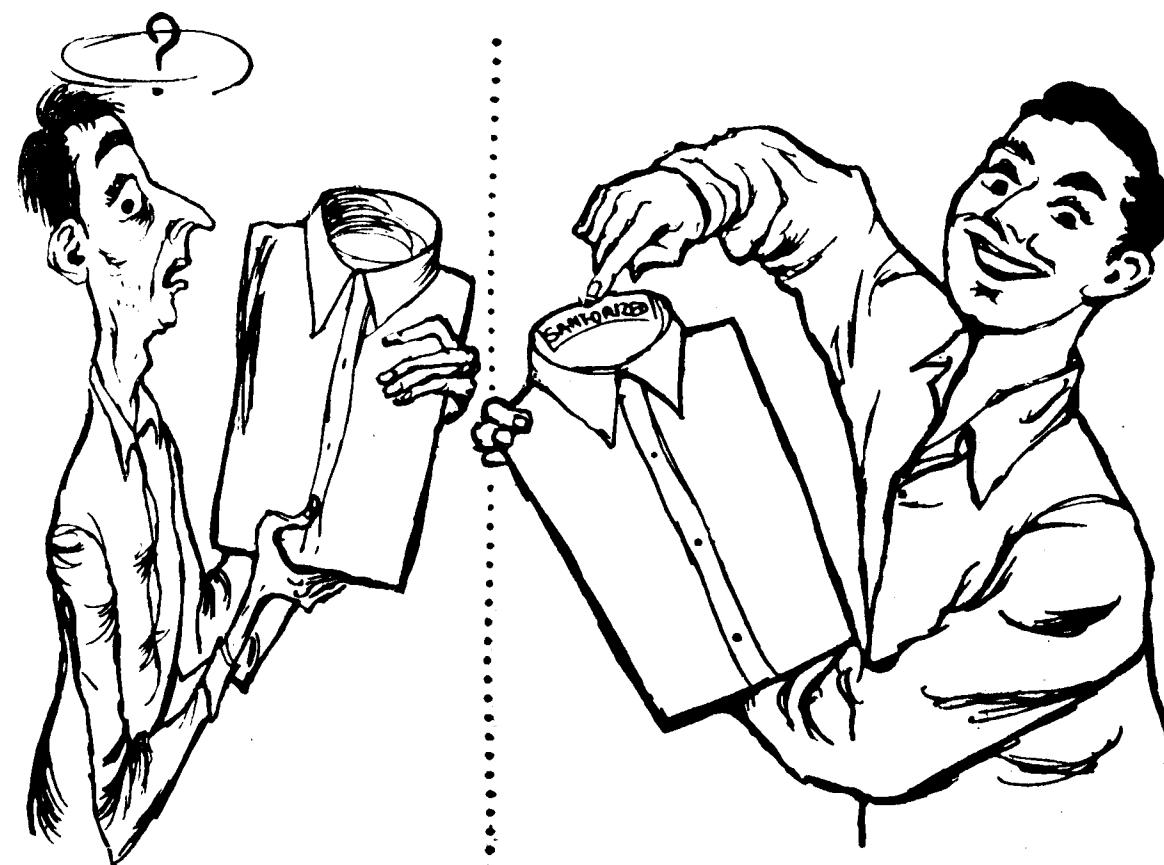
of the Plan which will mark the period of peak pressure of expansion activity. It need not be emphasized that a set-back to the import and development schedules in these two years will extend the railway plan beyond March 1961 and create shortages of freight capacity, bringing in their wake bottlenecks in industrial and agricultural programmes.

One estimate of expenditure of foreign exchange actually spent since the second Plan was started puts it around Rs. 75 crores. The latest loan of \$ 90 million from the World Bank is expected to meet, it is said, a substantial part of the \$ 110 million expenditure on orders placed between 1955 and July 1957. This seems to be incorrect because the explanation attached to the announcement of the World Bank's loan last month stated that the loan amount would suffice to defray half of the expenditure in this year. A mission has been deputed to Europe under the leadership of Mr K. P. Mushran, Member of the Railway Board, for purchase of steel and other equipment. In effect, the actual expenditure of foreign currency for the railway plan up to the end of the third year of the Plan would be Rs. 75 crores spent so far, Rs. 45 crores World Bank loan, Rs. 45 crores India's contribution to supplement the loan and Rs. 55 crores to be spent till March 1959, or a total of Rs. 225 crores. Expenditure of Rs. 200 crores will be left over to the last two years of the Plan to which must be added the element of price increase and the element of increase in the size of the railway plan estimated at Rs. 100 crores. Part of this cost is expected to be met by more World Bank loans. The balance which is to be met mostly from our own resources needs to be planned ahead.

AIDS TO INDUSTRY

INDUSTRIAL EXPANSION requires, besides trained technicians, adequate capital and abundant raw materials, also an understanding between the Government and the mercantile community engaged in industrial activities. This helps, to a great extent, in clearing the psychological apprehensions lurking in the minds of the business people, on the one hand, and, on the other, in preventing our policy-makers from taking hasty policy decisions, sometimes, running counter even to their own intentions. Frequent meetings of the leaders of the commercial community and official spokesmen are, therefore, in the best interest of the country's development. A few days back there was one such occasion, when Mr. Y. B. Chavan, the Chief Minister of Bombay, and the members of the All-India Manufacturers' Organisation met during the first quarterly meeting of the Central Committee of the A.-I.M.O.

While Mr. Chavan appealed for the co-operation of the private sector and asked the entrepreneurs to locate new units outside big cities like Bombay and Ahmedabad, in his inaugural address — by the way, this was his reply to the A.-I.M.O. spokesmen's request that the State Government should not insist on all new industries in these places providing 100 per cent housing to their workers — Mr. S. N. Haji, Chairman of the A.-I.M.O. dwelt at length on the financial needs — external and internal — of the second Five-Year Plan. The A.-I.M.O. Chief repeated his Organisation's recommendations, namely using the huge wealth now lying unutilised and a greater collaboration between Government and the people in public enterprises. The Committee adopted a resolution urging the Government to facilitate the flow of foreign capital into the country by eliminating obstacles such as double taxation, etc. The resolution further asked the Government to promote exports, to encourage capital formation in the private sector to intensify rural savings to place greater reliance for resources on sources other than taxation and to keep the non-Plan expenditure to the minimum.



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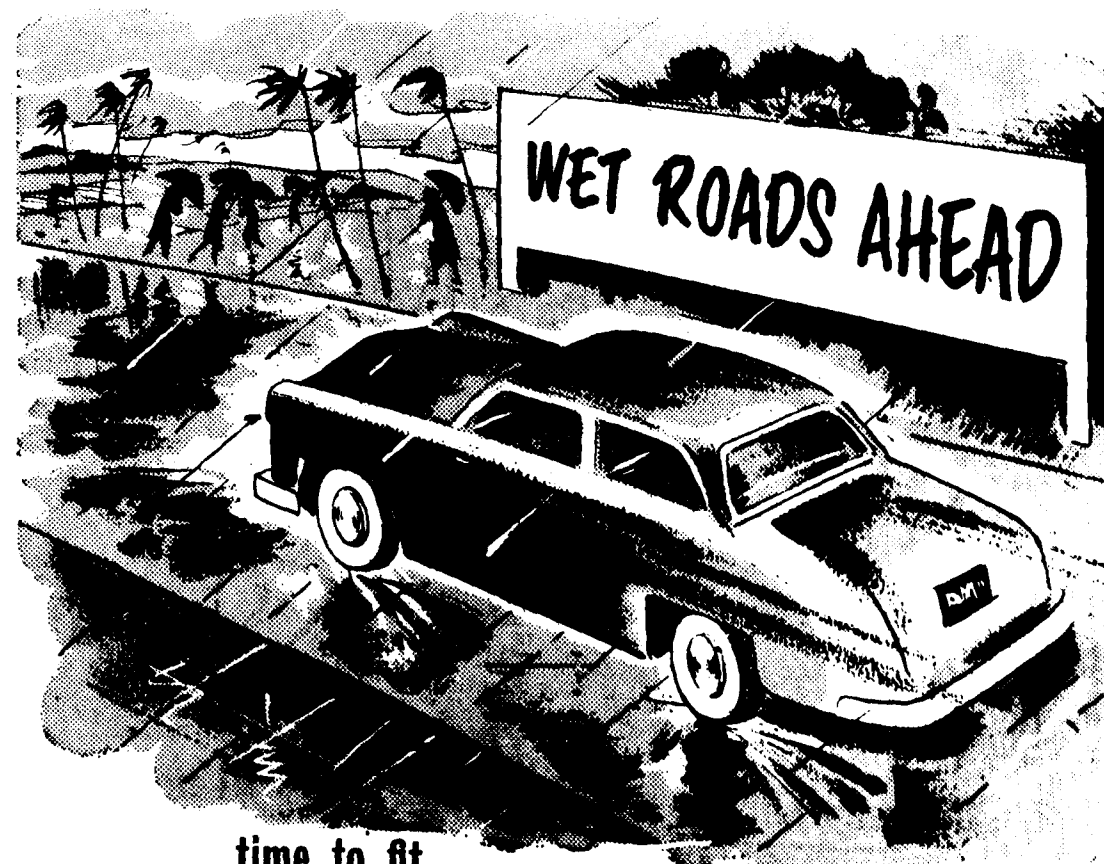
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A. 62

Economic Report from the U. S.

GROWTH OF "BIG BUSINESS"

(By GUY SIMS FITCH)

WASHINGTON, Aug. 6.—With all the talk these days about the alleged growth of "Big Business," it is refreshing to note that the total number of operating concerns in the U.S. continues to increase at a respectable rate. The latest tabulations by the U.S. Department of Commerce show that the nation's business population totalled 4.3 million active companies at the beginning of 1957 — the vast majority of them small enterprises. This indicates a net increase of more than 50,000 companies during 1956, a rise about equal to the 1955 gain and in line with the long-term trend.

In fact, as 1957 began, all major U.S. industries, with the exception of manufacturing and construction, were operating with the largest number of firms on record. As was to be expected in a large and active economy, there was a good deal of business "turnover" last year. Some 381,000 new companies were successfully established, while 327,000 were discontinued. Also indicative of the active economic pace, another 327,000 changed hands during the year. Most of last year's 54,000 business additions — "births" less "deaths" — occurred in the first half of the year. It should be noted, however, that the business population is usually high at mid-year; on a seasonally adjusted basis, growth — though slowed somewhat — continued through the second half as well.

It also should be noted that the term "discontinued business" pertains to all closures regardless of the reason. This includes firms liquidated because of the death or retirement of the owner or to realize a profit, as well as those shut down because of inability to keep up with the competition. The pattern of changes in the business population last year was generally similar to that of 1955. The number of manufacturing companies declined slightly, continuing the moderate reduction that began in 1952. But all other business classifications registered increases, with the gains in retail trade and service industries — where small companies abound — exceeding those of 1955.

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The 110,000 business additions in 1955 and 1956 represented a higher two-year total than at any time since the surge of civilian business expansion that marked the early post-war years. All told, there are 317,000 more operating companies in the U.S. today than there were at the end of 1948, and 1,025,000 more than at the end of pre-war 1940. This remarkable growth helps put into perspective a reported rise in industrial and commercial failures in the early part of 1957; in absolute numbers they are the same as in 1940 and higher than in any intervening year. But this does not take into account the number of new businesses started for which no definitive data are yet available. Moreover, since the number of firms doing business in the U.S. today is the highest on record, the current failure rate of about 50 per 10,000 companies is substantially lower than the 1940 rate of 66 per 10,000. Even in the prosperous 1920's when the U.S. economy was much smaller than it is today, the typical failure rate, was about 100 companies per 10,000. This seems to confirm the view that the U.S. economy is not only larger than it used to be, but also more stable.

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COMPANY AFFAIRS

TATA LOCOMOTIVE AND ENGINEERING CO., LTD.

Although the net profit of Tata Locomotive and Engineering Co. Ltd. (TELCO) for the year ended March 31, 1957 at Rs. 89.15 lakhs was lower than the previous year's profits of Rs. 92.73 lakhs, the year's results must be regarded as satisfactory, considering that the previous year's profit also included profits for a period of two years of the Company's Locomotive Division. Notwithstanding the substantial improvement the amount available for final disposal at Rs. 90.45 lakhs was lower than the previous year's corresponding amount of Rs. 93.24 lakhs. But the amount available for purposes of distribution to shareholders after making the appropriations to development reserves (Rs. 14.99 lakhs) and the general reserves (Rs. 20 lakhs) and reserves for taxation of about Rs. 10 lakhs, thanks to the increase in taxation and the additional taxes on dividends was nearly Rs. 15 lakhs lower at Rs. 44.28 lakhs as against over Rs. 59 lakhs in the previous year. Yet, it must be noted here that the liquidation of all arrears of dividends on Preference Shares last year has made it possible for the Directors to recommend a dividend on Ordinary Shares at the rate of 8 per cent as against only 6 per cent for the year ended March 31, 1956. The Directors expect that in addition to further working capital that would be necessary for carrying on the Company's growing business funds for further capital expenditure also would be needed. The means by which these funds can be raised is receiving their attention.

The Company's total business during the year of report was almost twice that of the previous year in value. There was an increase of 30 per cent over the previous year in the output of locomotives and boilers. In other words, this exceeded even the targets set by the Tariff Commission of 50 complete locomotives and 50 spare boilers in 1956-57, the actual output being 67 complete locomotives and 44 additional boilers. The Directors claim that the indigenous content of each of these unit was well over the figure of 75 per cent stipulated by the Railway Board.

In the Automobile Division also, according to the report, excellent progress was made during the year. Here again the total output of vehicles exceeded the target of 6,000 units. In this sphere the Directors say "the progress of indigenous manufacture was maintained strictly according to schedule." It may be added here that with further progress in indigenous manufacture, contrary to popular belief, the margin of profit would appear to decline; if the experience of other automobile manufacturers in India is any proof. It is, however, noteworthy that this has not come in the way of the Company going ahead with the third and fourth stages of its manufacturing programme; despite the deterioration in the foreign exchange situation and the resulting delay in ordering out for the plant and equipment required. The Company has made good progress with the erection of the Steel Foundry which is almost complete as also the construction of the Alloy Iron Foundry. There is a reference in the report to the findings of the Tariff Commission regarding the efficiency of the Company's workers in the Locomotive Division vis-a-vis those of Chittaranjan and it is stated that some improvement was achieved in labour productivity.

THE INDIA UNITED MILLS, LIMITED

The results of working of the India United Mills, Ltd., for the year ended December 31, 1956 show that the Company has earned a profit of Rs. 76.18 lakhs after providing for all working expenses. Among the provisions made out of the profits, the Managing Agents'

Commission claimed Rs. 5.19 lakhs, depreciation Rs. 15 lakhs and taxation Rs. 10 lakhs. With a further provision of Rs. 7 lakhs made towards Bonus payable for the year, there was a net balance of Rs. 38.99 lakhs, which, together with the surplus of last year's Account of Rs. 1.90 lakhs, left an amount of Rs. 40.90 lakhs for distribution. The Directors have recommended a final dividend of 30 nP for Ordinary Shares and 12 nP for Deferred Shares.

Although the year's results of working were satisfactory, the Directors report that market conditions in the latter part of the year, especially since September, were depressing. The upward revision of the Excise Duty on all varieties of cloth twice in the year 1956, it is stated, brought about a condition of stalemate in the cloth market and, as a result, large stocks have had to be carried forward. Consequent on the additional Excise Duty levied in September, 50 per cent of which had to be borne by the Company itself the loss suffered by the Company has been put at Rs. 9.60 lakhs. This would be very much more for the current year (1957).

THE ALEMBIC CHEMICAL WORKS CO., LTD.

The latest Report of the Directors of the Alembic Chemical Works Co., Ltd., is the fiftieth Report and thus marks the completion of 50 years by this leading Indian Chemical Company. The net profit of the Company during the Golden Jubilee Year, after providing for depreciation, amounted to Rs. 10.70 lakhs. Over 50 per cent of this, namely Rs. 5.40 lakhs, has had to be set apart for taxation. The dividend of 10 per cent on Ordinary Shares and the dividends on the three kinds of Preference Shares bearing different rates of interest together absorbed Rs. 4.14 lakhs, leaving a little less than Rs. 98,000 to be carried forward to the 1957 account. According to the Directors, the sales of the Company are on the increase and the working results of both the parent Company and its subsidiaries have been quite satisfactory.

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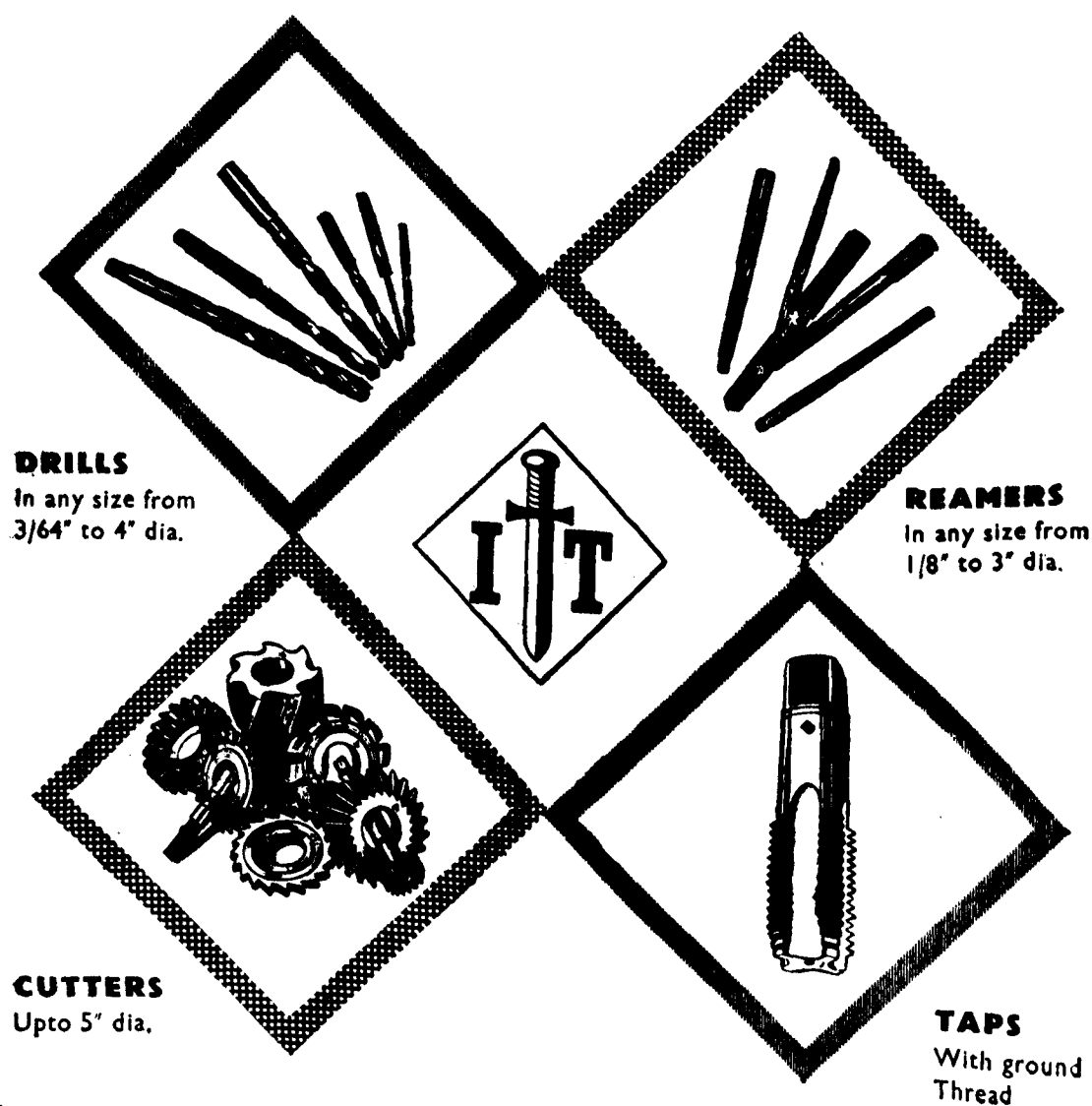
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COMMODITY NEWS AND NOTES

INDIGENOUS SUGAR PRODUCTION

The production of indigenous sugar amounted to 20.18 lakh tons up to July 15 in the current season as against 18.53 lakh tons in the corresponding period of last year. The total offtake, including quantities dispatched for export, was 14.93 lakh tons. Stocks with factories on July 15, 1957, stood at 10.49 lakh tons.

COFFEE EXPORT

The Coffee Board has released 956 tons of coffee for export from the 1956-57 crop, consisting of the following: Plantation 'A' 253 tons; Plantation 'B' 189 tons; Plantation Triage 105 tons; Arabica Cherry Flats 15 tons; Arabica Gleanings Flat 6 tons; Robusta Parchment 'A' 111 tons; Robusta Cherry 'A' 277 tons.

The last date for tenders will be August 14.

SCHEME TO IMPROVE GROUNDNUT SEED

A research project on "radiation mutations and improvement of groundnuts" is among a number of schemes sanctioned by the Agricultural Sub-Committee of the Indian Central Oilseeds Committee.

The Bose Institute, Calcutta, has been commissioned by the Committee to carry out this project.

The cost of this scheme as well as various other schemes relating to the breeding of groundnut and other oilseeds and schemes aiming at reaching the target production of 75,00,000 tons of oilseeds by 1960-61 fixed by the Planning Commission will be borne entirely by the Indian Central Oilseeds Committee.

INCREASE IN WORLD TEA CONSUMPTION

World supply of tea exceeded absorption continuously for the third year in 1956, according to a report quoting the International Tea Committee, published in the Plantation and Commerce, a plantation journal.

The surplus, however, was very negligible, of the order of 6 million lb. in 1956, compared to 28 million lb. in the previous year and 70 million lb. in 1954, the report said. The balance between supply and demand was achieved mainly by an increase in consumption, though reduction in supplies was to a lesser extent a contributory factor, the report added.

According to the report of the Committee, the consumption of tea in the world rose gradually from 1,278 million lb. in 1954 to 1,320 million lb. in 1955 and 1,339 million lb. last year. Supplies on the other hand were lower at 1,345 million lb. in 1956 as against 1,358 million lb. in the previous year and 1,343 million lb. in 1954.

GOLD AND SILVER PRODUCTION

Both gold and silver production in India recorded further decline in 1956, according to the Reserve Bank of India Report on Currency and Finance for 1956-57.

The production of gold in India in 1956 is estimated at 209,000 fine ounces, which is one per cent less than that in the previous year. The world production (excluding the Soviet Union) of gold during the year rose by 3.6 per cent to 23 million fine ounces, 105,000 ounces, which is 20.5 per cent less than that in

India's production of silver in 1956 is placed at the previous year. The world production of silver during the year rose by 3.8 per cent to 230 million ounces.

PRODUCTION OF OILSEEDS

The Technological Research Sub-Committee of the Indian Central Oilseeds Committee which also concluded its deliberation recently, recommended for sanction six new schemes and extension of four current schemes at an estimated cost of Rs. 2,68,000.

The new schemes sanctioned included the setting up of an organisation for survey, collection and utilisation of non-edible oilseeds with the object of setting up a pilot project for actual collection of non-edible oilseeds available in the forest areas of Mysore State.

The allocation of funds for the various States are: Andhra Pradesh Rs. 2,61,885. Bombay Rs. 3,01,364, Madras Rs. 3,52,075, Orissa Rs. 1,87,524, Uttar Pradesh Rs. 6,93,260, Assam Rs. 1,90,816, Mysore Rs. 2,64,924. Punjab Rs. 1,73,870, West Bengal Rs. 1,83,498, and Himachal Pradesh Rs. 84,810.

STEEL OUTPUT

U.S. steel production in the first half of 1957 reached the second highest level for any first half-year, being exceeded only in the first six months of 1956. Output this year was some 60.58 million net tons, compared with some 62.6 million tons a year ago, according to the American Iron and Steel Institute.

The decline this year compared with last took place in the second quarter, industry statistics indicate. In the quarter which ended June 30, a little over 29 million tons of ingots and castings were produced which compared with some 31.58 million tons in the first quarter of this year, and some 30.7 million net tons in the second quarter of 1956.

In the second quarter of this year output was consistently less than 10 million net tons a month, whereas in the same quarter a year ago, in both April and May the industry poured around 10.5 million net tons of steel. In the second quarter of last year, however, customers were building up steel stocks in anticipation of the summer strike.

This year no strike was anticipated because of the three-year contract signed with the United Steelworkers in 1956. An anticipated rise in steel prices caused no sharp increase in buying, in the face of reduced demand from certain leading steel consumers, such as the motor and home appliance industries.

At the present time output in the steel industry is at the rate of about 80 per cent of capacity. No comparison with a year ago is possible because of the strike in the summer of 1956.

WORLD USE OF RUBBER

There was a sharp fall in world production and consumption of natural rubber in May, according to figures released by the International Rubber Study Group. Output fell by 12,500 to 137,500 tons and usage by 10,000 to 155,000 tons. Imports into the USSR and China in May were 13,000 tons lower than in April, so that consumption outside these countries increased slightly. Usage in the UK increased by 1,000 tons and in the US by 1,300 tons. In the first five months of this year, however, consumption outside Russia and China fell from 719,000 to 715,650 tons. The drop in rubber production in May was made up of a decline of 12,000 tons in Indonesian exports, a 3,500 ton-decline in Malayan output and a small rise outside these areas. World production in the first five months of this year showed an increase of 15,000 to 732,500 tons.

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 Matria.	Semi-ma- nufactured Articles	Manufac- tured Articles	Miscel- laneous	General Index	Govt. and Semi- Govt.	Deben- tures	Prefer- ence	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	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	86.4	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	—	—	—	—
December	1956 ..	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 ..	419.3*	536.3	406.5	387.7*	572.3	431.2	89.4	99.1	78.4	104.1
June	.. c ..	433.4	541.3	413.0	392.4	575.3	439.2	89.5	98.7	77.6	102.6
8-6-1957	..	435.7	530.9	414.5	392.3	570.7	439.2	89.6	98.9	77.8	102.7
15-6-1957	..	421.3	543.9*	413.3*	393.1	571.1	437.5	89.6	98.9	77.6	101.8
22-6-1957	..	430.5	539.9*	410.6*	392.4*	563.5	437.3	89.4	98.9	77.3	101.6
29-6-1957	..	438.1	540.9	413.0	391.6	601.5	441.2	89.3	98.9	77.4	103.8
6-7-1957	..	440.1	543.3	410.6	392.8	617.6	442.6	89.3	98.9	77.0	105.3
13-7-1957	..	440.8	545.3	412.0	392.1	618.6	443.1	89.2	98.8	76.8	105.8
20-7-1957	..	441.5	541.3	415.3	392.3	622.4	443.5	89.2	98.7	76.6	105.6

†Economic Adviser's Series.

• Average of weeks.

↑↑ Reserve Bank Series.

Revised*

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

(August 1939=100)

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay	Ahmeda-	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras	Tudh-	Jamshed-	
		June 1934—100	bad July 1927—100						June 1934—100				ian†	pur†
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	184
1949	292	307	248	132	348	478	377	151	323	164	138	188
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

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

156-0		WEEK ENDED											
		26-7-1957			19-7-1957			12-7-1957			5-7-1957		
		High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola)	..	108.66	107.37	108.05	107.47	106.28	106.86	106.12	104.84	105.55	107.47	106.28	106.86
Silver (per 100 fine tolas)		183.25	181.00	182.02	181.75	179.06	180.45	179.75	177.19	178.70	181.75	179.06	180.45

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(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupree Coin	Rupree Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67,11	32,16	210,64
1948-49* ..	1,231,84 (5,58)	22,02 (—)	1,253,86 (5,58)	42,49	907,47	949,96	75.43	42,96 (90)	265,62	1,253,86 (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	54.86	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	428,00	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
1956 57* ..	1,475,77	18,75	1,494,52	44,42 (117,76)	545,61	595,63 (663,37)	39.95 (44.37)	115,61	765,22	1,494,52
<i>Average of Fridays</i>										
October 1956 ..	1,420,31	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	821,25	1,474,39
January 1957 ..	1,488,29	16,48	1,503,77	117,76	441,09	558,85	37.57	123,46	821,46	1,503,77
February ..	1,508,89	13,48	1,522,36	117,76	412,52	530,28	36.70	122,05	870,03	1,522,36
March ..	1,521,09	13,54	1,534,64	117,76	412,52	530,28	34.55	121,37	882,81	1,534,64
April ..	1,569,25	11,86	1,579,11	117,76	412,52	530,28	53.58	126,41	922,42	1,579,11
May ..	1,582,22	17,53	1,599,75	117,76	412,52	530,28	33.35	125,60	943,87	1,599,75
<i>Week Ending</i>										
14-6-1957 ..	1,580,56	23,93	1,604,49	117,76		530,28	33.05	124,40	949,81	1,604,49
21-6-1957 ..	1,559,24	36,41	1,595,65	117,76		530,28	33.23	125,66	939,81	1,595,65
28-6-1957 ..	1,542,17	39,50	1,581,67	117,76		530,28	24.53	126,58	924,81	1,581,67
5-7-1957 ..	1,551,49	29,27	1,580,76	117,76			33.54	125,67	924,81	1,580,76
12-7-1957 ..	1,542,92	38,40	1,581,33	117,76			33.53	126,24	924,81	1,581,33

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	1,58	4,21	1,72	2	6,36	90
1948-49°	..	223,17 (14,33)	16,98 (3,04)	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71 (1)	3,34	75,65	4,14
1949-50°	..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	980,54	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	5,08
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	13,83
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
1956-57°	..	57,52	14,10	52,46	19,73	143,81	101,21	246,92	18,91	5,69	64,77	4,89	85,34	57,82	13,60
Average of Fridays															
October 1956	..	54,27	21,33	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	21,33	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
January 1957	..	52,63	9,81	52,33	13,13	127,89	139,22	277,12	15,69	1,74	81,45	8,06	102,84	52,83	14,50
February	..	52,40	13,48	53,30	34,96	154,16	142,59	296,75	13,70	1,54	108,98	6,74	116,42	45,95	13,44
March	..	56,01	19,27	53,28	61,44	189,99	147,48	347,47	13,74	3,33	114,30	8,42	115,24	79,07	13,37
April	..	54,61	5,37	67,33	74,63	201,91	150,10	352,01	11,99	14,03	102,31	16,46	101,37	102,55	13,30
May	..	52,89	4,38	63,37	83,53	204,16	152,64	266,82	17,67	4,45	64,50	18,91	111,31	136,35	13,62
Week Ending															
7-6-1957	..	54,65	1,41	68,62	87,18	211,85	150,61	372,46	16,38	4,64	33,95	24,30	109,11	170,49	13,55
14-6-1957	..	52,46	1,19	64,82	121,00	230,46	157,69	407,06	24,08	5,83	61,19	25,98	98,06	178,65	13,26
21-6-1957	..	53,45	2,39	71,51	121,63	248,89	152,27	411,16	36,55	4,68	51,86	23,95	93,46	187,47	13,19
28-6-1957	..	51,80	8,25	82,15	85,78	261,98	154,98	426,96	39,62	13	40,82	23,88	91,46	216,81	14,24
5-7-1957	..	53,18	4,47	75,89	149,69	283,72	118,79	412,01	29,34	1,87	37,41	26,40	84,67	218,52	13,79
12-7-1957	..	53,45	1,41	78,71	148,91	282,49	119,01	411,50	38,55	3,76	28,55	27,58	81,34	218,46	13,26

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. † 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 gold reserves of Issue Department are revalued at Rs. 62.50 per tola from October 6, 1956.

SCHEDULED BANKS

Rs. in Lakhs)

Period (1)	LIABILITIES			Cash (Notes + Coins) (5)	Balances with Reserve Bank (6)	(5 + 6) as percent- age of (4) (7)	Advan- ces (8)	Bills Discount- ed (9)	(8 + 9) as per- centage of (4) (10)	Invest- ments in Govt. Securities in India (11)
	Demand (2)	Time (3)	Total (2 + 3) (4)							
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
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	81.68	60.68	339.74
1955-56	608.64	407.95	1,016.59	34.84	52.52	8.69	514.37	118.08	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56	71.39	359.36
Average of Fridays										
October 1956	639.78	455.05	1,094.83	38.15	49.08	7.97	612.27	146.94†	69.35	373.01
November	648.62	457.21	1,105.83	38.36	50.64	7.99	601.41	162.79†	70.24	365.95
December	652.09	460.42	1,112.51	38.63	51.06	7.98	611.97	168.62†	71.07	365.11
January 1957	659.71	459.08	1,118.77	35.49	49.32	7.64	647.60	165.94†	73.29	362.67
February	683.02	464.95	1,147.97	36.01	50.29	7.58	687.52	166.33†	74.97	357.27
March	705.11	466.94	1,172.05	36.27	51.79	7.58	708.67	168.45†	75.55	348.75
April	728.28	491.75	1,220.03	39.81	65.12	8.64	719.66	183.45†	74.66	345.68
Week Ending										
21-6-1957	711.26	551.01	1,247.94	36.40	68.10	8.73	741.64	178.90†	73.77	332.96
28-6-1957	723.38	553.02	1,281.03	36.98	68.72	9.60	746.03	178.05†	72.88	332.71
5-7-1957	713.14	563.76	1,238.32	36.30	73.51	9.12	741.69	173.27†	72.71	332.64
12-7-1957	715.91	569.88	1,258.43	36.32	74.74	9.22	737.10	167.11†	71.85	332.25
19-7-1957	724.66	563.33	1,255.99	36.32	83.44	9.68	714.89	177.88†	70.80	332.28

* Undivided India.

† Including foreign bills purchased.

MONEY SUPPLY IN INDIA

(Lakhs of rupees)

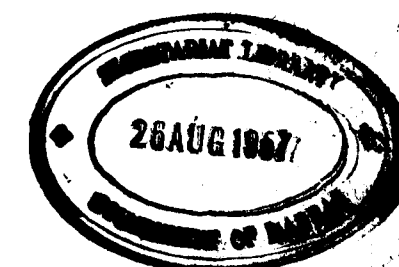
Last Friday (1)	Money supply with the public (2) = (3) + (4)	Total currency with the public (3)	Deposit money with the public			Total variations in money supply (7)
			Total (4)	Demand liabi- lities of banks (5)	Other deposits with Reserve Bank† (6)	
1953-53	1,764.71	1,109.25	565.46	548.95	16.51	-39.08
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	2,184.33	1,595.09	679.23	667.22	12.01	+262.69
1956-57	2,301.84	1,550.47	..	..	..	..
April 1956	2,325.11	1,538.18	689.93	677.43	12.50	+25.79
May	2,325.97	1,529.66	696.31	675.69	10.61	-2.14
June	2,189.13	1,564.48	624.65	675.49	11.16	-36.94
July	2,147.90	1,550.00	673.62	663.32	10.30	-41.29
August	2,134.92	1,542.52	683.15	672.79	10.36	-12.00
September	2,109.41	1,542.52	673.46	662.92	10.54	-25.51
October	2,122.00	1,542.52	680.48	669.64	10.84	+12.59
November	2,151.48	1,542.52	689.45	677.99	11.46	+25.68
December	2,178.65	1,485.34	693.31	681.35	11.96	+27.19
January 1957	2,220.47	1,509.96	710.57	700.80	10.77	+42.88
February	2,263.71*	1,526.58*	735.14*	723.36*	11.78	+42.84*
March	2,300.59*	1,553.96*	753.50*	741.87*	11.65	+42.67*
April	2,358.30*	1,564.78*	773.52*	761.01*	12.51	+51.75*
May	..	..	..	..	..	..

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

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ONE RUPEE

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Promise and Performance in China

IT is now nearly two months since Chairman Mao Tse-tung's famous February speech—probably to be known in history as "The Hundred Flowers Speech"—was given to the world press. The initial general reaction was that he had infused a new liberalism in Marxist doctrine. But all such interpretations have been belied by the new purge, the like of which has perhaps not been known in the history of the Chinese Communist Party. The Communist Government has announced that 175,000 government

officials in 61 departments are engaged in a gigantic check on "non-conformists." More than 1,300,000 "counter-revolutionaries" have been discovered. This number includes only those who have made a "clean breast" of their past or present "anti-people" affiliations—such as having participated in "reactionary" organizations or harboured "anti-Communist" thoughts—and have been convicted. The attack on the intellectuals and students is on a wide front; the basic charge is that they are restive against Communist dic-



tatorship. They refuse to be 'guided' by the leadership of the Communist Party and 'supervised' by the masses. Afraid of having "a Hungarian affair in China", to borrow a phrase from Mr. Lu Ting-yi, head of the Propaganda Department of the Chinese Communist Party. They have not even spared the world-famous Chinese woman novelist, Ting Ling. She has been denounced as having been "an agent of the Anglo-American imperialists and war-mongers" since 1930.

The growing internal opposition is not confined to the intellectuals and students. It is more wide-spread in the country-side. Chinese newspapers are replete with reports of the activities of the "counter-revolutionaries" in places as far apart as Shanghai and Shantung provinces on the eastern sea-board and Yunnan on the far south-west. Other plots were officially reported to have been uncovered in the provinces of Tsinghai, Szechuan, Kwantung and Kwangsi. As we go to the Press, the Chinese newspapers have reported that three "counter-revolutionary" groups have been discovered in Anhwei. Earlier, a similar group had been exposed in Tsingtao.

Critics of the regime will be punished or have already been punished under decrees issued recently to put a stop to anti-Communist sentiment that had grown, and was daily growing, since Chairman Mao's speech. Instead of singling out operational weaknesses in Chinese Communism, "non-conformists" had struck at Communism itself and rashly asked for an overthrow of the Party leadership in May and early June. The Chinese Vice-Premier, Mr. Po I-po, admitted that the main reasons for the ever-increasing internal opposition were the failure of agricultural production to meet the demands of the national economy and of the production of raw materials to keep pace with the needs of industries.

The liberalistic interpretation of Chairman Mao's speech was partly due to the wishful thinking of the people of China and the political commentators of the non-Communist world. But it was due in the main to ignorance of Marxist semantics. To non-Communists the word "people" has a constant meaning, and "people" are "people" everywhere. For instance, the "people of India" would mean the inhabitants or citizens of this country. In other words, there is a constant yardstick, impersonal and not subject to change, for determining in this context, who belong to the "people of India." But when Chairman Mao uses the phrase "those belonging to the Chinese people," he has no such static or stable demographic concept in mind. His yardstick is political; hence the term "people" is variable. Thus, according to Mr. Mao, the "Chinese people" are only those who support Socialism (synonymous with the programme of the Communist Party of China); and those who do not support the Chinese Communists do not form a part of the "Chinese people." Writing in *China's New Democracy* as early as 1937, Chairman Mao had observed: "Bourgeois elements are accustomed to conceal the truth about class status, and resort to the term 'people' or 'nation' to camouflage the actuality of one-class dictatorship. Such concealment gives no benefit to the revolutionary people, and therefore should be clearly exposed. The term 'people' or 'nation', according to Marxism, does not include the traitors and counter-revolutionary elements. It means a dictatorship of all the revolutionary people and revolutionary classes over the traitors and counter-revolution-

aries". The parallel in India would be Mr. Nehru's charging all those who do not support him or his Congress party with being disloyal to the country and liquidating them.

This is not a polemic or unsubstantiated view. The Communist regime in China has not only provided ample evidence to support this, but has made clear that this is exactly what it means. The speech, and the presumed new freedom, stimulated considerable discussion in China and brought forth a large measure of criticism. But by mid-June, the critics were themselves being publicly denounced. Most of them publicly recanted. Mr. Lo Lung-chi, Minister for Timber Industry, had publicly stated that a committee should be appointed to examine abuses committed during the San-Fan, Wu-Fan and Su-Fan purges carried out since 1949. Mr. Lo has been publicly damned. Mr. Chang Nai-Ch'i, Minister for Food, was severely critical of bureaucratism and the efficiency of the public-private enterprises. Mr. Chang resisted the mounting criticism until on June 19 his own party (not the Chinese Communist Party) relieved him of all party offices and ordered him to confess. These two Ministers, along with Mr. Chang Pu-chun, Minister for Communications and a Vice-President of the China's Democratic League, are charged with "planning to develop the strength of the League to rival that of the Chinese Communist Party." Chinese newspapers have been publishing for weeks long lists of the accusations, with even greater space devoted to the denunciations of the critics. And the purge has been on since about June 9. The Communist papers themselves have been explicit in using this term. The signal for the change seems to have been an editorial in the *People's Daily* of that date entitled "Counter-Criticism." Since then the short-lived geniality of the administration has given way to unbridled ferocity.

Thus, we have at least one aftermath of Mr. Mao's speech worthy of examination. The speech was released to the world on June 18 but already, nine days earlier, the counter-attack against critics of the regime had begun. So while the non-Communist world was considering the "liberalism" of Mr. Mao, his critics at home had already begun to experience the purge. And if anyone had doubts that the tide had turned, Mr. Chou En-lai, in his *Report on the Work of the Government* delivered at the fourth session of the first National People's Conference of the People's Republic of China, laid such doubts to rest when, among other things, he justified the institution of political purge, and gave not the numbers but the percentages of those purged in previous years. Thus the ideological position of the present rulers of China becomes progressively more suspect. Mr. Mao's original statement received even more sympathetic analysis than did Mr. Khrushchev's at the 20th Congress of the Communist Party of the Soviet Union. The latest developments make it difficult to distinguish Mr. Mao's speech from a police trap. This is not an unfounded insinuation. Mr. Lu Ting-yi has admitted in a recent statement that "the debate over Chairman Mao's speech has helped to insulate the Rightists completely". In short, the People's Government of China's does not seem to enjoy the support of the mass of the people any more. Otherwise there was surely no need for it to resort either to such shady tactics or to a reign of terror.

Policy for Air Transport

WITHIN three years of full assumption of the ownership and management of air transport, the Government has come out with a frank admission that nationalisation cannot provide a cure for the ills of this industry. Mr. Humayun Kabir, Minister for Civil Aviation, made a significant policy statement in the Lok Sabha last week in the course of the debate on the Communications Ministry's demands for grants. The Minister stated, in effect, that it was beyond the resources of the Indian Airlines Corporation to develop the air transport potential of the country at the present time. This conclusion has influenced the Government to modify its policy on domestic air services.

What is really striking about the pronouncement made by Mr. Kabir is the invitation he has extended to private operators to undertake operation of services on new routes over which the IAC is not in a position to function. The explanation why the IAC pleads its inability to develop these routes is not far to seek. It does not lie, as has been made to appear, in the fact that participation by private operators will accelerate development of domestic civil aviation. The truth of the situation is that for several years more the IAC cannot acquire enough strength and vitality to develop this potential. Here lies cogent proof that the much-publicised claim advanced as a vital ground for nationalisation was devoid of real basis.

The Minister's statement on private participation was more vague than it was brief. No clue has been given to the terms and conditions on which private operators are being invited to undertake the exploratory work of development. Under the Air Corporations Act, private enterprise can at best function in this industry with the status of an associate. What precisely are the attributes of this status is not clear. But one thing is clear and it is that only a minor field will be allocated to private operators. In terms of the Industrial Policy Resolution air transport has been reserved for exclusive operation by the State. Appropriate modification of the Resolution and suitable amendment to the Air Corporations Act will be necessary if private enterprise is to be enabled to respond to the new call on its resources.

The statement needs amplification for obvious reasons. The conditions on which private operators will be called upon to develop new routes must be clarified in elaborate detail. Three years of operation of domestic airlines have shown that financial viability is still a distant goal for the IAC. During 1955-56, Government had to advance a loan of Rs. 2.77 crores to the IAC partly to reimburse the previous year's loss of Rs. 90 lakhs but mostly to provide working capital. It is a pet argument with the spokesmen of the Corporation that withdrawal of the rebate on petrol after nationalisation has made a dent in the finances of internal services. Mr. Kabir asserted in the Lok Sabha that in case the rebate is restored the IAC would present a rosy picture next year. This optimism hardly finds any corroboration whatsoever in hard facts. On the assumption that rebate of Rs. 35 lakhs was granted for consumption of one crore gallons of petrol, the Corporation's loss in 1955-56 would still be of the order of Rs. 81 lakhs. It is true that terms of salaries and conditions of service

have been liberalised and a programme of capital expansion has been launched. But these two factors do not explain the high magnitude of loss. The offer of operating relatively uneconomic routes is in itself unattractive. But if the co-operation of private enterprise is to be enlisted for rapid development of civil aviation, it hardly needs any plea that financial assistance must be extended to it.

The role which private participation will play in the development of air transport will be secondary. Assuming that this participation is forthcoming, it will touch only the fringe of the problem of air transport. The hard core of that problem which consists in the weakness of the financial and operational structure of the IAC will have to be tackled on its own. The real issue which demands effective solution is the problem of injecting vitality and dynamism in the industry. In fairness it ought to be conceded that the growing losses of the Corporation during the first three years are to be attributed to rationalisation and expansion of the fleet and other equipment, apart from improvement of wages and salaries. When this allowance is made, it cannot be denied that the Corporation has been unable to render satisfactory account of its management.

There are positive directions in which rationalisation of operating methods and administrative organisation can certainly assist in raising its standards of performance. It is, indeed, somewhat surprising that the Lok Sabha debate virtually overlooked the constructive criticism of the Corporation's operations made by the Estimates Committee in a recent report and omitted to elicit explanation how for it was acted upon. The route pattern of the IAC remains practically unchanged. In brief, the drawbacks of the present network of routes are that only 6 out of 37 routes operated for scheduled passenger services are run with profit. Eleven routes involve loss of a high magnitude ranging between 25 per cent and 75 per cent of the costs. The night airmail services for which Skymasters have been employed entailed a loss of Rs. 19 lakhs in the third year. This state of affairs demands a searching analysis of the whole problem of an improved pattern of routes. It is essentially a technical task. The administrative set-up of the IAC at the top contains many of the handicaps which are the usual concomitants of government-managed undertakings. If Air India International's organisational model has any lesson for the IAC, it is that its Board ought to be strengthened at the technical level. Curiously enough, the Air Transport Enquiry Committee's strongly argued suggestion to insist upon the criteria of business acumen and intimate knowledge of the industry in the selection of the Chairman of the Corporation has been brushed aside.

Still another major issue needs to be faced squarely. Passenger fares and freight rates on domestic airlines in India are the second lowest in the world. They do not bear a real relation to the costs of service. When the report of the enquiry committee on the revision of fares and rates is tendered, a bold decision will have to be made to bring freights and fares into closer alignment with costs. Besides, there ought to be an equitable distribution of the burden between the transport user and the tax-payer.

Distinction without a Difference?

MR. U. N. DHEBAR, President of the Indian National Congress, has just done a 'post-election heart-searching'. This is in the form of a tortuously long letter to the Youth Congress and its branches all over the country. Although it resembles a Communist policy thesis in its verbosity and repetitive character, it is a document that compels consideration for the reason that it has the *imprimatur* of the Congress President. The long and short of Mr. Dhebar's thesis, in the context of a post-election ideological challenge from Kerala, is that the Congress brand of Socialism is superior to the Communist brand.

In spelling out the 'fundamental differences' between the Congress and the Communist approaches, Mr. Dhebar lays down the dictum that "Socialism is not something which can be imposed from above." Congress Socialism is thus presented as 'democratic socialism' as opposed to the 'authoritarian socialism' of Communists. This democratic socialism cannot come to India "because of the execution of successive plans of development." Can this unwitting admission be taken to mean that some undemocratic kind of Socialism may result from successive Plans? In the context of what Mr. Dhebar has to say on the question of nationalisation it is not difficult to see that the Congress brand of Socialism can, in certain circumstances, slide into the Communist brand.

The Congress approach to nationalisation is that it is to be resorted to in some specific sectors, while control and regulation is to be established in other sectors. What are the specific sectors marked out for nationalisation? According to Mr. Dhebar, heavy or key industries may be nationalised "to protect the nerve centres of the economy"; the State may also nationalise industries to increase production, or to increase efficiency, or to set up a pattern for labour-management relationships. It is confidently stated that "the picture of Indian economy that the Congress has in mind" would mean that "key industries and industries of the nature described above will largely be nationalised." This would, again, mean that most industries in the private sector may be nationalised on one ground or another. One wonders if this is the accepted policy of the Congress Party.

At any rate, it surely is not that of the Congress-run Government of India. The second Plan document merely says that "the public sector has to expand rapidly" by initiating "development which the private sector is either unwilling or unable to undertake". It continues that "the responsibility for new development in these fields (minerals and basic and capital goods industries) must be undertaken in the main by the State." The Industrial Policy Resolution of 1956 also reserves the future development of basic and strategic industries and of some public utility services for the public sector. This, however, does not rule out 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. The future development of a second set of industries (of a more or less basic character) is to be initiated by the State and supplemented by the private sector. The future development of all other industries is, in general, left to the initiative and enterprise of the private sector although it is open to the State to start any new industry in this field

also. It may thus be seen that nowhere is it laid down as a matter of policy that any existing privately owned industry in any of the three categories is liable to be nationalised. Talk of nationalisation has no meaning except in the context of take-over, with compensation, of existing privately owned units. The establishment of entirely new State-owned units does not involve any nationalisation as such although they will belong to the public (or the nationalised) sector. Eminent Congressmen at the non-official level, who talk loosely of nationalisation of industries have to be reminded of all this at the risk of bore-some reiteration. This reminder is also called for if the country's investment climate, which is already unattractive to foreign capital on the score of tax policies and of excessive State intervention in the operation of private enterprises, is not to be rendered still more uncongenial on account of nationalisation fears.

The Congress President, in not referring to an official policy which has been solemnly approved by Parliament and the Congress Party itself, appears to formulate a more far-reaching policy involving nationalisation of the larger part of the private industrial sector, fiscal and legislative measures to prevent concentration of wealth, collective bargaining and labour participation in management, creation of trade associations and co-operatives in the sphere of internal trade and greater State trading in the sphere of import and export trades. Or, perhaps, he merely threatens a more sweeping policy with the idea of persuading the private sector to accept "an industrial democracy in which an ever-increasing share of the responsibility for the development of the industrial economy will devolve on labour" and to take quickly to the principle of Trusteeship as the best antidote to the fear of bureaucratisation and State Capitalism. If the private sector cannot be persuaded into such an unrealistic and impractical course, what will happen to it? In the scheme of things visualised by Mr. Dhebar, 'recalcitrant' industrial enterprises would be nationalised "to set up a pattern for labour-management relationships."

The implications of the policy proposed by the Congress President are too grave to be ignored. The major implication is that increasing public ownership of industries is inevitable in a socialist pattern of society, although the idea of more and ever more nationalisation as an inseparable component of Socialism is being discarded in current Western Socialist thought. If increasing public ownership is conceded as essential for Socialism, the very bureaucratisation and State Capitalism that Mr. Dhebar does not quite relish will become inevitable. If this is the picture of Indian economy that the Congress has "in mind" according to the interpretation of Mr. Dhebar, it should be either described in detail and placed on record in a definitive policy resolution or rejected so as to avoid confusion in the public mind. If the Congress Party should ever approve the policy canvassed by its President either because it wants to take the wind out of the Communists' sails or because it is hustled into radical pronouncements by the Reds' slogans and doings in Kerala, it would be most unfortunate. It may well be, then, a case of distinction without a difference between the Congress brand of Socialism and the Communist brand.



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THE WEEK'S NOTES

CLOUD OVER KASHMIR

LED BY Mr. Ghulam Mohammed Sadiq, Minister for Education in Kashmir State's outgoing Cabinet and the former Vice-President of the Kashmir National Conference, the Communists and fellow-travellers in that State have decided to float a parallel organization, the Awami Conference. They took this extreme step when their efforts to dominate both the Kashmir Government and the National Conference failed and Bakshi Ghulam Mohammed, the Prime Minister of Kashmir and the President of the National Conference, emerged as virtually the undisputed leader of Kashmir. The dissidents showed too marked keenness to have Bakshi Ghulam Mohammed accommodate their entire group in the State Cabinet, obviously with a view to reducing him to an impotent minority. They would also have Mr. Sadiq become President of the National Conference in place of Bakshi Ghulam Mohammed and set up two committees to guide and watch the work of the two provincial units of the National Conference. In short, their intention was to gain control of the party machinery, with a view to gerrymandering the next party elections.

However, Bakshi Ghulam Mohammed, saw through the game. Addressing a press conference, he said that the Sadiq-led Leftist group, though in a minority in the working committee and the party, wanted "in the name of democracy" to dominate "the whole structure of the National Conference." He accused the group of "using back-door methods to destroy the main fibre of the National Conference by dominating it for their personal purposes." Mr. Sadiq has himself implicitly pleaded "guilty" to the charge that he and his Leftist colleagues wanted to grind their own axe when he remarked that "his group still believes in the ideals of the National Conference." But this admission is but a part of truth. The Communists and fellow-travellers never act for wholly "personal reasons." Their thinking and actions are nearly always subservient to the Cause and the Party. This impression is reinforced by the standard Communist technique Mr. Sadiq and his friends have adopted to float an opposition party. They began by writing to the Kashmir Prime Minister letters containing allegations of inefficiency, bureaucratization and corruption. Then they organized a deliberate leak in the Press, and sought to arouse public opinion in their favour. With this technique of near-blackmail, they strove to bargain for more power in the organization of the National Conference. Luckily, their tactics boomeranged. Overplaying their hand they were left with no other alternative but to quit the National Conference, leaving a malodorous trial behind them.

As noted in these columns before, the loyalty of Mr. Sadiq's group is not strictly territorial. It is an open secret that after partition, Mr. Sadiq visited Pakistan to negotiate a deal with the late Mr. Mohammed Ali Jinnah on the question of accession of Kashmir. Now when their former friend and comrade, ex-Major-General Akbar Khan has begun a tearing and raging campaign against India, these so-called friends of the country are not only eloquently mum but have launched as it were a complementary campaign against the Kashmir Government. It is a remarkable coincidence that the dangerous and difficult situation created by saboteurs in Kashmir should find these people running down the very organization which has kept the State of Jammu and Kashmir together as an integral part of India.

THE NATIONAL BOOK TRUST

THE NATIONAL BOOK TRUST was inaugurated by Dr. Radhakrishnan in New Delhi recently. The Book Trust's main concern will be the production of mode-

rately priced translations of the Indian classics in the principal regional languages. This is timely. As things stand today most of us know more about books in the European languages than about many notable works in the Indian languages. Moreover, it is necessary that the habit of reading generally should be inculcated in as many of our people as possible. Democracy without education is hardly possible.

Criticism of the establishment of the Book Trust has come from both writers and publishers. Some writers, who met at a seminar in Allahabad a few months ago, were not very much in favour of a State publishing house. They felt that it would very likely become "monopolistic, leading to authoritarianism and thought control". Not only might the Book Trust be made to conform to the opinions of the party in power, but authors, keen on winning the Book Trust's patronage, might choose the easy path of writing only what was acceptable to it. Publishers tend to look upon the Book Trust as a formidable rival which could push them out of business. But if one were to look with an objective eye, one would probably conclude the amount of publishing done in the country did not warrant this fear. Most Indian publishers produce only text-books, quasi-text-books, and help books for students. No more than a microscopic minority of publishers prints classics — and of them only those of whose demand they are certain. For, as Chesterton once remarked, classics are admired by everyone and read by few. Let us not, in dismissing the cleverness, overlook the truth of this.

The Book Trust will have sufficient finance at its disposal to be able to invest it in publishing books which private publishers have hesitated to bring out because of inadequacy of enterprise and resources. If it organizes its work well, it should be possible for the Book Trust to publish one thousand titles in ten years. With a hundred titles each year and a subsidy of five to ten thousand rupees per book, it should be able to manage with an annual budget of less than a million rupees. This is certainly not too much to pay for educating the people.

There is, it must be emphasised, a real danger that this hope might be misplaced. The provisional list of titles circulated to the Trustees — presumably for their approval — seems to betray a lack of sense of priorities. We are not a rich country by any standards. We can ill afford over-lapping or duplication of efforts. The Book Trust must, therefore, see to it that it does not encroach upon the preserve of the Sahitya, the Sangeet and the Lalit Kala Akademies, or duplicate the work which is being done at universities and other institutions. The provisional list also betrays a tendency to extend patronage in a way that smacks of favouritism.

COMMUNISTS AND THE ABANDONED STRIKE

THE DECISION of the National Federation of the Post and Telegraph Employees to withdraw the strike notice will give relief to every one having the good of the country at heart. If the threatened strike had materialised the country might well have been plunged into confusion and its already strained economy put out of gear. Both the Government and the employees, therefore, deserve the gratitude of the nation for the wise decision — but each for a different reason. While the Government deserves credit for meeting the grave situation with sympathy, firmness and determination the employees earn it for showing commendable restraint. We feel that if the Government had from the beginning been firm, forthright and unambiguous in explaining its position and been responsive to the demands of the employees, the country would have been spared the agony of suspense. After all, the employees had



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been demanding redress for their grievances for more than a year, seemingly without effect. This indifference forced them to adopt a militant policy. The fact that a militant policy has succeeded where other methods apparently did not, will surely confirm the impression held in many friendly quarters that the Government will not act save under threat of coercion. The growth of such a belief is surely not conducive to the well-being of a country. Statesmanship demands that the discontent among State employees should not be permitted to grow. It should be either nipped in the bud or met with grace and without delay. This is all the more essential because in this country the State is the biggest employer. It has, as such, to submit to the discipline which it prescribes for private employers, even if it cannot be an ideal example for them.

This appreciation of the abandoned strike will be somewhat inadequate and unreal if the dual role of the Communists is not taken note of. Having sponsored the strike notice, and openly opposing the Essential Services Maintenance Bill in Parliament, they worked strenuously behind the scene for the withdrawal of the strike notice. Why they behaved as they did calls for investigation. Their behaviour has generally been attributed to the needs of political consolidation in Kerala. These demands more responsibility and restraint on their part. Some commentators have even suggested that due to their greater experience and professional competence as strike organisers, they were quick to realise that the game was against the strikers, especially after the appointment of a Pay Commission, empowered to suggest interim relief with retrospective effect. The real reason for the policy of "heads-I-win, tail-you-lose" was, however, the Communists' desire to consolidate their newly won gain — the formation of the composite trade union organisation of all the Post and Telegraph workers. They did not want to lose a foothold which could be used to infiltrate one of the country's life-lines. Already, they seem to have gained a considerable hold over the organisation. This is indicated by the fact they were able to influence the deliberations and decisions of the present motley crowd of the Federation's leaders.

SOCIO-ECONOMIC SURVEY OF HYDERABAD

THE RESEARCH Programme Committee initiated surveys of 21 cities and towns with the object of studying rural-urban migration and employment opportunities associated with rapid urbanisation. A Socio-Economic Survey of Hyderabad-Secunderabad City, the report for which is now available, was accordingly undertaken by the Indian Institute of Economics, Hyderabad. The scope of the enquiry was wider than what is ordinarily prescribed by the Research Programme Committee. The present survey also covered items such as the extent of prevalence of the joint family system or its sense, inter-relations as among incomes, assets and liabilities, linguism, literacy and education.

The enquiry has revealed that in spite of the areas being a meeting place of the South and the North there has not been considerable immigration (16.5 per cent since 1939) during the last two decades, particularly from outside the Hyderabad State. The chief causes of immigration are unemployment, insufficient income and lack of educational facilities. As was to be expected, age-group-wise distribution of immigrants shows that older persons are less inclined to migrate. More than 50 per cent of the immigrants take less than six months to find employment. Those engaged in subordinate technical services and seeking employment in their previous occupation are fortunate in finding jobs early.

The survey highlights the continuing vitality of some traditional systems of social and family organisation. The joint family system and the joint family psychology still prevail widely. The size of the average

family is larger (6.56) than the Indian average (5.4) and ideas of family planning are largely unknown. The economic problems of the citizens as they emerge from the survey are mainly subsumed under the familiar heads, under-employment and inadequate housing. In respect of credit facilities and growth of co-operatives, rural areas appear to be better provided with than the urban. The Income and Net Assets ratio works out at 1:62 (income is the unit). This means that as per capita income is Rs. 302 per annum, per capita assets are valued at about Rs. 18,750. Incomes are higher in rural areas compared to assets, as revealed in the 1952 Tenancy Enquiry in the State. This is on account of agricultural prices being higher than industrial prices. The facts will be of use in making comparative studies of economic conditions amongst different sections of the society.

AMERICAN AID TO INDIA

AMERICAN ECONOMIC participation in India's development efforts during the first ten years of independence now totals more than one billion dollars or Rs. 476 crores. This aid, as pointed out in a recently published report by the Union Ministry of Finance, has been "by far the largest contribution to India's economic development under the Five-Year Plan." The aid includes both public and private assistance in loans and grants. Nearly 400 million dollars (Rs. 190 crores) have come through the United States Technical Co-operation Mission since 1952. The remainder has come through other Governmental grants or loans in commodities, in voluntary contributions by American private organisations, and in assistance made available through Foundations.

American aid has been, and is being, extended to India as a result of two agreements between the two countries. A general bilateral agreement was signed on December 28, 1950 for technical assistance under the Point Four Programme. This called for interchange of technical skill. A further agreement was signed on January 5, 1952, contemplating an extended programme, with joint projects tied up with the Five-Year Plans for promoting India's economic growth. At the outset the emphasis in these agreements was on increasing the production of food. During the first two fiscal years—1951 and 1952—a total of 88.5 million dollars (over Rs. 42 crores) were allocated by the United States Government for such purposes as import of fertilizers, iron and steel for agricultural equipment, and for Community Development Projects. In the second Five-Year Plan the emphasis has shifted to industrial development. The Ford Foundation and the Iron and Steel Industry has offered to train between 900 and 1,000 graduates in iron and steel industry technology in the United States. Thirty million dollars have been spent on this since 1952—to bring American technicians to India, and to send Indians for technical training either to the United States or to other countries. Till June 30, 1957, 642 Indians had taken part in this programme, with the largest number—231—receiving technical training in agriculture and natural resources. In addition to the Technical Co-operation Mission assistance, there has been forthcoming assistance from other United States' sources towards India's development programme. For instance, India received nearly 190 million dollars under the Wheat Loan of 1950-51; 12 million dollars under Milo assistance; 6 million dollars for food relief; 2.3 million dollars under Fulbright and Smith-Mundit Grants; and 3 million dollars for ocean freight assistance. Since 1951, American voluntary agencies have sent aid to India valued at 50.7 million dollars. Additional assistance came to India in the form of Foundation grants, notably from the Rockefeller and Ford Foundations. Up to the end of last year Ford grants totalled 15.6 million dollars and Rockefeller grants 5.3 million dollars. Both totals have increased since.

A Window on the World

CAN AHIMSA DEFEAT A NUCLEAR ATTACK?

By

ODYSSEUS

ELFIN, DOUGHTY, original, shrewd, sparkling—such are the adjectives that spring to mind when contemplating Commander Sir Stephen King-Hall, R.N. retired, founder of the "National News Letter" (162 Buckingham Palace Road, London, S.W.1.) which has let off an intellectual rocket every week since 1936. Sir Stephen has now fired a carefully aimed war-head into the centre of the controversy let loose by the British White Paper on defence, not only in the U.K. but in the U.S.A., the countries of N.A.T.O. and of the Commonwealth, and which is gathering rather than losing momentum. Sir Stephen's views are of interest to India because he advocates a Royal Commission to decide whether Britain and democracy could be defended not by military forces but by passive resistance. The difference between Sir Stephen's and the Indian approach is important, for whereas Gandhiji and his followers used moral arguments in support of ahimsa, Sir Stephen looks at the problem from the practical viewpoint of a former student of the Staff College at Camberley.

Regular frequenters of this column know that we have never been able to accept Gandhiji's application of non-violence to problems of national defence and are also critical of certain (though by no means all) aspects of India's policy of so-called "neutrality." But they also, I hope, know that we have never fought shy of debate with those with whom we disagree and indeed that we try to ascertain what elements of truth can be extracted from their experience. Sir Stephen King-Hall's record, as a fighting officer and as a publicist, is such that his views cannot be disregarded without risk to the service of truth.

Let us therefore recall briefly the main points of the British White Papers ("Defence: Outline of Future Policy," H.M.S.O. Comnd. 124, price 9d; and "Defence Statistics 1957-58, Comnd. 130, price 6d, published on April 4, 1957), announcing plans for a radical reorganisation of Britain's defence forces which were rightly described as involving "the biggest change in military policy ever made in normal times."

The White Paper's point of departure is that Britain's influence in the world depends first and foremost on the health of her internal economy and the success of her export trade. Without these, military power cannot in the long run be supported. Over the past five years, defence has, on average, absorbed 10 per cent of Britain's gross national product. Some 7 per cent of the working population are either in the services or supporting them. One-eighth of the output of the metal-using industries is used on defence. An undue proportion of scientists and engineers are engaged on military work. The upkeep of large British forces abroad strains the balance of payments. Britain's armed forces must be capable (1) of playing their part with the forces of Allied countries in deterring and resisting aggression, and (2) of defending Britain's overseas territories against local attack.

THE POINTS OF THE CONTROVERSY

The White Paper then reaches the points which have touched off controversy throughout the world:

(a) It must be recognised that there is, at present, no means of providing adequate protection against nuclear attack on the U.K.

(b) Military planning must therefore aim to prevent war rather than to prepare for it.

(c) Resources must therefore be devoted primarily to developing deterrent weapons.

These weapons include atomic weapons, already in steady production; a British megaton (thermonuclear) weapon; and the V class bombers which at present provide the means of delivering these weapons and which will in due course be supplemented by ballistic rockets. Fighter aircraft will eventually be replaced by ground to air defensive missiles.

Sir Stephen's point of departure is that what the British are seeking ultimately to defend is the free democratic way of life. It has, he says, hitherto been assumed that we can enjoy freedom only if we enjoy national sovereignty and that if we were obliged to accept an alien government we should lose our liberties. This was true in the past when conquerors could enslave the whole population or else slaughtered the defeated and retreated (like Nadir Shah from Delhi) with tangible booty such as women, cattle and treasure.

World Wars I and II have, however, proved that the losers emerge materially stronger than the victors, who find themselves in the absurd position, for reasons which appear to be in their direct interests, of having to finance the recovery of the vanquished.

Another new factor is the success of civil resistance in overcoming regular forces. Sir Stephen cites Gandhiji in India; the German passive resistance which defeated the French in the Ruhr in the 1920's; the Sinn Fein nationally supported terrorist campaign; the Israel victory over the British mandatory administration; the Algerian struggle, the Eoka movement in Cyprus; and the resistance movements against the Nazis in France.

To Sir Stephen, it is significant that all these civilian resistances were in defence of an idea or a way of life. He concludes that (1) there are grounds for believing that an idea can prevail even when its opponents are physically superior and able to occupy the territory of those defending the idea, and (2) if military victory was not economically profitable after World Wars I and II, still less would it be after the mutual devastation of a nuclear war.

IS THE "DETERRENT" ARGUMENT TENABLE?

Sir Stephen contends that it is insufficiently appreciated that Britain's defence strategy is now based on the hope that the following idea will be effective: "Nuclear war would be mutual suicide. It is not rational to be suicidal. You—the aggressor—can destroy us but your own destruction will be partially coincidental."

But he goes on to argue that this argument may not be wholly valid in the circumstances of the free world versus the U.S.S.R. because (1) Is the vulnerability of the U.K.-U.S.A.—Western Europe target not greater than that of the U.S.S.R. target? Ten H megaton bombs would reduce the U.K. to chaos with millions of casualties. Could the same result be produced in the huge areas of the U.S.S.R.? The principal cities and industrial areas, including the oil fields, could be smashed, but this would not obliterate the Russian state. A peasant economy would survive, (2) One of the handicaps of the free countries is that owing to the influence of public opinion and their democratic systems of government, they cannot be the first to launch a nuclear attack. (3) Might the Soviets not therefore gamble on the chance that if they launched an attack its devastating consequences would cripple a counter-attack? At best, a small number of persons—the government and the guided missile forces 70 feet underground—would after the Soviet attack be the only organised part of the nation. If they launched the counter-attack they would inflict fearful damage on the U.S.S.R., but how would that benefit the dead millions in Britain?

Sir Stephen therefore envisages the possibilities that (a) the U.K. is devastated but the U.S.S.R. is not because, for whatever reason, the British counter-attack is not launched, or (b) the U.K. and the U.S.S.R. are both devastated, and he asks whether in terms of the future of the human race (b) is preferable to (a).

If the deterrent idea works, says Sir Stephen, then we have not got rid of conventional warfare. He shrewdly compares the deterrent idea with gas and bacteriological warfare which were not used in World War II because neither side could see how to do so advantageously. But just as the discarding of gas did not mean no war, so the discarding of the hydrogen bomb does not mean no war but a continuance of conventional weapons—in which case, Sir Stephen points out, the Soviet forces are overwhelmingly superior to

N.A.T.O. and likely to remain so. To make up for this disparity, the N.A.T.O. armies are to use nuclear weapons tactically, but here the risk is obvious that the side that seemed about to lose the war would have recourse to strategic nuclear weapons to prevent its defeat.

It needs also to be remembered that Communist aggression can be political as well as military. Para 27 of the White Paper refers to British responsibilities under the Baghdad pact to prevent Communist infiltration and refers to bomber squadrons based in Cyprus capable of delivering nuclear attacks. On this, Sir Stephen comments that the value of nuclear bombardment as a means of preventing a Communist coup d'etat in (say) Iran is not clear.

From all this Sir Stephen draws the conclusion that the time-honoured theory that defence against physical aggression can only be by physical means has worn thin. He next proceeds to an interesting gloss on this theory. Certainly it is, he says, an established principle that to every form of attack there must exist a means of defence. We have, however, now reached a stage in the development of the attack which secures total destruction and as it is impossible to put the whole U.K. social and economic system and population 100 feet below ground, it might seem that the principle has broken down. But, says Sir Stephen, the principle does not say that the answer to an attack must be of the same order of things as the attack. If the answer to a nuclear attack which creates total destruction is merely to enlarge the area of destruction, nothing of value has been achieved. If, however, having reached the last word in physical attack, we realise that we have not simultaneously reached the frontiers of human thought, we can move from the physical into the psychological sphere.

Next week we will complete Sir Stephen King-Hall's contention that the answer to the H bomb is passive resistance and will consider some objections that suggest themselves.

THE EUROPEAN MOTOR CAR INDUSTRY

(From Our Special West European Correspondent)

PARIS, August 10.

THE motor car industry is one of the "pilots" of the economy in West European countries; variations in its activity are immediately reflected in many other sections of industry in France, Britain, West Germany, Italy and now-a-days even Spain. Not only is each national automobile industry vital for the domestic economy, as in the United States, but in Europe each national automobile industry is heavily relied upon to earn foreign exchange, especially, in recent years, hard currencies. Apart from foreign exchange earnings, the export market is of particular importance to these industries because the domestic market in all West European countries is too small to support the scale of operations necessary for the economic manufacture of automobiles. This combination of circumstances gives each national automobile industry a privileged position within the domestic economy, and these privileges are reinforced by the fact that the State itself is in some countries the chief producer of cars (Renault in France, Volkswagen in West Germany and Seat in Spain are all nationalised).

Now when five neighbouring economies have thus built up a privileged industry, based on an inadequate domestic market compensated for by a mass of special dispensations and by reliance on the export market, the scene is set for some curious forms of competition. It is some of the aspects of this competition, and the results it is likely to have in the near future, that we propose to examine here. There are three facets to this competition: the struggle within West Europe between the rival industries, the struggle in overseas markets between the same industries, and the struggle both in Europe and abroad between the European light-car industry and the giant American corporations marketing bigger vehicles.

To date, competition within West Europe has naturally been limited by the protection each national industry enjoys, but this situation will be ended at least for the Italian, French and German industries if the European Common Market becomes a reality. These three industries will then have to meet each other in an open market, despite differences in their present costs of production. Their first thought will naturally be to combine to exclude competition from outside producers, so that they can more comfortably proceed to deal with the problems raised by their own rivalry, and since American cars are already subject to discriminatory import duties, this means that the alliance will be directed against the British light-car producers. Secondly, within each of these three countries there will occur further concentration of automobile producers; this has already gone a long way (as in the United States itself, for that matter) and the French industry for example is now heavily concentrated. This process will be hastened by the rigorous competition in a common European market. Thus the chief of Renault, M. Pierre Dreyfus, said the other day, "I think the Common Market will still further improve relations between the French automobile firms", which is a polite way of saying that cartellisation will be promoted.

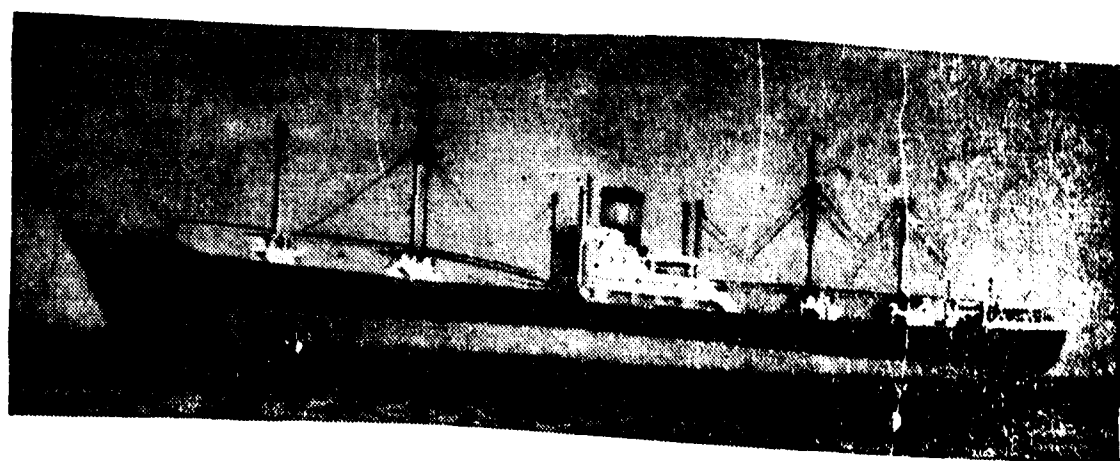
Thirdly, concentration disguised as "specialisation agreements" will occur between the French, Italian and German industries because intra-national cartellisation will not be adequate to protect the national

industries from open-market competition in West Europe. There is reason to believe that negotiations have already been opened between these three national groups to avoid some of the inconveniences of Common Market competition. The advantage the Italian industry will enjoy in the ten or twelve year preliminary period while the Common Market is gradually being introduced is especially worrying the French and West German industries, because the Italians will start out with a much higher level of customs duty protection. In this preliminary period, the Italians will probably be the biggest relative gainers within the European market.

A fourth problem raised by the Common Market concerns the competition the French, Italian and West German industries will meet within West Europe from the affiliates of the American corporations, which produce light cars in these three countries (for instance, Opel in West Germany which is an affiliate of General Motors, and the Ford affiliates in France). These American firms are now making very substantial new investments, especially in West Germany, presumably in the hope that even if Euromarket takes a heavily protectionist line the American industry will still preserve a foothold within the fort. The "national" industries propose to limit this awkward competition by invoking Article 86 of the Common Market treaty which is designed to prevent one or a few big enterprises "abusively exploiting a dominant position within the Common Market or within a part of it". This is vague enough to permit quite effective action, and when you recall that the "national" industries are partly State-owned and will become more concentrated in the near future, you will not doubt that this action will be indeed effective.

Competition between the West European industries in overseas markets is already severe, especially between the British and German producers. Volkswagen produces 500,000 vehicles a year, and sells about 240,000 of them outside West Germany, so plainly this overseas market is crucial. Volkswagen have assembly plant in Australia, Ireland and South Africa, while their factory near Sao Paulo in Brazil will shortly begin to manufacture parts for trucks. The French firms similarly have assembly plant abroad (e.g. in Australia and Spain), and the British have an even longer list. If the Continental manufacturers come to co-operation agreements within the Common Market, they will no doubt seek to "rationalise" their competition abroad, and in the first instance this will again be directed primarily at the British rivals.

The keenest competition is in the United States, where there are hard currencies to be earned and where the exclusive concentration of the American firms on big cars has left the light-car market open to the Europeans. This market is small by American standards but is important to the Europeans. It consists almost entirely of people who already own one big American car and want another smaller vehicle for the wife to use when doing her shopping in crowded city centres where parking a drawing-room-on-wheels is difficult. The light-car market has rapidly expanded in the United States in the last year: against 100,000 foreign cars bought last year, it is expected



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that Americans will buy 200,000 this year. Until lately, the European national industries had this field to themselves because the American companies that produced light cars through their affiliates in West Europe did not seek to market them in the United States. Thus, the leading foreign car sold in the USA was Volkswagen, which took two-fifths of the market early this year. The Rootes Group's Hillman and, latterly, Renault's Dauphine have been making rapid gains, and even the Italian Isetta, which the Americans took at first for a fantastic toy, has been finding more buyers. (We are leaving aside of course the superb craftsman cars, like the Jaguar, MG, Triumph and Alfa-Romeo, which always could and always will be able to sell as many cars as they can ship to the USA).

This expansion of the US light-car market did not seem likely to worry the big American corporations, even in a period when their own sales were disappointing, for it does not exceed 4 per cent of the 6-million new cars sold in the USA each year. It is, and will remain, quite improbable that General Motors and Ford would ever set up plant to produce light cars in the USA because the market is too small and because manpower costs are as high in a light car as in a big one and it is manpower costs that are pushing up American prices. But the American firms have moved to meet this competition, nevertheless, and in a way that is seriously worrying the West European producers: they have broken with the policy of not selling the light cars produced by their European affiliates and are now offering these cars in their US showrooms alongside the home-produced models.

The American Ford Company led the way by marketing in the USA the English Fords manufactured

at Dagenham and in the course of this year they have launched a vigorous campaign in favour of the English cars designed on American lines, the Consul and Zephyr. The result is that the English Ford has made rapid gains in the USA and is second after the Volkswagen among foreign cars sold. General Motors have quite recently followed suit and are selling in the USA the Vauxhall produced by their affiliate in Britain and the Opel manufactured by their West German affiliate.

This form of competition sets a formidable problem for the West European "national" industries, because the most expensive part of marketing a car abroad is the sales and servicing organisation that has to be built up. The cars produced by American affiliates in Europe find in the USA this sales organisation ready-made: the 4,000 Pontiac agents throughout the USA handle the Vauxhall and the 3,500 Buick salesrooms sell the West German Opel. Plainly, European firms like Renault, Citroen, Fiat and Volkswagen will henceforth have to face formidable competition in the very overseas market that up to now was producing the best returns.

For these latter firms, the tendency will be to eliminate competition between themselves the better to be able to meet the competition of American-connected manufacturers, both in West Europe and in the US market. The European motor-car industry seems to have before it a period of extensive reorganisation, and despite all the protestations of economic liberalism that are written into the Common Market treaty we can expect that the Continental industry, in which State influence and ownership already dominate, will take a cautious protectionist line.

WORLDGRAM

AGRICULTURE

Import of Food Grains: Shri Ajit Prasad Jain, Union Minister for Food and Agriculture, told Shri Shree Narayan Das in a written reply in the Lok Sabha recently that 13,45,700 tons of wheat and 5,75,300 tons of rice had been received on Government account from January 1, to July 20, 1957. In a statement placed on the table of the House, the Minister said that the wheat was received from the U.S.A. and Australia and rice from the U.S.A., Burma, China, Viet Nam and Pakistan (return of loan). The Minister further added that about 6,30,000 tons of wheat and rice were now on way to India from the U.S.A. and Burma.

*

Protection to Fruit Industry to be Discontinued: The Government of India's resolution on the Tariff Commission's Report (1957) on the continuance of protection to the Preserved Fruit Industry has been published in a Gazette of India Extraordinary. Government have accepted the Tariff Commission's main recommendation that protection to the industry need not be continued beyond December 31, 1957. Government have taken note of certain other recommendations of the Commission for assistance to the industry and will take suitable steps to implement them as far as possible. In the resolution, attention of the preserved fruits industry has been invited to the Commission's recommendation that they should try to use sugar manufactured by the carbonation process in order to find out whether the blackening and feathering of containers can be avoided by its use. The attention of the Metal Box Co. of India has also been invited to the Commission's recommendations that they should reduce the price of open top sanitary cans to the maximum extent possible and that they should give as long a notice as possible to Government, of any variation of their prices so that if the change proposed is, 'prima facie', unreasonable, Government may intervene in the matter.

*

Development of Fisheries: A sum of Rs. 8.05 lakhs has been allotted for the development of fisheries, both inland and marine, in Mysore State for 1957-58. A scheme for the development of fishing harbours costing Rs. 45,000 had been received and was under consideration. Grants and loans sanctioned to the Andhra Pradesh for the development of fisheries amounted to Rs. 6.18 lakhs and Rs. 23,000 respectively in the first Five-Year Plan and Rs. 4.46 lakhs and Rs. 2 lakhs respectively in the second Five-Year Plan (up to July 25, 1957). While no specific amount was allotted for the first Plan, the amount provided for the second Plan was Rs. 60.17 lakhs in respect of fisheries development schemes under Grow More Food (including State's share of expenditure).

INDUSTRY

Draft Specification for Gear Lubricant: The Indian Standards Institution has issued, for eliciting comments, a draft specification for gear lubricant, regular. This specification prescribes the requirements and methods of test for gear lubricant for five viscosity grades, namely, SAE 80, SAE 90, SAE 140, SAE 250 and special. The first four grades are primarily intended for use in automotive transmissions of non-automatic type and in most spiral-level and worn-gear differentials, where the tooth pressure and revolving velocities are low enough so that the gears could be satisfactorily lubricated with straight mineral oil. The lubricants of special grade are primarily intended for lubrication of large open gears and wire ropes.

Development of Silk Industry: A number of schemes, designed to encourage production of quality silk and reduce the cost of production, have been approved by the Central Government. About Rs. 20.5 lakhs have been sanctioned to State Governments for implementing the schemes. For modernisation of the Government Silk Filature at Kanakapura, Mysore State has been given a grant of Rs. 68,750 and an equal amount as loan. For the replacement of country char-khas by domestic besins, the State gets a sum of Rs. 1.5 lakhs, half of which will be treated as grant and half as loan. The other schemes, which Mysore will implement during the year, are for sinking wells in rain-fed and seed areas, for the establishment of a cocoon market and grafts nursery and for the maintenance of the two hill rearing stations at K.R. and B. R. Hills. Financial aid has also been provided for the construction of a silk conditioning and testing house.

*

Manufacture of Iron and Steel Castings: In a notification published in the 'Gazette of India' of July 6, 1957, the Government of India made it clear that iron and steel castings manufactured with the aid of power for sale to the public would alone be covered by the registration and licensing provisions of the Industries (Development and Regulation) Act, 1951. As a result, only those industrial undertakings, which employ 50 or more workers, use power and make iron and steel castings for sale to the public, need apply for registration or licence as the case may be. And undertaking which makes iron and steel castings 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 casting capacity is such as would enable it to effect sale of castings to the public, in addition to meeting its own requirements.

TRADE

Exports of Coir Mats and Woollen Carpets to Canada: Prospects for the exports of Indian coir mats and matings and woollen carpets to Canada are good according to a Market Report received from the Commercial Secretary of the Indian High Commission in Ottawa. According to the Report, the quality of Indian coir mats is considered good by the Canadian trade. The Report says the competition from Canadian mats has now almost completely disappeared as a result of high labour costs in that country. Plain coir matting, the Report says has a bright future but coloured coir matting requires immediate changes for survival. Serious efforts should be made to introduce some fundamental innovations in coir matting manufacture so as to make these more attractive and soft. About coir yarn, the Report says, the entire quantity of coir yarn used in Canada is imported from India. The demand for floor covering generally is expected to continue to increase in Canada. In view of the recognised quality, style and colours, the prospects for Indian carpets in the Canadian market appear bright. The Report suggests a review of prices in order to keep Indian carpets more keenly competitive.

*

Protection to Hand Tyre Inflator Industry Extended: The Government of India's Resolution on the Tariff Commission's Report (1957) on the continuance of protection to the Automobile Hand Tyre Inflator Industry has been published in a 'Gazette of India' Extraordinary. The Tariff Commission has recommended that a protective duty of 25 per cent 'ad valorem' should be adequate and protection to the duty should be continued till December 31, 1960. As regards the rate of protective duty, while it is agreed that a duty of 25

POPULATION REVIEW

Biannual Journal of Asian Demography published in January and July

Editor

Dr S. Chandrasekhar

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per cent 'ad valorem' would be adequate to protect the industry against foreign competition, Government have decided in consultation with the Commission, that having regard to the existing structure of the revenue tariff, the protective duty should be continued at the present level of 45 per cent 'ad-valorem'. The attention of the industry has been invited in the Resolution to the Commission's suggestion that it will be advisable for the manufacturers who produce hand tyre inflators (pumps) out of welded tubes, to use seamless tubes for the manufacture of these pumps.

*

Stocks and Export of Cotton Yarn: Shri Morarji Desai, Minister for Commerce and Industry, said in a written reply to a question by Shrimati Tarkeshwari Sinha in the Lok Sabha recently that there had been no large accumulation of stocks of cotton yarn with the mills. The stocks constituted only about five days' production or 15 days' supply for the decentralised sectors such as handlooms and powerlooms. Shri Desai said the stocks of cotton yarn pending sale with the mills on July 13, 1957, was 56,275 bales. An annual quota of about 54,000 bales of yarn had been earmarked for export exclusively by the mills. Besides, 17,500 bales had been released for free licensing during the period July-December 1957 from the quantity remaining up-shipped by the mills or their nominees out of the allotments made in their favour in the last quarter.

FINANCE

Foreign Assistance for Railways: Replying to a question in the Lok Sabha by Sarvashri Harish Chandra Mathur, Narayan Das and Raghunath Singh the Deputy Minister for Railways, Shri Shah Nawaz Khan, placed a statement on the table of the House giving details of the foreign assistance received for the development of the Indian Railways. According to the statement, the Indian Railways have received in all \$40,164,282 under the Technical Co-operation Aid Programme (U.S.A.) and under the Colombo Plan Aid Programme from Australia aid equivalent to \$8,064,000. The World Bank loan of 90 million dollars recently secured for the Railways' second Five-Year Plan is not part of this "foreign assistance".

*

Credit From Soviet Union: Sardar Swaran Singh, Union Minister for Steel Mines and Fuel disclosed that the Russians had agreed to negotiate with the Government of India on 5 schemes, to be financed out of the 500 million rubles credit in 1959-61. The schemes were (i) Heavy Machine Building Works; (ii) Mining Machinery Plant; (iii) Power Station at Neyveli; (iv) Optical Glass Factory; and (v) Development of Korba Coalfields — Coal Mines, Quarry, Coal Beneficiation Plant, Repairing Shops.

*

Salary Bill of Employees: Stating that there were about 17 lakh civil servants under the Central Government, the Home Minister said that of these 9.14 lakhs got pay less than Rs. 51 per month, 4.62 lakhs between Rs. 51 and 101, 2.04 lakhs between Rs. 101 and Rs. 251 and 29,101 between Rs. 251 and Rs. 501. About 10,000 persons drew salaries above Rs. 500 and 2,341 persons above Rs. 1,000.

*

Central Assistance for Development of Small-Scale Industries: Financial assistance totalling over Rs. 19.3 lakhs has been sanctioned by the Government of India to Bihar, West Bengal and Tripura for implementing a number of schemes for the development of small scale industries. In Bihar, two new schemes one for the manufacture of footwear and another for the establishment of a small leather goods factory for the production

of hand bags, purses etc., have been sanctioned. For the continuance of four development schemes, West Bengal has been sanctioned loans of over Rs. 6.4 lakhs and grants of about Rs. 22,000. These are the two training-cum-production centres, one for mechanical toys at Hoogly, and another for the production of baby shoes and the centres for providing training in braiding of tapes, shoe laces, cords etc., and for the development of the cutlery industry at Kanchannagar and Ghoom. In the industrial estate at Arundatinagar in Tripura the model carpentry and blacksmithy units are to be continued. The model blacksmithy unit at Dharmanagar will also be continued. For these, an expenditure of over Rs. 2.16 lakhs has been sanctioned.

GENERAL

Development of Cane and Bamboo Crafts: A number of pilot centres are to be set up in different States, for providing training to artisans and promoting the production of cane and bamboo articles and mats. The States are: Kerala, Bihar, West Bengal, Assam, Rajasthan and Jammu and Kashmir. The Government of India, on the recommendations of the All India Handicrafts Board, have sanctioned grants and loans totalling about Rs. 1.54 lakhs to these States for the purpose.

*

Traffic Handled at Visakhapatnam Port: The total traffic handled by Visakhapatnam port during the fortnight ended July 15, 1957, amounted to 82,849 tons, of which ore exports totalled 36,853 tons as compared with 31,112 tons during the previous fortnight. Imports totalled 36,343 tons, of which food grains accounted for 12,024 tons Bhilai Steel Project material, 2,360 tons, and general cargo, 1,700 tons. Nineteen steamers entered the harbour during the period as compared with the eighteen during the previous fortnight.

*

World Electric Standards Body to Meet in India: The International Electrotechnical Commission, which co-ordinates standardisation of electrical equipment in the international field, has accepted India's invitation to hold its annual meeting in India. According to information just received in New Delhi, the Commission at its annual meeting in Moscow agreed that its annual general conference in 1959 or 1960 should be held in Delhi. The conference will be held in the autumn or winter of either year. At the Moscow session, the Commission set up, at India's instance, a new Technical Committee for the preparation of international standards on household and industrial fans and ventilating devices. The Secretariat of this new Technical Committee will be located in India and the Indian Standards Institution will look after its work.

*

Traffic At Madras and Bombay Ports: The tonnage of imports and exports handled by the ports of Madras and Bombay during the last three years were given in a written reply to Shri D. C. Sharma, in Lok Sabha, recently, by Shri Raj Bahadur, Minister of Shipping. The traffic handled by Madras port during 1954-55, 1955-56 and 1956-57, were 2,201,370 tons, 2,461,601 tons and 2,401,343 tons, respectively. The corresponding figures for Bombay port were 7,050,600 tons, 9,570,100 tons, and 12,274,434 tons respectively. In 1957, up to June 30, Madras had handled 627,322 tons and Bombay, 3,388,034 tons respectively. Imports at Madras included coal, food grains, fertilizers, and hardware, and exports iron ore, manganese ore, vegetable oil and textiles. Building materials, food grains, iron and steel, chemicals, machinery, boilers and railway materials were among the imports handled by Bombay port. Exported from Bombay were fuel oil and other oils, manganese ore, other ores and piece goods.

NEWS IN BRIEF

INDIAN

The Union Finance Minister, Mr. T. T. Krishnamachari has stated that the Government of India was contemplating to amend Section 38 of the Indian Income Tax Act.

*

India's export trade with Russia was expected to go up during 1957-58 to about Rs. 30 crores.

*

It is reported that the abolition of zamindari and other intermediary rights in land which were achieved during the first Plan period are estimated to cost Rs. 615 crores in terms of compensation.

*

A list of industries, both in the public and private sectors, where the scheme of labour participation in management is to be introduced, has been approved.

*

The Tata Iron and Steel Company reported that the total approximate production of iron and steel at their steel works at Jamshedpur during July 1957 was 38,300 tons of pig iron, 88,300 tons of steel ingots and 66,600 tons of saleable steel comprising 19,700 tons semis and 46,900 tons finished.

*

The Government of India has decided to release a limited quantity of maize gluten only for export during the period August-December 1957 or till the ceiling is reached, whichever is earlier, by all shippers to all permissible destinations.

*

The Government of India have extended the last date for the receipt of suggestions and comments on the draft rules under the Coir Industry Act until August 31, 1957.

*

According to the press communique of the Reserve Bank subscription lists for the 3½ per cent (1967) National Plan Bonds — Fourth Series and 4 per cent (1972) were closed on August 6 as the notified amount had been fully subscribed.

*

It is reported the details of the proposed prototype and training workshop for small-scale industries will be finalised by a four-man Indian official delegation which is leaving for West Germany on August 14, for discussions with the representatives of the Federal German Republic.

*

The Coffee Board has released for export 458 tons of Robusta cherry "A" coffee seeds out of the 1956-57 crop.

*

Prospects for the export of Indian coir mats and matings and woollen carpets to Canada are reported to be good, according to a market report received from the Commercial Secretary of the Indian High Commission in Ottawa.

FOREIGN

The Italian Government and the World Bank have agreed to sponsor a study leading to the construction of a large nuclear power station in Southern Italy. The U.K. Atomic Energy Authority will undertake a technical review of tenders for gas-cooled natural uranium reactors.

*

South Africa's gold and foreign assets in the week ended July 26 totalled £117,265,000 compared with £117,093,000 a week earlier. The latest total comprised £81,895,000 in gold coin and bullion, £24,736,000 in foreign bills, £7,048,000 in foreign securities and £3,586,000 in other foreign assets.

*

Germany's surplus with the European payments Union in July amounted to \$180.3 million exceeding the previous record of \$138.6 million reached last May.

*

It is reported a new Japanese atomic power development corporation will be formed to import and operate Japan's first commercial atomic reactor.

*

Net income of the United States Steel Corporation totalled \$231.42 million in the six months ended June 30 last equal to \$4.07 per common share. The net balance in the first half of 1956 was \$208.55 million equal to \$3.66 per share.

*

Canadian Industries group sales in the first six months this year totalled \$75.20 million — up 11 per cent on the \$67.70 million of the same period a year ago. Earnings amounted to \$5.07 million or 58 per cent per common share composed with 55 per cent a year ago.

*

It is reported that the Greek shipowner Mr. Onassis contemplated the building of a big ship yard on the New Waterway between Rotterdam and the Hook of Holland. The costs would amount to no less than \$70 million.

*

The Pakistan Jute Mills Association has called upon the Government to give relief to this industry in the form of a subsidy to the extent of at least one rupee per ton.

*

It is reported the German textile industry, after several years depression, is now reporting improved prospects on all counts — prices, output and exports.

*

A U.S. trade mission which recently toured South Africa said in its final report to the U.S. Department of Commerce that it found the Union provided a considerable potential market for private investments not only domestically but as a catalyst for the impending industrialization of neighbouring Africa.

*

Dutch private banks loans to industry and trade rose from Fls 3,102 million to Fls 3,113 million during June.

*

Man-made fibre output in Britain in June showed a substantial fall from the record May production and was a little less than in June last year.

Special Articles

ENERGY REQUIREMENTS IN 1975

AN assessment of the future demand of energy in the Indian Union has assumed great importance in view of the rapid strides that industrialisation is expected to take in the next twenty years. Far too little attention has hitherto been paid to this crucial problem. In March 1956, the Economic Department of one of the oil companies made a serious attempt to forecast the energy requirements of India in 1960-61. The Eastern Economist's Annual Number, 1956, attempted a longer-period projection to 1975. Realising the importance of the subject, the Coal Council set up, early this year, a special committee to study the present pattern of energy utilisation and to examine probable demands during the next two decades. In addition to coal, the committee was commissioned to examine the probable demands of other sources of energy as well. It has increasingly been felt that petroleum, electricity and nuclear energy will also grow in importance in the future.

Despite scepticism shown in certain quarters in regard to the utility of such studies, attempts rightly continue to be made for predicting probable future trends. Such attempts have been made in the past in the U.S.A., the U.K., and other industrially advanced countries. The Paley Commission Report in 1952 studied the materials problem in the United States and estimated probable demands of all the important commodities till 1975. The National Coal Board in the U.K. prepared a plan in 1950, which estimated the level of output of coal in 1961-65. Recently, the O.E.E.C. has brought out a report on energy requirements of Europe projected to 1975. All these studies need to be examined carefully for appreciating the technique of projection as applied in other countries.

The O.E.E.C. report on energy requirements succeeded in evolving mathematical laws which governed the demand of energy in the past in some of the countries. Invariably it was observed that the consumption of commercial energy was a function of industrial production.

In India, industrial production has always outpaced the production of coal which is the predominant source of energy. As the table below shows, the rate of growth in industrial production during 1951-56 was nearly three times the rate of growth in coal output:

INDEX NUMBERS OF INDUSTRIAL PRODUCTION AND COAL PRODUCTION

(Base: 1951= 100)

	Industrial Production	Coal Production
1952	103.6	105.6
1953	105.6	104.5
1954	112.9	107.2
1955	122.1	111.4
1956	142.8	114.9

The case of electricity, however, is different. The consumption of electricity in Indian industry races ahead of industrial production. The Economic Intelligence Unit of the Indian Institute of Public Opinion estimated, in one of its recent studies, that every 10 per cent rise in industrial output (in the organised sector) is accompanied by 16 per cent rise in the consumption of electricity. If petroleum consumption is also

included, it is found that the total consumption of energy in 1951-56 rose at a slower pace than industrial production. The following table shows that industrial output in 1951-56 rose at 7.5 per cent per annum (compound) as against a rate of 6 per cent in energy consumption.

RATES OF GROWTH

	1951	1956	Percentage Change	Rate of Growth (Compound)
Index of Industrial Production	100.0	142.8	+42.8	7.5
Consumption of Commercial Energy† (Millions of tons of coal equivalent)	33.6	44.5*	+32.5	6.0

† Includes coal, power, oil and power alcohol.

* Estimated.

The second Five-Year Plan has fixed the target of raising industrial production by 50 per cent which works at 8 per cent per annum (compound). It may be recalled here that the first Plan registered a rise of 7.5 per cent per annum (compound). If it is assumed that the rate of growth in the organised industrial sector in the third, fourth and fifth Five-Year Plan would be 8.5, 9 and 9.5 per cent per annum (compound) and that the demand of commercial energy, which has hitherto advanced at a slower rate than industrial production, would also rise in a similar manner, the total requirements of commercial energy in 1975 would be 214 million tons of coal equivalent as against 40 million tons of coal equivalent in 1955. The estimated demand of energy in 1960, 1965 and 1975 is set out in the following table:

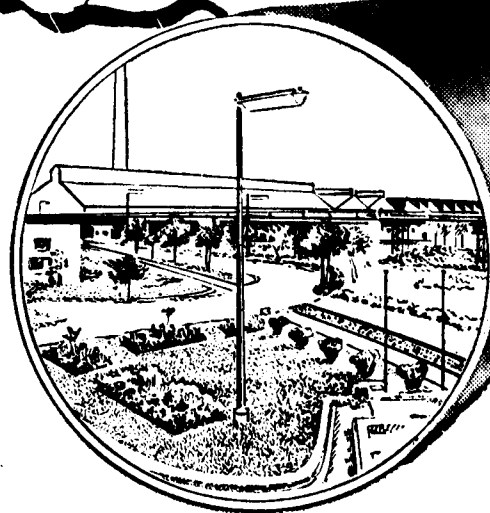
FUTURE DEMANDS OF COMMERCIAL ENERGY 1955-75

(In million tons of coal equivalent)

1955	40
1960	59
1965	88
1970	136
1975	214

Another method of computing probable future demand of commercial energy consists in assessing the trend of requirements of each of the major consumers. The chief consumers of coal in 1955 were the railways, the electric companies, iron and steel plants, brick and cement factories, households and a number of miscellaneous industries. In case the probable levels of output of each of these industries during the next twenty years were estimated, the task of estimation of demands of energy would be very easy. The targets of output in each of these industries can be anybody's guess. Steel output in 1975 can be put anywhere between 20 and 40 million tons. Similar is the case with cement, cotton textiles, etc. On certain rough assumptions, the table next page sets out the pro-

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bable requirement of coal in 1975 as compared with 1955:

PROBABLE REQUIREMENTS OF COAL: 1955 — 1975

(In millions of tons)		
1. Iron and Steel Industry . . .	3.5	35
2. Railways	12.5	25
3. Brick and Cement Factories . .	4.0	20
4. Domestic Consumption . . .	2.5	20
5. Electric Companies	3.0	20
6. Miscellaneous	11.1	19
TOTAL	36.6	146

It is shown that the demand for coal will rise more than three-fold from 36.6 million tons in 1955 to 146 million tons in 1975. The major consumers would be the iron and steel industry, the railways, the brick and cement factories, and the electric companies. The domestic demand is expected to gallop from 2.5 million tons to 20 million tons.

The non-coal suppliers of commercial energy are estimated to satisfy nearly one-third of the total demand in 1975. The demand for oil, in terms of coal equivalent, is estimated to rise from 5.5 million tons of coal equivalent in 1955 to 44 million tons of coal equivalent in 1975. Hydro Power, similarly, is expected

to rise to 20 million tons of coal equivalent. Nuclear energy has also been estimated to contribute its share of 4 million tons of coal equivalent. The table below summarises these results:

SUPPLIERS OF COMMERCIAL ENERGY: 1955-75

(In million tons of coal equivalent)		
	1955	1975
Coal	32.5*	146
Oil	5.5	44
Hydro Power	2.0	20
Nuclear Energy	—	4
TOTAL	40.0	214

Forecasting is a valuable technique to which attention needs to be directed more and more. It cannot be expected that any two forecasts would agree in their conclusions. The crux of forecasting is the assumptions on which it is based. The foregoing analysis is an attempt based on assumptions which steer clear of exaggerated expectations.

* Estimated internal consumption of coal including electricity generated by steam.

FERTILIZERS: THE NEED FOR A CLEAR-CUT POLICY—II

By C. R. RANGANATHAN

AN attempt was made in the previous article to show that the food problem of India cannot be solved without making the fullest use of fertilizers. The difficulties in the way of securing this objective are immense and reference will be made to the major ones in the following paragraphs. But the primary obstacle is the absence of a clear-cut statement of policy by the Government of India in respect of fertilizer use. The approach of the Government to this question seems to be hesitant, half-hearted and ambiguous. The All-India Congress Committee, one of the chief organs of the ruling political party, recently adopted a resolution which contains the following:

“While fertilizers should be used, it must be remembered that too much reliance on artificial fertilizers is not good for the soil in the long run. Therefore, it is essential that greater reliance should be placed on green and natural manures.”

Comparative analytical studies carried out at the Madras Agricultural College and Research Institute in fields which had been fertilised with fertilizers and manured with natural manures over a period of 40 years have failed to disclose any deterioration in the soil as a result of continual fertilizer use. The soils of Holland, which is the largest user of fertilizers in the world, continue to be as productive as ever, despite decades of very intensive fertilization. The same is generally true of West European countries, the U.S.A., and Japan. Fertilizer is used intensively in the U.S.S.R. The overwhelming weight of world experience is in favour of regular, intensive use of fertilizers.

It is not known on what technical advice the A.-I.C.C. based its resolution, or indeed whether it is

based on any technical advice. To suggest as it does that greater reliance should be placed on green and natural manures than on artificial fertilizers is to accept a low level of plant nutrient restoration to the soil and consequently crop yields well below the productive potentials of the soils of the country. The following statement shows the contribution of nutrients made by various manures and fertilizers, expressed as a percentage of their own weight:

Kind of Manure or Fertilizer	Percentage of Nutrients Contributed		
	N	P2O5	K2O
Natural Manures:			
Green manure . . .	0.5 — 0.7	0.1 — 0.2	0.6 — 0.8
Oil Cake (groundnut)	7.3	1.5	1.3
Farm Yard Manure .	0.5 — 1.5	0.4 — 0.8	0.5 — 1.9
Town Compost . . .	1.0 — 2.0	1.0	—
Bonemeal	1.0 — 3.0	25.0 — 30.0	—
Artificial Manures:			
Ammonium Sulphate	20.6	—	—
Ammonium Sulphate-nitrate	26.0	—	—
Urea	46.0	—	—
Superphosphate	—	16.0	—
Muriate of Potash	—	—	50.0 — 60.0

Owing to the bulkiness of natural manures their range of movement is limited: consequently every farm or every village must produce all the manure it requires. So far as farm yard manure is concerned this puts a premium on the keeping of vast herds of cattle which gives rise to a separate intractable problem of national

dimensions. In view of the known drain of plant nutrients by cropping, it is not possible for a farmer relying solely or even mainly on natural manures to do more than partially replace the lost nutrients, and to produce high yields, unless he resorts to fallowing. The recommendation of the A.-I.C.C. is clearly a retrograde one.

It is not the purpose of this article to decry the use of natural manures. They have a favourable effect on the physical properties of the soil. Organic matter added to the soil improves its water holding capacity and promotes bacterial life, both of which are beneficial. The fullest use of local manurial resources should

always be made for these reasons and especially now because there is not fertilizer enough to go round.

Nor is it contended that fertilizers have no secondary effects, especially as regards soil acidity and alkalinity which may have cumulatively adverse effects unless corrected by appropriate measures. The point, however, is that they can be readily corrected, without causing any impairment of the fertility factors of the soil. This is not the place for pursuing this controversy. The resolution of the A.-I.C.C. has underlined the need for a clear statement of Government policy as regards fertilizers in the interests of maximising food production.

BOOK REVIEWS

FREEDOM MOVEMENT

The History of the Freedom Movement in Madhya Pradesh: Editor-in-Chief Dr. Dwarka Prasad Mishra: Published by Nagpur Government Printing, Madhya Pradesh: 1956.

This book is a refreshing experience. It reads so smoothly that it is hard to believe there were four writers. The weaving together of the different strands by the editor and his assistant has been done very skilfully. This is a history book with a difference. It records the minutest details, but they are made interesting enough for even one who is not a reader of history to follow with appreciation. Beginning with the young freedom-loving Appa Sahib in the early nineteenth century, the story brings to life for us one after another the men who longed to be free, and the loyal soldiers and peasants who were incorruptible in their patriotism and faithfulness. It depicts with vividness the proud and beautiful Mahratta women, the heroic Rani of Jhansi, and others. However, the book is by no means a mere eulogy of patriots. There is plenty of other material for thought. The famous policies of British administration like the subsidiary alliances, the policy of “divide and rule”, and the ‘reforms’ are all presented in a new light.

The quiet strength and wisdom of Gandhiji dominates the fascinating story of the growth of Congress from a body that passed resolutions to one that acted, in the last chapters of the book. Motilal Nehru, Tej Bahadur Sapru and the inimitable Mohammed Ali Jinnah with their differences and their common high purpose are a few of the many giants of our freedom struggle whose struggles and sacrifices we re-live. The book is a monument as much to the Mahatma who directed the civil disobedience and non-co-operation movements as to the thousands who suffered incarceration and the 144 martyrs who laid down their lives in Madhya Pradesh so that India might be free.

THE ECONOMIC WEEKLY

The Economic Weekly — Special Number (July 6, 1957): 15, Tamarind Lane, Fort, Bombay: Price Rs. 2.50.

This praiseworthy Special Number of our Bombay contemporary, containing a number of thought-provoking articles, deals mainly with the stresses and strains to which the Indian economy has been subjected of late and examines the first-year progress of the second Plan. One of these ‘stresses and strains’ concerns

foreign exchange, and the editorial begins with the judgment that the Ministry of Commerce and Industry had not been squandering foreign exchange. The import policy, in the opinion of the Editor, has been unexceptionable, for it has been a policy of industrialisation. In the same breath as the Commerce and Industry Ministry is congratulated on its performance the private sector is criticised for going too fast with its investment programme. Here the Editor quotes his Delhi correspondent's estimate that the investment made or committed for development of industries in the private sector in the first fifteen months of the second Plan is of the order of Rs. 760 crores. This is compared to the target of Rs. 570 crores set for the private sector (other than mining, electric power generation and distribution, plantation and small-scale industries) for the whole of the second Plan period. The logical inference is that the private sector has not acted in terms of spreading out its new investment over the entire five-year period but has rushed (and is rushing) through its programme in the first two years of the Plan. In the words of the Editor, “the import content of this development for which the country has to pay, it had not bargained for. Much of the withdrawals from the foreign exchange resources which have already taken place and the further calls on such resources which have to be honoured are unauthorised withdrawals..... If the above figures meant that the private sector had already met the bulk of its import requirements, this would indeed be a silver lining in the cloud..... Unfortunately, so optimistic an interpretation would hardly be warranted, in the absence of some definite knowledge about the actual allocation of these resources. On the contrary, there is evidence in plenty, advanced and elaborated by several contributors in this issue, that a part of it represents investments outside the Plan..... The conclusion is inescapable that the development that has taken place is not of the type intended in the Plan, which had been approved by Parliament and solemnly accepted both by the Congress Party and the Government.”

What, in short, is the evidence on which this conclusion is based? There is, firstly, the statement of the Delhi correspondent of the journal that “in the sphere of industry, the Government has failed to balance investment and consumption in the context of the country's foreign exchange resources; it has not even tried to apportion foreign exchange between public and private sectors or between development that is planned, necessary complement to it or wholly outside it”. The writer of an article, ‘The Plan and the Budget’ in the special number refers to the “clear evidence of increasing over-all investment activity in

the private sector" as also to the evidence of the volume of private investment being much too large in relation to the volume of corporate savings. A contributor on 'National Income, Consumption and Saving' estimates total private investment in 1956-57 at Rs. 650 crores (including Rs. 200 crores of investment in inventories) and total Government investment at Rs. 600 crores. According to his estimates, the marginal rate of savings in 1956-57 was too low to sustain the spurt in investment activity and private investment in that year was rather high, especially in relation to past trends (Rs. 400 crores in 1955-56). Whether all this is slender or solid evidence, is a matter for more intensive investigation. Whether this evidence is sufficient to substantiate the conclusion of the leading article, is also a matter for more careful examination.

HEAVY INDUSTRIES

A Survey of Heavy Industries in India; Supplement to "Capital" (of June 27, 1957): 5, Mission Row, Calcutta: Acting Editor: Dinesh Bahl: Price Rs. 5/-.

The problem of striking a balance between heavy and light industries is important for any developing economy. In its leading article the supplement under review discusses the heavy-versus-light industries dilemma that engages the attention of both politicians and economists. No patent formula that might suit all countries can be evolved in this connection. The

hard economic realities should be the determining factors. Light and heavy industries cannot be put in contradiction as is done in certain quarters. In the matter of heavy industrialisation the journal subscribes to an empirical approach which would depend on available resources and potential markets and defence considerations. In its 23 articles the role of important industries along with surveys of their development is described. The vital importance of machine tools in the economy of the country and plans for expanding their production are ably discussed by Mr. M. K. Mathulla. In view of the circumstances in which the industry came to be established, and its initial handicaps, much of the criticism regarding arrested growth and too-high precision standards can rightly be explained. The possibility of meeting some of the demand for machine tools from small-scale units, as in Punjab, is however not examined. The article on 'Programme to Expand Capacity for Steel-Making' portrays the problems the industry will have to face in the near future. The treatment, on the whole, is of an enlightening nature. The demands that the industry is likely to make on the transport system are formidable. For a long time it will be advisable to make allocations of steel on a strict priority basis. Other industries covered in the supplement are cement, aluminium, copper mining, petroleum refining, chemicals, chemical fertilisers, locomotives, wagon manufacture, aircraft, commercial vehicles, diesel engines, and electrical equipment. The surveys of progress made by these industries are up-to-date and should be valuable for reference.

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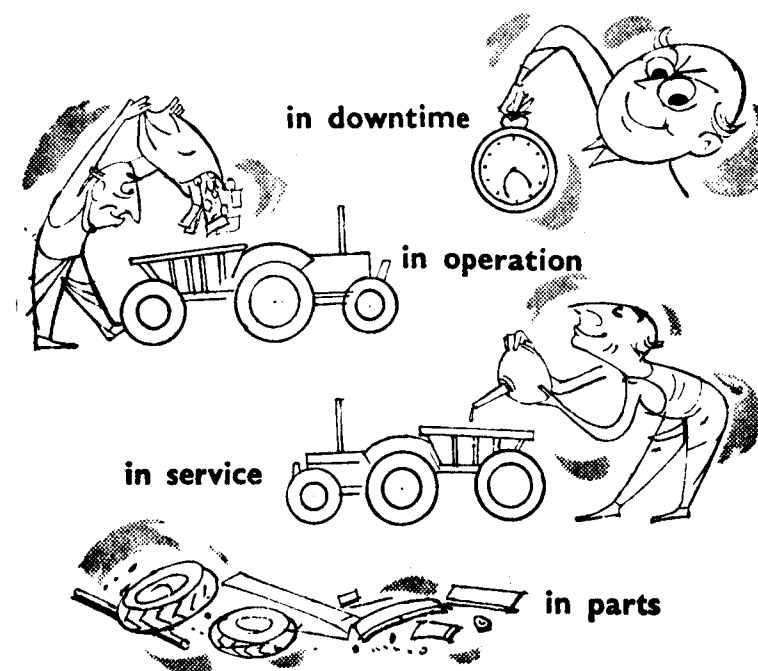
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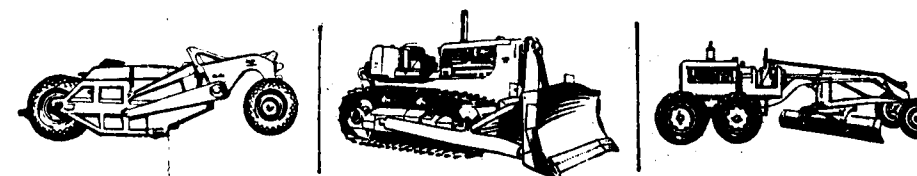
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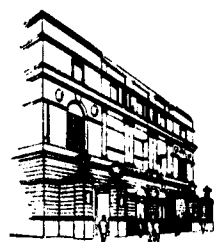
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The Business World

UNREST OVER UNREST

By
CROESUS

FORTUNATELY for all concerned, the Post and Telegraph Employees' strike was called off albeit at almost the eleventh hour. Had this been done earlier, say immediately after the appeal of the Prime Minister, and before the promulgation of the ordinance it would have been graceful. But Providence perhaps willed that things should happen only in the way in which they did; otherwise, some of our labour leaders and also workers, would never have realised that only up to a point the community could be expected to sympathise with and back them. This is not to say that the community has failed to sympathise with the reasonable and legitimate demands of employees, whether they belong to the essential services or not. In any case, the latter (employees) have no right to expect the public to endorse all that they do, especially when their action threatens to disrupt the normal working of the life of the community at a critical phase of the second Five-Year Plan. As a matter of fact, the public became so agitated about the P & T Employees strike, the more so as they had a foretaste of the strike-to-be days ahead of the D-day and the zero hour. Despite a good case for an increase in emoluments — who has not a case in these days of rising prices? — the P & T workers did not know where and when to stop in their negotiations even when they had to deal directly with the Prime Minister himself. This is not the stray view of a columnist, but it is the considered view of all thinking men and women, including many P & T employees themselves.

The P & T strike has since been called off. The Presidential ordinance it gave rise to also has been revoked. A Pay Commission too has been appointed to go into all the demands including the demand for interim relief, of the P & T workers. It is even possible that the Pay Commission will recommend some relief, although it is difficult to anticipate what measure of relief the Pay Commission will recommend, but whatever recommendations it will necessarily have to bear some relief to the large number of workers involved, some 17 lakhs or so, as also the present financial difficulties of the Government.

Meanwhile, it is significant that the threatened P & T workers' strike has provoked some heart-searching and led a few of our politicians to give expression to their views on the all important question of whether trade unions should be permitted to function in Government services. Mr. K. K. Shah, the President of the Bombay Pradesh Congress Committee, stated at a press conference a few days ago, that the question before the public was not merely one of strikes on essential services but the more fundamental one of whether trade unions could at all be permitted in Government services. Formation of a trade union in services according to him, meant the acceptance of the principle of collective bargaining against the government which after all represents the voice of the people. "Can the voice of the people, which includes the services", he asked "be challenged by a section of the population?" Answering the poser himself, Mr. Shah observed that in a democracy, ultimately, the Government was the cumulative wisdom of the people and as such to go on strike against it was to challenge the cumulative wisdom of the people. Continuing in the same strain, the B.P.C.C. President averred that it had

been the endeavour of leaders of all parties to keep the services away from party politics. One is not sure that this endeavour has always been honestly translated into practice. Be that as it may, one must concede that, if the stability of the country is not to be endangered, no political party can be allowed to form trade unions in the services and thereby be tempted to have the opportunity of fighting the popular vote by asking the services to go on strike.

On the place of collective bargaining, the private and the public sectors, Mr. Shah sought to explain why in the private sector this was necessary and also why in the public sector it had hardly any place. In the former, he said, the acceptance of this principle was based on the recognition that the interest of a large number could not be subordinated to the interest of the few, whereas in the latter, there was no such need inasmuch as the government represented the interest of the entire country. One can appreciate this reasoning, but only so long as it is not made an excuse to favour the public sector at the cost of the private sector, as is unfortunately being done in certain spheres. For such, it should be noted, militates against the very basis of the mixed economy concept which has been accepted by the Government.

More or less a similar view was vouched by Mr. V. V. Giri Governor of U.P. when he addressed the annual convention of teachers of the Lucknow and the Allahabad universities which is but a sector of Government. Being himself a trade unionist for about four decades, his views command the highest respect everywhere especially in trade union circles. It is noteworthy that Mr. Giri was not opposed to teachers (and this may extend to all government servants) organising themselves in trade unions, but he strictly enjoined on them to regard their duties and responsibilities above all other considerations, greater and more important than even organising into trade unions. Like Mr. Shah, he also did not want the teachers to join any political group. Indeed, he disclosed that during the whole of his public career he had not allowed even his own political views or ideologies to be pumped into trade unionism. This is, of course, an ideal to keep in mind and achieve, and perhaps possible of implementation by only a few stalwarts like Mr. Giri, but, in practice is this being followed today? The P & T worker's strike, the recent strike of workers in Jamshedpur (Telco) and the labour situation in Kerala all demonstrate that more and more politics is being imported into trade unionism. Obviously this cannot be avoided always. So the voice would appear to be whether to all people in the services (government) to organise themselves into trade unions and risk the danger, or not to allow them the right at all.

An interesting point to note while on this subject is that, among some P & T employees and also among others (certain Ministers in Madras) doubts have arisen about the danger of having large federations of workers. Their inclination seems to be towards local or regional unions or unions of employees belonging to units in one industry of only a given state. Their fear evidently is that not only do Federation become unwieldy and, therefore, tend to lose touch with the

rank and file of workers, but they also permit the office bearers at a given time if they choose to be irresponsible, to take extreme course of action and do more harm than good both to the workers and to the country.

RAW COTTON EXPORTS

By

CROESUS

THE pattern of international trade in raw cotton has changed considerably. International competition has become more and more acute and it is more in favour of buyers than of sellers. India, though one of the premier countries engaged in the export of raw cotton, does not enjoy today a monopoly position. Countries such as Pakistan and Burma have been keen competitors in our exportable varieties; these countries enjoy another advantage in that they have no export restriction. Whilst formulating export policy, particularly of raw cotton and cotton textiles, therefore, all these peculiar problems of this trade should be borne in mind by the powers-that-be.

The policy hitherto pursued by the government, with regard to cotton export, however, has, according to trade circles, not been satisfactory on any count, whether it be the announcement of the export duty or export quotas, or the quantum of export or the varieties permitted or the allocation of export quotas to established shippers and newcomers and finally customs procedure and letter of credit regulations with Far Eastern countries. A clear and stabler export policy giving due regard to each of these factors is very urgent; frequent changes in the policy of the government will harm the country's export trade. Only a regular supply to the consumer will keep the trade flourishing. If our supplies are not maintained regularly it is natural that he should want to turn to other countries.

At least to maintain our position as raw cotton ex-

All these are manifestations of a visible unrest over recent labour unrests and if labour fails to take serious note of this unmistakable changes in public attitude, especially in the prevailing condition of economic uncertainty, it will be doing so at its own peril.

porters, if not to increase our cotton exports, a few suggestions are made by those engaged in this business for years. Among others, they suggest that the government should announce the first export quota covering Bengals and Oomras Dholleras (to the extent of two lakh bales) every year in August or as early as possible, announcing simultaneously the export duty leviable, which should not be liable for revision upwards during the validity of the licences. Supplementary quotas, if necessary, may be announced in December or January. Such a policy it is claimed will enable India to retain goodwill in the world market. Another suggestion deals with the licensing policy of the government. It is said that the government issues licenses for 5, 10, 20 and 50 bales units to a large number of traders. It is doubtful whether such small licences can establish our export trade in raw cotton. Moreover, granting licences to newcomers who cannot be expected to have full knowledge of this complicated trade will only jeopardise our foreign trade, thereby causing immense damage. Accordingly, it has been suggested that the government should be more liberal to established exporters in their licensing policy and accept only such newcomers as can satisfy the government about their ability to establish export trade. The authorities in their enthusiasm to win the favour of all and sundry are, unfortunately, pursuing a policy that hinders the exports of a commodity, which is the major earner of precious and much-needed foreign exchange.

TELCO ON THE MARCH

TELCO'S latest working year has turned out to be one of striking progress in all directions. This is reflected in its stepping up the dividend to 8 per cent. As time moves on and the investments made and expenditures incurred commence to yield fruit, still better results are bound to come. But equally progressively will the Company's financial needs mount. Already, the inescapable stocking of essential raw materials, etc., has led the Company to borrow considerable amounts. Projects on hand and the expansion programmes over the next few years will mean increasing demands for funds. To meet these heavy needs, it is obvious that the Company's own various reserves, even though substantially, strengthened during the past few years, will be far too insufficient. It is in this context that its proposal possibly to expand the share capital is justified, notwithstanding that the shareholders have had to wait for reasonable returns all these years.

A matter of particular satisfaction for the Telco is the new price trend that is emerging out of the gloomy past of dropping demand. The continuous decline in the price of steam locomotives seems to be in check now as a result of economic forces consequent on the gradual contraction in the production capacity of some countries. That the output target of locomotives and boilers has been exceeded by as much as 30 per cent is, therefore, doubly welcome. Again, costs have been cut down by combining improvement in efficiency with the utilisation of unused capacity, despite the unfavourable price position of steel and the rising

cost of other materials and wages. In course of time, however, India, in line with other countries, will need to change over to diesel and other similar traction, as more oil is discovered in the country. Telco has not much to fear from it since it is adequately equipped to switch over to the production of diesel engines with inconsiderable difficulty.

In the automobile industry, progress is encouraging. The Government has adopted a helpful attitude in that it has left the industry free to fix prices within specific limits. On the recommendations of the Tariff Commission again, protection has been granted to the industry for ten years. These are incentives for the growth of the industry and it is likely that at the end of the period, it will have grown sufficiently strong to be able to stand up against competition from abroad. Both in the case of locomotives and automobiles, the authorities of the Company are conscious of their shortcomings. This in itself is a healthy sign. It can, therefore, reasonably be hoped that in course of time standards of productivity will be appreciably improved.

The critical foreign exchange position has meant anxiety for the Telco as much as for other industries. Nevertheless, the Government has appreciated the need of the Company to import plant and equipment. It has accordingly agreed to allow for reasonable requirements of foreign exchange in order to help the company to achieve rapid development in its production.

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BUSINESS NOTES

FINANCE FOR SHIPPING

MR. LAL BAHADUR SHASTRI's speech during the discussion in the Lok Sabha on the Transport and Communications Ministry's demands for grants has raised optimism that Government will take firm steps to break the threatened deadlock in the programme of expansion of shipping. It will be recalled that the whole of the tentative allocation of Rs. 37 crores specifically provided as the loan capital to be supplied by the Government for the development of shipping in the second Plan was exhausted in orders which were placed for the construction of 170,000 G.R.T. The balance of about 220,000 G.R.T. including 90,000 G.R.T. required for replacements still remains to be provided for. This heavy balance is left at the present time virtually without any financial provision. Mr. Shastri announced in the Lok Sabha that he was urging upon the Finance Minister to set up a special fund to finance the acquisition of the balance of tonnage. He even went a step further and indicated that the shipping target may be raised by 1,00,000 tons. The upward revision of this order would make the total tonnage only 50 per cent of what the Shipping Policy Committee had strongly pressed for achievement by 1954 at least. Mr. Shastri's plan envisages provision of Rs. 10 to 12 crores per year making a total of Rs. 50 crores during the remaining four years of the present Plan for additional tonnage.

Such a credit fund of the order of Rs. 50 crores would be adequate for the purchase of the remaining tonnage and probably the increased target of 1,00,000 tons. Partly the contribution which the shipping companies have to make for purchases of ships would supplement whatever gap remains in the financial resources. The real difficulty about finance for shipping cannot be assessed in terms of the mere size of the fund required. It must be remembered that the capacity of the Vishakhapatnam yard has been booked for the period of the second Five-Year Plan. Any orders to be placed for shipping will inevitably require expenditure of foreign currency. In plain words it would mean that Mr. Shastri is asking the Finance Minister to provide extra foreign exchange of the order of Rs. 50 crores. Our foreign exchange position being what it is, it would be unrealistic to expect that the Finance Minister would be in a position to accede to this request readily. But considering the fact that a World Bank loan is likely to be available for the acquisition of tonnage, the Finance Minister should try to give high priority to this new demand on him.

What Mr. Shastri said about the rate of interest charged by the Government on loans to shipping companies for the purchase of tonnage has not clarified the position at all. On the other hand it has created greater confusion. There are very heavy arrears in the purchase of ships for the coastal trade. Shipping companies are hesitating to approach the Government for loans for coastal vessels because the rate of interest charged is as high as 4½ per cent. In contrast the rate charged for loans for overseas shipping vessels is fixed at the moderate level of 2½ per cent. It is the request of the companies that the rate for coastal shipping loans should be reduced. They are not interested in technical parity between the rates for the two types of loans. Mr. Shastri has made confusion worse confounded by saying that one of the alternatives before the Government at the present time is to raise the rate of loans for overseas shipping to the same level as the rate on coastal loans. If this alternative were accepted it would worsen the matters. It would give no relief to prospective applicants for loans for coastal

shipping and on the contrary it would discourage the companies which are now planning to obtain loans for overseas tonnage. In view of rising interest rates a golden mean may have to be struck.

THE RATIONALE OF RESERVES

AMONG THE various measures that have been or are to be adopted to tide over the crisis in foreign exchange, the one that has caused most controversy is the suspension of requirements of foreign reserve as a backing for currency. The Reserve Bank Amendment Act of 1956, in Clause 4, empowers the Bank, in effect, to reduce the sterling balances from the normal statutory requirement of Rs. 400 crores to Rs. 300 crores, but only in very special situations. The adoption of such a course is, in fact, conceived to be only short-term, inasmuch as previous sanction has to be obtained from the Government which is valid for six months in the first instance. Such sanction has been granted to the Reserve Bank just recently. Extreme suggestions are being made that it may not be necessary to keep any foreign reserves at all. Apart from whether or not it is essential to maintain a specific level of foreign securities, it seems improbable that India's current reserve, which has already gone perilously below the limit of Rs. 400 crores, even if depleted further, would satisfy the country's growing hunger for foreign exchange. At the rate of draft that has continued for some months now, the reserves would be exhausted before the year is out. Unless they are replenished by earnings or borrowings.

If a firm assurance were available that the balance of payments could cease to be unfavourable henceforth, perhaps the need for a reserve would diminish and India could fall in line with countries which have dispensed with reserves. But this controversy is only of an academic nature now. Such an assumption cannot but prove incorrect in the circumstances of today, with large development projects mainly dependent on imports. The deferred payments scheme is turning out to be less feasible to the several supplying countries than was imagined in India some time back. It is, therefore, more than likely that, in the process of utilising the exchange reserves, grave damage will have been done to the value of the rupee both within and outside the country.

The virtue of the current crisis is that it holds a lesson for the country that for planning to be successful, it must be accompanied by an elaborate machinery to check and repair the damage to the limited fabric of resources, while it is being stretched to cover projections. Yet this is only a part of the problem. The crisis is the result of a combination of various forces like the general inflationary trends in many countries that are India's suppliers, the Suez imbroglio and the large purchases by India of raw material supplies before schedule and not least of all the generous policy of imports pursued without full appreciation of its likely effects. Thus the crisis was invited before it would have come. The obvious solution is not in reducing the reserves—this is a mere palliative. It lies in reducing expenditure in all areas save those which are directly relevant to increasing production, saving foreign exchange and what is still more important—earning foreign exchange.

TOWARDS BETTER BALANCE?

THE PROVISIONAL foreign trade figures for May, which have now become available, indicate a small but happy turn in a long-continuing gloomy trend. The trade deficit during the month was reduced by nearly Rs. 10 crores from the previous month's Rs. 42.5 crores.

It needs no emphasis that one month's data can hardly form the basis for making any generalisations. What may, however, be said at the present time is that, perhaps, the efforts at checking the large-scale drain on foreign exchange, which has been causing grave concern in all quarters, have started to yield results. It is patent that the results cannot be anything but modest in the initial stages. Impressive results can only follow in due course of time. To say this is not to suggest that what is now being done on the import front will not lead to partial relief. Nevertheless, drastically to slash imports can only be a temporary measure to relieve a serious situation. Imports on an enormous scale, particularly of capital equipment are written deep in the second Plan and if the situation so demands sizable reduction will have to be obtained by pruning import-intensive targets. One important means to arrest the widening of the gap lies in expansion of exports but this is hardly a short-term remedy if it is to yield substantial results.

If higher exports is a helpful solution, then the May figures are not encouraging when compared to the previous month. At Rs. 52.8 crores, the May exports have declined by some Rs. 5 crores from those of April. Looking further back, however, they compare favourably with Rs. 45 crores worth of exports during May, 1956, and with the average monthly exports of Rs. 50 crores during 1956-57. This obviously is considerably lower than what is possible to attain. For example, export earnings touched the high figure of Rs. 56 crores in November last year. In the case of imports, the reduction was again of Rs. 5 crores from the April figure of over Rs. 90 crores to Rs. 85.4 crores. Even so, the import bill was nearly a crore more than the highest level of Rs. 84.2 crores reached in September 1956, as against a monthly average of Rs. 70 crores in the same year. The May figures—and for that matter trade figures for some months more—cannot give a clue to how the policy of austerity licensing in imports is producing results in the desired direction for the simple reason that the heavy accumulation of outstanding licences will necessarily take time to be cleared.

NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION

THE PROGRESS report of the National Industrial Development Corporation for the third year just released is revealing in many respects. Although the progress cannot be considered spectacular, the National Industrial Development Corporation has no doubt made a good start. Not only has the Corporation helped in the promotion and development of new industries in the country, but has also maintained a balance in its provision of finance for industries in both the public and private sectors. During 1956, the Corporation completed its examination of a large number of industrial projects which had been selected for technical and economic study. The projects had been chosen primarily with a view to developing new lines of production in fields where the country is exclusively or mainly dependent upon imports.

The Corporation proposes to concentrate on projects relating to (a) the manufacture of industrial machinery in the field of heavy engineering, (b) the production of primary intermediates required by the organic chemical industries like drugs, dye stuffs and plastics and (c) some crucial raw materials like aluminium and synthetic rubber.

For developing capacity in the country for the manufacture of heavy industrial plant and machinery, the N.I.D.C. has done considerable spade work. The scrutiny of reports of foreign experts in this regard has been fully completed, though it is not definite that all the schemes would be put through during the second

Five-Year Plan. As regards the organic chemical industries—drugs, dyestuffs plastics etc., the Corporation arranged for a technical team of experts from Italy to come to India and prepare a report on the scope and pattern of developing the manufacture of intermediates taking into account the future development of the dyestuffs industry. Based on this and other reports from West Germany and the USSR a project for the manufacture of the more important intermediates including, but not confined to the primary intermediates, has been drawn up. In the field of the aluminium industry the NIDC arranged for experts from the USA to study the economic and technical aspects for setting up of units of 10,000 tons annual output with scope to expand to 20,000 tons. So far as the production of synthetic rubber is concerned, the Corporation invited a team of experts drawn from the consortium of four well-known US companies to study and work out a preliminary project for making 20,000 tons of synthetic rubber yearly. Negotiations are in progress with firms interested in collaboration in this field, and it is gathered that a synthetic rubber plant will be established at Bareilly. Proposals have also been worked out for the making of newsprint and for converting indigenous pyrites into sulphur.

In the spheres of assistance for modernization of cotton and jute mills, the Corporation's achievement is, however, not satisfactory. The loans so far sanctioned for rehabilitation and modernization have been no more than Rs. 1.95 crores in respect of cotton textile industry and a mere Rs. 55 lakhs in the case of jute mills as against Rs. 17 crores and Rs. 6.36 crores applied for by the two industries respectively. The Corporation ought to rationalise its procedure for finalising loan transactions and although it is understandable that full scrutiny of prospective borrowers' title to property is a time-consuming process, it can hardly be disputed that delays can be cut down and preliminaries expedited.

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(QUARTERLY BULLETIN)

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

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COMPANY AFFAIRS

THE BURMAH OIL CO. LTD.

For the Burmah Oil Company, 1956 has turned out to be yet another year of continuing trade expansion. The net profit is £7,123,896 which shows an increase of £1,133,443 over the corresponding figure for 1955. Together with the balance brought forward, the amount available for distribution totals £7,764,382. From this, however, is to be deducted the interim dividend of 5 per cent, paid on ordinary stock in November, 1956, as well as the dividends on the preference stocks. There thus remains a balance of £6,407,108 of which £1,650,000 has been appropriated to the General Reserve. The Directors' recommendations provide for a 17½ per cent final dividend on the ordinary stock which absorbs £1,146,710, leaving £610,398 to be carried forward.

Depreciation at £1,243,080 is rather less than that for 1955, in which year there was an exceptionally high charge mainly in respect of the new seaboard installations in East Pakistan.

In the year, the Group's sales increased by 7 per cent in India as against 12 per cent in Burma and 2 per cent in Pakistan. In Assam, which is Digboi's main supply area, there was a satisfactory expansion of trade. In the rest of India, the distribution of petroleum products was affected by a continuing shortage of tankwagons, but the most marked feature of trade was an increase in sales of diesel oil for automotive use alongside an almost negligible increase in motor spirit. The increases in the Group's sales of these two products were 31 per cent and 1 per cent respectively. The increased demand for diesel oil is in keeping with the encouragement given by the Indian Government to the production of diesel engine vehicles. Imports of petrol driven cars were restricted in favour of cars assembled in India. However, the Directors feel that, perhaps in India, the petroleum products trade is a "growth industry."

For expansion of the oil industry, the finance is to be found largely within the industry. The Government partly appreciates the position and has granted development allowances under its taxation laws. In view of the Industrial Policy Resolution, which requires that prospecting of petroleum should be undertaken only by means of a rupee company, with Government majority shareholding, the Board of Directors of the Group have not been able to recommend any further expenditure on prospecting in India.

During the year under review, out of eleven wells drilled in the Assam Oil Company's new fields consisting of some contiguous areas near Nahorkatiya, nine were oil producers, one a gas producer and one a dry hole. All the areas have now been proved and the production target has been stepped up from one million tons a year to 2½ million tons.

TATA POWER CO. LTD.

"A most important development in the history of the Hydro Companies achieved during the year under report", observed Mr. J. R. D. Tata, speaking at the Annual General Meeting of the Tata Power Company Limited, on July 31, 1957, "was the completion of the thermal generating station at Trombay, three years from the date of the work being started, commencing with the reclamation of acres of marshy land. The Station was formally opened by the Chief Minister of the State of Bombay on December 15, 1956. The construction of No. 2 Unit was then in its last stages and that Unit was started on April 15, 1957. The cost of the Station, exclusive of the staff colony, was Rs. 10.44 crores, for an increase in capacity of 125,000 kW. The

total installed capacity of the Tata System of combined hydro and thermal generating stations is nearly 400,000 kW".

Mr. Tata also disclosed that the Tata Electric System was successful in obtaining a loan amounting to about Rs. 4.75 crores from the World Bank, for the installation of a third Unit at the Trombay Thermal Power Station. While this loan would cover only foreign exchange commitments, he said, a further Rs. 180 lakhs would still be needed to complete the job. Fortunately, a provision in the Electricity (Supply) Amendment Act permitted appropriation to a Development Reserve annually of an amount representing the tax saved at current rates on the Development Rebate in the year. This, he said, would place at the disposal of the Company for the next three years approximately Rs. 150 lakhs in the Development Reserve, which it was proposed to utilise for Trombay-3 project, thus eliminating the need to raise additional equity capital. He added that the third unit at Trombay would be commissioned by about mid-1960 and not by the end of 1959, due to the deliveries of equipment being much later than had been anticipated.

Referring to the new tariffs proposed, about which there is some controversy, Mr. Tata said: "We propose to introduce the new tariffs as soon as possible and to leave them undisturbed for at least the next three years, unless we are faced, in the meantime, with new taxation or heavy expenditure which cannot be foreseen at present. The new rates, which eliminate the various surcharges imposed in the past, represent, on the average, an increase of about 9 per cent over our present rates for energy in bulk". Continuing, he added: "After a full examination of all the various factors, we have drawn up new tariffs for distributing licensees and other consumers to whom we give direct bulk supplies. The tariffs have been designed to enable the Hydro companies to earn clear profits in line with the "Reasonable Return" permissible under the Act. This is essential from our point of view in order that we may be able to service the World Bank loans and meet our other financial obligations".

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COMMODITY NEWS AND NOTES

INCREASE IN COTTON PRODUCTION FINAL ESTIMATE FOR 1956-57

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India final estimate of cotton, 1956-57, puts the current year's area and production at 19,843,000 acres and 4,723,000 bales (of 392 lbs. each) of cotton lint, as against the partially revised estimate of 19,978,000 acres and 4,001,000 bales respectively for 1955-56. This shows an increase of 722,000 bales or 18.0 per cent in production during the current year, despite a small decrease of 135,000 acres or 0.7 per cent in area. During 1956-57 the production of cottonseed is estimated at 1,653,000 tons, as against the partially revised estimate of 1,400,000 tons for 1955-56, thereby showing an increase of 253,000 tons or 18.1 per cent over last year. The overall decrease in acreage during the current year has been shared mainly by Madhya Pradesh and Rajasthan and has been attributed largely to unfavourable weather conditions at the time of sowing. The decrease in acreage has, however, been offset to some extent by the increases registered mainly in Punjab and Madras. Despite decrease in area, there has been a substantial increase in production during the current year. The increase in production is shared mainly by Bombay, Madhya Pradesh and Punjab and is attributed largely to better seasonal conditions prevailing during the growing period of the crop as compared to last year.

INCREASE IN TOBACCO PRODUCTION

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India third estimate of tobacco, 1956-57, puts the current year's area and production at 1,007,000 acres and 300,000 tons, as against the adjusted third estimate of 997,000 acres and 287,000 tons for 1955-56. This shows an increase of 10,000 acres or 1.0 per cent in area, and 13,000 tons or 4.5 per cent in production during the current year over last year. The nominal increase in area during the current year has been shared by Bihar, Madras, Uttar Pradesh and Mysore States, and has been attributed to favourable climatic conditions at the time of sowing. The increase in production during the current year has been reported by almost all the major tobacco-growing States except West Bengal. This increase in production is partly due to increase in area and partly to favourable weather during the growing period of the crop. This estimate does not contain information in respect of the late variety of the crop growing in U.P. It also does not give information about the final position of the crop in the case of Punjab, Kerala, Rajasthan, Delhi, Himachal Pradesh and Tripura. The final position in respect of these States will be included in the final estimate. Past experience has shown that the final estimate figures are slightly higher than those of the third estimate.

IMPORT OF EGYPTIAN COTTON

The Government of India have decided to permit the import, with immediate effect, of a further quantity of 10,000 bales of Egyptian cotton of staple length over 1-3/16" against the special payments procedure. The method of licensing and other procedural details will be the same as for the 20,000 bales of Egyptian cotton recently permitted for import.

IMPORT OF EAST AFRICAN COTTON

Nine additional varieties of Tanganyika cotton of the staple length one to 1-1/16 inches have been included in the list of East African raw cotton, import of which was permitted by the Government of India under an announcement made on July 19. According to a trade notice issued by the Joint Chief Controller of Imports, Bombay, the additional varieties are

M-owere, Legologe, Msorneni, Morogoro, Malini, Moshi, Kilmani, Korogwe and Duthomi. Under the July 19 announcement, the Government permitted the import of raw cotton of the staple length 1-1/16 inches within a ceiling of 50,000 bales and stated that the licenses issued would be valid up to September 30, 1957.

IRON ORE OUTPUT

Output of iron ore in India during May 1957 was 417,207 tons. This was 26,600 tons more than the production in the previous months. Returns received by the Chief Inspector of Mines in India from 117 mines during May showed that 289,657 tons were despatched to iron and steel plants and 80,437 tons to the export market.

U.S.A.'S COTTON PRODUCTION

The Crop Reporting Board of the Department of Agriculture estimated production of the 1957 cotton crop as on August 1, at 11,897,000 bales (of 500 lb.) as against last seasons final output of 13,310,000 bales. Conditions of the crop, as on August 1, is put at 31 per cent compared with 83 per cent on the corresponding date last season. The Agriculture Department also announced the export sale of 988 bales of 1954-crop U.S. Government owned cotton and also the sale of 61,106 bales of 1955-crop cotton.

CANADA'S OIL PRODUCTION

It is reported Canadian oil wells, which supplied only one-tenth of Canada's petroleum needs 10 years ago, now supply nearly two-thirds of this demand. In 1946, Canada imported 90 per cent of its oil requirements, but only 35 per cent was being currently imported despite a three fold growth in domestic demand. Daily average oil production last year of 407,000 barrels was almost 25 times greater than in 1946. With daily consumption last year at nearly 770,000 barrels, the report shows that Canada is now the World's third largest consumer of petroleum.



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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 †† (1948-50=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 ..	381.4	467.7	359.2	387.4	686.6	397.5	90.4	100.6	87.3	95.0
1954-55 ..	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.0
1955-56 ..	313.2	419.7	338.2	372.9	546.4	360.3	90.9	100.8	87.3	121.6
1956-57 ..	388.5	501.9	402.3	384.6	559.3	414.0	90.5	100.1	82.9	121.2
December 1956 ..	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	111.6
April .. c ..	408.3	514.73	400.0	384.3	567.8	422.1	89.9	99.0	78.7	106.8
May .. c ..	419.3*	536.3	406.5	387.7*	572.3	431.2	89.4	99.1	78.4	104.1
June .. c ..	433.4	541.3	413.0	392.4	575.3	439.2	..	99.0	77.6	102.6
8-6-1957 ..	435.7	530.9	414.5	392.3	570.7	439.2	89.6	98.9	77.8	102.7
15-6-1957 ..	421.3	543.9*	413.3*	393.1	571.1	437.5	89.6	98.9	77.6	101.3
22-6-1957 ..	430.5	539.9*	410.6*	392.4*	563.5	437.3	89.4	98.9	77.3	101.8
29-6-1957 ..	438.1	540.9	413.0	391.6	601.5	441.2	89.3	98.9	77.4	103.8
6-7-1957 ..	440.1	543.3	410.6	392.8	617.6	442.6	89.3	98.9	77.0	105.3
13-7-1957 ..	440.8	545.3	412.0	392.1	618.6	443.1	89.2	98.8	76.8	105.3
20-7-1957 ..	441.5	541.3	415.3	392.3	622.4	443.5	89.2	98.7	76.6	105.6

†Economic Adviser's Series.

*Average of weeks.

††Reserve Bank Series.

Revised*

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

Period	Bombay		Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100				Nagpur	Jubbulpur†				
1939 (Aug-Dec.)	103	—	—	—	105	104	—	108	—	—	—
1948	288	303	243	132	339	471	372	309	168	136	134
1949	292	307	248	132	348	478	377	323	164	138	136
1950	298	313	257	132	349	434	372	325	165	145	138
1951	314	330	261	142	370	451	391	334	167	160	144
1952	321	337	250	143	351	441	380	330	151	154	141
1953	346	363	275	140	349	453	387	351	147	156	145
1954	342	359	244	138	327	408	373	341	148	140	138
1955	322	338	218	130	323	371	364	321	134	135	132
1956	336	352	244	142	347	424	397	356	152	146	145
1956 July	338	354	244	144	365	436	400	369	153	148	148
August	344	361	253	147	368	445	403	372	154	151	150
September	336	352	256	149	366	445	403	368	151	156	149
October	342	358	261	152	364	449	407	362	153	153	149
November	340	356	261	154	361	446	407	369	157	153	152
December	340	356	259	151	356	436	407	370	157	149	150
1957 January	339	355	252	150	354	438	411	372	157	144	149
February	341	357	253	150	350	435	411	369	157	148	148
March	340	356	254	150	348	433	415	367	158	148	148
April	340	356	255	148	345	427	415	369	161	152	148
May	347	363	—	151	352	441	—	369	—	—	150

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	9-8-1957			2-8-1957			26-7-1957			19-7-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola) ..	108.25	106.81	107.57	107.81	106.84	107.32	108.66	107.37	108.05	107.47	106.28	106.86
Silver (per 100 fine tolas)	182.94	180.94	181.99	183.12	181.44	182.49	183.25	181.00	182.02	181.75	179.06	180.45

**RESERVE BANK OF INDIA
ISSUE DEPARTMENT**

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	86.95	111.37	52.91	67.11	32.16	210.64
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.06	265.62*	1,253.86
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	621.70	661.72	56.31	57.21	468.47	1,180.40
1951-52*	1,189.81	27.87	1,217.68	40.02	625.27	665.29	54.64	63.08	488.36	1,217.68
1952-53*	1,114.84	27.87	1,142.72	40.02	564.40	604.42	52.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.80	92.83	430.11	1,156.97
1954-55*	1,196.19	22.98	1,219.18	40.02	648.81	688.83	56.58	102.26	428.09	1,219.18
1955-56*	1,333.39	17.08	1,350.47	40.02	656.52	696.54	51.35	106.87	653.06	1,350.47
1956-57*	1,475.77	18.75	1,494.52	44.42	545.61	590.03	39.95	115.61	765.22	1,494.52
Average of Fridays	1,443.67	16.72	1,460.39	117.76	460.22	577.98	39.58	121.92	760.48	1,460.39
November 1956	1,465.63	8.76	1,474.39	117.76	447.30	565.06	37.93	123.93	785.35	1,474.39
December 1956	1,488.29	15.48	1,503.77	117.76	441.09	558.85	37.57	123.46	821.48	1,503.77
January 1957	1,508.89	13.48	1,522.36	117.76	412.52	530.28	36.50	122.05	870.63	1,522.36
February	1,521.09	13.51	1,534.60	117.76	412.52	530.28	34.55	121.37	882.98	1,534.60
March	1,569.25	11.86	1,581.11	117.76	412.52	530.28	33.58	126.41	922.42	1,579.11
April	1,582.22	17.63	1,599.85	117.76	412.52	530.28	33.35	125.60	943.87	1,600.76
May	1,567.48	29.03	1,596.51	117.76	412.52	530.28	33.28	125.17	941.06	1,596.51
Week Ending										
21-6-1957	1,559.24	36.41	1,595.65	117.76	412.52	530.28	33.23	125.56	939.81	1,595.65
28-6-1957	1,542.17	39.50	1,581.67	117.76	412.52	530.28	34.53	126.58	924.81	1,581.67
5-7-1957	1,551.49	29.27	1,580.76	117.76	412.52	530.28	33.54	125.67	924.81	1,580.76
12-7-1957	1,542.92	38.40	1,581.32	117.76	412.52	530.28	33.53	126.24	924.81	1,581.32
19-7-1957	1,517.90	35.25	1,553.15	117.76	400.52	518.28	33.36	128.06	906.81	1,553.15

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					TOTAL LIABILITIES & A.C. ESTS**	ASSETS						
	Central Government	Other Governments	Banks	Others	Total		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	128	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1948-49*	222.17	16.93	80.53	56.52	393.72	15.33	419.05	22.12	4.28	307.78	1.71	3.34	4.14
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.30	980.64
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
1951-52*	181.30	15.55	58.68	69.22	325.15	18.02	353.77	27.92	6.31	187.14	5.90	19.42	95.19
1952-53*	186.10	7.79	52.89	61.93	298.02	33.69	292.71	28.03	6.64	133.66	2.85	19.03	89.77
1953-54*	105.44	23.40	46.62	57.45	232.80	33.91	268.72	23.22	9.46	123.31	1.78	19.84	81.58
1954-55*	89.13	20.66	56.20	36.29	201.28	33.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52
1955-56*	80.11	19.85	53.77	18.31	152.04	45.69	197.64	17.21	9.78	66.96	1.73	36.90	49.36
1956-57*	57.52	14.10	52.46	10.73	143.81	101.21	246.92	18.91	5.60	64.77	4.89	85.34	57.82
Average of Friday	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
November 1956	54.21	10.67	54.03	13.75	132.66	131.56	277.43	8.91	6.55	84.23	6.44	93.47	60.90
December	52.63	9.81	52.33	13.13	127.80	139.22	277.12	15.60	1.74	81.45	8.06	102.81	52.83
January 1957	52.10	13.48	53.30	34.96	154.16	142.59	306.74	13.70	1.54	108.98	6.74	116.42	45.95
February	56.01	10.27	53.28	61.44	189.99	147.48	347.47	13.74	3.33	114.30	8.42	115.24	79.07
March	54.61	6.37	67.33	74.63	201.91	150.10	362.01	11.89	14.03	102.31	16.46	101.37	102.55
April	52.89	4.38	63.37	83.53	204.78	152.64	366.82	17.67	4.45	64.50	18.91	111.31	136.35
May	53.09	3.29	71.77	42.40	240.55	153.86	404.41	29.16	3.82	46.96	24.53	98.02	188.36
Week Ending													
14-6-1957	52.40	1.19	61.82	121.00	239.46	157.69	407.06	21.08	5.83	61.19	25.98	98.06	178.63
21-6-1957	53.45	2.30	71.51	121.63	248.89	152.27	411.16	36.55	4.64	51.86	23.95	93.10	187.47
28-6-1957	51.80	8.25	82.15	261.95	154.98	426.96	39.62	13	40.82	23.88	01.46	216.81	14.24
5-7-1957	53.18	4.47	75.89	148.69	283.72	118.79	412.01	29.34	1.87	37.41	26.40	84.67	218.52
12-7-1957	53.45	1.41	78.71	148.91	282.49	119.01	411.50	38.55	3.76	28.55	27.58	81.34	218.46
19-7-1957	54.02	3.09	87.82	191.48	294.40	120.97	425.37	35.39	3.69	31.19	27.79	69.98	216.37

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. † 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 gold reserves of Issue Department are revalued at Rs. 62.50 per tola from October 6, 1956.

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	..
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	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56	71.39	359.35
Average of Fridays										
December 1956	652.09	459.06	1,118.77	35.49	51.06	7.58	611.97	168.62†	71.07	365.11
January 1957	659.71	464.95	1,147.97	36.01	49.32	7.58	647.60	165.94†	73.29	362.67
February	683.02	466.94	1,172.05	36.27	50.29	8.64	687.52	166.33†	74.97	357.27
March	705.11	491.75	1,220.03	39.31	51.79	7.97	708.67	168.45†	75.55	348.76
April	728.28	455.05	1,094.83	38.15	65.12	7.99	719.66	183.45†	74.69	345.68
May	723.73	516.38	1,240.11	39.26	59.74	8.08	744.48	188.14†	76.10	343.32
June	714.97	547.24	1,262.21	41.32	67.51	8.72	744.75	181.72†	74.24	335.02
Week Ending										
28-6-1957	723.38	553.02	1,261.03	42.38	68.72	9.60	746.03	173.05†	72.88	332.71
5-7-1957	713.14	563.76	1,258.32	41.30	73.51	9.12	741.69	173.27†	72.71	332.64
12-7-1957	715.71	559.88	1,258.43	41.32	74.74	9.22	737.10	167.11†	71.85	332.25
19-7-1957	724.66	563.33	1,286.95	39.12	83.44	9.68	714.89	177.88†	70.80	332.28
26-7-1957	741.92	568.73	1,288.45	32.02	90.52	9.94	708.84	176.27†	68.70	332.56

* 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
1956-57	2,312.89	1,556.50	756.39	744.74	11.65		+128.57
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	2,134.02	1,451.77	683.15	672.79	10.36		-12.06
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		+27.1

ATUL

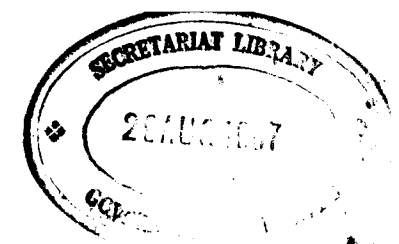
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The

Eastern Economist



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Hasten Slowly

THE Report of the Official Language Commission brings a deal of posthumous credit to Mr B. G. Khar, its distinguished Chairman. It appropriately concludes with these wise observations: "It is not language but education that is aimed at in the schools; it is not language but good government that is aimed at in the field of public administration; it is not language but justice that is sought in the law courts. That which lends itself to the most convenience is the correct solution of the language problem in the various fields. Surely there does not have to be heat and passion over the issue of Language, ever the instrumentality and not the substance!" No wiser words could have concluded a reasonably moderate report.

It should be obvious "that which lends itself to the most convenience in the various fields," in the context of adult franchise and of compulsory education aimed at "for all children until they complete the age of fourteen years," is Hindi or the regional language as the case may be. For, as far as English is concerned, the number of persons (as

of 1951) with some degree of knowledge of that language (as indicated by the passing of School Leaving Certificate or higher secondary examination) was just 3.8 million out of 59.2 million literates in the country as a whole. Incidentally, in equating literacy in Indian languages with the linguistic ability in English (which is not easy to learn) commonly to be associated with the educational attainment of S.L.C. standard, the Commission appears to be on solid ground for, "if a comparison were to be made in point of linguistic expression, oral and even written, between an average S.L.C. student writing in English and a person of a fairly moderate or even low education writing in his own mother-tongue, the standard of the former is likely to be found inferior to that of the latter." This in no way detracts from the utility of learning English which "is unquestionably the foremost language of international communication," and the most essential one for scientific advance and research. Surely this pre-eminent position of English can well be retained in India by using it as a compulsory or optional second language

in her educational system. In fact it is already being used as the first compulsory second language in many countries of the world.

It may also be noted that Hindi, bracketed with Urdu, Hindustani and Punjabi, is spoken by 42 per cent of the total population of India. As it is closely related to Marathi, Gujarati, Oriya, Bengali and Assamese, Hindi is to a further considerable population a language relatively easy to acquire. Incidentally it would also be relevant to recall that the largest number of newspapers (54 per cent) is published in Hindi and other related languages while the number of newspapers published in English constitutes only 17 per cent of the total in the country as a whole. And their combined circulation is 46 per cent of the total number of copies as against the 26 per cent in the case of English newspapers. As the pre-eminent position occupied by Hindi is thus a fact which cannot be conjured away, one may have to recognise the feasibility of its becoming by, say, 1980, the sole medium of inter-communication at Pan-Indian levels, or the *lingua franca*, of two-thirds of the population of India. And it can well become, in more or less the same period, the *lingua franca* of the remaining third of the population speaking the Indo-Dravidian languages of Telugu, Tamil, Kannada and Malayalam (which draw upon a common literary tradition in Sanskrit and whose scripts and alphabets are variant expressions of a common Indian phonetical system) and other unspecified languages. As unfettered development of regional languages is ordained by the Constitution and as the State Governments concerned in the non-Hindi-speaking areas have generally made their respective regional languages media of instruction and compulsory subjects of study till the high school stage, there is no reason why they should not uniformly have Hindi as a compulsory second language.

It is here that non-Hindi-speaking areas may reasonably expect some more time (say, up to 1980) to catch up with the Hindi-speaking areas. An extended period of transition may also be necessary if there is to be a smooth and complete change-over to Hindi in the matter of public administration at the Union level, inter-communication amongst States *inter se* and with the Union, legislation, legal proceedings and judgments, and public service examinations. The Kher Commission itself does not appear to think that the target date of 1965 laid down in the Constitution may not have to be extended if its detailed recommendations (not examined here) for the change-over are to be implemented without all-round confusion. This can only be inferred by implication from the Commission's review of the virtual lack of progress in the said spheres in the first five years from the promulgation of the Constitution. Which, perhaps, also explains why the Commission, in spite of its having been asked in one of the terms of reference "to make recommendations as to restrictions on the use of the English language for all or any of the official purposes of the Union," has refrained from recommending any such restrictions "for the present." Similarly, in regard to another term of reference pertaining to "the preparation of a time-schedule according to which and the manner in which Hindi may gradually replace English as the official language of the Union and as a language for communication between the Union and State Governments and between one State Gov-

ernment and another", the Commission has expressed its inability "to furnish a regular timetable by dates and stages as to how Hindi should be introduced into the business of the Union so as to accomplish the general change-over within the period fixed by the Constitution." Again, in regard to yet another term of reference pertaining to "the form of numerals to be used for any one or more specified purposes of the Union," the Commission has not recommended "the issue of directions by the President for the use of the Devanagari from the numerals."

That the Commission has not chosen to make any recommendations as to three out of the five terms of reference shows by implication that the 15-year period of transition is recognised as not sufficient. The next Commission which is to be appointed in 1960, under Article 344 of the Constitution, may well find that the progress in the direction of change-over to Hindi has not been satisfactory, and, therefore, recommend the amendment of the Constitution so as to extend the transition period. It should be noted here that it was not within the competence of the Kher Commission to recommend any change in the target date. While it is undoubtedly true that the process of change-over bristles with innumerable difficulties (especially in the matter of evolving apt Hindi terminology for translating law including case law), it cannot be denied that some of the States are far too slow in the matter of falling in line even in the spheres marked out for them.

As for the Union Government, they have failed to evolve even a provisional 'plan of action' covering all the Ministries and Departments for progressive introduction of Hindi into their business. Such a 'plan of action' is, of course, not easy to evolve in view of the difficulties in the matter of estimating work-loads of basic preparatory work, present linguistic capacity of all the Government staff and approximate dates by which they could be trained in the new linguistic medium, etc. This is one more powerful reason why the period of transition ought to be extended by another 15 years at the least. The prerequisites and the various steps for change-over recommended by the Kher Commission cannot be realised, with the best will in the world, in eight years from now. If the Commission has not chosen to recommend a time-schedule in this regard, it has also wisely refrained from recommending a rigid time-table for the change-over to Hindi in the field of law and jurisprudence. As regards the latter field in particular, it has displayed full awareness of the need for certainty and precision in the matter of terminology although the intrinsic difficulties here are not greater than in the field of advanced technology or research in the natural sciences.

It is, however, one thing to recommend a time-schedule for the period up to 1965 and quite another to plead (as Dr. Subbarayan has done in his minute of dissent) for an indefinite prolongation of the period of change-over. As for Dr. S. K. Chatterji who has drawn up a minority report, he has not reconciled himself to the fact that the country is committed, after the fullest consideration of the issue, to a change in the linguistic medium in the relevant fields. This is an extreme view which need not be considered. What is noteworthy here is that the Commission's Report itself provides an implicit case for hastening slowly in the matter of total change-over to Hindi.

Regional Disparities

REGIONAL disparities in the levels of economic development and the contrast which they generate in the distribution of prosperity have always posed problems of no minor magnitude in most countries. Whether economic progress is sought to be achieved on the principle of planning or not, aspirations and grievances of underdeveloped regions in any country have often raised important issues of reconciliation. Where, however, economic development proceeds on the basis of planning, the scope for pressing claims of weightage in the allocation of resources has been wider than would be the case otherwise. The real consideration which the issue raises is not whether such weightage should or should not be given. Its equity and desirability in the interest of national harmony are beyond doubt. But the main consideration relates to the appropriate stage in national development when the claim should be conceded.

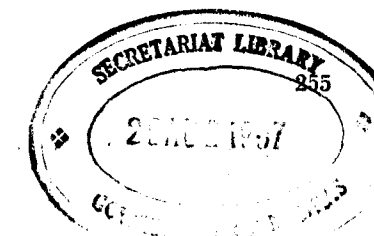
Last week's non-official resolution in the Lok Sabha calling upon the Government to appoint a committee for investigation into the problem of regional disparities in development and suggesting a policy for their elimination did not come as a surprise. The tenor of the debate revealed the intensity of feeling of members of all parties on this question. This problem touches the root of political stability which is the pre-condition of all progress. It is easy to appreciate that unless there is tangible proof that the fruits of development outlay are being shared by all, it can hardly be claimed that a genuine sense of achievement can be created. The feeling of such achievement and pride in it are essential to sustain voluntary and active participation in the great adventure of building a New India. All this is no new knowledge. It is recognized in principle in our planning. Where the resolution erred was the demand it made for raising the level of development in backward regions to a status of equality with advanced regions without regard to their capacity in terms of resources. Its emphasis on parity was misconceived. It needs no argument to prove that this sort of parity cannot be achieved for the simple reason that natural resources are not evenly distributed and the iron laws of economic growth cannot be flouted except at a great cost to the economy. If the House rejected the resolution, the verdict implies refusal to accept this extreme position. What is equally important, it implies that misconceived priority ought not to be allowed to raise avoidable complications and retard general progress.

The right approach to this problem cannot be based merely on grouping the states into two categories, one comprising advanced states and the other under-developed ones. Such a bifurcation would amount to oversimplification of a complex issue inasmuch as intra-regional disparities cannot be overlooked. This factor is easily demonstrated by the concentration of industry and trade in particular areas in advanced states, while the obvious differences in the levels economic progress between the eastern and western districts of Uttar Pradesh provide a striking illustration whose moral cannot be

missed. The per capita income of different States is a reliable indicator of disparities in the levels of progress; but it fails to reveal the disparities existing between different parts of the same state. Once the principle of allocating resources for levelling up backward regions is accepted, it may be stretched to the extreme. It is, however, obvious that the application of this principle may be extended without detriment to the main objective of maximising national income. But by and large per capita income according to states would constitute the major determinant of weightage in allocation of development resources. It is important that comprehensive research essential for formulating a policy for reduction of regional disparities should be undertaken. In fact, Mr Gulzarilal Nanda disclosed that the Planning Commission is undertaking evaluation on these lines.

This is not to argue that the process of reducing regional disparities must be postponed in toto until national development has reached a definite level. Pockets and areas of under-development constitute a fertile breeding ground for discontent which may provide fuel for disruptive activity or create a sense of frustration. In either case it is a positive danger to the general march of progress. It seems an established thesis that the first Five-Year Plan has resulted in an accentuation of regional disparities. And the process may not be halted by the pattern of investment in the second Plan. Punjab, Bombay and Madhya Pradesh have emerged as the large beneficiaries in the present Plan. Reorganisation of states, which, in the final analysis, was dominated by the language factor, has gone to aggravate this problem in some measures as a result of the transfer of certain areas. The moral which all these developments underscore is to launch an early attack in the sectors where inequalities are too glaring to tax patience. Industry has undoubtedly the greatest potential to raise incomes. Bombay, West Bengal, Punjab, parts of Madras and the mineral belt of Bihar account between them for a substantial share of the industrial and mineral wealth of the country. Industrialisation either in the organised or small sector, has been concentrated largely in these regions. Some at least of the public sector projects need to be set up in the vulnerable regions in the short run in cases in which no gross violence will be done to the exacting criterion of proper location.

The accumulated neglect of the past in the development of backward regions cannot be remedied in the short period since the entire country is in an underdeveloped state and resources for investment are too limited to meet diverse competing claims. Mr Gulzarilal Nanda was right in emphasizing that adequate basic resources for development which would ensure stable progress of the country must be created first. It will then be an opportune stage to give a regional bias to planning to redress the disparities. Real redress cannot be achieved by isolated projects like an oil refinery, or a steel, synthetic rubber or fertilizer plant. It is a function of planned investment spread over a period of years.



The New Class and the Old Tyranny

YUGOSLAVIA'S former Vice-President and Marshal Tito's one-time friend, Mr. Milovan Djilas, in prison since December last, has written a new book which has been published in the United States. The new book, entitled *The New Class: An Analysis of the Communist System* is the most searching and most damning description of Communism by one who had himself played no mean part in fostering and strengthening it in at least one country—in whose prison he is languishing. The book is bound to make even those sit up who take to that creed for ideological reasons. It is an indictment of Communism both as a philosophy and as political practice. Mr. Djilas uses the Marxist methodology of dialectical materialism and avoids rhetoric. He seizes the major premises and conclusions not only of today's Communist dictators but also of the giants of the past—Marx, Engels and Lenin. In a detached, step-by-step process he shatters them. After he has dealt with them, they are found to be grave errors. Forty years of tyranny and power-ambition have been held up to view. Not to take note of what he shows would be a serious lapse.

Communist "revolution," says Mr. Djilas, differs in two respects from others. First, unlike in any other revolution, the Communists and their allies—the "authority-wielding group"—always survive. This creates in them, and in the broader echelon, the conviction that they have the right—now that they have the authority—to "guide" and "supervise" the development of the country and the people on the "revolutionary" lines. How can they ever betray the revolution? Secondly, while in all earlier revolutions the revolutionary classes captured power after they had "matured" in the womb of the old society, the case is reverse in the Communist "revolution." The Communist Party bureaucrats are called into being after the revolution to industrialize backward and agrarian countries. Socialism is thus sought to be established deliberately—as it were—by organized compulsion in the economy of the country. This "total and deliberate planning" must lead to a jealous guarding of the regime's monolithic structure, and the attempt to mould and control life at all levels, private as well as public. It was inevitable that Lenin's dictum, that politics is "concentrated economy," should be perverted. Under the Communist system, economy becomes "concentrated politics," that is, politics comes to play a decisive role in the economy of a Communist country. It is partly because of this perversion of Lenin's concept that the doctrine of the dictatorship of the proletariat—that theoretical interregnum between Communist "revolution" and the "withering away of the State"—has proved to be but a step in the process towards personal dictatorship or rule by a group of oligarchs. Essentially, a dictatorship is dictatorship, with all the accompanying evils, no matter what words are used to make it seem palatable. No dictator can rule guiltlessly.

In the name of dictatorship of the proletariat, which is really the dictatorship of the Politburo of the Communist Party, the fruits of society's labour are shared by the new ruling caste. The good that the members of the caste do to themselves is, in their belief, good done to the country: the "revolution" did not devour them, and they have not betrayed the "revolu-

tion." Challenge to their authority is treason, because it is deemed to be a challenge to the country. Patriotism is reverence for the "revolution", ushered in by them. All that belongs to the State belongs to them. All that they do is justified by the ultimate ideal; immediate ends are means to the ideal, and necessary, though they may involve cruelty, hunger and misery. This makes it impossible for any thought but their own to prevail. The power of this "new class of owners and exploiters" has penetrated, according to Mr. Djilas, into the "pores of society". This, in turn, forces the class to become "ingrown and exclusive". After attaining power "the new class can do nothing more than strengthen its brute force and pillage the people". The only thing that remains is "for itself to justify itself". But beneath the ideological jingoism, can there be any doubt that the question is of personal interests? That is history's lesson—perhaps its only unambiguous lesson.

Mr. Djilas believes that Communism is strong today, but only apparently. "At the bottom of the Communist pyramid . . . among those children of starvation, the wretched of the earth, in whose name the party has professed to speak—there is nothing but despair and hatred, hatred especially of the party and hierophants; so the plain inference is that the very same forces which, according to Marx and Engels, predestined the triumph of Communism . . . also predestined its death and destruction." The fact that Stalin's collective successors have begun indulging in talk about "liberalism" and "democracy" and have come out with diatribes against the "cult of the individual" indicates that restiveness exists among the people and that they are heading towards an "open class war." Public discontent, Mr. Djilas is convinced, will surely nail the Communists "to the most shameful cross in history".

Two other points are made by Mr. Djilas, relevant to the state of Communism. First, he says, there is the birth of national Communism. There was a time when Moscow was World Communism's Mecca and when every pronouncement ensuing therefrom was central to the creed. Today, that religion has three centres, and three apostles, each with a substantial following. The new centres are at Moscow, Peking and Belgrade and Communism's apostles are Nikita Khrushchev, Mao Tse-tung and Marshall Tito. Nothing could more positively speak of the disintegration of the creed and fossilization of mind. Secondly, since Marx himself said that society would advance to Communism through internal contradictions, why, asks Mr. Djilas, must the historic process end after the Communist Party has come into power? Mankind's onward march knows no finality.

The New Class will, it is to be hoped, profoundly affect developments in Eastern Europe where unrest has already manifested itself. The Poznan riots, the Warsaw trouble, and the Hungarian revolt were neither accidents nor results of imperialist "machinations". The "revisionists"—those among Communists who want to revise Marxism according to the realities of today—will find in Mr. Djilas's book inspiration even though ultimately they may have to denounce the very shrine they have worshipped at so far.

The Teahouse of the December Moon

IT should have opened in August, but the tea didn't get there! You've heard about a slow boat to China; but there are some pretty slow ones from India, too. There's no future in a tea party without any tea, so the whole thing rather went to pot as you might say.

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THE WEEK'S NOTES

DR. CHHEDI JAGAN'S RETURN

ONCE AGAIN Dr. Chhedi Jagan, leader of the People's Progressive Party of British Guiana, has won a landslide victory. He has captured nine of the fourteen elected seats in the Colony's Legislative Council, thus demonstrating that his electoral victory in 1953 was no accident. This belies the British propaganda that he and his partymen are a "relentless and unscrupulous" bunch determined to subvert the authority of the Government. Neither that calumny, nor the lapse of time, nor even a split in the party seems to have affected adversely Dr. Jagan's popularity. Even the efforts of the British Trade Union Congress, which devoted almost a third of its total colonial funds in an effort to strengthen the position of the unions opposed to him, have been of little avail. The nationalist-minded workers' organizations seem to have solidly supported him. The International Confederation of Free Trade Unions has also apparently failed to discourage the unions from "meddling in politics." The colonial administration's gerrymandering and diversion of the entire Colonial Development Corporation loans, reserved for the Caribbeans to British Guiana, also have not been able to stop Dr. Jagan from being swept back into power.

The question that naturally arises, therefore, is—will Britain now bow to the will of the people, and allow the formation of a popular Ministry or will it repeat its unenviable performance of 1953 when military and naval units were despatched and Dr. Jagan's Ministry was dismissed with dubious constitutional propriety. The issue will perhaps be decided on the question of nominations to the Legislative Council. Doubtless, under the Constitution, it is the Governor who has the discretionary power to nominate 14 members to the Legislative Council. But in order to give Dr. Jagan, a duly chosen popular leader, a working majority in the Council, the Governor ought to follow his advice. It should not be difficult to make this concession, now that Dr. Jagan seems to have mellowed down somewhat after remaining in political wilderness and oblivion for four years. In his first public statement since the elections, he extended his hand of friendship and co-operation. He has said that he is prepared to work under the present Constitution provided the Governor's discretionary powers are used to enable him to have stable support in the legislature. If there were any misgivings about Dr. Jagan's political affiliations or doubts about his territorial loyalty, they should now be buried fathoms deep, and for ever. He has unequivocally stated that "British Guiana must remain in the British Commonwealth even if the Colony eventually achieved complete independence." He is also not averse to the British proposal of the West Indian Federation, inclusive of British Guiana. He only wants that a plebiscite similar to the one held in Togoland and Malta be held to decide the issue. The only demand, he reiterates, and rightly, is that of independence for the Colony. The British Government should not be afraid of taking steps to meet this demand. After all, such a policy in India, Pakistan, and recently in Ghana, has been more fruitful than France's policy towards Algeria. And recently Malaya has not been kept from her national aspirations even though a guerilla war has been going on in that country for the last 12 years. Any other course will only deepen the four-year-old political crisis.

AMENDMENTS TO THE SOVIET LAW

SOME BASIC amendments to the Soviet criminal law have been foreshadowed in a recent issue of "Izves-

tia." In an article, Prof. P. Romashkin, a Russian doctor to juridical science, has pleaded for the amendment to the law of June 1934—the year when the notorious purge was getting under way. Under that law all those who live with or are dependent upon the "traitor" have a criminal liability. They can be tried and sentenced to long terms of imprisonment, for being "acquainted with or dependent upon" the alleged criminal. Alibis were unacceptable to Soviet concept of justice under Stalin. Mere acquaintance with the "traitor" was enough proof of one's complicity in the crime. Prof. Romashkin has also pleaded for the exclusion of the possibility in future codification of sentencing a person if he is not "actually guilty."

This clearly supports the universally-held belief in the free world that there is no rule of law as we know it or protection for the individual against the tyranny of the Party or the Government. To rise against the Russian Government thus means not only to die alone in an unequal struggle, but to put one's entire family and all friends as hostages. Those who are miraculously saved from the long hand of this peculiar law they get branded as "undesirables" and are virtually excommunicated from the society. As Communists settle accounts with their opponents not because they have committed a crime, but because they are political dangerous to them, the man in the street cannot raise his voice against the man in power. Moreover, the late Mr. Andrei Vyshinsky, who is correctly described as the "father of the Soviet legal system," has laid down in his book, "The Penal Procedure," that "the Soviet judge, in case of any conflict between the law and the general party line, must unhesitatingly reject application of law . . . in order to give absolute obedience to the party directions, which represent for him the supreme law." In short, the function of the Soviet law and the Soviet courts is to further the purposes of the Party in power and not to protect the people from its oppression. How Stalin's collective successors will be able to ensure the rule of law while maintaining their undemocratic rule is hard to guess? But perhaps they seek no more than a talking point for their propagandists abroad in their attempt to show how delightfully different they are from their dead master.

MOVE TOWARDS SOCIALIST UNITY

MR. JAYAPRAKASH NARAYAN, the Praja-Socialist Party leader, and Dr. Rammanohar Lohia, leader of the Socialist Party, have exchanged letters and met once to explore the possibilities of a merger of their parties. During their talks, held at Lucknow, both the leaders commended the idea of "one party of Socialist movement." They seemed to visualize a purely ideological and not merely organizational union. So far there is only Dr. Lohia who has publicly stated that merger is possible. Apart from this there is little evidence to sustain the hope of an eventual reunion of these parties. Dr. Lohia may have received encouraging response from Mr. Jayaprakash Narayan. It cannot, however, be denied that most of the Praja-Socialist leaders have maintained a studied silence. The silence is meaningful; this is the first time that they have not echoed and endorsed Mr. Narayan's move. This may be because the conditions that Dr. Lohia has laid down for the reunion are hardly possible of fulfilment. He has demanded the veritable dissolution of the Praja-Socialist Party by making it a precondition that it should accept the programme of the Socialist Party unreservedly. Does he not realize that such impossible conditions will defeat

the very object that he has in view? We would suggest Dr. Lohia to be less doctrinaire and less rigid in his approach. The merger would undoubtedly change the political pattern in the country. The united party would play a vital role in the politics of the country by providing a democratic alternative to the ruling Congress Party.

The fact that in spite of the Congress declaration in favour of a Socialist pattern of society, the Communists have in successive elections emerged stronger is an indication that a considerable section of the Indian people wants to go further than the Congress programme. The Socialists should not allow themselves to fail to avail of this mood of an ever-increasing number of our people. The basic problem for them is, therefore, not merely to emerge as a unified party, but also to formulate a programme which is radical enough to appeal to the masses, and yet distinguishable from Communist brand of Socialism. Politics is said to be the art of practising the next to the ideal. Let it not be said that Indian Socialism failed for refusal to accept realism where there was possibility of the ideal materializing in the immediate future.

POOR PERFORMANCE IN LIFE INSURANCE

THE INTERIM report on the activities of the Life Insurance Corporation of India makes sad reading. The new business for 1956 at Rs. 200 crores has recorded a fall of nearly Rs. 60 crores, total new business under-written in 1955 both in India and outside India being nearly Rs. 259 crores. The business up to August 31, 1956, was however not very discouraging because at that time, it totalled nearly Rs. 140 crores. It was after September 1, 1956, when the Life Insurance Corporation of India came into existence, that a sudden drop in new business was noted. In the quarter ending November, 1956, total new business was Rs. 14 crores—a little less than the average business under-written in a month in 1955. The last month of the year could not make up for the loss in the previous quarter. The chief reason advanced in favour of this fall is that the substantial reduction initiated by rates in 1954 and staff insurance schemes initiated by some leading insurers in 1954 and 1955 had almost starved the market for fresh business. Are we then to come to the dismal conclusion that the Corporation does not expect to do better in 1957 as well? The working results for the half year ending June, 1957 corroborate this thesis. Total business completed upto June was Rs. 75 crores only and it may safely be conjectured that during the second half the business would be Rs. 125 crores only, reaching the level attained in 1956.

At the time of nationalisation, it was feared that there would be a surplus of man-power which would be hard to absorb in the Corporation. On the other hand, demand for staff has increased after nationalisation, and sufficient number of trained people cannot be had for posting in some of the places where the offices run by the private insurers lacked competent staff. The new staff would take some time to get trained. This was also a major factor in the halting rate of growth of insurance business since nationalisation.

The business under-written outside India has also dropped significantly. In 1956, it was Rs. 12.59 crores only—lowest for the last five years. The countries in which the Corporation continues to under-write business are: Kenya, Uganda, Tanganyika, Zanzibar, Mauritius, Aden, Federation of Malaya, Colony of Singapore, Hongkong, Fiji and Nyasaland. Under-writing of fresh business has been stopped in Burma, Ceylon and Pakistan, though arrangements in these countries exist for serving the old policy-holders.

TEXTILE MILLS COST STRUCTURE

IN ITS report submitted to the U.P. Government, the Kanpur Textile Mills Rationalisation Enquiry Committee has asserted that there is no justifiable reason for any wide disparity between the wages of Kanpur and Bombay. According to the Committee the contention of the employers' association that Kanpur is badly placed in competition with Bombay, and for that reason should not be saddled with the same wage rate, is not tenable. Labour, quite naturally endorses the opinions of the Committee in this matter. Lest this controversy becomes a cause of bad blood between the parties it will be only desirable if this dispute is set at rest for all time.

Employers have disputed the comparison of Bombay with Kanpur as regards the cost structure in textile mills. In answer, the Committee has explained that since, of all the textile centres in the country, only in Bombay and Ahmedabad has rationalisation made significant headway, such comparison is only valid. Regarding different cost structures at the two centres, the Committee has believed that, advantages available to these two places being exclusive in nature, they balance against each other. Such a view of the Committee obviously, besides ignoring the facts of different stages in rationalisation as reached in these two centres, disregards the whole theory of localisation of industries. Bombay has many advantages as regards production of textiles. It is one place where the industry had an early start and has consequently advantages in higher skill of the labour. It has the benefit of being nearer to the landing station in exports. Proximity to the raw material supplying centres is another factor. As against it, Kanpur has to bear higher freight charges in getting raw materials and in arranging exports of finished material. Kanpur mills are in distinct disadvantage in regard to electricity rates. They work on higher overhead expenses due to the lower number of working days. The variety of cloth produced at the two centres is another point worth considering. Whereas Kanpur mills primarily produce medium varieties, Bombay specialises in fine and super fine yardage. And since the percentage profit margin on the first is lower Kanpur mills are at a disadvantage. Textile mills in Kanpur are less modernised as regards machinery. Even the rationalisation proposed will be operative only in three categories as compared to a higher stage reached in Bombay. In view of all these, cost structures at the two centres cannot be equated. In this connection attention is drawn to the recommendations of the Kanpur Labour Enquiry Committee in what is commonly known as Nimbkar report. There is force in the demand of the employers that rates of wages proposed in the Nimbkar report should be applied to rationalised categories of jobs in Kanpur textile mills.

BANK ADVANCES AND FOOD PRICES

THE RECENT strike notices by the Central Government employees and workers in the private sector have focused attention on rising cost of living the root cause of which is the high level of prices of food grains. It is believed that the directive of the Reserve Bank of India to banks for reducing the advances against food grains has failed to produce any appreciable effect. The level of advances on August 9 was as high as Rs. 882 crores. In the next busy season the banks would be in need of nearly Rs. 200 crores more; unless appropriate steps were taken by the banks to keep advances against food grains within proper limits, the inflationary spiral would without doubt gather further momentum. Mr. H. V. R. Iyengar, Governor of the Reserve Bank, has been summoned for discussions to New Delhi in order to evolve measures to be taken for relieving the pressure of bank money on food prices.

A Window on the World

PSYCHOLOGICAL PEACEFARE

By
ODYSSEUS

THAT BRITAIN should disarm unilaterally and adopt a carefully thought out policy of non-violent civil resistance as the best defence of freedom and the democratic way of life in this nuclear age is the suggestion made by Commander Sir Stephen King-Hall in his well-known "News Letter" (published at, 162 Buckingham Palace Road, London, S.W.1).

Last week we outlined the radical changes in defence policy proposed by the British White Paper of April 4, in which, recognising that there is at present no means of providing adequate protection against nuclear attack on the U.K., the British Government lay it down that military planning must therefore aim to prevent war, and that in consequence Britain's resources must be devoted primarily to developing deterrent nuclear weapons. This, in turn, means that a substantial reduction in Britain's conventional forces can be made from their present total of 690,000 (in all three Services) to 375,000 by 1962. Nuclear weapons are called "deterrents" because it is argued that neither the free countries nor the U.S.S.R. will dare to let loose nuclear war since this would lead to total mutual destruction.

But Sir Stephen King-Hall asks whether the vulnerability of the U.S.A.-U.K.-West Europe target is not greater than that of the U.S.S.R. Ten megaton bombs could reduce the U.K. to chaos with millions of casualties, whereas (Sir Stephen argues) although the principal cities and industrial areas, and the oilfields, of the U.S.S.R. could be smashed, this would not obliterate the physically vast Russian State, as it would tiny Britain. Knowing that public opinion in the democracies prevents the free world from launching a "preventive" attack, might the U.S.S.R. not gamble on the chance that if they struck first, the devastation caused would cripple any counter-attack and leave them the victors?

Sir Stephen therefore suggests that the possibilities of defence by non-violent passive resistance should be exhaustively examined by a Royal Commission. He lifts the debate from the military to the psychological plane. The free way of life is menaced by the actions and threats of the Communist powers. Why do the Communists wish to destroy the democracies? Among the possible reasons, Sir Stephen lists:

(1) Fear that the long-term objective of the Western powers is to overthrow the U.S.S.R. government by force. Linked to this may be fear that the Germans will wish to re-conquer the territories stolen from them by the Soviets.

(2) A missionary urge to spread Communism. Sir Stephen is at one with Pandit Nehru's recent pronouncement in doubting this. It seems more likely that the Communist creed is today a convenient weapon in the national armoury of Russian power politics.

(3) Fear that the principles and practices of the free world will subvert the loyalty of the Russian people to the Communist regime.

Sir Stephen observes that these are but guesses and emphasises the importance to the new theory of defence that he is advocating that the Royal Commission should make every effort to ascertain accurately the psychological reasons for the hostility of the Russian ruling class to the free world.

However, in default of the existence of better information which could probably be obtained if a substantial effort was made by the free world, Sir Stephen asks us to suppose that the three reasons given above contain at any rate some of the truth. Now the object of the new strategy of defence is to change the minds of the men in the Kremlin. To those who argue that this is impossible Sir Stephen replies:

"(a) They are human beings, and they have for one reason or another changed their minds on several occasions since 1945.

"(b) Through the policy of the nuclear deterrent we hope—and some people believe—we are already operating on their minds and influencing their thoughts. If we are not, the deterrent idea has failed."

If British strategy is to change the minds of the men in the Kremlin, how is this to be achieved tactically? Sir Stephen suggests two broad lines of approach; the direct and the indirect. The direct would be to do things which might make an immediate impact on the minds of the Soviet rulers; the indirect would be to adopt policies designed to influence the minds of the masses in the Communist controlled countries.

A FULLY PACIFIST POLICY

"The Manchester Guardian" wrote on April 15 that "Dependence on the ultimate deterrent is inevitable." It went on to say that the alternative was "Conventional forces on a massive scale" or "a fully pacifist policy." If the British succeed in producing some form of stand-still in development of nuclear weapons but do not succeed in making progress with disarmament in conventional weapons, are they likely (asks Sir Stephen) to be able to persuade the people of the West to stand the racket of "conventional forces on a massive scale"?

What about a fully pacifist policy? Sir Stephen rightly says that this possibility has never been thoroughly examined from a strictly political-strategical angle. The "pacifist" policy has usually been defended from a moral point of view, but he is thinking of a policy which it would be more accurate to call "defence by non-violent resistance."

Sir Stephen is careful to point out that he is not saying that it would work. He is asserting that no one has thoroughly studied its possibilities in the light of the novel and unprecedented defence problem which now faces the U.K., Western Europe and to a lesser extent the U.S.A.

In order to ventilate the problem thoroughly, Sir Stephen urges that a Royal Commission should be

established with the task of expressing an opinion as to whether the free, democratic way of life could be defended by passive resistance and if so what the plan should be.

Sir Stephen draws attention to the blunt statement in the British White Paper that the U.K. cannot afford its present expenditure on defence. The government has therefore made heavy cuts in Britain's conventional forces and has transferred its faith to nuclear weapons, with all the imponderables and unknowns which go with them. In this connection, Sir Stephen reports that he remarked to a well-known M.P.: "Suppose Great Britain only had three air-borne divisions, a few tactical aircraft and a very small navy, what would happen apart from the obvious and immense gain to our economy?" The M.P. replied: "My first reflection is that our influence in the world would at once decline"—he paused and added—"at least I suppose it would."

But, asks Sir Stephen, is this certain? Gandhi's influence rose with the rise of passive resistance; so did that of the African bus boycotters. Can it be proved that a U.K. with an intelligent and sophisticated population educated to regard a national plan of passive resistance as the national defence policy would lose influence?

FOURTEEN QUESTIONS

Sir Stephen points out that because the enquiry that he suggests would be exploring unknown territory, a great deal of thought would be essential in order to determine how the exploration had best be made. In order to indicate the nature of the problem, he has drawn up the following fourteen questions:

(a) What exactly do we mean by non-violent resistance?

(b) Do we visualise the complete abolition of all armed forces controlled by the state?

(c) Or is it possible that there are two questions? One: relating to the use of armed force as a means of defence against aggressors in a large-scale war. The other: the role of armed forces in smaller operations of a semi-police force nature, such as—for example—against raids by Yemen tribesmen across the Aden border.

(d) What political conditions would have to exist in Britain before the abandonment of armed force as the chief means of defence could become practical politics?

(e) If it were decided to adopt a new policy, how long would it take to implement it?

(f) Could such a policy be carried out irrespective of our allies? How would it affect Commonwealth arrangements?

(g) What would be the economic effects of a non-violent policy?

(h) If a policy of having no large-scale armed forces were adopted, how would this effect British diplomacy?

(i) If such a policy meant that Britain would have to accept "enemy occupation," what does non-violent resistance mean in terms of the behaviour of the population? What may they, or should they, do or not do?

(j) Having decided what might be the correct tactics vis-a-vis the enemy-occupiers of a non-violent-resisting population, what training must the population be given in schools and elsewhere for its role in such a war?

(k) What lessons, if any, are to be learnt from recent historical examples of non-violent or partially non-violent resistance movements?

(l) What are the political, economic and social problems which confront an occupying power faced with a non-violent-resistant population?

(m) To what extent should a non-violent-resistant population collaborate with the occupying power to maintain the economic life of the country?

(n) At what point and for what purposes should a well-disciplined N-V-R population refuse, even at the risk of death, to obey orders issued by the occupying power?

These questions are as pertinent in India as they are in Britain. I leave you to ponder them until next week when I shall attempt to rough in a few answers.

(This is the second in a series discussing non-violent resistance and national defence policy. Last week's article was "Can Ahimsa Defeat Nuclear Attack?" Next week: "Non-violence Against A Dictatorship." Each article is complete in itself but a collected reading will bring out the continuity in the argument.—Ed.)



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THE FUTURE OF EUROPEAN EXCHANGE RATES

(From Our Special West European Correspondent)

PARIS, August 17.

THE pseudo-devaluation of the French franc that took place last week-end is the symptom of the general unbalance of West European exchange rates, and it may be the prelude to a wholesale reorganisation of currency values later in the year. The rigidly fixed exchange parities demanded by postwar practice have once again demonstrated their inconvenience. If the economic conditions that have caused the changes in currency values had been allowed to operate continuously and gradually, the present unbalance could not have arisen to anything like the present extent, and there would accordingly have been less need for the brutal readjustments now in course. There is much acrimonious dispute between the newspapers of the various capitals about which country is primarily responsible for the piling up of currencies in Germany and the growing indebtedness of France and Britain. But this is one of those disputes that have no end, exactly similar to the debate about who was responsible for the dollar shortage.

In fact, in such arguments there is right on both sides. This is because exchange rates, being the prices of currencies in the international currency market, are the measure of two quite separate things: the internal rates of inflation in various economies as measured between themselves, and the external trade, credit and investment policies of these economies (but especially of the creditors, since by definition it is they who have the money to trade, lend and invest). So we can look at the present situation in West Europe from one point of view and argue that it is the result of inflation in France and to a lesser extent in Britain, an inflation that is made serious by the relative deflation in West Germany. This is the view taken in Bonn and Hamburg, where the conclusion is drawn that therefore the remedy lies wholly with the French, who must stem their internal inflation (e.g. by stopping the war in Algeria) and then devalue fully and formally.

Alternatively, we can look at the same situation from another point of view and claim that it is the result of the bad-creditor policies of West Germany and that therefore the remedy must come from Bonn, in the shape of decisions to up-value the Deutsch Mark, virtually abolish all import duties, repay all foreign loans and begin investing in a more ambitious scale. This is the opinion held in Paris and London, in which latter capital it has been defended in recent months by the Press with some asperity. The British feel especially virtuous because they have not been inflating to the outrageous extent of the French and yet have been trading and investing more liberally than the Germans, from which they jump (rather hastily) to the conclusion that they are the only ones in step, that the pound sterling is the only currency that is correctly valued in terms of the dollar and that therefore the Mark must be up-valued and the franc devalued till they are in line with sterling.

That there is force in all the arguments presented on both sides can be seen by looking back to articles printed on this page in recent months and which were written without special reference to the question of currency values. The origins of the excessive inflation

charged against the French can be seen in despatches on the cost of the Algerian war, the consequences of the Suez expedition, the insecure foundations of the impressive French industrial boom, and the level of French investments in the colonial empire in Africa. On the other hand the justice of complaints about West German economic policies can be seen in despatches dealing with that country's very poor record as a foreign investor and with the totally unenterprising social programme of the West German Social Democrat Party. But in a debate which has aroused so much international friction it is necessary to get rid of two popular and contradictory prejudices: first, that inflation is automatically "bad" and sound money "good"; and second, that deflation (i.e. the perjorative name for sound money) is "bad" and massive investment "good."

The first judgment should not be accepted without recalling that one of the major causes of the inflation that the West Germans regard as so sinful in their neighbours has nothing to do with dirty wars in Algeria and Suez but is rather the very honourable fact that Britain and France are investing more than the rest of the world put together in the backward territories. These backward territories are not only their colonies, where such investment might be regarded as the price of political hegemony, but equally their ex-colonies and weaker allies. If this effort is straining their own metropolitan economies, that is to their credit and is no mark of recklessness or mismanagement. Similarly, the rate of domestic investment in France, which can at the moment be criticised as too high, is part of a commendable effort to bring this old economy into the 20th Century and will, within a very few years, begin to pay off in ways that will be of benefit to the whole of Europe.

On the other hand, to scold the West Germans for their deflation, as the London Press does, is to forget that the Germans, unlike the British, have had only too much experience of extreme inflation. The West German worker is ready to suffer some of the inconveniences of too-sound money because he well remembers the days when it took a pocket-full of notes to buy a loaf of bread at midday and two pockets full at tea-time.

So the unbalance of West European exchange rates is not going to be settled by unilateral action or multi-lateral abuse. The French pseudo-devaluation by itself settles nothing, and would not even if it were followed by all the West European countries now heavily indebted in EPU, because the disturbing force of West Germany's bad-creditor policies would persist unabated. On the other hand, unilateral German action would settle no more, as long as inflation is unchecked elsewhere; if the Germans repay foreign debt they will lighten their payments balance, if they invest more abroad they will lighten it further and will moreover stimulate their export trade, while the mere liberalisation of their imports would strengthen their competitive position.

Thus the present situation has to be resolved by joint action between all the members of EPU. This does not necessarily mean that the only joint action open to them is an agreement on new currency pari-

August 23, 1957.

ties: it could take the form of setting currency values free to fluctuate, either permanently (this is unlikely) or temporarily till they found a healthier and more natural level. This last-named solution is openly favoured by the Bonn Government. It might seem curious to propose a temporary freedom for exchange rates: if it is good why not do it permanently and if it is bad why do it at all? But it would be a sound method of ensuring that the European Common Market is launched at the end of next year on the basis of realistic currency values. Public opinion in full-employment socialist democracies will not tolerate permanently fluctuating exchanges (any more than it will tolerate the gold-standard and for the same reasons), but it would be fatal to enter the Common Market with the present false and disputed currency parities.

But if a period of exchange rate freedom is unacceptable, the alternative is an international monetary conference where new parities can be devised by agreement and bargaining. It is appearing more and more likely that we will have something like this before the year is out. The partial devaluation of the French franc this week has brought this prospect nearer in the following ways:—

(i) The lowering of the value of the franc for most transactions gives the French the moral right to insist that the West Germans now do something from their side to restore equilibrium, especially since the

French are accompanying this devaluation by a genuine effort to reduce the inflationary pressure at home.

(ii) The chain-reaction effects of the French devaluation bring up the exchange question in a more acute form for many of her neighbours. It strikes a blow especially at the foreign trade of Italy, Holland and Belgium; it has already made more likely a devaluation of the Finnish Mark.

(iii) Although it does not affect in the same way the pound sterling, it has encouraged psychological pressure on sterling; Britain being the next heaviest debtor after France in EPU, people get the feeling rightly or wrongly that the next move is up to London.

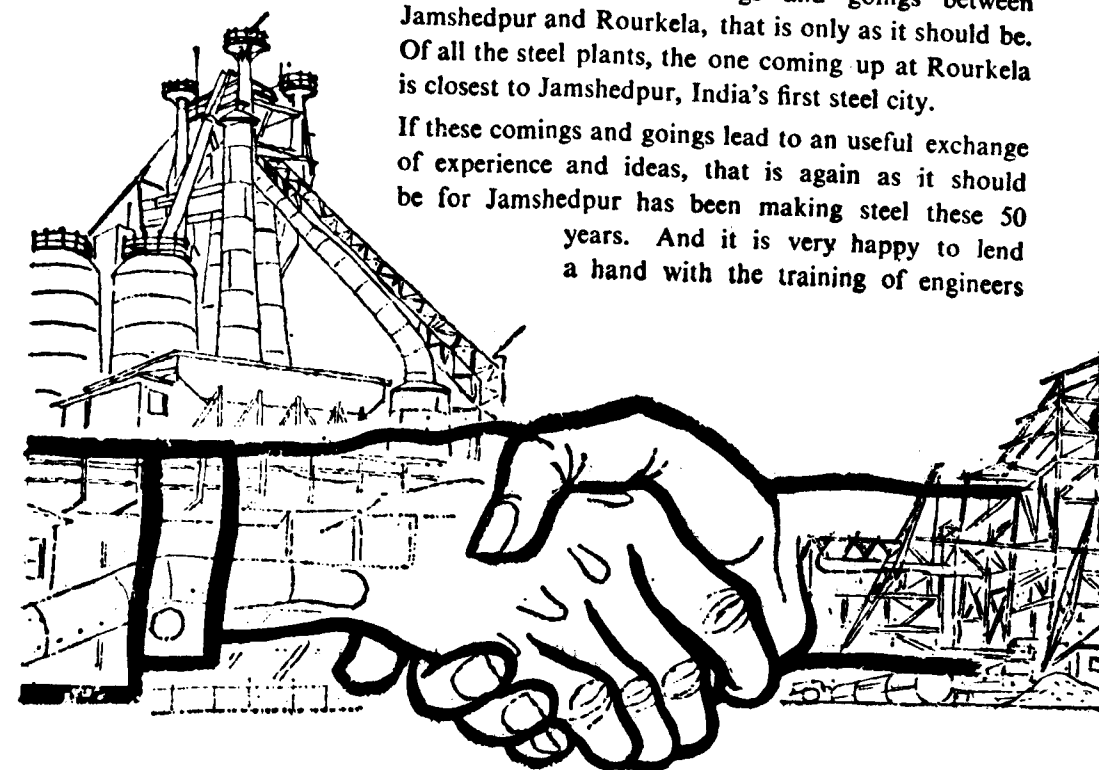
(iv) Above all it encourages speculation. The gamblers are already to the fore in the exchange markets and every mention of a possible realignment of currencies strengthens their hand, and by the same token makes that realignment more necessary.

The patently makeshift nature of the French emergency adjustment proclaims the need and the probability of an international monetary conference in the autumn. Nothing can be done before the West German elections in mid-September but there is to be a meeting of the International Monetary Fund on September 23, and a meeting of OEEC in October, and at these gatherings the future of all the European exchanges will be near the top of the agenda.

From a Neighbour •

If there is a lot of comings and goings between Jamshedpur and Rourkela, that is only as it should be. Of all the steel plants, the one coming up at Rourkela is closest to Jamshedpur, India's first steel city.

If these comings and goings lead to an useful exchange of experience and ideas, that is again as it should be for Jamshedpur has been making steel these 50 years. And it is very happy to lend a hand with the training of engineers



and technicians for Rourkela. There are nearly 150 of them at Jamshedpur—from key personnel to artisans.

*Good Wishes
to Rourkela*

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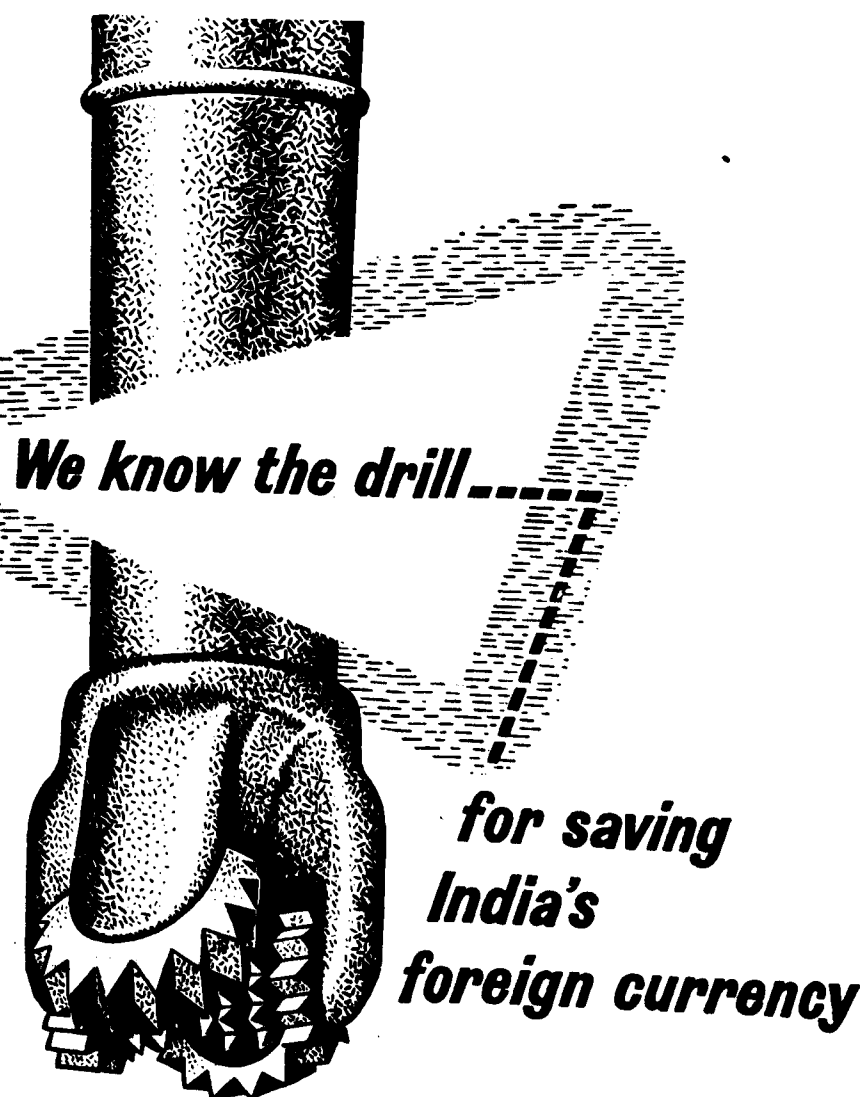
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WORLDGRAM

AGRICULTURE

Food Production Target Exceeded in 1956-57: Shri M. V. Krishnappa, Deputy Minister for Agriculture, told Shrimati Tarkeshwari Sinha during question time in the Lok Sabha that the target of food production during 1956-57 had been exceeded by 2.27 million tons. The target of additional production of food grains had been fixed at 1.37 million tons — 1 million tons under the Grow-More-Food programme and .37 million tons under major irrigation. The actual increase was estimated at 3.64 million tons.

Grading of Fruits: Grading of various kinds of fruits, namely mangoes, citrus fruits, pineapples, grapes, chikoos, apples and William pears, is being done under the Agricultural Produce (Grading and Marketing) Act, 1937 by a large number of producers. Fruits graded under this Act are marketed under 'Agmark', a symbol of quality. Standards laid down for determining the grades of different varieties of fruits are quality, size, and weight. A pamphlet giving grade specifications of a number of fruits and other relevant information helpful to persons wishing to grade fruits under the Agmark Scheme has been published by the Directorate of Marketing and Inspection of the Union Ministry of Food and Agriculture. The pamphlet can be obtained by fruit producers and sellers, desirous of grading the fruits, from the Directorate of Marketing and Inspection, 'P' Block, New Delhi.

Madras Irrigation Schemes in Second Plan: Four irrigation schemes, which will benefit an area of about 3.66 lakh acres in the reorganised Madras State, have been included in the second Plan. The total cost of the irrigation schemes, some of which will be completed in the third Plan period, is estimated at about Rs. 35.6 crores. Of this amount, Rs. 3.48 crores will be spent during the second Plan period. Nearly 0.27 lakh acres will receive irrigation benefits during the period. The Rs. 1.57-crore New Kattalai High level canal in Tanjore and Tiruchi districts is expected to irrigate 0.12 lakh acres during the second Plan period. The project will ultimately benefit nearly 0.21 lakh acres. The Pullambady Canal Scheme, which will cost about Rs. 1.42 crores will irrigate nearly 0.22 lakh acres in Tiruchi district. About 0.5 lakh acres will be benefited in the second Plan period. The project envisages a head sluice with five vents near the head of the existing Peruvilai canal from Cauvery, a 74-mile long canal and the building of eight new tanks and improvement to 29 tanks. The multi-purpose scheme to divert the west flowing rivers to the East-Parambikulam-Sholayar-Aliyar project, estimated to cost Rs. 32 crores, is expected to benefit 3.20 lakh acres in Coimbatore district and generate 1.24 lakh kw. of power.

INDUSTRY

Higher Industrial Output in First Quarter of 1957: Industrial production in India during the first quarter of 1957 was appreciably higher than the output during the preceding three months as well as the corresponding quarter of 1956. This increase was reflected in the Index of industrial production (1951=100) which during the period was appreciably higher than the index for the whole of 1956 and for the corresponding period of the year. The industries which recorded higher outputs included coal, finished steel, cement, aluminium, automobiles, sewing machines, cotton textiles and yarn,

electrical goods, jute manufactures, superphosphates, tyres and tubes, salt, sugar, vanaspati, paper and paper boards, plywood, tanned hides and leather footwear and razor blades. During the quarter, a number of new factories went into production and some of the existing units expanded their capacity under schemes approved under the Industries Act. These cover the manufacture of rayon, soda ash and caustic soda, zinc strips, dyestuffs, automobile parts, drugs and medicines, glass tubes and mineral wool.

Specifications for Knives and Forks: The Indian Standards Institution has published three Indian standard specifications. One of these covers table knives, dessert knives and fruit knives (IS: 992-1957), the other fish knives and butter knives (IS: 944-1957), and the third deals with table, fish and serving forks (IS: 995-1957). These specifications relate only to the commonly used types of knives and forks. They include requirements of materials to be used in manufacture, the more important dimensions and other features to guide manufacture and purchase of these cutlery items.

Wrought Aluminium and Aluminium Alloy Tubes. The Indian Standards Institution has published the specification for wrought aluminium and aluminium alloys, tube for general engineering purposes (IS: 738-1956). This standard, forms part of a comprehensive series of Indian standards for wrought aluminium and aluminium alloys in various forms for general engineering purposes. It covers requirements for drawn tubes made from three grades of aluminium and from ten aluminium alloys in various conditions. The standard prescribes the general requirements of the material and the specific requirements such as chemical composition, condition and mechanical properties applicable to each grade.

Development of Handloom Industry: The Government of India have just sanctioned over Rs. 37 lakhs as grants and loans to State Governments for implementing schemes for the development of the handloom industry. The schemes envisage, among other things, the setting up of 16 more dye-houses, training of weavers in pattern-making factories, participation in the share capital of a co-operative spinning mill in Bombay, establishment of an employment centre for adivasis in Madhya Pradesh and sales promotion of handloom cloth.

Foundry Forge Project: Replying to a question by Shrimati Tarkeshwari Sinha in the Lok Sabha, the Minister for Industry, Shri Manubhai Shah said that revised offers for collaboration in the foundry forge project from firms concerned were under consideration. Shri Shah said that it had become necessary to entertain revised offers from the firms in view of decision to revise and expand this project to meet the requirements of the heavy machine building plant to be set up with the collaboration of the Soviet Union.

TRADE

Business Transacted by S.T.C.: The Deputy Minister for Commerce and Industry, Shri Satish Chandra, stated in the Rajya Sabha recently that the State Trading Corporation of India had transacted by the end of June 1957, business amounting to Rs. 27.14 crores for exports of Indian goods. During the same period the business transacted for imports of different commodities totalled Rs. 15.15 crores. During the 12 months July 1956-June 1957, the Corpe-

ration purchased indigenous cement worth nearly Rs. 54.55 crores. The Deputy Minister said that the amount of expenditure incurred by the Corporation so far had not yet been finally assessed.

*

Import and Manufacture of Stainless Steel: India imported 6,311 tons of stainless steel of the value of Rs. 3,93,19,635 during 1956-57, said Sardar Swaran Singh, Union Minister for Steel, Mines and Fuel, in the Lok Sabha. The Minister further stated that there was no factory manufacturing stainless steel in the country at present.

*

Import of Steel: Sardar Swaran Singh, Union Minister for Steel, Mines and Fuel, revealed that the total tonnage of imported steel received in Indian ports during 1956-57 was 1,914,476 tons. The Minister who was replying to Shri H. N. Mukerjee in the Lok Sabha added that approximately 25,000 tons of the quantity was not accepted by certain Government departments because of late arrival and change in design. At a later stage, further stated Sardar Swaran Singh, that quantity of steel was given over for free sale by the Iron and Steel Controller at Calcutta but the Government did not suffer any loss.

*

Export of Diesel Engines and Pumps: The Deputy Minister for Commerce and Industry, Shri Satish Chandra stated in the Lok Sabha that it was proposed to conduct intensive activities for promoting the exports of diesel engines in two or three countries. These countries would be selected on the basis of replies to a questionnaire sent to some of the Indian Government representatives abroad to ascertain marketing possibilities for Indian diesel engines.

*

Import of Automatic Looms: Shri Morarji Desai, Minister for Commerce and Industry informed the Lok Sabha that Government proposed to allow the import of automatic looms on deferred payment basis. In a written reply to a question by Shrimati Tarkeshwari Sinha, Shri Desai said the imports would be permitted from any country which would accept deferred payment on terms acceptable to Government. As indigenous production was low, a good proportion of the total number of 18,000 looms to be installed in the near future would have to be imported.

FINANCE

Customs and Excise Revenue Collected in Indian Union for May 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 May 1957, amounted to Rs. 15.30 crores as compared with Rs. 13.74 crores in the corresponding month of the previous year. The comparison in the subsequent paras 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. 13.66 crores as against Rs. 11.51 crores, export duties for Rs. 1.26 crores as against Rs. 1.92 crores, and land customs and miscellaneous Rs. 38 lakhs as against Rs. 31 lakhs. The total gross collection of Union excise duties amounted to Rs. 21.53 crores as compared with Rs. 14.37 crores. During the two months, April and May 1957 the grand total of gross customs and Union excise revenue realised Rs. 69.39 crores as compared with Rs. 52.30 crores during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 28.05 crores as against Rs. 21.94 crores, export duties for Rs. 2.53 crores as against Rs. 3.64 crores, land customs and miscellaneous for Rs. 68 lakhs as against Rs. 43

lakhs and Union excise duties for Rs. 38.13 crores as against Rs. 26.29 crores.

*

Discharge of 3 Per Cent Victory Loan — 1957: The outstanding balance of the 3 per cent Victory Loan, 1957, is repayable on September 1, 1957, and no interest will accrue thereon from that date. As, however, September 1, 1957, falls on a Sunday, the discharge value will be paid on the preceding working day viz. August 31, 1957. To facilitate discharge of the loan on the due date, holders may tender their securities at the Public Debt Office, Treasury or Branch of the State Bank of India at which they are encased/registered for payment of interest on or after August 21, 1957. Full details of the procedure for obtaining discharge value can be obtained on application at any of the above offices.

*

Low Income Group Housing Grants: In a written reply to a question by Pandit D. N. Tiwary, Shri Anil K. Chanda, Deputy Minister of Works, Housing and Supply, revealed in the Lok Sabha that against the allocated amount of Rs. 6.78 crores for the Low-Income Group Housing Scheme for 1956-57, a sum of Rs. 6.33 crores was actually drawn by various States/Union territories. Andhra Pradesh, Bihar, Bombay, Kerala, Madhya Pradesh, West Bengal and certain Union territories did not fully utilise the allocated amounts.

*

Rebate on Excise Duty: The procedure for export out of India of articles under claim of rebate of duty on excisable goods used in their manufacture has been extended to chaddars, pillows cases and table covers as well. It is already applicable to ready-made apparel, tents, sugar products including biscuits and preserved fruits, cotton bags and umbrella cloth. Manufacturers of chaddars pillow cases and table covers who wish to export them out of India under this procedure may contact the Collector of Central Excise in whose jurisdiction their factory is situated for further detailed information.

GENERAL

Schemes for Manufacture of Vitamins: A number of schemes for the manufacture of vitamins have been approved by the Government of India. Two of the schemes are for the manufacture of synthetic vitamin 'A' from lemongrass oil which is available in the country. Each of these schemes envisages an annual production of 10 million mega units of vitamin 'A' of the value of Rs. 50 lakhs.

*

Employees' Provident Fund Act to be Extended to Mine Workers: The Government of India propose to extend the provisions of the Employees' Provident Fund Act, 1952, to workers in the iron ore and gold mines from November 30, 1957, said the Union Deputy Minister for Labour, Shri M. Abid Ali in a written reply to a question by Shri T. B. Vittal Rao in Lok Sabha recently.

*

Coal Mines Labour Welfare Fund: The balance in the Coal Mines Labour Welfare Fund on March 31, 1957, was Rs. 5,91,77,435, said Shri M. Abid Ali, Union Deputy Minister for Labour, in a written reply to a question by Shri Matin in Lok Sabha recently. The Deputy Minister also gave the receipt and expenditure figures relating to the Fund during the last three years. In 1954-55 receipts amounted to Rs. 96,85,563 and expenditure Rs. 68,58,660. In the following years the figures were Rs. 1,38,43,402 and Rs. 66,47,272 respectively. In 1956-57 receipts were Rs. 96,79,587 and expenditure Rs. 59,34,860.

NEWS IN BRIEF

INDIAN

The Joint Chief Controller of Imports, Bombay has announced that quota licenses issued for January-June 1957; licensing period with a validity of six months would be allowed to be extended even if they are offered for conversion.

*

Arrangements have been made by the State Trading Corporation of India (Private) Ltd. to import 5,000 tons of skimmed milk powder from the U.S.A.

*

The production of indigenous sugar amounted to 26.19 lakh tons up to July 31 in the current season, as against 18.53 lakh tons in the corresponding period of the last year.

*

Production of cloth and yarn by cotton textile mills during the first seven months of this year increased by 119 million yards and 95 million yards respectively, over production for the same period last year.

*

India exported over 26 lakh cwts of mica worth about Rs. 6.7 crores last year through the port of Calcutta, according to the Annual report of the Indian Mica Miners and Dealers Association.

*

In exercise of its powers under the Essential Commodities Act, the Government of India have issued a notification prohibiting the export of gram including split gram from Shri Ganganagar district of Rajasthan.

*

Production of several toilet goods in India recorded a considerable increase in 1956, compared with that of 1955, according to official figures.

*

India's sulphuric acid production recorded a slight decrease from 166,200 tons in 1955 to 165,215 tons in 1956.

*

The State Trading Corporation of India had transacted by the end of June 1957, business amounting to Rs. 27.14 crores for exports of Indian goods. During the same period the business transacted for imports of different commodities totalled Rs. 15.15 crores.

*

The Indian standards Institution has published an Indian Standard Specification for leather pump buckles made from vegetable tanned leather.

*

Shrimati Violet Alva stated in the Lok Sabha recently that the Government of India gave grants-in-aid to the State Governments totalling Rs. 7.18 crores during 1956-57 to improve the lot of tribals and scheduled castes in the country.

*

Eastern Shipping Corporation has planned to increase its participation in the India-East Asia and India-Australia runs and for this purpose has placed orders on the Hindustan Shipyard for the construction of four cargo vessels aggregating about 25,000 G.R.T. at a total estimated cost of Rs. 5.5 crores.

FOREIGN

The World Bank has granted a \$7m. loan to help finance an irrigation, water-supply and power programme in the Aichi region of Central Japan. The advance was made to the Aichi Irrigation Public Corporation a government agency formed to plan and execute the \$100m. project which is expected to take four years to complete.

*

The Argentine Government has issued a decree authorising the payment of 80m. pesos (nearly £100,000) to foreign and Argentine meat packing enterprises in final settlement of claims for "compensation payments" covering the 1946-54 period.

*

Restrictions on exports of high and mid-grown teas to the London market are proposed in a new Tea Control Bill recommended to the Ceylon Cabinet by the Minister of Food and Agriculture, according to the 'Times' of Ceylon.

*

It is reported West German coal miners have lodged a claim for a five-day 37½ hour week as from January, 1959.

*

Total private foreign investment in Brazil in 1956 amounted to the equivalent of £55.7 m. Of this, three quarters came from the U.S. and Germany (£24.3m. and \$17.3m, respectively) which are now Brazil's two main markets.

*

The German Finance Ministry has agreed to release all £75 m. which the Deutsche Bundesbank is to deposit with the Bank of England under the agreement concluded last spring.

*

Ireland has become a member of the International Monetary Fund and of the World Bank. Ireland's quota in the IMF is \$30m. and its subscription to the capital stock of the Bank is 300 shares with a total par value of \$30m.

*

West Germany has cut most of its industrial tariffs by 25 per cent for the period from August 20, to December 31, 1957, when the position will be reviewed. All foodstuffs coal, steel, and 40 groups of industrial items were, however, exempted from the tariff cuts.

*

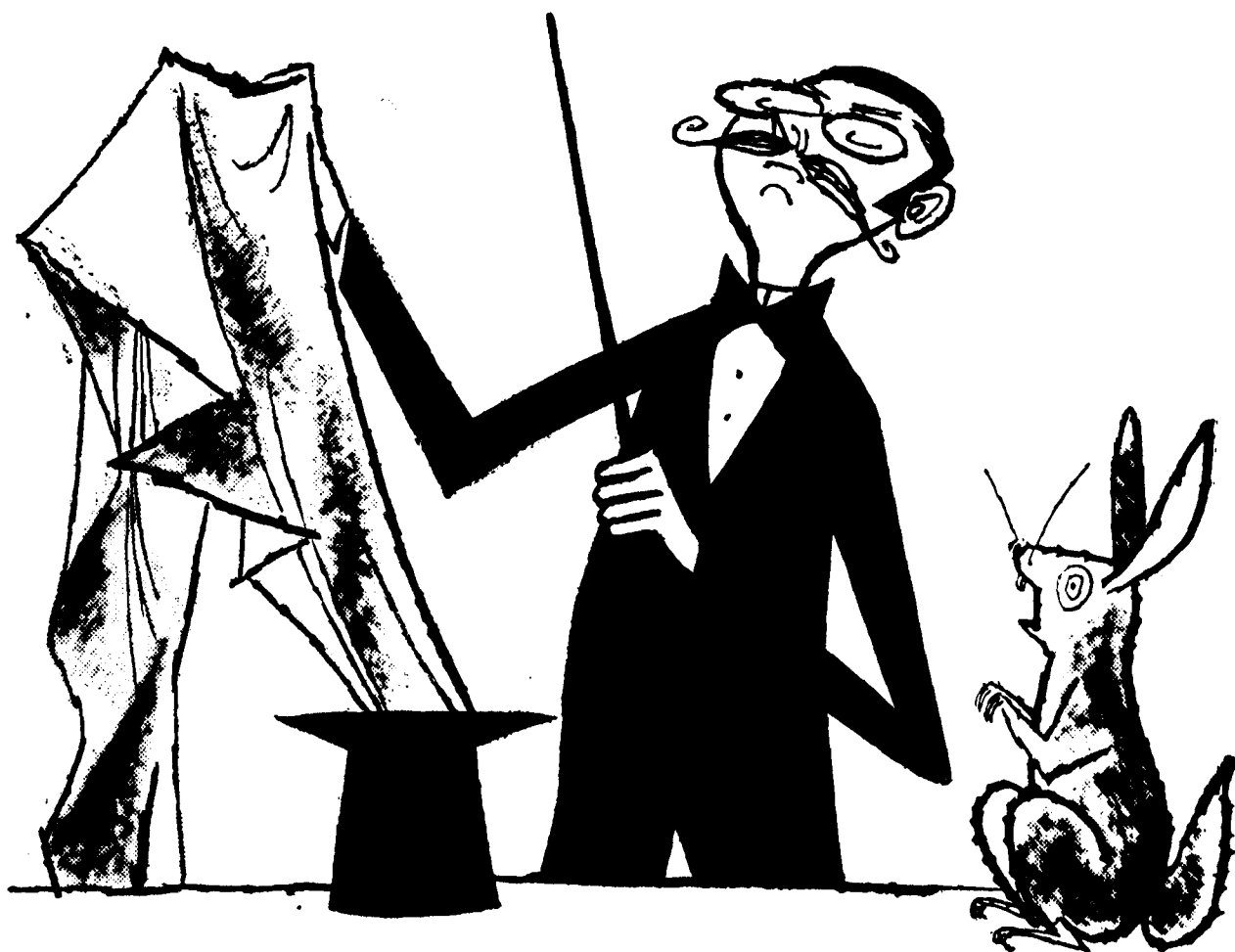
Industrial production in Britain has been rising sharply in the last few months, after a standstill of over a year. In May it was already almost at the peak levels of the last quarter of 1955—some 40 per cent higher than in 1948.

*

France has notified the European Coal and Steel Community of a 4½ per cent increase in the price of French Steel with effect from August 3. The price of pig iron has also gone up, by an average of 4.7 per cent, and that of certain special alloys by a maximum of 4½ per cent.

*

It is reported the present trade agreement between Japan and Britain is likely to be extended with minor modifications for six months after October 1, this year.



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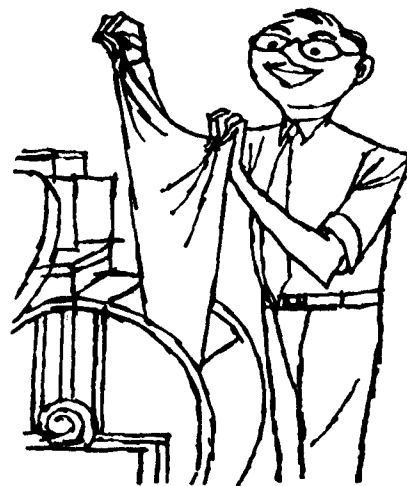
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ACP. 4363 (Rev.)

Special Articles

INDIA'S BALANCE OF PAYMENTS IN 1956-57

THE severe pressure on India's foreign exchange reserves, caused by the wide gap in the balance of payments in 1956-57, necessitated withdrawals of nearly Rs. 220 crores in one year. Since April 1956, the reserves have been run down by nearly Rs. 356 crores till August 16 last. It is the object of this article to analyse the underlying causes of this fall in reserves.

The following table compares the balance of payments of 1956-57 with 1955-56 and brings out clearly the essential points of difference between the two years. It illustrates the sudden jump which India's imports in 1956-57 took both on private and Government account. As against imports valued at Rs. 750.6 crores in 1955-56, total imports for 1956-57 at Rs. 1,076.5 crores were higher by nearly 43 per cent. Exports, on the other hand, recorded a marginal fall of Rs. 4.1 crores. The unfavourable balance of trade, therefore, galloped from Rs. 109.5 crores in 1955-56 to Rs. 439.5 crores, registering a rise of nearly 300 per cent. Whereas the invisible earnings and official donations more than made up the imbalance in trade and created a favourable balance of payments of Rs. 16.9 crores in 1955-56, the gap in 1956-57 could be covered only in part and the current account (net) deficit remained as high as Rs. 292.5 crores.

TABLE I

INDIA'S BALANCE OF PAYMENTS

	(In Crores of Rupees)	
	1955-56	1956-57
Imports	750.6	1,076.5
Exports	641.1	637.0
Trade Balance	—109.5	— 439.5
Official Donations	+ 42.0	+ 39.8
Invisibles (Net)	+ 84.4	+ 107.2
Current Account (Net)	+ 16.9	— 292.5

The urge to quicken the tempo of industrialisation by importing capital goods at a fast rate seems to be the root cause of the crisis in payments. Table III on the next page sets out the index numbers of imports and exports both with regard to volume and price. It shows that the volume of India's imports has risen steadily since 1953-54 and that the rise in the volume of imports of manufactured articles, in particular, has been spectacular, mostly in the last two years. The index of volume of imports of manufactured articles (Base: 1952-53 = 100) which stood at 113 in 1953-54, rose to 130 in 1954-55, 180 in 1955-56 and 234 in 1956-57. The price index for manufactured articles, on the other hand, stood between 85 and 87 during the last four years. The conclusion is irresistible that the strain on payments has been caused by the increased volume of imports, and not because of any significant rise in international prices of manufactured articles. It may, however, be pointed out here that any increase in payments due to higher freight rates is not taken into account while computing these index numbers.

The volume index of imports for "Food, Drink and Tobacco" in 1956-57 (April-December) stood at 25 with 1952-53 as base. The reduction of imports under this head to one-fourth the 1952-53 level is a welcome sign but it needs to be remembered that imports of food in 1952-53 were very high. Even such a steep fall in the volume of imports has reduced the value of imports of food in 1956-57 to Rs. 102 crores only. It must be conceded that the imports of food grains in 1956-57 were absolutely necessary because they were instrumental in suppressing price inflation which would otherwise have taken a runaway course. In the next four years of the Plan also, when huge capital investment is expected to be made, the availability of food grains inside the country will need to be augmented by imports in case the domestic crops fall short of the internal demand.

The latest Reserve Bank of India Monthly Bulletin, while discussing the balance of payments in 1956-57, has tried to argue that the imports of machinery, iron and steel etc. were not excessive in the first year of the second Plan. If support of this contention, the Bulletin has thought it fit to compare the actual imports of 1956-57 with the average for the second Plan. But such a comparison seems to be unjustified in view of the fact that the second Plan estimated the pattern of foreign trade (as well as of balance of payments) for every year of the second Plan. What is important for this purpose is to see how far the actuals in 1956-57 have deviated significantly from the estimates made in the Plan for this year. It is clear from the Table II below that the structure of foreign trade in the first year of the second Plan did not follow the pattern set out in the Plan. The volume of imports was anticipated to rise gradually upto the third year, and was estimated to fall in the last two years of the Plan. The jump in imports was to appear in the third and not in the first year. But the actual imports in 1956-57 at Rs. 1,076.5 crores exceeded the estimated imports in the Plan by Rs. 293.5 crores. Even the highest estimated imports in third year of the Plan fall short of the actuals in 1956-57 by Rs. 86.5 crores. It has been demonstrated in the foregoing analysis that

TABLE II

INDIA'S BALANCE OF PAYMENTS (CURRENT ACCOUNT)

1956-57 — 1960-61

	Exports (f.o.b.)	Imports (c.i.f.)	Trade Balance	Invisibles	Total current account balance
1956-57	573	783	—210	+62	—148
1957-58	583	886	—303	+55	—248
1958-59	592	990	—398	+51	—347
1959-60	602	895	—293	+46	—247
1960-61	615	786	—171	+41	—130
Average for five years	593	868	—275	+51	—224

the volume of imports has registered spectacular rise only in the case of the manufactured articles; it is therefore, patent that the imports of machinery, iron and steel, etc., were excessive in 1956-57, and that the heavy imports of capital goods alone was the chief cause of the pressure on foreign exchange. The Reserve Bank's thesis couched in terms of Plan period average cannot refute this important fact.

Whatever the implications of accelerating the rate of imports particularly of capital goods in the first year of the present Plan, necessary action has already been taken by the Government to meet the difficulties created by the strain on our foreign reserves. Austere cuts in

imports are expected to ease the pressure on foreign exchange. This is in so far as imports ordered after the new policy was enforced are concerned. But our commitments on out-standing import licenses will be honoured, as they must be. And for this purpose defensive action has been taken by the Government by allowing the Reserve Bank to reduce foreign securities to Rs. 300 crores, if need be. If the true character of these remedies as defensive measures is appreciated in the right perspective, there should be no cause for alarm. Meanwhile concentrated efforts to improve the foreign exchange position with added accent on exports will surely see the crisis through.

TABLE III

INDEX NUMBERS OF IMPORTS AND EXPORTS

Base: (1952-53 = 100)

	IMPORTS						EXPORTS					
	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
						April-Dec.						April-Dec.
VOLUME INDEX												
Food, Drink and												
Tobacco . .	158	100	54	78	38	25	98	100	98	107	101	113
Raw Materials .	129	100	100	105	99	97	85	100	72	82	123	77
Manufactured												
Articles . .	123	100	113	130	180	234	90	100	116	117	117	120
GENERAL . .	134	100	93	110	116	135	90	100	100	105	115	107
PRICE INDEX												
Food, Drink and												
Tobacco . .	94	100	101	86	89	93	112	100	106	129	111	121
Raw Materials .	109	100	96	95	93	96	118	100	100	99	90	105
Manufactured												
Articles . .	100	100	87	86	85	87	172	100	83	82	80	77
GENERAL . .	101	100	92	89	87	90	112	100	92	98	90	94

(Source: Reserve Bank Bulletin)

THE USE OF 'BALANCED' FERTILIZERS—III

By

C. R. RANGANATHAN

FERTILISER is a blanket word which describes a large group of chemical substances, each of which may contain no more than one or at best two of the major plant nutrients, namely, nitrogen, phosphorus, and potassium. Of these, nitrogen in the soil is almost entirely derived from the activity of soil organisms, the excreta of animals and the decay of organic matter. Except for small quantities of ammoniacal nitrogen brought down by rain, it would be generally true to say that all nitrogen in the soil is of organic origin. Nitrogen replenishment cannot take place as a result of weathering as it does in the case of phosphorus, potassium and other nutrients. Hence the importance of providing organic matter by leaving crop residues, green manure, etc. and of supplementing it with nitrogenous fertiliser. Building up the nitrogen level is particularly important in tropical soils, which are as a rule deficient in soil nitrogen. The response to added nitrogen is usually dramatic in the initial period and this fact raises the temptation to limit fertiliser application to nitrogenous fertilisers.

This would, however, be a misguided policy in the long run and often in the short run. The boost in vegetative growth and general metabolic activity caused by adding nitrogen cannot take place without a concomitant increase in the uptake of other nutrients,

notably phosphorus and potassium. The reserves of these nutrients in the soil tend to get used up at a faster rate than they are replenished in the natural course and must sooner or later result in retardation of growth. The continued use of "straight" nitrogenous fertiliser thus does not help to build up soil fertility, but is, on the other hand, rather like the use of a drug which causes temporary stimulation followed inevitably by depression.

Although the effects on crop yields of phosphatic and potassic fertilisers applied separately are in themselves not comparable with those of nitrogenous fertilisers, their combined effect is to increase yields by a margin which cannot be achieved by the increased use of nitrogenous fertiliser except at higher cost. In the words of Prof. K. A. Bondorff (Chief of the State Laboratory on Soils, Lyngby, Denmark), the use of potash salt and superphosphate is a relatively cheap measure and that of a sufficient supply of potash and phosphoric acid is necessary to obtain the full effect of the more expensive nitrogenous fertilizers, the full effect of expensive seed of new varieties and the full effect of still more expensive measures as lining and drainage. The advice can also be formulated thus: It is not profitable to let potash and phosphoric acid be the limiting factors."

PROPAGANDA FOR THE USE OF BALANCED FERTILISERS

It should therefore be an object of State policy to encourage the use of balanced fertilisers. In order to get the farmer to use balanced fertilisers, several conditions should be satisfied. First, the farmer should be made aware of the need for balanced fertilisers and their value in building up the fertility of his soil through demonstrations, advice, cinema films, in short, by making full use of the apparatus of propaganda. He no longer needs persuasion to use nitrogenous fertiliser and the stress should therefore be on his using phosphoric acid and potash along with nitrogen. This is the work which falls within the sphere of the Community Projects and the N.E.S., but its prestige value would be increased by Universities, Scientific bodies and public men sharing in it.

SUBSIDIES FOR NON-NITROGENOUS FERTILISERS

Secondly, monetary inducements in the shape of subsidies have to be offered to the farmer in order to persuade him to use balanced fertilisers. Two points of view have to be recognised in this connection. One is that of the farmer who will not make a change in his traditional agricultural practices, unless he is assured of an immediate profit. In the case of nitrogenous fertiliser (Ammonium Sulphate), the profitability has been amply demonstrated and the problem is not to secure its wide use but to meet the rapidly growing demand. But with phosphoric acid (and more

so with potash) the effects on the yields are less impressive and arguments based on improved quality, robustness, disease resistance, residual effect, soil fertility conservation, etc., do not make any serious impression. In contrast to this, the second point of view, that of the State, is (or should be) concerned primarily with the preservation and building up of the fertility factors of the soil which is the principal productive capital of the country. The securing of the deferred and often intangible benefits of proper soil management—and the correct use of fertiliser is an important aspect of soil management—is a matter of import to the State. When the short-term economics of individual farmers lead to practices which do not conform to the principles of soil fertility conservation or threaten to endanger the soil, the State, which represents the community as a whole, has a clear duty to regulate and control such practices. This can be done either by compulsion or by a system of subsidies. The latter is much the better course.

The case for granting subsidies for encouraging the use of phosphatic and potassic fertilisers rests on considerations like those outlined above. A subsidy scheme for superphosphate is in force, under which a concession of 25% of the price is allowed to the farmer, of which half is to be met by the Central Government 'provided' the other half is met by the State Government. This proviso of a matching grant from State Governments, many of which are unable to find funds for it, has made the scheme inoperative in many States. The question of subsidy needs re-thinking.

BOOK REVIEW

INDIAN INDEPENDENCE

The First Decade: A Symposium commemorating the Tenth Anniversary of Indian Independence. Edited by Clifford Manshardt. Published by the United States Information Service, New Delhi. Pages 194.

The sympathetic interest taken by the United States before 1947 in the cause of India's freedom and the generous help she has rendered since to strengthen and stabilise this country's independence and democracy are substantial factors in Indo-American understanding. It is, therefore, not fortuitous that the bright idea of the United States Information Service to commemorate the Tenth Anniversary of Indian Independence has taken concrete shape in this sweet and solid publication. It is also appropriate that this has taken the form of a symposium consisting of lucid and learned contributions from some eminent Indians. The only regret one may have is that some American scholars who have closely studied the social and economic life of this country in recent years are not among the contributors. For, what Americans may say about India will be no less essential for stable Indo-American understanding than what Indians may say about their own country. As this commemoration symposium bids fair to be popular both in India and in the United States, it is to be hoped it will become an annual feature and eminent contributors will be drawn from both the countries.

As for the contributions themselves, it is needless to say they are of the choicest kind. Mr. R. R. Diwakar's brilliant article on "Gandhi's Ideas in post-Independent India" contains an "objective assessment

which belies the comment of some people that Gandhi's ideas are no longer influencing the mind of the people or of the administrators of India." In his masterly analysis of "Linguistic and Literary Trends in Modern India," Mr. K. M. Munshi has some sharp remarks to make on the emergence of "progressive" literature, fostered under Marxian influence, and on "the sinister influence of the hedonistic mass culture, represented by a section of Hollywood." About the former he says "it is dominated by an inverted romanticism which revels in the ugliness of life, the ruthlessness of nature, the wickedness of human institutions, flaunting morbid pessimism, and denying hope." About the latter he says it is a cult, also adopted by the film-world of India, "which caters to the baser instincts by glorifying violence, crime and indiscriminate sex-relations"

Planning and Progress in agriculture and in industry are succinctly and authoritatively dealt with in Chapters III, IV, and V. Mr. Gulzarilal Nanda and Dr. Punjabrao S. Deshmukh write respectively on planning and agricultural progress. Industrial progress in the period 1946-1955 is described by Prof. C. N. Vakil and Mr. B. C. Desai with the help of relevant statistics. The authors rightly hold the view that "India's outstanding achievement in the decade following Independence seems to lie in the successful attempt to create the industrial base for a dynamic change of the entire economy." Social services and social progress come in for treatment in the last chapters. Shrimati Hansa Mehta, after giving "an overall picture of the efforts that have been made in the field of education in the last ten years," concludes with the significant remark that "democratic ways are bound to be slow, but the results are assured." And they will be enduring too.

Letters to the Editor

THE STATE BANK OF INDIA

Sir,

In the "Blue Supplement" accompanying your issue of July 26, 1957 and dealing with some problems of Scheduled Banks there are certain statements made about the State Bank of India which appear to be inaccurate. We would therefore like to draw your attention to the following:—

(i) In the article on 'Finance for the Private Sector', you have said: "It is necessary to remember in this context that the private sector's task of finding working capital has become more onerous now in view of the fact that the resources of the State Bank of India will not be available to it in future on the scale on which liberal assistance was usually forthcoming from its predecessor, the Imperial Bank of India. The burden for providing working capital to the private sector, therefore, falls much more heavily on the commercial banks than ever before." Similarly in your article on the 'Role of Banks in the Plan' the following remark appears: "It is important further to remember that with the taking over, by the State, in 1955, of the Imperial Bank of India, the private sector has lost an important financial institution which was playing a substantial and significant part in the financing of trade and industry. The new responsibilities of the State Bank of India are bound to divert part of its resources from the key services which its predecessor was rendering to business." These remarks, in our view, are not justified in the light of the working of the Bank in the last two years nor show awareness of what the Chairman said in his annual speech this year. He said: "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."

(ii) Another inaccuracy has crept in the second article under reference. It remarks on page ix: "Thus out of the 400 branches scheduled to be opened by July 1960, the State Bank was able to open only 46 until recently." The progress of the branch expansion programme has been given in some detail in Report of the Central Board of Directors for the year 1956 (pp. 5-6 of the Report). On the specific point of the number of branches already opened we quote from the Report. "Between July 1, 1955 and the end of December 1956, '66' branches were opened, those opened during the year under review being 46."

2. Both the Chairman's speech as well as the Annual Report are published documents. But since it is likely that many of your readers may not have read them, we would be obliged if you publish this letter in your paper at an early date.

Thanking you,

Bombay,
August 14, 1957.

Yours faithfully,
D. S. SAVKAR,
Economic Adviser.

[The error about the number of branches opened is regretted.

As for the assistance available from the State Bank, the two articles in question emphasized the

point that **In Future** the scale of this assistance to commercial banks is likely to decline. A section of the managements of these banks apprehends that as the State Bank fulfils its new obligations of financing other credit requirements, the volume of accommodation to them may not be adequate. If these fears are disproved, it will be a relief to the banking system. The views expressed on this issue will be verified only in course of time.—Ed.]

"COLLECTIVIZED" EDUCATION IN KERALA.

Sir,

In your issue of the July 26, under caption "COLLECTIVIZED EDUCATION IN KERALA," you have stated that "on the credit side, it must be said that the proposed legislation (Kerala Education Bill) makes provision for the security of service and improved employment conditions of teachers. Since even in the case of 'aided' schools, salaries will be paid by the Government directly to the teachers, this will, doubtless, eliminate the notorious malpractices connected with the payment of teachers' salaries."

The above conclusions seem to be the result of incorrect information about the conditions in the Travancore-Cochin State. According to rules now in force, the Education Department has a hand in the appointment of teachers in as much as every appointment in an aided school becomes valid only after it is approved by the Department. The service of a teacher so appointed and approved cannot be dispensed with without the previous Departmental sanction. Thus, the proposed Bill incorporates no new provision to ensure security of service.

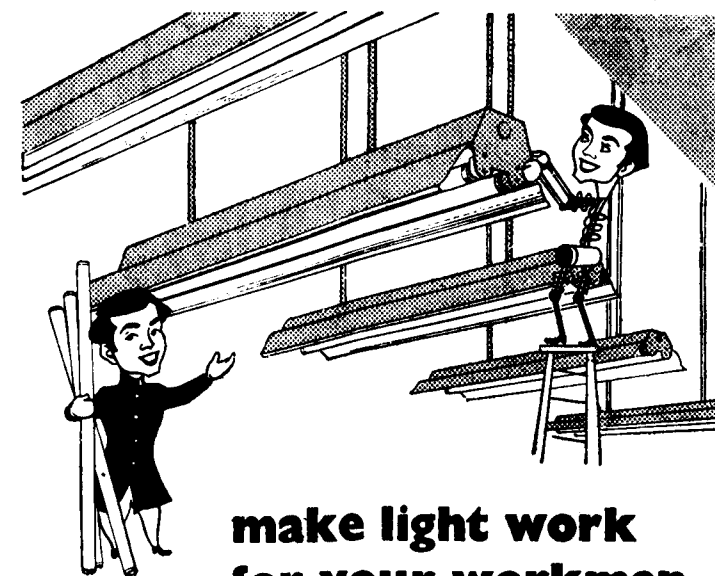
Under the "scheme for the improvement of service conditions of Private Secondary School Teachers," the T.C. Government agreed to pay grants to amangements of private schools to cover the whole deficit caused by the salaries of the teachers. During the Adviser's regime the T.C. Government also agreed to pay teachers in the primary section their full salary as grant. Amounts necessary for the payment of salaries are drawn under the joint responsibility of the manager and the departmental officer. The "notorious practices," referred to above, are, therefore, purely imaginary.

So far as Malabar is concerned, some provision is, of course, necessary to ensure security of service. There may also be some irregularity in the case of the payment of the Secondary section in this area. Moreover, the Madras Rules do not ensure security of service. These defects require proper solution.

D. HARI, B.A.,
Editor "The Teacher",

Ernakulam,
August 15, 1957.

(The very fact that Mr. D. Hari admits that "some provision is necessary to ensure security of service" in Malabar as "the Madras Rules do not have adequate provision for that "obviously means that our comments were neither unfounded nor incorrect. Still we thank him for the information he has provided us on the working conditions of the teachers in the various parts of Kerala.—Ed.).



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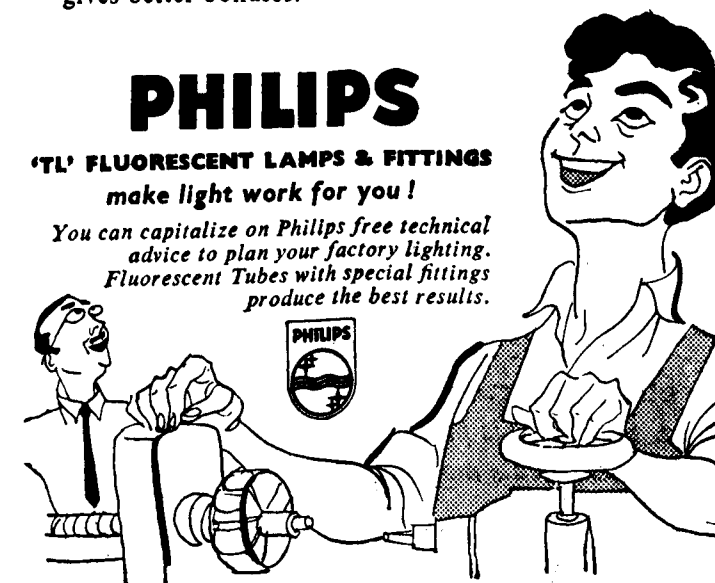
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UNFAIR AND IRRESPONSIBLE

By
CROESUS

AT a time when almost everyone in this country and abroad has been urging greater consideration to private enterprise, if only because of its record in the first Five-Year Plan and the relatively greater chances of its fulfilling its targets under the second Plan, it is unfortunate that we have some persons in this country who seem to believe that the only way to usher in the millennium is for Government to give up its so-called policy of softness towards the private sector and adopt stronger and stronger methods if a crisis is to be averted. I would have unhesitatingly called such persons "irresponsible," but for the fact that they include even a former Minister who is now holding the responsible position of Vice-Chairman of the State Bank of India—I mean Mr N. V. Gadgil. Although I have great respect for this veteran congressman and his forthright observations, I am bound to say that the latter are invariably exaggerated, even ill-informed at times, and almost always ill-timed. Take for instance, his reference to the strength of the Indian rupee in the course of a recent address to the History and Economics Association of a local college. After saying that the Indian rupee was as respectable as the dollar if not more, in the Middle East, he declared that this prestige must be maintained. This is unexceptionable but he did not stop there; he went on to say: "Therefore, any talk about reducing the proportion of currency cover held in London will be short-sighted and unstatesmanlike." Surely Mr. Gadgil is original. For no one—neither the Union Finance Minister nor the Reserve Bank nor any of our prominent economists has given the need to maintain the prestige of the Indian rupee in the Middle East as an argument against reducing the currency cover held in London. One would have thought that at least as one holding the position of Vice-Chairman of the State Bank of India, Mr Gadgil would have noted the official view on such an important issue—only a few days before the Reserve Bank had released its publication on current trends in banking in which this view is highlighted and refrained from making known his diametrically opposite view, entitled though he certainly is to hold any personal view he may like.

I do not think it would be unfair to Mr. Gadgil if anyone suggests as, indeed, some have done—that his plea to the Government to be tough with the private sector is just as "responsible" a plea as his remarks about the reduction in the backing for our currency as above. But in making this plea, let us see what were his arguments in justification. First, he said that credit freeze and all such monetary weapons had not proved adequate in stabilising the price structure. Then he rushed to the conclusion that "the private

sector, which was responsible for 92 per cent of national production, had not played its part. Perhaps, on second thoughts, he qualified this broad generalisation by adding, "atleast as effectively as it should." So, according to Mr. Gadgil's reasoning, the private sector has to be taken to task even if official measures prove ineffective, and it must of course, be pulled up if it does not play its part as effectively as it should. Now, "as effectively as it should" may mean anything, one might dismiss even the best of performance as saying that it has not come up to expectations. There may also be a valid explanation for the result not being what it should be, such as unforeseen circumstances, and to take anybody to task even in such circumstances for not fulfilling expectations is unrealistic. Mr. Gadgil is only unrealistic thus, but he is even unfair, if I may say so, because, while he is prepared to find extenuating circumstances for the failure of the public sector he is not sporting enough to extend the same benefit to the private sector.

Although Mr Gadgil has pressed into service the price structure and failure to come up to expectations as his apparent arguments for recommending his "be tough with private sector" remedy the real cause of his wrath against the private sector is that "today the free enterprise movement is questioning the major decisions behind the Plan taken long ago." Does this mean that, even if, there is something radically wrong with major decisions, they can not be questioned on the score that the decisions have been taken long ago? The second Five-Year Plan is undoubtedly a major decision. True, it has been drawn up after great deliberation by experienced administrators and experts. It is also a fact that Parliament has approved of it. But, then, even after all our recent experience and the heavy weather we have been encountering, must we keep mum and say nothing about the need to curtail the size of the Plan or to spread it over a longer term? If so, why has Mr Gadgil himself talked of "a revision of the scheme of priorities," although he sought in the same breath to apply unctious to his soul by adding "without seriously changing the timetable or the consequences"?

Mr. Gadgil has advocated wider and rapid industrialisation in the same address but he fails to see that the measures he recommends can only have the effect of retarding industrialisation. If he believes he can honestly help capital formation by still stiffer doses of taxation than wealth tax, expenditure tax and heightened estate duty he is mistaken. Fortunately there is no impartial evidence to support this view.

RESPONSE TO LOANS IN RETROSPECT

By
CROESUS

NOW that details of the subscription to the new loans are available, one may proceed to make certain observations about how they fared. Prima facie, the loans were over subscribed, the total subscriptions aggregating Rs. 105.97 crores—made up of Rs. 56.92

crores against the 3½ per cent National Plan Bonds (Fourth Series) 1967 and Rs. 49.05 crores against the 4 per cent loan 1972. Again, the total subscriptions in cash amounted to Rs. 60.98 crores, the balance of Rs. 44.99 crores being conversions of the 3 per cent

1957 (Rs. 34.74 crores) and the 3 per cent 1958 (Rs. 50.35 crores).

Certain reflections emerge from the foregoing facts. In the first place, why were not the loans kept open till atleast the 10 per cent extra, for which the terms of the floatation and provided was subscribed? Since it is stated in the Reserve Bank's Press Communiqué that every subscriber is to receive full allotment, the Government has even now been able to get nearly Rs. 6 crores more than the loan target of Rs. 100 crores. Would it have mattered very much—even prestige-wise—had the lists been closed at the end of the second, if not the third, day? Secondly, since the total outstandings of the 3 per cent 1957 and the 3 per cent 1958 loans which were permitted to be offered for conversion amounted to Rs. 85.09 crores, why were only Rs. 44.99 crores including those held by the Reserve Bank, offered for conversion? In the absence of any information on or even a clue to the precise holdings of these loans by the Reserve Bank, there is naturally all manner of speculation for which the Reserve Bank has itself to thank. One speculation is that nearly all the conversion represents the holdings of the Reserve Bank. This may or may not be the position, but it is a fact, it gives rise to another query as to why were the existing holders reluctant to convert their holdings into the new loans. One explanation—which seems plausible—that has been offered is that the rates offered by the Government for its loans were not such as to hold out much attraction in the context of the prevailing pattern of interests rates in the money market. If this is accepted, it follows that the loans are undoubtedly a success. Indeed, the main criterion for judging the success of any floatation—the Government or private—is the circumstances prevalent at any given time; if these circumstances are not quite so favourable and the loans are still over subscribed, as at present, the authorities certainly deserve a pat on their back; certainly, if, in spite of favourable circumstances, a particular floatation proves to be a flop, it is but a poor reflection on the floatation itself.

Whenever a government loan is floated, there is interesting speculation as to the degree of support that it will receive from private individuals, institutional investors, and the Reserve Bank. On the eve

of the announcement of the latest loans, one school of opinion had predicted that the Banks would go in for atleast Rs. 25 crores, preferably the medium dated loan (i.e. the 3½ per cent 1967). Even after the figures of subscription to the two loans were made known, because of the relatively larger amount subscribed to the 3½ per cent 1967 loan, some have reiterated this view. As against this, a columnist in a daily contemporary contends that "the response from the banks to the latest issues has not come up to original expectations." Hence, again, it is the relatively poor attraction of the yield, more than even the statutory obligation, that seems to have determined the extent of the banks' response to the loans. In the context of the present call money rates and the usance bill rates, the return of about 3.81 per cent on a medium dated loan and of only 4 per cent on a long-dated loan—these, be it noted, are the yields on the new loans—cannot be described as so excessively attractive as to make banks go ahead and shoulder over one another to subscribe to the new loans. But this is not to argue that the rates should have been higher.

As regards the respective shares of the Life Insurance Corporation, other institutional investors such as trusts, provident funds, etc., and semi-governmental bodies like corporations, one's guess is as good as another's. Including the share of the State Bank of India, one estimate puts this total down as anywhere upto Rs. 40 crores. It is not clear as to how much of this sum represents cash and how much conversion. In any case, if, as against a total offer of Rs. 100 crores, as much as about Rs. 40 crores is taken up by Government or semi-Government bodies alone and the major portion of the announced conversion also is on account of the country's Central Bank, the remaining, which constitutes a negligible fraction must be taken as measure of public response to the loans. This premise itself may be wrong, but if for argument sake it is presumed as correct, it follows that the response of the public, of the individual investor as such, is hardly flattering to anyone—either to the authorities or to the people themselves, may their capacity to save. But is not an explanation for this poor popular response to be found atleast in part in the crushing tax burden on the traditional individual investor.

BUSINESS NOTES

SELECT COMMITTEE ON WEALTH TAX

THE REPORT of the Select Committee of the Lok Sabha on the Wealth Tax Bill which was tendered to the House on August 17 last has had a mixed reception. To those who have allowed their enthusiasm for the socialist objectives of taxation to outrun the objectives of harmonious growth of the economy, the modifications recommended by the Select Committee constitute unwarranted dilution of the Bill. At the opposite point, to those who consider the wealth tax as nothing short of a weapon of expropriation, the report retains the substance of the Bill and merely doles out minor concessions.

Undoubtedly the part of the Bill which has provoked the greatest criticism is the application of the tax to corporate enterprise. Some of the minutes of dissent, of which there are as many as nine, have been emphatic in denouncing the extension of the wealth tax to companies. The Committee has recommended certain changes in regard to company taxation. A tax holiday of five years has been suggested for new enterprises. Similarly, exemption of shipping concerns, charitable institutions and Section 25 companies as well as shares owned by one company in the capital of another has been proposed. In cases where losses are incurred or profits are too inadequate for dividend distribution, it has suggested that the tax should not be levied. In any event, the amount of the tax, it is urged, should not exceed the profit of the year. The gravamen of the charge against the imposition of the wealth tax on companies is that it will tend to destroy capital formation in the corporate sector. By the same logic, the wealth tax on individuals and undivided Hindu families would go to discourage saving and investment. In regard to Hindu undivided families, the limit of exemption has been raised from Rs. 3 lakhs to Rs. 4 lakhs. The criticism regarding the adverse effects on capital formation or saving will need to be watched with close attention. In the light of experience of this tax in operation, revised thoughts may be dictated by considerations of safeguarding the superior objectives of capital formation and investment.

Not all the amendments suggested by the Committee can be referred to here in passing. In respect of non-resident foreigners a rebate of 50 per cent of the tax on the value of investments in India has been recommended. In so far as assets located partly in India and partly abroad are concerned, the Committee has suggested that a proportionate rebate of 50 per cent in respect of assets located abroad should be granted. The exemption of the dwelling house in the case of ex-rulers, although it has been attacked, seems justified on the ground of avoiding sudden and violent upsets in their economic fortunes. The dwelling house of an individual in the rural area is exempted on the reasoning that it has hardly any rental value. A counter question is asked why the same considerate treatment has not been extended to the middle class owner occupying the house himself.

A strong criticism made about the entire scheme of the wealth tax rests on the argument that the present levels of the rates of direct taxes, coupled with the wealth tax, will produce a very injurious effect on potential sources of revenue to the State. It is argued that a maximum limit should have been prescribed for the total quantum of direct taxes to prevent this effect.

CLIMATE FOR PRIVATE INVESTMENT

ONE OF the questions raised constantly in business circles nowadays is whether it is at all possible for the

private sector to achieve the planned target of Rs. 725 crores of outlay allotted to it in the second Five-Year Plan in the face of several and successive blows which it has been receiving at the hands of the Government. A little reflection reveals that this stems out of genuine concern Developments, particularly during last year—the first of the second Five-Year Plan—and the wide fluctuations in share prices bear ample testimony to this. In a country where capital is still very shy and where the capital market as well the money market have not yet developed very well the raising of equity capital is indeed a problem. In fact, with the latest additional onslaughts on the private sector this seems well nigh impossible.

Presiding over the annual general meeting of the Native Share and Stock Brokers Association, last week, Mr. K. R. P. Shroff, President of the Association, very appropriately drew pointed attention to the damaging effects of the official policies on the capital market and the price structure of the shares and securities. He naturally, dwelt, at length on the depression that has been in evidence in all the Stock Exchanges of the country for sometime now. After dealing with the role which the private sector played during the first Five-Year Plan, Mr. Shroff said that, at present, the prospects of new capital being raised in the corporate sector at a rate of Rs 80 crores a year or Rs. 400 crores over the plan period appeared uncertain.

Adverting to the budget proposals of May last, Mr Shroff particularly criticized the wealth tax on companies. He said that whatever be the merits or demerits of the wealth tax on individuals, there could be no manner of doubt that a wealth tax on corporations was wholly "unsound, unscientific and inequitable." To quote Mr. Shroff it is "a predatory tax on capital formation." If it is granted that sustained recovery in the share markets is very vital for the revival of real savings and encouragement to domestic capital formation, it follows that the creation of a climate conducive for investment cannot brook further delay. There is hope that this will be done soon enough, as the importance of savings and investment is being more and more fully recognised by Government of late.

ISSUES BEFORE SHIPPING

MR. C. R. SRINIVASAN'S presidential speech at the last annual general meeting of the Bharat Line was characteristically brief and direct. It placed the issues confronting the Indian shipping industry in a plain but forceful manner. His argument, in short, is that, assuming that funds were made available for investment in the expansion of shipping, Government has to discharge definite obligations to the industry. The enquiry into the revision of freight rates has proved to be vexatiously time-consuming and what is worse the interim relief given by way of ad hoc increases in rates has been nullified by rising wage costs. Congestion at the ports has deteriorated at a rapid rate. Mr. Srinivasan estimated that the total cost on account of detention of ships has jumped from value equivalent to 179 days worth of full-time operation on an 8,000 DWT ship in 1954 to 398 days in 1956. This is surely a staggering measure of the economics of ship detentions at the ports.

The problems connected with procuring finance for the acquisition of tonnage have been discussed in great detail on several occasions. This fact perhaps explains why the Chairman did not deal with them in his speech. He has, however, emphasized that shortages of ships in the coastal trade threaten to reach acute dimensions. It is possible, given energetic

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QUALITY STONEWARE AND PORCELAIN PRODUCTS

STONEWARE PIPES (for underground drainage) salt glazed, acid-resistant and tested to standard specifications.

DALMIA PORTLAND CEMENT for general construction

R.C.C. SPUN PIPES for irrigation, culverts, water supply and drainage, available in all classes and sizes.

PORCELAIN SANITARY WARES Indian and European closets, wash-basins, urinals etc.

INSULATORS AND ACID-RESISTANT TILES etc.

REFRACTORIES for all industrial purposes; firebricks, mortars, insulating bricks in all heat ranges and shapes.

DALMIA CEMENT (BHARAT) LTD.

DALMIAPURAM (TIRUCHIRAPALLI)

D.C.E-57-B.

A.T.A.B.

effort by the Government, to procure Liberty ships out of the moth-ball fleet from America. Already, a private Bill recommending release of these Liberty ships to India on terms of loan facilities is pending before Congress. One of the conditions to be attached to the release of the ships is that they should be employed only in the coastal trade. Since the coastal trade will earn rupee revenue for the shipping companies employing them, the issue of servicing the loans will have to be kept actively in mind. But it would be reasonable to assume that in course of time, as the payments become due, the foreign exchange position will improve progressively. The alternative is to allow foreign chartered ships to fill the gap and carry home their earnings in foreign currencies.

TEA INDUSTRY

THE COMMITTEE of the Tea Association of India in its recent memorandum submitted to the Ministry of Commerce and Industry has raised some points on the need for the revision of some of the decisions taken by the Government on the recommendations of the Plantations Inquiry Commission on tea. The memorandum states that the Government's decision to hand over the administration of public warehouses in Calcutta to the Tea Board would introduce the element of monopoly. At a time when the foreign exchange position is almost desperate and when the need for expanding exports is considered imperative, experiments of uncertain value should be avoided in a valuable export industry like tea. The Association also points out that the Government's decision to continue the present slab system of export will have a tendency of rendering our Consumer teas uncompetitive in foreign markets. The Association feels that the competitive character of our common teas in foreign markets could be maintained only by ad valorem duty on teas exported under direct sales and forward contracts and also on those sold for export at Calcutta auctions. The Government on the other hand considers that the abolition of the export quota system for tea would not be conducive to the best interests of the industry or trade.

Regarding the replanting fund, it is difficult to see how, if the fund is set up, it would aggravate the difficulties already experienced by the gardens. Companies' financial resources being slender, the setting up of a tea replanting fund in fact offers the most effective solution to finance the replanting of the tea estates. While it is desirable for tea companies to issue debentures as a source of finance, it is equally important that the subscriptions for debentures issued by tea companies be encouraged by the various financial institutions such as the State Bank of India, the Central and State Financial Corporations and the Life Insurance Corporation of India. The memorandum emphasizes that this could be done by including such debentures in the approved list of securities of these institutions. At the same time, it would be best for the tea companies to strengthen their reserves by greater voluntary restraint on distribution of profits by way of dividend.

ASHOK LEYLAND'S NEW ISSUE

MESSRS. ASHOK LEYLAND Ltd., have offered 9,88,688 equity shares of the nominal value of Rs. 49,43,440 to the public for subscription at par payable in full at the rate of Rs. 5 per share. The shares of the company already issued are dealt in and are officially listed and quoted by Madras Stock Exchange Association Ltd., Madras. An application has been made to the Madras Stock Exchange Association Ltd., Madras, for permission to deal in the shares now being offered and in due course for an official quota-

tion. The Leyland Motors Ltd. of Lancashire, England will subscribe to equity shares worth Rs. 59,21,170 lakhs. The total nominal amount of the present issue is Rs. 1,01,72,610.

The additional capital that would be raised as a result of this issue would be utilized for purposes of completing buildings and equipment enabling the company thereby to complete its programme of 2,500 vehicles a year. So far as meeting the cost of imported plant is concerned there will not be any difficulty in regard to foreign exchange, as the cost of imported capital equipment would be met by the issue of equity shares of the Company to Leyland Motors Ltd., in the U.K. itself. This is significant.

The promising feature of the Company is that except in 1955, it has paid a good dividend annually since its inception. In the year 1956, a dividend of 6 per cent free of tax was paid after making provision for taxation and depreciation and after placing Rs. 15 lakhs to reserve. The bright record of the company and the promising future for India's expanding automobile industry make it certain that the company would continue to grow in strength. These features argue for the attractive offer.

HOUSING PROGRAMME

WHILE NO one would dispute that the housing schemes for low income groups should be pushed through, it is wondered how the 1,000 crores of rupees urban housing programme announced recently by Mr K. C. Reddy, Minister of Works, Housing and Supply would be achieved. The programme is to set up housing corporations in the various States that will provide loan finance, with the Central Government and State Governments giving subsidy. It is intended that these institutions will canalise into housing, funds drawn from the private sector as well as banks, investment companies and financial institutions supplemented by funds from the Life Insurance Corporation, the Employees Provident Fund Account and other sources. The Corporations will give long term loans on reasonable rates of interest. A separate department of housing is also being set up in the Ministry under a Housing Commission to see that the implementation of the housing schemes proceeds expeditiously and in an efficient manner.

The housing programme seems attractive, but it is out of tune with the priorities laid down in the second Five-Year Plan in the context of competing claims on limited resources. First of all there is the problem of adequate funds and, secondly, supply of Steel and Cement raises an element of uncertainty. To these and, similar stark problems, the Housing Scheme of the Government provides no satisfactory answer.

It will be interesting to watch whether the private sector or the financial institutions referred to above would be able to provide nearly Rs. 200 crores annually to execute the whole scheme. None of the financial institutions seems to be in a position to provide long term loans on the scale assumed in this programme. The vulnerable part of the projected programme is the financial resources to implement it. So far as Rs. 10 crores rural programme for housing is concerned, there is, of course, much to be said in its favour. It does not impose heavy demands on the financial resources; it can offer effective scope for mobilising rural savings and creating local employment of which there is great need.

PROSPECTUS

1. A copy of this Prospectus has been filed with the Registrar of Companies, Madras, for registration as required by Section 60 of the Companies Act, 1956.

2. Consent of the Central Government has been obtained to this issue by two Orders No. F. 21 (34) - CCI/55 dated 27-9-1955 and No. F. 21 (67) - CCI/56-286 dated 19-3-1957, of which complete copies are open to public inspection at the Registered Office of the Company at Ennore, Madras. It must be distinctly understood that in giving this consent the Government of India do not take any responsibility for the financial soundness of any Scheme or for the correctness of any of the statements made or opinions expressed with regard to them.

3. The subscription list will open at 10-30 A.M. on Friday, the 23rd day of August, 1957, and will remain open until Friday, the 6th day of September 1957, unless closed earlier at the discretion of the Directors but not before Friday, the 30th day of August, 1957.

ASHOK LEYLAND LIMITED

(Incorporated under the Companies Act, on 7th September, 1948.)

4. AUTHORISED CAPITAL

The Authorised Capital consists of 40,00,000 Equity Shares of Rs. 5/- each	Rs. 2,00,00,000
SUBSCRIBED AND FULLY PAID UP	
19,65,478 Equity Shares of Rs. 5/- each	Rs. 98,27,390
leaving a balance of 20,34,522 Equity Shares of Rs. 5 each available for subscription	Rs. 1,01,72,610

5. Particulars of the issues of Capital, all in Equity Shares of Rs. 5 each, which have been made during the past two years are given in the statement contained in paragraph 19 of this Prospectus.

This statement shows that at the date of this Prospectus Equity Shares of a total nominal value of Rs. 31,29,410 remained unsubscribed from previous issues. Of this amount Rs. 10,82,720 is reserved to be taken up by Leyland Motors Limited of Leyland, Lancashire, and Rs. 20,46,690 is available for issue at the discretion of the Directors.

At a General Meeting held on June 6, 1957, it was resolved to issue a further Rs. 70,43,200 nominal in Equity Shares of Rs. 5 each for payment in full at par and that of these shares Rs. 28,17,280 nominal be offered to Leyland Motors Ltd., and the balance, viz. Rs. 42,25,920 nominal be available for issue at the discretion of the Directors.

Pursuant of these Resolutions, the Directors have offered to Leyland Motors Ltd., who have agreed to take up shares of the nominal value of Rs. 52,29,170. The amounts payable in respect thereof will be subscribed in cash from time to time by Leyland Motors Ltd., normally as and when payments are made to them by the Company in respect of deliveries of Capital equipment. This amount of Rs. 52,29,170 includes Rs. 13,29,170 additional to the amounts mentioned in the preceding paragraphs as reserved for Leyland Motors necessary to bring the eventual total holding of Leyland Motors and other overseas holders in the equity Capital of the Company to 49 per cent in accordance with arrangements recently agreed with Government.

The total nominal amount of the present issue is therefore Rs. 49,43,440, viz. Rs. 1,01,72,610, the total unsubscribed capital, less Rs. 52,29,170 to be subscribed by Leyland Motors Ltd.

9,88,688 Equity Shares of the nominal value of Rs. 49,43,440 are accordingly offered to the Public in terms of this Prospectus for subscription at par Payable in full at the rate of Rs. 5 per share with application.

The shares now offered will rank for dividends and voting rights and for all purposes 'pari passu' with the existing shares except that they will be entitled to

participate in any dividend declared for the year 1957 at the next Annual General Meeting or by way of interim dividend or by way of final dividend so that the total dividend paid for the year 1957 in respect of the new shares shall be in proportion to the length of time, being part of the year 1957 during which the capital thereon is paid up and in proportion to the capital respectively paid up thereon and will thereafter rank 'pari passu' as to dividends and in every respect with the existing shares.

6. The Shares of the Company already issued are dealt in and are officially listed and quoted by the Madras Stock Exchange Association Ltd., Madras. An application has been made to the Madras Stock Exchange Association Ltd., Madras, for permission to deal in the shares now being offered and in due course for an official quotation.

7. Application for shares should be made for a minimum of 100 shares on the Form accompanying this Prospectus and delivered before the close of the subscription list to the Company's Bankers, namely:

- The State Bank of India — at all their branches in the Madras Circles and at their Branches at Bombay, Delhi, Calcutta, Hyderabad, Nagpur, Cuttack, Patna, Lucknow and Bhopal.
- Grindlays Bank Limited at any of their branches,

together with a remittance for the full nominal value at Rs. 5 per share.

8. DIRECTORS

- Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon). Chairman and Director, India Steamship Co. Ltd., Calcutta; Indo Commercial Bank Ltd., Mayuram; T. I. Cycles of India Ltd., Madras; Carborundum Universal Ltd., Madras; The Industrial Credit and Investment Corporation of India Ltd., etc. "Kensing-ton", Poonamallee High Road, Madras.—

CHAIRMAN

- Mr. A. E. L. Collins, B.Sc., M.I.E. (India) M. I. MECH. E. Director, Messrs. W. A. Beardsell & Co. (Private) Ltd., Madras. "Monteith House", Commander-in-Chief Road, Madras-8.—

MANAGING DIRECTOR

3. Sir Henry Spurrier,
Managing Director, Leyland Motors Ltd., Leyland
U.K.—DIRECTOR

Alternate Director:

Mr. I. G. Macintosh, Manager,
Grindlays Bank Ltd., Madras.

4. Mr. D. G. Stokes
Director and General Sales and Service Manager,
Leyland Motors Ltd., London.—DIRECTOR
5. Mrs. Raksha Saran
Director, Car Builders (Private) Ltd., Madras;
Saran Motors (Private) Ltd., New Delhi; Kapur-
thala Northern India Tanneries Ltd., Kapurthala etc.
9, Talkatora Road, New Delhi.—DIRECTOR

6. Sri A. M. M. Murugappa Chettiar
Director, T. I. Cycles of India Ltd., Madras; Car-
borundum Universal Ltd., Madras; Tube Products
of India Ltd., Madras; etc.
"Chamundeswari Baugh",
Santhome High Road, Mylapore, Madras-4.—
DIRECTOR

7. Sri N. Sundaresan
Retired Deputy Governor, Reserve Bank of India.
11, Breach Candy Gardens, Bombay-26.—
DIRECTOR

MANAGING DIRECTOR

Mr. A. E. L. Collins, B.Sc., M.I.E. (India), M. I. MECH. E.
"Montieth House," Commander-in-Chief Road,
Madras-8.

SECRETARY

Sri K. N. Gopalan, B.A., B.L.,
4, Atkinson Road, Madras-7.

BANKERS

The State Bank of India,
First Line Beach, Madras-1.
Messrs. Grindlays Bank Limited,
6, Armenian Street, Madras-1.

LEGAL ADVISER

Sri R. Narasimhachariar, B.A., B.L., Advocate, "Sarnath",
Dr. Rangachari Road, Mylapore, Madras-4.

AUDITORS

Messrs. M. S. Krishnaswami and Jagannathan,
Chartered Accountants,
5, Sambasivam Street, Madras-17.
Messrs. Suri & Co., Chartered Accountants,
1/29, Mount Road, Madras-2.

UNDERWRITERS

The Industrial Credit & Investment Corporation of
India Ltd., Fort House, 221, Dadabhoy Naoroji
Road, Bombay-1.

BROKERS

- (a) Messrs. Swastik & Company,
106, Armenian Street,
Madras-1.
- (b) Messrs. Chitra & Company,
Bombay Mutual Building Annexe,
322/23, Linghi Chetty St.,
Madras-1.
- (c) Messrs. Batlivala and Karani,
New Union Bank Building,
Dalal Street, Bombay-1.
- (d) Messrs. Premchand Roychand & Sons,
63, Apollo Street,
Bombay-1.
- (f) Messrs. Place, Siddons & Gough,
6, Lyons Range,
Calcutta-1.

REGISTERED OFFICE

ENNORE — Near Madras

The consent in writing of the above said Auditors,
Bankers, Brokers and Legal Advisers to act in their
respective capacities has been obtained.

OBJECTS OF THE COMPANY

9. The Company was incorporated in 1943 under the
name of Ashok Motors Ltd., which was subsequently
changed to ASHOK LEYLAND LTD., to assemble,
manufacture and trade in motor cars, motor buses and
trucks, diesel engines and all kinds of motor vehicles,
their parts, components and accessories.

The main object of the Company as contained in
the Company's Memorandum of Association is as follows:

To carry on the business of manufacturers, as-
semblers of, dealers in, hirers, repairers, cleaners,
storers, warehousemen, of motor cars, motor cycles,
cycle cars, motors, scooters, motor buses and lorries,
trucks, tractors, cycles, bicycles and carriages,
launches, boats and ships, vans, aeroplanes, hydro-
planes and other vehicles and conveyances of all
description for carrying passengers or their personal
goods, commodities, produce, cargoes and other things
on land or sea or by air (all hereinafter comprised
in the term "motors and other things") whether
propelled or assisted by means of petrol, spirit,
steam, gas, electrical, animal or other powers, and all
engines, chassis, bodies, turbines, tanks, tools, imple-
ments, accessories and other things, materials and
products used for, in or in connection with motors
and other things.

The Company obtained a certificate of commence-
ment on 14-12-1948 and has been carrying on business
since then. Initially, the Company was engaged in
assembling Austin cars and trucks. In 1950, the assem-
bly of Leyland Commercial vehicles was added to its
activities. Steady progress was made in the volume of
production and Ashok Motors Limited became recog-
nised throughout India as one of the pioneers of a new
industry.

When in 1953, the Government of India, on the
advice of the Tariff Commission, selected five firms as
the approved Manufacturers of Automobiles in India,
Ashok Motors Limited, now Ashok Leyland Limited,
was one of the five. At that time, the Company was
assigned 'inter alia' the role of manufacturing heavy duty
commercial vehicles. It was decided in the latter
part of 1952 to discontinue the assembly of Austin
vehicles and to concentrate on the production of Ley-
land Heavy Duty Commercial vehicles for passenger
and for goods transport.

A phased manufacturing programme for the pro-
duction of Leyland "Comet" Chassis was submitted
to the Government of India and approved in March
1954. The Company expressed its intention to extend
manufacture to the complete range of Leyland Com-
mercial vehicles in due course. Leyland vehicles are
world renowned and Leyland Motors Limited of Ley-
land, Lancashire, England, are one of the largest manu-
facturers of heavy duty buses and trucks. Their
range, including vehicles manufactured by subsidiary
Companies in their group, covers buses for every type
of duty including the clutchless high performance
Royal Tiger Worldmaster Chassis with underfloor
engine designed for gross loads up to 15 tons. Ope-
rating as a single deck passenger vehicle and the
"Atlantian" double deck bus which is the most advan-
ced vehicle of the class in the world today, with seating
capacity for 78 passengers. In the goods range, lorries
are available for loads up to 60 tons and includes single
vehicles such as the "Octopus" which without any form
of articulated trailer can accommodate gross loads up
to nearly 25 tons. All these chassis are powered by
the famous Leyland range of direct injection 6-cylinder
engines.

The objects before this Company therefore are,
commencing with the Leyland "Comet" Chassis, de-
signed for gross loads up to 12 tons, to establish the
manufacture of a range of Commercial vehicles com-
parable to the range offered by Leyland Motors Limited
in the United Kingdom and including the manufacture
of the Leyland range of diesel engines. In due course,

it will be the Company's object not only to produce
for the Indian market but also to export to Overseas
markets.

DEVELOPMENT

10. Under the Agreement dated 5-12-1955, planning
of production including manufacture of jigs and fixtures
was to be undertaken by Leyland until competent staff
could be trained in India, the services of Leyland
Technicians were to be available to assist with the
training of staff and the development of efficient mate-
rial control, planning and production control in India,
and facilities were to be provided at Leyland for the
training of Indian personnel.

By the end of 1955, initial planning being complete
and the delivery in India of machine tools, jigs and
other factory equipment having commenced, imple-
mentation of the manufacturing programme was start-
ed. Progress since then has been continuous and at
present after a little over one year from the inaugu-
ration of manufacture, 15.80 per cent of the c.i.f. value
of the Leyland "Comet" is produced in Madras.

FINANCIAL BACKGROUND

11. In the original agreement dated 5-12-1955 con-
cluded between the Company and Leyland Motors
Limited of Leyland, Lancashire, with the approval of
the Government of India, it was provided that the
eventual contribution by Leyland Motors might be
Rs. 80 lakhs, i.e. 40 per cent of the Company's autho-
rised capital of Rs. 2 crores. Pursuant to this arrange-
ment, the capital has been increased from time to time
until the paid up Ordinary Capital amounted to ap-
proximately Rs. 95 lakhs, of which Leyland Motors
held Rs. 38 lakhs. The sanctions granted by the Con-
troller of Capital Issues provide for issue up to 40 per
cent of the capital to non-resident shareholders.

Government have recently agreed that the partici-
pation of Leyland Motors may be increased to 49 per
cent, whereafter the paid up capital was increased to ap-
proximately Rs. 98 lakhs, of which Leyland Motors
held Rs. 41 lakhs. The Company has applied to the
Controller of Capital Issues to increase the percentage
of shares to be issued to non-residents from 40 per cent
to 49 per cent of the capital. The present issue will
bring the total subscribed capital to Rs. 2 crores, of
which Leyland Motors will hold Rs. 98 lakhs. The
purpose of the Issue is to meet Capital and other ex-
penditure as hereinafter mentioned.

OBJECTS OF THE ISSUE

12. The additional capital to be raised as the result
of the present issue is required for the purposes of
completing buildings and equipment necessary to enable
the Company to increase production, in accordance with
the programme of progressive manufacture, up to a
total of 2,500 vehicles per annum.

It is to be noted that the original estimates of the
Capital needed to implement the programme for full
scale manufacture of Leyland "Comet" buses and trucks,
viz. Rs. 2 crores, is likely to prove correct. The sum
of Rs. 1,01,72,610 to be raised by this issue and by the

subscription of shares to be taken up by Leyland Motors
Ltd. will be utilised as follows:

(a) To finance the balance of the building programme and to pur- chase additional factory equip- ment	Rs.	50,00,000
(b) To repay money borrowed for erection of buildings and pur- chase of plant and machinery	Rs.	25,00,000
(c) For addition to working capital	Rs.	23,00,000
(d) For expenses of the Issue	Rs.	2,20,000
(e) Contingencies, being the balance	Rs.	1,52,610
TOTAL	Rs.	1,01,72,610

Automobile manufacture requires substantial work-
ing capital to cover stocks of raw materials, work-in-
progress and finished components awaiting assembly.
In addition to the amount provided for working capital
above the Company will make use of substantial loans
from its Bankers secured on its stocks of raw materials,
work-in-progress etc.

FOREIGN EXCHANGE

13. The Company does not anticipate and problem
in the provision of foreign exchange for meeting the
cost of imported plant, etc. necessary for the expan-
sion programme to be financed from the present issues,
since the cost of imported capital equipment is expect-
ed to be met by the issue of Equity Shares of the Com-
pany to Leyland Motors Ltd., in the U.K., as herein-
before mentioned.

PROSPECTS AND PROFITS

14. Except in respect of the year 1955, the Com-
pany has paid a dividend annually since its inception.
The year 1955 was exceptional in which heavy items
of non-recurring expenditure, such as the payment of
compensation to Managing Agents, writing down the
value of Austin Spares since the assembly of Austin
vehicles has been discontinued, made it inexpedient to
declare a dividend. The working results for 1956 were
good and a dividend of 6 per cent free of tax was paid
after making provision for taxation and depreciation
and after placing Rs. 1.5 lakhs to Reserve.

Sales of "Comet" trucks which amounted to 159
in 1953 have steadily increased and are expected to
reach a total of 1,000 for 1957, which, in the Company's
planning was regarded as a level of production and
sales which would achieve economic results. The ris-
ing demand leads the Company to proceed with its
plans to increase capacity to 2,500 vehicles per
annum, and, given reasonable trading conditions, the
Company expects to be in a position to continue to pay
Dividends on the capital as increased as the result of
this issue.

Leyland vehicles are noted for their long life. The
average life of those now being put on the roads is
estimated at a minimum of 12 years. In many cases
Leyland vehicles remain in service for 20 years or
more. After two or three years service replacement of
worn parts commences during routine overhauls.
There will, therefore, during the coming years, be a
considerable increase in the sale of spare parts which
will have a beneficial effect on the Company's ability to
make reasonable profits.

15. The following is a copy of the report of the
Company's Auditors Messrs. M. S. Krishnaswami and
Jagannathan and Messrs. Suri and Co., Chartered
Accountants.

ASHOK LEYLAND LIMITED

ENNORE, MADRAS

We have examined the accounts of Ashok Leyland
Limited for the five years ending 31st December, 1956,
and in accordance with the provisions of Clause 24 of
Part II of Schedule II of the Companies Act, 1956, we

report as follows. A summary of the Profit and Loss
Accounts for the Company for these years together
with the adjustments to be made is given hereunder:

Year Ended 31st December	1952 Rs.	1953 Rs.	1954 Rs.	1955 Rs.	1956 Rs.
Sales, closing stock and miscellaneous revenue:	2,04,52,081	1,76,98,569	1,50,65,753	2,48,49,459	4,26,58,648
Non-recurring item for which adjustment is necessary:					
Profit on sale of assets:	14,017	42,645	398	8,282	14,909
	2,04,66,098	1,77,41,214	1,50,06,151	2,48,57,741	4,28,93,557
Opening stock, purchases and other expenses including normal depreciation:	1,95,40,043	1,71,79,575	1,45,62,494	2,43,83,298	4,20,24,943
Non-recurring items for which adjustment is necessary:	1,500				
Brokerage on shares	4,42,271	1,17,495	40,246	36,774	
Initial and extra depreciation:	1,100	2,100		3,150	1,000
Donations and Charities:					
Compensation for termination of Managing Agency:				2,50,000	
Payment to former Managing Agents:					11,924
	1,99,84,914	1,72,99,170	1,46,02,740	2,46,78,222	4,20,37,867
Net Profits Subject to Income Tax:	4,81,134	4,42,044	4,03,411	1,79,519	8,55,690
Percentage of					
Dividend 'A' :	5%	5%	5%	Nil	6%
" 'B' :	5%	5%	5%	Nil	6%

We further report that no dividends have been paid in respect of the year ended 31st December, 1955. No accounts of the Company have been made up since 31st December, 1956.

'A' and 'B' Class shares of the Company were converted into equity shares of Rs. 5 each during 1955.

The Assets and Liabilities of the Company as at 31st December, 1956, as disclosed by the Audited Balance Sheet, were as follows:

1. Fixed Assets less Depreciation:					
2. Investments:				Rs. 46,94,617	
3. Current Assets:				500	
Stores:					
Stock-in-trade:		Rs. 1,19,589			
Sundry Debtors:		1,39,87,918			
		25,75,966			
4. Advances, Deposits and Prepaid Expenses:				1,66,83,473	
5. Cash and Bank Balances:				10,75,464	
				4,70,406	
					Rs. 2,29,24,460
Less Liabilities:					
1. Secured Loans:					
2. Current Liabilities and Provisions —					
(Including proposed dividend of Rs. 3,56,580)					
					83,41,653
					53,18,553
					1,36,60,206
					Rs. 92,64,254
Share Capital: 17,13,360 Equity shares of Rs. 5 each fully paid-up:					85,66,800
Reserve and surplus					6,97,454
					Rs. 92,64,254

NOTE:

- The stock-in-trade includes Austin and Proprietary Parts, the original book value of which as on 1-1-1955 was Rs. 26,09,925 (the sales value of which cannot readily be ascertained). After taking into account subsequent purchases and sales and writing down the value by Rs. 3,59,712 out of profits of the year 1955 and Rs. 1,78,418 out of the profits of the year 1956, the value of these parts stood at Rs. 15 lakhs as at 31-12-1956.
- There is a Contingent Liability for Madras Sales Tax amounting to Rs. 4,77,014 not provided for in the accounts, as the matter is under appeal.
- Since the Company's Accounts were made up at the end of 1956, the paid up Capital has been increased to Rs. 98,27,390.

Signed

(i) M. S. Krishnaswami and Jagannathan
(ii) Suri and Company

Chartered Accountants

Dated, 8-7-1957.

MINIMUM SUBSCRIPTION

16. The minimum subscription upon which the Directors will proceed to allotment is Rs. 49,43,440; subscription of this amount is assured by reason of the underwriting to which reference is made below. This sum together with the amount to be subscribed by Leyland Motors Ltd., in respect of shares reserved for

them, viz. Rs. 52,29,170 will cover the total expenditure of Rs. 1,01,72,610 hereinbefore set out.

VOTING RIGHTS

17. Under Article 92, as modified by Section 87 of the Companies Act, on a show of hands every member present in person shall have one vote and upon a poll, every holder of shares present in person or by proxy

shall have voting rights in proportion to his share of the paid up equity Capital of the Company.

RESTRICTION OF RIGHT TO TRANSFER

18. The Directors may decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid-up, may refuse to register a transfer to a transferee of whom they do not approve.

PAST OFFERS AND ALLOTMENTS OF SHARES

19. The following is the statement required by the Companies Act, 1956, of shares offered, allotted and paid up during the past two years, viz.

(The amounts quoted are nominal values of Equity Shares of Rs. 5 each.)

	Paid-up capital
The total Equity Capital issued and paid-up as on July 31, 1955, was	Rs. 54,56,800
On the following dates shares were offered, allotted and fully paid-up:	
On 1-2-1956	Rs. 10,000
" 2-3-1956	" 4,00,000
" 4-5-1956	" 5,00,000
" 21-6-1956	" 5,00,000
" 20-8-1956	" 5,40,000
" 19-9-1956	" 60,000
" 14-11-1956	" 5,00,000
" 28-11-1956	" 6,00,000
" 15-3-1957	" 3,00,000
" 28-3-1957	" 2,00,000
" 27-6-1957	" 3,00,000
	39,10,000

On 5-12-1956 shares of the value of Rs. 25,17,280 were offered and thereagainst the following amounts were allotted and paid-up:

On 8-2-1957	Rs. 1,60,540
" 22-3-1957	" 3,00,050
	4,60,590
	Rs. 98,27,390

The amount remaining unsubscribed from the offer dated 5-12-1956 was Rs. 20,56,690 to which must be added Rs. 10,72,720 shares unsubscribed from issues prior to 31-7-1955 making the total issued but unsubscribed capital at the date of this Prospectus Rs. 31,29,410.

SHARE CERTIFICATES

20. Every member shall be entitled to one certificate for the shares registered in his name, or if the Directors so approved to several certificates, each for one or more of such shares, in terms of the Articles of Association of the Company.

UNDERWRITING

21. The Industrial Credit and Investment Corporation of India Limited, Fort House, 221, Dadabhoi Naoroji Road, Bombay 1, have agreed to underwrite 9,88,688 Ordinary Shares of the nominal value of Rs. 49,43,440. The Directors are of the opinion that the resources of the Underwriters are sufficient to discharge their underwriting obligation.

UNDERWRITING COMMISSION

22. Underwriting commission at the rate of 2½% of the total nominal value of the shares underwritten, viz. Rs. 49,43,440 is payable to The Industrial Credit and Investment Corporation of India Limited, in accordance with the terms of Agreement contained in letter dated 27th July, 1957, from the Underwriters and the Company's acceptance thereof, dated 29th July, 1957.

BROKERAGE

23. Brokerage will be paid by the Company to recognised Brokers and Banks at the rate of 1 per cent

on the nominal value of shares allotted in respect of applications bearing their stamps.

Brokerage on the same basis will be payable to The Industrial Credit and Investment Corporation of India Limited, in addition to the underwriting commission, on allotments in respect of applications made or procured by them provided that the relative forms of applications bear their stamp.

EXPENSES OF THE ISSUE

24. The expenses of the issue, other than brokerage and underwriting commission, are estimated to amount to Rs. 35,000 and will be payable by the Company.

DIRECTORS AND MANAGEMENT

25. (i) The number of Directors shall be not less than 7 or more than 15.

(ii) The qualifications of a Director shall be the holding in his own right of shares of the nominal value of not less than Rs. 5,000.

(iii) Until otherwise determined by the Company's General Meeting, every Director including the Managing Director shall receive out of the funds of the Company by way of remuneration a sum of Rs. 100 for each meeting attended by him, and all travelling and other expenses properly incurred by them in or with a view to the performance of their duties.

(iv) If any Directors, being willing, shall be called upon to perform extra services or to make any special exertion in going or residing away from his home town for any of the purposes of the Company or giving any special attention to the business of the Company or be appointed to discharge the duties of any office under the Company, then the Company may remunerate the Director so going or so giving special attention or being so appointed either by a fixed sum or by a percentage on profits or otherwise as may be decided by the Directors and such remuneration may be either in addition to or in substitution of his share in the remuneration above provided for the Directors.

MANAGING DIRECTOR

26. Mr. A. E. L. Collins is the Managing Director of the Company. He has been appointed under an agreement dated 25-2-1955 as the Managing Director for a period of 5 years from that date. Sanction of the Central Government to his appointment has been obtained.

Subject to the control of the Board of Directors the business of the Company is carried on by the Managing Director.

The remuneration of the Managing Director is a salary of £3,500 per year and an allowance of £1,000 per year or the Rupee equivalent thereof, both payable in monthly instalments, together with such bonus, if any, as the Board of Directors may decide.

BORROWING POWERS

27. The Directors may from time to time at their absolute discretion raise or borrow any sum or sums of money as they may consider necessary for the purposes of the Company from any person, Company or Bank, so that the amount at any one time owing in respect of moneys so borrowed or raised shall not without the further sanction of the General Meeting exceed Rupees 1 crore.

INTEREST OF DIRECTORS

28. Sir Ramaswami Mudaliar, the Chairman of the Company, is also a shareholder in and the Chairman of The Industrial Credit and Investment Corporation of

India Limited, and as such is interested in the underwriting contract between Ashok Leyland Ltd. and The Industrial Credit and Investment Corporation of India Ltd., to which reference has been made.

Sir Henry Spurrier and Mr. D. G. Stokes, Directors of this Company, are also Directors of and Shareholders in Leyland Motors Ltd., and as such are interested in all transactions with that Company.

Mr. I. G. Macintosh, alternate Director of the Company is the Manager of the Madras Branch of Grindlays Bank Ltd., one of the Company's Bankers.

Mr. A. E. L. Collins is the Managing Director of this Company and as such is interested in the remuneration payable to him.

AGREEMENTS OR CONTRACTS

29. The following Contracts or Agreements have been entered into and are or may be material:

- (a) An agreement called the Financial Agreement dated 5th December, 1955, between the Company and Leyland Motors Ltd., Leyland U.K.
- (b) An Agreement called the Manufacturing Agreement dated 5th December, 1955, between the Company and Leyland Motors Ltd., Leyland, U.K.
- (c) An Agreement dated 25th February, 1955, between the Company and Mr. A. E. L. Collins, appointing Mr. Collins as the Managing Director of the Company.
- (d) Letter dated 27th July, 1957, from The Industrial Credit and Investment Corporation of India Ltd., making an offer to underwrite and the Company's acceptance thereof, dated 29th July, 1957.
- (e) Letter dated 20th June, 1957, from the Government of India agreeing to Leyland Motors Ltd.'s subscription of 49 per cent of the Company's capital.
- (f) Letters dated 20th May, 1957, and 28th June, 1957, from Leyland Motors Ltd., agreeing to subscribe 49 per cent of the Company's capital.

DOCUMENTS

30. The following documents can be inspected at the Registered Office of the Company at any time during business hours of a period of 14 days from the date of publication of this Prospectus or until subscription list closes, whichever is earlier.

1. Copy of the 'Memorandum' and 'Articles of Association of the Company.
2. Copies of the Agreements referred to in paragraph above.
3. Copy of Auditors' Report and copies of Balance Sheet and Profit and Loss Accounts upon which the report is based.
4. Original consent orders from the Controller of Capital Issues.

31. Further copies of the Prospectus and the application forms will be available at the said office of the Bankers, from the Brokers to the issue named above, from the Underwriters and from the Company's Registered and City Offices at Madras. Where no allotment is made the deposit will be returned in full and where a partial allotment is made, the unutilised balance will be returned. The Directors reserve the right to refuse any application wholly or in part without assigning any reason. Failure to pay any amount due on the shares allotted when due will render previous pay-

ments liable to forfeiture. The shares when issued will be subject to the Memorandum and Articles of Association of the Company, a copy of which may be inspected during business hours at the Registered Office of the Company and the City Office at Bank of Mysore Buildings, N. S. C. Bose Road, Madras 1. The Share Certificates will be issued within three months of the date of allotment.

Dated this First day of August, 1957.

Signed

A. Ramaswami Mudaliar

A. M. M. Murugappa Chettiar

Raksha Saran

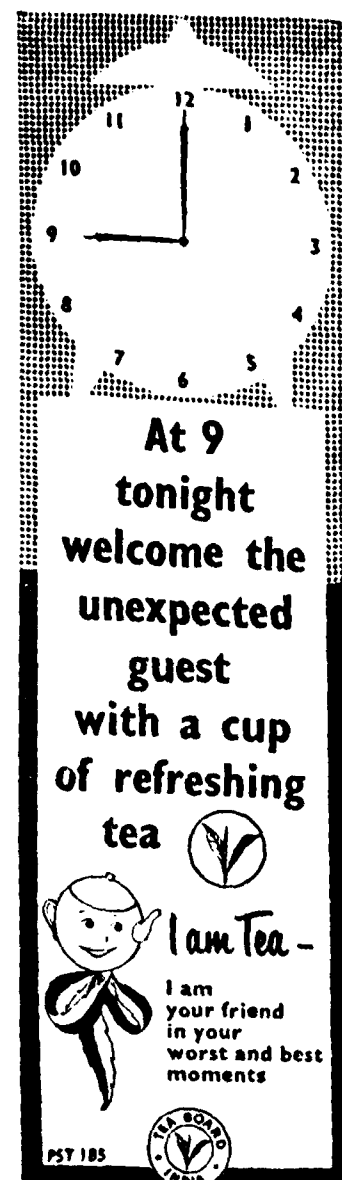
A. E. L. Collins

A. E. L. Collin for D. G. Stokes

I. G. Macintosh

I. G. Macintosh for Henry Spurrier

K. N. Gopalan for N. Sundaresan



Economic Report from the U. S.

ECONOMIC DEVELOPMENT

(By GUY SIMS FITCH)

NEW YORK, August 20.—Among American economists and business men the question is now being raised whether the U.S. is entering perhaps a new phase in its economic development. According to those inclined to this belief, the first post-war phase of rapid growth may be coming to an end and what may lie ahead are a few years in which the remarkable gains of the past decade will be consolidated, to be followed by another upsurge in the 1960's. It should be noted that this view does not reflect in any sense a fear of economic decline. Continued growth is still the byword, though possibly at a slower rate.

Those who hold this view point out that the gross national product of the United States — its total output of goods and services — shot up from \$232,000 million in 1947 to \$415,000 million in 1956. If allowance is made for the change in the value of the dollar, the real expansion was a phenomenal 43 per cent. Instrumental in this growth have been such factors as the expansion in the money supply and huge increases in business and personal assets, to say nothing of the spectacular technological progress, as seen in the rapid growth of such industries as electronics, chemicals and atomic energy. Now there is a feeling that the earlier forces may be spending themselves. Money, for instance, is tighter, and the initial burst of expansion in such new consumer industries as television and pharmaceuticals seems to be settling down to a steadier pace.

Thus, technological progress, while continuing, may not be as dramatic or as stimulating as in the early post-war period. The vast sums business men are putting into research and development will be important sustaining factors in the economy, of course. But their full effect may well be felt later, the day after tomorrow rather than tomorrow — that is, when they begin to "pay off" in the form of greatly improved or wholly new consumer and industrial products. Another factor to be considered is the nation's changing population pattern. The relatively low birth rate of the 1930's could lead to a slower rate of household formation and a less expensive market for houses, furnishings and automobiles during the years immediately ahead. By the mid-1960's, however, the higher birth rates of the 1940's and 1950's would begin to work as new, growth-accelerating factors.

These projections seem to be substantiated in a special opinion survey among U.S. business leaders by the noted American magazine, 'Business Week'. The survey indicates that business men, while they anticipate no slowdown in their spending on new plant and equipment in the next few years, are no longer thinking in terms of a break-neck race to expand production. A greater proportion of outlays may be going into improving the efficiency, as against expanding the capacity, or facilities. None of the executives queried

foresees any reversal of the post-war growth trend. Most expect the gross national product to exceed \$500,000 million — in constant prices — by the early 1960's, and then to jump to nearly \$600,000 million a year by 1965. It is significant that virtually the same projection of future trends — a temporary slowing down of the explosive post-war expansion — were offered in a similar survey of business opinion during the 1955-56 upsurge, when the U.S. economy was advancing at a much faster rate than it is now. This would seem to support the soundness of the present estimates.

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PGW.6-153

Company Meeting

THE BHARAT LINE LIMITED

CHAIRMAN'S SPEECH

Speech delivered by Shri C. R. Srinivasan, Chairman of The Bharat Line Limited, at the Eleventh Ordinary General Meeting of Shareholders held on August 17, 1957.

Gentlemen,

I have great pleasure in extending to you a cordial welcome to the Eleventh Ordinary General Meeting of the Company. The Directors' Report and the audited Balance Sheet and Profit and Loss Account have been in your hands for some time now, I trust I have your permission to take them as read.

These accounts have been prepared in conformity with the provisions of the new Companies Act and that accounts for the somewhat bulky volume placed in your hands. A number of resolutions have to be passed as Special Resolutions following the directions in the new Act. You might remember that in referring to these provisions last year I said that in parts it imposes a vexatious burden on freedom of enterprise. These seem to have registered in the right quarters and Government have now appointed a Committee to go into the question of revision of the Companies Act suitably. The Committee is now going the round of the country collecting data and it may take some time for final proposals to emerge; but I hope that, as a result of this inquest, reforms wherever needed will be forthcoming in adequate measure.

The second Five-Year Plan to recover and recondition the economy of the country was cast, as you are aware, on a more ambitious scale, with the emphasis shifted to the industrial sector. The first year of the second Five-Year Plan has concluded and there are now definite indications that the size of the Plan may well be beyond the resources at our disposal. Fresh taxation measures on a wide front have been introduced and their disturbing effects both among the investors and the business community are clearly discernible; there are many who have begun to wonder whether the gains are not more than offset by the losses. Students of Public Finance will concede that there is a limit beyond which it would be unwise to push the present generation for the benefit of succeeding generations. It is a moot question whether we have reached that stage in the name of rationalisation of the tax-structure. Apart from this, the need of the moment for servicing the second Five-Year Plan, it is relevant to point out, is not so much internal resources as international resources. We have run almost to the end of our accumulated foreign exchange resources and unless ways and means are found to replenish these resources, I am afraid, need will presently arise to rephase the second Five-Year Plan in respect of priorities and preferences *inter se*. Meanwhile, the Private Sector has been advised to seek extended credit facilities for the import of capital goods and it is becoming increasingly clear that foreign exchange releases will be severely rationed and restricted during the next few years. It is against this background that one has to judge the prospects of industrial expansion of the country in the coming years. Throughout the year under report money continued to be tight and in the closing months of the year credit facilities for established businesses were beginning to be rationed. In the share market there was a psychological malaise which cramped and cabinised normal investments with the result that few new floatations ventured on the market. In my view, the time has arrived when concrete and constructive steps should be taken to restore to confidence of the business community and recharge them with faith and hope.

This applies with equal force to the shipping industry. In an expanding economy transport, it is obvious, will prove the bottleneck and therefore every means of transport, whether it is by road, rail or sea, should be tuned and turned to service the economy. The acquisition of new bottoms for sea transport calls for large investments and if funds are available, unless there is sufficient assurance that its economy will be protected in actual working, there will be little temptation to advance and adventure further. Repeated representations, for example, have been made that the prevalent freight rates were uneconomic, but the tardy relief that was doled out in grudging measure was offset by fresh demands from Labour. Now that there is a separate Minister in charge of Transport and Communications, may we hope that he will be fully seized of the picture and take steps to render prompt relief wherever necessary. In addition to the Eastern Shipping Corporation already operating, a Western Shipping Corporation, similarly state-owned, directed and controlled, has been integrated. In this context, it would be wise clearly to define the bounds of the private and the public sectors in the shipping industry. So far as coastal trade is concerned, if private enterprise is to give of its best, it should be enabled substantially to increase its tonnage. This is possible only if Government come to their help and it can be done if sustained efforts are made by the Government to acquire from the Government of the U.S.A. a few of the Moth-Ball "Liberty" Ships on lend-lease terms. As one who has just returned from America and had opportunities to take soundings in this respect, I believe the prospects are good if a proper approach is made.

It is not my intention this year to review in detail the specific problems pertaining to the shipping industry and catalogue our misery. I will only say that conditions at the ports show no signs of improvement. I pointed out in 1955, that the total detention cost due to port congestion during 1954 equalled in value the full time operation of an 8000 D.W.T. ship for a period of 179 days, or nearly six months, for our Company; the 179 days that I referred to had increased to 299 days in 1955 and 398 days in 1956, I agree that in an expanding economy this is bound to happen with the limited resources at our disposal. I wonder, however, if any efforts have been made to survey and service minor ports on our long coastline which, over a long period of neglect, have fallen into disuse. This is a matter of urgency and importance and will repay attention.

The working of the Company and its financial position have been well brought out by the Directors of the Company in their Report in your hands and I trust you will find them satisfactory.

I shall now conclude expressing my thanks for the uniform co-operation I have received from my colleagues on the Board as well as from the Management and I again bear testimony to the good work of the staff both ashore and afloat. I now formally move that the Directors' Report and the audited Balance Sheet and Profit and Loss Account for the year ended December 31, 1956, already duly sent to the Shareholders, be and are hereby adopted.

COMPANY AFFAIRS

THE TEESTA VALLEY TEA COMPANY, LTD.

The working results of the Company for the year ended December 31, 1956, show that it was a favourable year for the industry. The gross profit was Rs. 3,36,224 against last year's Rs. 1,93,802. The sales of tea improved substantially from Rs. 6,97,482 in 1955 to Rs. 10,68,099 during the year under review. Provision for taxation was made to the extent of Rs. 1,00,284 and that for depreciation, Rs. 45,085. After these adjustments and including the balance brought forward from 1955, a total of Rs. 2,54,831 was available for distribution. An interim dividend of 10 per cent was paid on June 25, 1957, absorbing Rs. 32,000. Final dividend of 15 per cent, making a total of 25 per cent during the year, has been proposed to be distributed absorbing an amount of Rs. 48,000. A sum of Rs. 1,00,000 has been allocated to Renewals and Additions Reserve and Rs. 20,000 to Staff Reserve and an amount of Rs. 54,831 has been proposed to be carried forward to 1957.

The Company has to undertake Renovation of factory building with improvement of withering accommodation, and has to provide for adequate water supply.

THE GIELLA TEA COMPANY LTD.

In spite of the unfavourable circumstances stated below, during the year ended December 31, 1956, the Company converted the net loss of Rs. 62,815 during 1955 into a gross profit of Rs. 70,718 during the year under review. Whether generally was seasonable but pruned areas were severely attacked by red spider early in the year and from the end of August blight was general and as a result a total crop of 2,28,183 lbs of tea was made against an estimate of 2,64,000 lbs. The net average sale price per lb of tea was Rs. 3.01 against Rs. 2.11 during the previous year, therefore the sale proceeds were Rs. 6,30,961 against Rs. 3,64,448 during 1955.

Out of the year's gross profit of Rs. 70,718, Rs. 32,273 have been provided for depreciation and replacement assets. After allowing for the other adjustments there is a net profit of Rs. 20,043 and a final debit balance on this account of Rs. 5,922 is carried forward to 1957.

Having regard to the financial circumstances of the Company the Managing Agents have offered to forgo one half of their agency remuneration, which has been accepted.

THE CHEMBRA PEAK ESTATES LTD.

The year ended March 31, 1957 has turned out to be the most favourable one for the Chembra Peak Estates Ltd. The distinguishing features of its results for the year under review are: a record production of both tea and coffee and a substantial improvement in earnings. The gross profit for the year at Rs. 9.39 lakhs, which constitutes a record in the Company's history, is more than double that earned in the previous year at Rs. 4.35 lakhs. The net profit, after providing for Managing Agents' commission and depreciation and after substantially raising the allocation for taxation from Rs. 1.13 lakhs to Rs. 4 lakhs, also stands appreciably higher at Rs. 4.17 lakhs, as compared with Rs. 1.87 lakhs for the previous year.

In view of the encouraging results, the Directors have raised the dividend to shareholders from 10 per cent to 20 per cent, thereby restoring the cut in dividend made last year. Likewise, the allocation to the general reserve also has been raised to Rs. 2 lakhs from Rs. 1.50 lakhs a year ago, though it still falls short of the provision made from the profit for 1954-55 by Rs. 50,000.

THE FORT WILLIAM JUTE CO. LTD.

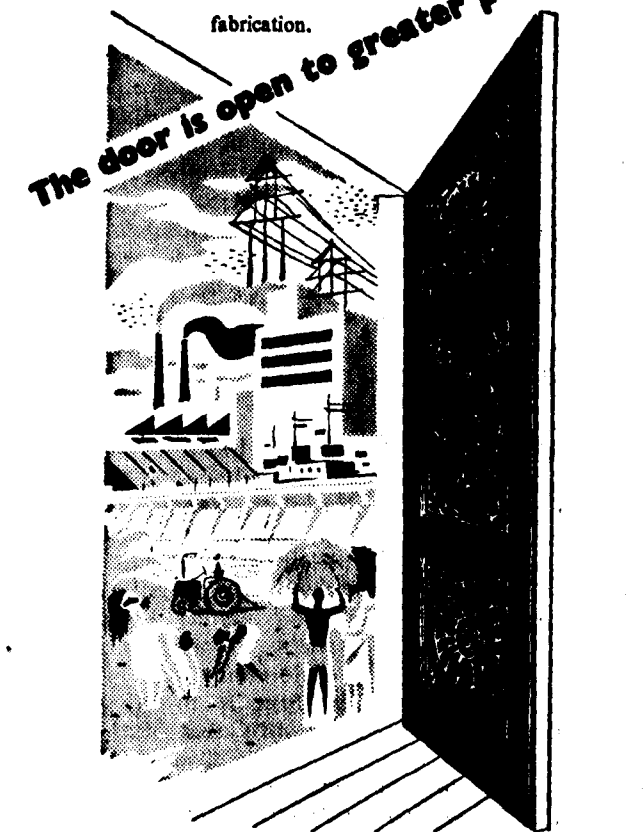
The profit and loss account of the company for the year ended March 31, 1957 shows a net profit of Rs. 5,71,100 after providing Rs. 3,98,071 for depreciation. To this has been added an amount of Rs. 1,34,822 brought forward from the previous year. An interim dividend paid on 10,000, 7% Cumulative Preference shares at the rate of Rs. 3.50 per share without any deduction for income tax payable by the company has absorbed Rs. 35,000, leaving a balance of Rs. 6,70,922. A sum of Rs. 1,50,000 has been proposed to be transferred to the General Reserve. The payment of dividend on 2,10,000 Ordinary shares of Rs. 10 each at the rate of Rs. 1.50 per share for the year ended March 31, 1957, without any deduction for income tax payable by the company has absorbed another sum of Rs. 3,15,000. The company has decided to carry forward Rs. 1,70,922 to next year.

In accordance with the main and supplementary Working Time Agreement of the Indian Jute Mills Association, the mills worked 48 hours per week with 5% of the total looms sealed up to July 15, 1956. But in view of the highly unsatisfactory stock position an additional 2½% of the total looms were sealed with effect from July 16, 1956 and a further 5% from September 17, 1956.

INDIAN OXYGEN is playing

a vital role in building a more powerful and self-sufficient India in the Second Five-Year Plan.

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PRIVATE LTD.

10/8/57

COMMODITY NEWS AND NOTES

PRODUCTION AND EXPORT OF COFFEE

Shri Morarji Desai, Minister for Commerce and Industry, revealed in the Rajya Sabha in a written reply to a question by Shri M. Valiulla that the estimated production of coffee during 1956-57 crop year (from July to June) was 41,565 tons. Out of this, 15,150 tons of coffee had so far been allocated for export. The preliminary estimate for the 1957-58 crop was 35,750 tons. The Deputy Minister for Commerce and Industry, Shri Satish Chandra, replying to another question by the same Member said that out of the 1956-57 crop, 725 tons of coffee had been sold to the Soviet Union through the State Trading Corporation. A sizeable quantity had been earmarked for export to specified countries. Shri Satish Chandra said that there was an unsold stock of coffee in the Coffee Board's accounts at present. Asked whether the cost of production had gone up, he said, the cost was likely to have gone up owing to the recent increase in wages, liability on the industry to contribute to the Employees' Provident Fund and implementation of the provisions of the Plantation Labour Act. The exact quantum of increase was, however, not known.

SECOND ESTIMATE OF POTATOES FOR 1956-57

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India second estimate of potatoes for 1956-57, plus that year's area and production at 691,000 acres and 1,599,000 tons, as against the corresponding adjusted estimates of 667,000 acres and 1,649,000 tons for 1955-56. This shows an increase of 24,000 acres or 3.6 per cent in area and a decrease of 50,000 tons or 3.0 per cent in production over 1955-56.

The increase in area during the current year has been shared by almost all the major potato growing States, except Uttar Pradesh and Himachal Pradesh. This increase is particularly marked in the case of Bihar and Bombay States and has been attributed to favourable climatic conditions at the time of sowing. Despite increase in acreage, the production during the current year has declined. The decrease in production has been shared mainly by Uttar Pradesh, West Bengal and Assam and has been attributed to unfavourable weather conditions during the growing period. This decrease has, however, been offset to some extent by increases reported mainly by Bihar, Bombay and Punjab States. This estimate gives information up to the end of May 1957. In this estimate, acreage data relates to both winter and summer crops, while production data are given only in respect of winter potato. Production data for summer crops will become available at the final estimate stage only. Past experience has shown that the area at the final estimate stage is slightly higher than those given in the second estimate.

ISI CERTIFICATION MARK FOR CEMENT

The Indian Standards Institution has recently granted a licence for the use of its Certification Mark for portland cement to the India Cements Ltd., Sankarnagar, Talaiyutha, District Tirunelveli. The Certification Mark, consisting of the monogram of the Indian Standards Institution and number designation of Indian standard being inscribed in the top side of the monogram, will be applied to gunny bags in which cement manufactured by the firm is to be packed. The Certification Mark will certify that contents of the bag satisfy all the requirements given in IS: 269-1951 Indian standard specification for ordinary, rapid hardening and low heat portland cement. The use of the Certification Mark for cement is a great step taken by the Institution in making available to the common consumer goods of standard quality. If there is any complaint regarding quality of cement packed

in a bag bearing the ISI Certification Mark, it may be brought to the notice of the licensee as well as the Institution, 19 University Road, Delhi.

IMPORT OF EGYPTIAN COTTON

The Government of India have decided to permit the import, with immediate effect, of a further quantity of 10,000 bales of Egyptian cotton of staple length over 1-3.16" against the special payments procedure. The licensing of this quantity and other procedural details will be the same as for the earlier quantities of Egyptian cotton already permitted for import against the special payments procedure.

COPPER REQUIREMENTS

The total quantity of copper required for the country's use during the Second Five Year Plan was estimated at 1,90,000 tons, said Shri K. D. Malaviya, Union Minister for Mines and Oil, in reply to a question by Shri B. S. Murthy in the Lok Sabha. The total quantity available from indigenous sources during the Second Five Year Plan was estimated at 37,500 tons, added the Minister.

TRENDS IN COFFEE PRODUCTION

The actual receipts of the 1956-57 coffee crop into the pool amounted to 41,200 tons, against the estimated 42,000 tons, according to a Coffee Board release.

The preliminary estimate of the 1957-58 crop still stands at 35,750 tons. A total of 2,149 tons was released in July in the internal market, bringing the total offtake till the end of last month to 14,737 tons against 13,718 tons released during the same period last year.

The price for coffee has been steady for the past three years. The average pool sale price for Plantation A in 1955 was Rs. 217.31, in 1956, Rs. 213.44 for the period January to July this year Rs. 219.15, all per cwt. ex-works and ex-bags.

Prices have, however, shown a tendency to rise since June this year.

COPRA EXPORTS FROM MALAYA

Heavy buying from India was the chief reason for a four-fold increase in Malaya's copra exports in the first six months of this year, compared with the same period last year.

This was the first time in three years that Malaya had experienced a marked increase in its copra exports. Exports in the first half of this year totalled 47,564 tons—of which India bought 44,170 tons. Smaller quantities went to Pakistan, Burma, Thailand, Poland, Japan and other countries.

EXPORT OF NIGERSEED AND KARDISEED OILS

The Government of India announced that, as a measure of export promotion, evidence of valid firm sale contract in any form in common usage in lieu of cable offer and acceptance will be accepted in regard to export of nigerseed oil and kardiseed oil for the period of July-December, 1957.

The Government, on July 5, released quotas of 5,000 tons each of kardiseed oil and nigerseed oil for export. The announcement had said that these quotas would be licensed freely by all shippers on shipping bills, supported by evidence of valid firm sale contract up to the end of December, 1957, or till the ceiling was reached, whichever was earlier.

COAL PRODUCTION

Coal raisings and dispatches from all fields in India recorded a decline during June this year. Production fell to 3,330,400 tons from 3,794,092 tons in May this year. Dispatches declined from 3,187,466 tons to 2,915,343 tons. Stocks of coal at pit-heads were estimated at 3,252,383 tons at the end of June this 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 Matrs.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Dabentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	281.8	286.4	466.2	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	313.8	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	90.5	100.1	82.9	121.2
December 1956 ..	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 ..	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.8
March ..	402.7	518.1	403.3	384.1	569.8	421.3	89.9	98.9	79.8	111.5
April ..	404.3	514.73	400.0	384.3	567.8	422.1	89.9	99.0	78.7	106.9
May ..	419.3*	536.3	406.5	387.7*	572.3	431.2	89.4	99.1	78.4	104.1
June ..	433.4	541.3	413.0	392.4	575.3	439.2	89.5	99.0	77.6	102.6
8-6-1957 ..	435.7	530.9	414.5	392.3	570.7	439.2	89.6	98.9	77.8	102.7
15-6-1957 ..	421.3	543.9*	413.3*	393.1	571.1	437.5	89.6	98.9	77.6	101.3
22-6-1957 ..	430.5	539.9*	410.6*	392.1*	563.5	437.3	89.4	98.9	77.3	101.8
29-6-1957 ..	438.1	540.9	413.0	391.6	601.5	441.2	89.3	98.9	77.4	103.8
6-7-1957 ..	440.1	543.3	410.6	392.9	617.6	442.6	89.3	98.9	77.0	105.3
13-7-1957 ..	440.8	545.3	412.0	392.1	618.6	443.1	89.2	98.8	76.8	105.3
20-7-1957 ..	441.5	541.3	415.3	392.3	622.4	443.5	89.2	98.7	76.6	105.6

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

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	M. P.	Bihar	All India
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	188	136	134
1949	292	307	248	132	349	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	187	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	397	151	356	152	146	145
1956 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	167	153	152
December	340	356	259	151	356	436	407	156	370	167	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	415	158	367	158	148	148
April	340	356	255	148	345	427	415	162	369	161	152	148
May	347	363	—	151	352	441	—	—	369	—	—	150

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	16-8-1957			9-8-1957			2-8-1957			26-7-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola)	108.75	108.31	108.46	108.25	106.81	107.57	107.81	106.84	107.32	108.66	107.37	109.05
Silver (per 100 fine tolas)	183.19	181.50	182.42	182.94	180.94	181.99	183.12	181.44	182.49	183.25	181.00	182.02

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182.31	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1948-49*	1,231.81	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	50.63	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	621.70	661.72	56.31	57.21	468.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.08	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	664.40	704.42	61.69	80.22	458.08	1,142.72
1953-54*	1,133.93	23.03	1,156.97	40.02	694.02	734.04	63.50	92.83	430.11	1,156.97
1954-55*	1,196.19	22.98	1,219.18	40.02	646.81	686.83	56.38	102.26	428.09	1,219.18
1955-56*	1,339.39	17.08	1,356.47	40.02	656.52	696.54	51.36	106.57	553.06	1,356.47
1956-57*	1,475.77	18.75	1,494.52	44.42	515.61	560.03	37.48	115.61	755.22	1,494.52
				(117.76)		(683.37)	(44.37)			
Average of Fridays										
November 1956	1,443.67	16.72	1,460.39	117.76	480.22	597.98	40.90	121.92	760.48	1,460.39
December	1,483.63	8.76	1,492.39	117.76	447.30	565.06	37.86	123.93	785.35	1,492.39
January 1957	1,488.29	15.48	1,503.77	117.76	441.09	558.85	37.07	123.46	821.46	1,503.77
February	1,508.89	13.48	1,522.36	117.76	412.58	530.34	34.84	122.05	870.03	1,522.36
March	1,521.09	13.51	1,534.60	117.76	412.58	530.34	34.65	121.37	882.08	1,534.60
April	1,589.25	11.86	1,599.11	117.76	412.52	530.28	33.18	126.41	922.42	1,599.11
May	1,582.22	17.53	1,599.75	117.76	412.52	530.28	33.18	126.41	943.87	1,599.75
June	1,637.48	29.03	1,666.51	117.76	412.52	530.28	31.92	125.17	941.66	1,666.51
Week Ending										
5-7-1957	1,551.40	29.27	1,580.67	117.76	412.52	530.28	33.54	125.67	924.81	1,580.67
12-7-1957	1,542.92	38.40	1,581.33	117.76	412.52	530.28	33.53	126.24	924.81	1,581.33
19-7-1957	1,517.90	35.25	1,553.15	117.76	400.52	518.28	33.36	128.00	900.81	1,553.15
26-7-1957	1,498.83	36.41	1,535.24	117.76	400.52	518.28	33.76	130.18	886.81	1,535.24
2-8-1957	1,499.49	35.92	1,535.41	117.76	400.52	518.28	33.75	130.32	911.81	1,535.41

BANKING DEPARTMENT

(Rs. Lakhs)

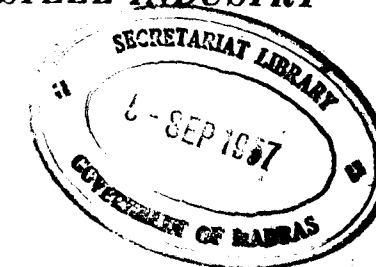
PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS*	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14.90	..	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	99
1948-49*	222.17	16.93	80.53	56.52	393.72	16.33	410.05	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	290.82	8.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	8.00
1951-52*	181.30	15.95	56.68	69.22	323.15	18.62	353.77	27.92	6.81	187.14	5.90	19.42	95.19	11.91
1952-53*	136.40	7.79	52.89	61.93	259.01	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	67.45	222.81	33.91	256.72	23.22	9.46	123.31	1.78	19.81	81.58	7.51
1954-55*	89.13	20.66	55.25	36.29	201.33	33.62	234.95	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56*	60.11	19.85	53.77	18.81	152.54	45.59	197.64	17.21	9.78	66.96	1.73	36.90	49.36	15.61
1956-57*	57.52	14.10	52.46	10.73	134.81	101.21	246.02	18.91	5.69	64.77	4.89	85.34	57.42	12.60
Average of Fridays														
November 1956	54.25	21.62	62.73	13.24	151.84	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	132.66	134.56	277.43	8.94	6.55	84.23	6.44	93.47	60.96	19.09
January 1957	52.43	9.81	52.33	13.13	127.69	139.22	277.12	15.69	1.74	81.45	8.06	102.84	52.83	14.50
February	52.40	13.48	53.30	31.96	151.14	142.59	306.74	13.70	1.54	108.98	6.74	116.42	45.93	13.44
March	56.01	10.27	53.28	61.41	160.96	147.48	347.47	13.74	3.33	114.30	8.42	115.24	79.07	13.37
April	54.61	5.37	67.33	74.63	201.91	150.10	362.01	11.90	14.03	102.31	16.40	101.37	102.55	13.30
May	52.89	4.38	63.37	83.53	204.16	152.64	366.82	17.67	4.45	64.60	18.91	111.31	134.35	13.62
June	63.09	3.29	71.77	42.40	240.55	153.96	404.41	29.16	3.82	46.96	24.53	98.02	188.36	13.57
Week Ending														
26-8-1957	51.80	8.25	82.15	85.78	261.98	154.98	426.96	39.62	13	40.82	23.88	91.46	216.81	14.24
5-7-1957	53.18	4.47	75.89	149.69	283.73	118.79	412.01	29.34	1.87	37.41	26.40	81.67	218.52	13.79
12-7-1957	53.45	1.41	78.71	148.91	282.48	119.01	411.50	38.55	3.76	28.55	27.58	81.34	218.46	13.26
19-7-1957	54.02	3.09	87.82	141.48	296.41	120.97	423.37	36.39	3.69	31.10	27.79	69.98	246.37	10.96
26-7-1957	53.90	2.19	103.63	149.04	308.96	121.27	440.23	36.88	3.06	19.69	26.19	63.29	280.81	10.61
2-8-1957	51.96	3.17	108.32	139.13	302.58	120.73	423.30	36.90	3.44	26.32	23.54	69.18	265.60	10.22

Notes: Figures in brackets relate to Pakistan. *Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. †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 gold reserves of Issue Department are revalued at Rs. 62.50 per tola from October 6, 1956.

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Rephrasing the Plan

THE Lok Sabha debate on the Finance Ministry's demands for grants marked the climax in this year's protracted series of searching surveys of the working of the various Ministries. It was assumed that the climax would be reached in this debate since no problem had exercised the mind of people in recent months so much as the critical problem of foreign exchange. The climax was noteworthy because it vindicated the capacity of the Government to take a hard decision on a matter on which it had set its heart. In a sober and well reasoned speech in reply to the debate, Mr. Krishnamachari made it clear that the Plan

could not be carried out in its entirety. The resources position in general and the drain on the foreign exchange resources in particular had dictated the necessity for a re-examination of the size and a rephrasing of the programmes in the Plan.

The Finance Minister announced in no equivocal terms that some amount of pruning of the Plan had become imperative. What is important as a re-statement of policy, he informed the House that the Planning Commission was now seized of this matter. That and no other

was the real implication of re-ordering the priorities in the Plan. In cold logic this may appear to be an obvious decision to take. But it had a political content too. For this reason, it cannot be denied that the decision represented an act of robust realism and great courage on the part of the Government. Now that mental reservations regarding the Plan have been removed the Government and the people can proceed with a determination not to spare any labour until at least the core of the Plan and a few top priority projects are pushed through. How much of the Plan outside these categories can be implemented will be clear possibly after a couple of years or so, as the picture of the availability of foreign exchange becomes clear.

The goal in the short run, very likely until the end of the third year of the Plan, is being set. Great caution will naturally be dictated in the allocation of foreign exchange. This over-riding necessity will make it incumbent to confine the allocations to projects of the highest priority. First in the order come the projects which constitute the core of the Plan and without which the base of the Plan cannot be built—steel, minerals, power and transport. Fulfilment of the core of the Plan has become an article of faith with us now—the irreducible minimum. Over and above this minimum, two types of projects can be taken in hand without adding to the severity of the strain on foreign exchange. Programmes which have been carried to an advanced stage of execution and require but a fraction of their total import component to be procured still form the first type, while projects whose import requirements have been covered by accommodation in the nature of deferred payments and which have a potential to earn foreign exchange or to effect economy in it constitute the second type. The whole range of the residual schemes and programmes in the Plan is being scrutinised by the Planning Commission for their order of essentiality and magnitude of import content. This is the real task of rephasing the Plan in which the Planning Commission is engaged for some time past. The preliminary programme of rephasing which it has prepared is in the process of taking final shape.

It was inevitable that the emergence of the foreign exchange crisis should provoke a sharp controversy in the House. The gravity of the situation in this respect cannot be minimised, nor has any attempt ever been made to under-rate it. During the first sixteen months of the second Plan, the net withdrawals from the foreign reserves have worked at a monthly average rate of Rs. 28 crores. It is clear that the Opposition missed the crucial point in the debate on the crisis of the import surplus. The facts marshalled by the Finance Minister demonstrate that his stewardship of the Commerce portfolio was marked by an imaginative and forward-looking policy of developmental imports which have put considerable vigour in the economy. The Opposition was on weak ground when it tried to make out a case that import policy over the years was muddled through. The crisis emerged in the first year of the present Plan and not before—steel and capital goods being obviously at the bottom of it. Nor can one accept the Reserve Bank's theory to explain away the import surplus in the first year in terms of the annual average over the Plan period in the face of the obvious fact that imports in the first year exceeded the planned peak in the third year by not less than Rs. 86 crores. The

error of policy seems to have lain in planning for bold imports without planning concurrently, or more correctly, in advance, to cover the anticipated shortfall in foreign exchange. Mistakes of judgment are bound to occur, but what really matters is a determination to prevent their recurrence. The Finance Minister's concluding assurance in his reply to the effect that Government would act with realism in future commitments on the Plan is heartening indeed.

It must be conceded that at least a part of this heavy deficit was due to factors which could not be anticipated. Price inflation has always proved to be elusive for planners, while some of the provisions of outlay in the Plan turned to be gross underestimates. Freakish monsoons forced diversion of resources for food imports, while an unpredictable source of additional import was expenditure on defence. It is somewhat intriguing to be told, in the face of import control and licensing of expansion or new plants, that private investment exceeded the Plan estimates. Nevertheless, this is expected to yield early fruit and mitigate the pressure on foreign exchange. The lesson of vigilance has now gone home and corrective action has been taken in clamping stringent control on foreign exchange. Imports have been cut drastically—in fact a practical squeeze has been applied during the current quarter. Export promotion which has always been a long-term proposition is being stimulated from time to time. In both the cases home supplies are strained and they go to aggravate the pressure on prices.

A large gap in the foreign exchange resources is implicit in a plan which aims at building basic resources of an import-intensive character. It is implicit in the dimensions of the gap that it should be filled essentially by external sources. The core of the Plan and the fringe covering specific programmes of high priority can hardly be implemented without foreign assistance. Once it is recognized that this is the instrument which we have to employ to fulfil the minimum programme there must be a proper realisation of the implications involved in its procurement. Load assistance at government-to-government level has a restricted scope for operation and our choice is narrowed down by pressures in the balance of payments on most of our friendly countries. It is pertinent to remember that the only country which can offer help in a substantial measure—the United States—will very probably slash its foreign aid programme in the current fiscal year.

Private capital, however, will continue to remain the major potential source of massive contribution. It can be induced only by normal incentives—attractive economic climate, a reasonable rate of return, rational burden of taxation, liberal treatment of private enterprise, and the like. The adequacy of these incentives will, of course, be judged by the foreign investor. Are we providing these incentives in a full measure as several other countries are doing or do our policies fall short of these functions? This is the crucial problem to which the Government ought to address itself. Having addressed itself to this problem, it will need to make up its mind as to the positive directions in which adjustments will be required in our economic policies to stimulate the flow of financial resources from abroad if only to ensure that the minimum programme of development is carried out successfully.

The Problem of Rice Prices

THE Asoka Mehta Committee on Food is just touring the country and taking evidence on a 22-point questionnaire of which as many as 15 questions are concerned directly with prices and marketed surplus of food grains. It is, indeed, an intriguing situation that faces the Committee—a situation (as of 1956-57) in which population has increased by 9 per cent, rice production by 21 per cent, rice supply (production plus import) by 19 per cent, and rice price by 37 per cent over 1949-50. This spectacular rise in the price of rice (which accounts for nearly 60 per cent of the total production of staple food grains, namely, rice, wheat, jowar and bajra) when the rate of population increase has not outstripped the rate of increase in production, needs to be explained. Incidentally, the price of wheat has increased only by 3.5 per cent over 1949-50 while the price of jowar has decreased by 13 per cent since that year. The Committee's probe into this intriguing phenomenon may be watched with interest.

At the moment, however, the behaviour of prices in different States is of more than academic interest. It is found that the average price of rice in the beginning of August 1956 ranged from Rs. 15.5/- per maund in Mysore to Rs. 21.8/- per maund in Assam; at the end of July 1957 it ranged from Rs. 16.3 in Orissa to Rs. 24/- in Punjab. Only in three States has the price slightly declined; in Madras it has come down from Rs. 19.3 to Rs. 18.6, in Orissa from Rs. 17.7 to Rs. 16.3 and in Kerala from Rs. 19.11 to Rs. 18.4/- . In the other States—Andhra, Assam, Bihar, Bombay, Madhya Pradesh, Punjab, Uttar Pradesh, West Bengal and Mysore—the percentage price increases have been 13, 5, 21, 23, 21, 26, 16 and 29 respectively.

As for wheat, its average price ranged from Rs. 14.11 per maund at the beginning of August 1956 in Uttar Pradesh to Rs. 17 per maund in West Bengal; at the end of July 1957 it ranged from Rs. 13.9 in Madhya Pradesh to Rs. 19.5 in Bombay. In at least three States its price has declined during the period; in Madhya Pradesh from Rs. 15.4 to Rs. 13.9, in Punjab from Rs. 15.9 to Rs. 15.2 and in Rajasthan from Rs. 16/- to Rs. 14.10. The percentage price increases in other States—Bombay, Uttar Pradesh, West Bengal and Delhi—have been 26, 7, 4 and 3 respectively.

It may be seen from these figures that the problem of food grain prices is one predominantly of rice prices. The reasonable behaviour of wheat prices in the last one year should have been due to the sale of American wheat received under the P.L. 480 Agreement. If a similar restraint on the upward trend of rice prices has not operated, it should have been due to the fact that only a small quantity of rice (200,000 tons) could be had during the year under the said agreement. As even a second P.L. 480 Agreement which is under negotiation may not provide this country with a quantity of rice sufficiently large to bring down its prices significantly, the question arises as to how they could be brought down without sizable imports from other sources involving current payment (besides the 5 or 6 lakh tons to be got from Burma in the period 1957-60 in return for credit advances made by India) and without procurement and control of prices and distribution. As far as wheat is concerned, this question will

not arise so long as P.L. 480 wheat under the current and the prospective agreement is available to restrain its prices.

It is thus clear that rice supplies in the monetised sector are far more scarce in relation to demand than wheat supplies are. The shortage may only be marginal; a statistical guess (pending estimate by the Asoka Mehta Committee) can be hazarded that it may not be more than two million tons. But its effects in terms of prices are disproportionately unfavourable to the consumer and distinctly more favourable to the rice-producer than the supply-price-demand relationship in the case of wheat is to the wheat producer. Incidentally, if the wheat producer were to demand better money returns for his crop it would not be surprising. If he is not to make any such demand, the Asoka Mehta committee should assemble conclusive statistical evidence to reject the persistent demand in rice-producing areas for an 'economic' price for paddy—a demand calculated to conceal the fact that its price has been much more than economic all these years. Surely, if the present wheat prices are deemed economic for the wheat-producer, the present rice prices must be deemed more than economic for the rice producer for there is no reason to believe that the costs of rice cultivation have increased to a greater extent than those of wheat cultivation.

To revert to the problem of rice shortage. The Asoka Mehta Committee itself anticipates continuing scarcity where it asks the question: "Having regard to the long-term prospect of shortage of rice, would you suggest any steps being taken by way of propaganda or otherwise to promote the larger consumption of wheat in rice consuming areas?" The long-term solution clearly lies in persuading habitual rice-eaters to convert one of their two or three daily meals into a chapati meal which is any day more substantial and nourishing than their usual rice diet. In the same way the long-term (or medium-term) solution lies in bringing about a sizable increase in rice production. But it is with the immediate or short-term problem of unreasonable rice prices that the planners and consumers alike are most concerned for obvious reasons.

The need of the hour is to bring down rice prices to a reasonable level; this can be done only by making more supplies available in the market. The present attempt to bring down the high level of bank advances against food grains may have the effect of releasing some stocks although there can hardly be any doubt that it will curtail the quantum of *bona fide* credit required by a section of agriculturists from whom the traders and millers cannot be separated. A better alternative than this—better also than procurement and rationing—would be to freeze forthwith rice stocks in the hands of big traders, rice-millers and substantial producers, to requisition them at their purchase prices plus transport and/or milling costs, as the case may be, in the case of traders and millers and at the same prices in the case of big producers, with a 5 per cent profit margin in all the three cases, and to regulate their releases to fair price shops, co-operative sales societies and departmental depots catering to postal, railway and other government employees. At what prices these requisitioned supplies are to be sold is also of no mean importance. It is here that the Rs. 25-crore food subsidy fund can be effectively brought into play.

Subversion in Syria

IT is a pity that a minor incident in Oman should have obscured a major development in Syria, threatening as it does to cast its shadow over the entire Middle East. Not only the Commander-in-chief and nine other senior army officers of that country have been dismissed, but it appears that all those suspected of "rightist" tendencies or critical of the pro-Soviet orientation of Syria's policy have been purged. A large number of even junior officers have not been spared—they, too, have been put behind bars. Colonel Abdul Hamid Serraj, Director of the Military Intelligence Bureau and his friends, and not the general staff, now control the Syrian army and the Government. The new Chief of Staff, General Afif El Bizri, while vehemently denying that the Syrian Government is subservient to the country's army, has had no hesitation in formulating and stating government policy. Moreover, it would be wrong to forget what the Syrian Defence Minister, after signing an agreement for further deliveries of Soviet arms, said recently at Moscow. "Our army will be on the side of the Soviet armies", he declared, "whenever the need for the defence of peace and freedom in the world arises". As if to emphasize the anti-Western stance of the regime, the Syrian Government has accused America of trying "to destroy the independence of the Middle East countries and to give them piecemeal to Zionism and imperialism". It has instructed its representative at the United Nations to draw the attention of the Security Council to "the conspiracy plotted by the United States Embassy in Damascus against the present Syrian regime". Washington has, of course, promptly declared the Syrian charge as "obviously frivolous" and Syria's Ambassador to the United States and another official as *personae non gratae*.

It is perhaps necessary to receive Syria's latest version of the United States intrigue with something more than the traditional pinch of salt. It is obviously a smoke-screen behind which the pro-Communist group is trying to build up its power. It is perhaps the consciousness that their complaint is weak and would not stand the scrutiny of the Security Council that Syria has had to content itself by merely drawing the Council's "attention to the matter". Probably the same consideration has led it to make the complaint unilaterally. It has obviously found it inexpedient to consult fellow Arabs. The Arab League has had nothing to do with this queer complaint.

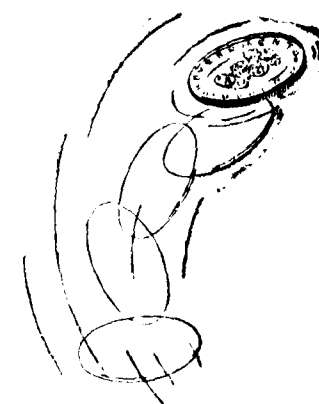
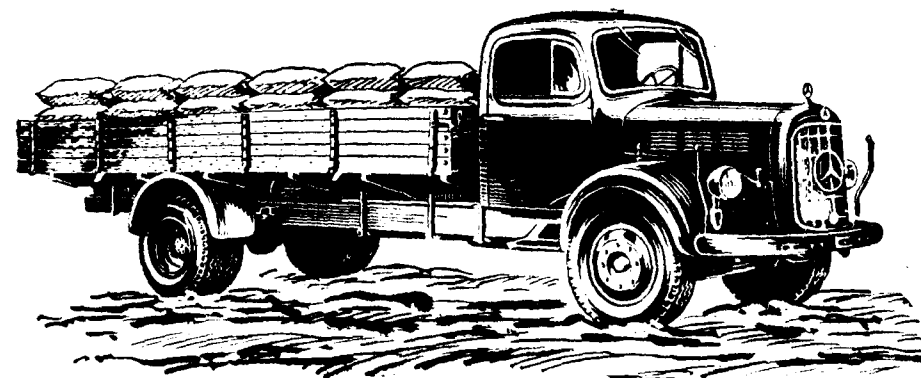
The pattern of what is happening in Syria is an old one. First economic and military aid; then penetration into the country with their agents in key positions; and finally entronement of their "own men". In a decade since World War II, one East European nation after another became mere outposts of the Soviet Empire through this process. Some observers are sceptic of this. According to them Syria's geographic distance from the Russian soil automatically saves it from eventually becoming a Soviet colony. But what these well-meaning sceptics ignore is the fact that in the era of atomic stalemate, the ingenious Russian rulers have forged new weapons for expansion through so-called economic and military aid. They have concentrated for some time past their attention on Syria, occupying as it does a strategic position both geographically and politically, in the Middle East. Its proximity to the Suez Canal and virtual control of the oil pipeline from Iraq that passes through it are vital factors. Moreover, as a cen-

tre of influence in the Middle East and as potential threat, Syria is obviously equivalent to the American Sixth Fleet in the Mediterranean: a base there would permit Moscow to leapfrog the northern tier of Western defences.

Doubtless, the developments in Syria have once again demonstrated that world-wide Communist infiltration is not over and that the much-bruited peaceful co-existence and competition by Moscow is in effect an accessory to it. It cannot, however, be denied that the Syrian coup is another feather in the cap of Russia's Middle East strategists. They have been able to win it because they have skilfully reconciled the pursuit of their own interests in the region with a pose of altruism. Their attitude has so impressed the Syrian leaders, including some of the nationalists, that they have begun to repose blind faith in their *bona fides*. They are apparently oblivious of the fact that the course on which they have embarked contains no safeguards against future Soviet intervention such as the one witnessed by the world in Hungary.

As against these Russian skilful manoeuvres, the free world has failed to evolve a positive common policy. In fact by its shortsighted policies, both political and economic, it has unwittingly strengthened the hands of the leftist elements in Syria. The Anglo-French misadventure and the virtual economic blockade of Syria by the United States have been used by the Syrian leftists and anti-West nationalists as arguments in favour of seeking help from and closer relations with Russia. As against that this month a further instalment of assistance was negotiated at Moscow, amounting to 300 million dollars in goods, services and credits. Similarly, the free world has failed to counter Russia's political moves in the area. Doubtless, under the Eisenhower doctrine, the American President has authority to come to the aid of any State in the Middle East requesting assistance against Communist aggression. But he cannot deal with piecemeal subversion on the present Syrian pattern.

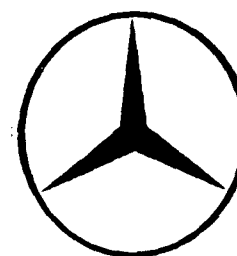
Thus, current developments in Syria have caught the free world and the United States on the horns of a dilemma. They know that Syria is rapidly moving into the Soviet orbit, but they cannot take effective measures to prevent that denouncement. They cannot take any such measure because these might only boomerang on Western interests in the Middle East. The only possible course is to alert the Middle East nations to the grave implications of the Russian success in Syria. This may cause Syria to be ostracised by the other Arab nations. Isolated from them, the Syrian leftists will no doubt try to move closer to Russia. But their open collusion with the athiestic Russian regime may not be tolerated by the deeply religious-minded Arabs. Already anti-Communist Middle Eastern leaders are beginning to close their ranks in opposition to the pro-Soviet moves in Syria. That is why Syria's neighbours, in particular Turkey, Iraq, Jordan, and the Lebanon are consulting on the ways and means of establishing a *cordon sanitaire* around this potential Communist infection. Moreover, the United Nations' debate on the report of its Special Committee on Hungary may serve as a striking reminder of what happens to one in the bear's embrace.



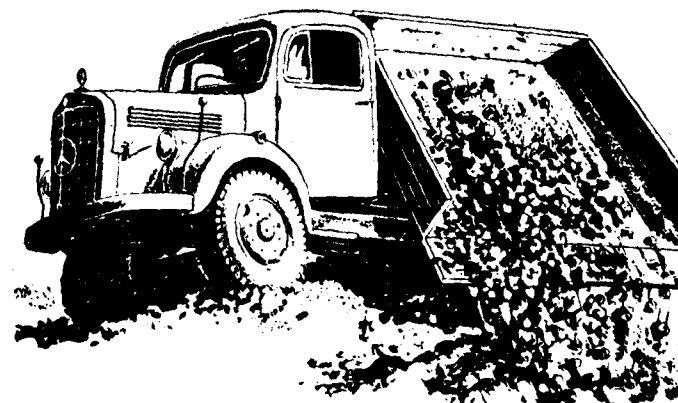
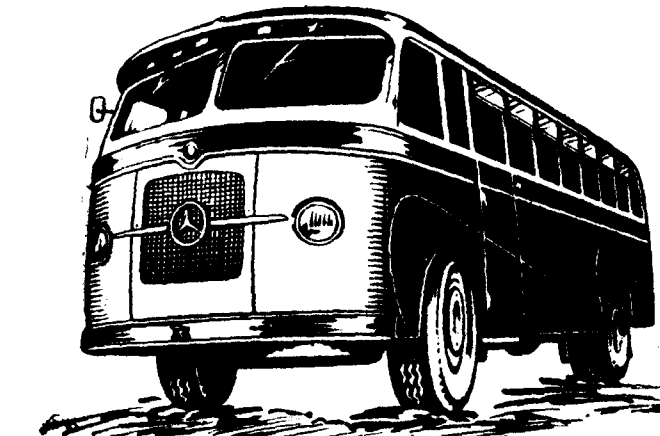
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THE WEEK'S NOTES

INDIA AND HUNGARY

THE REPORT of the United Nations Special Committee on Hungary will be placed before the General Assembly on September 10. There is nothing extraordinary about this. It is the normal procedure: a committee appointed by the United Nations should report to it and the United Nations should discuss it. India's attitude to the discussions, judging from newspaper reports, raises some interesting points. According to the reports, it will not be "interested" in a proposition which seeks to condemn Russia and the present Hungarian regime. Such a denunciatory resolution, the India Government feels, will not help improve the situation in Hungary. It will, on the other hand, serve only to maintain the cold war tension, without bringing any relief to the Hungarian people.

This attitude smacks of double standards. India has always been indignant about the Anglo-French aggression in Egypt and the wrongs done by these two "imperialist" nations in their colonies. These wrongs are many and to be condemned. But similar — indeed, much greater in degree — are the wrongs that Russia has committed in Hungary. The Hungarian turmoil in October last was a people's movement against poverty and foreign occupation. The revolution was stifled. Vast areas of Hungary and its beautiful cities were battered, bludgeoned, smashed and bled into submission. Hungry, sleepless, hopeless, the freedom fighters battled with pitifully feeble equipment against the crushing weight of superior Soviet arms; and they fought alone, cut off from the world. Since then, Russia has crushed all rights and all liberties in unhappy Hungary, and has been trying to bury the revolution in rubble and lies. But the troops who have smothered the revolution, and the Government they have installed, are sitting on the verge of a volcano of hatred and resentment — a volcano that is ready to erupt. It is, however, difficult to say how long the present regime, representative of Russian imperialism and powerless to act on its own, will last.

The Russian aggression provoked the indignation of the entire world. In fact, in the history of the world no other nation's fight for freedom excited greater sympathy than that of the Hungarians. It is, therefore, unfortunate that India apparently should indulge in legal and political niceties, oblivious to a nation's agony and grief, rather than come boldly into the open and demand the end of Russian aggression in Hungary. This policy does not seem to be based on the dictates of conscience and common humanity, but on opportunism and partisanship. This time, India cannot have even the excuse of being ignorant of the facts of the case. It has before it now the report of the United Nations' Special Committee on Hungary. If there is any defect in the report, the blame for it lies with Mr. Janos Kadar's Government, which obstructed the Committee from getting at the truth. The attitude of India — as of any other Afro-Asian country — will make known once for all to the free world whether its policy of neutralism does or does not flow from sincere conviction. Let not India lose the opportunity to speak out.

NAGAS' HAND OF FRIENDSHIP

2,000 delegates from the various tribes of the Naga Hills and Tuensang, which recently met at Kohima, offered its hand of friendship to the Government of India. It appealed to the Govern-

ment to constitute a single administrative unit of the present Naga Hills District of Assam and Tuensang Frontier Division of the North Eastern Frontier Agency, under the aegis of the Ministry of External Affairs, for the creation of conditions necessary for a political settlement. The Convention even went so far as to postpone the question of "retransferring of forests immediately" to the proposed administrative unit to "the time of entering into negotiations for a political settlement". To achieve such a settlement, the Convention urged the Government to grant general amnesty to enable its delegates to hold "free, frank and full discussions" with those of their brethren who have taken to violence.

The fact that the delegates did not reiterate the demand for an independent, sovereign State of Nagaland is significant. It is an earnest of their desire to end the deadlock between the followers of Mr. A. Z. Phizo and the not very farseeing bureaucrats of the Government of India. Three reasons make the sincerity of their overture unquestionable: first, they held the Convention despite the threats of the Naga extremists. That the threats were real is obvious from the strong shots fired at the delegates, two of whom were seriously injured. Secondly, they appealed to their "fellow-tribesmen in arms to give up the cult of violence" which had brought them to the "brink of a total disaster". And, thirdly, they have, on their part, pledged to work actively to end "hostilities" and to try by all means in their power "to heal the old wounds" and "work for the good of our land and the free development of our people according to our own traditions".

The failure of the repressive policy of the Government of India has frequently been noticed in these columns. The failure has made this country's north-eastern frontier vulnerable to possible Chinese infiltration and subversion. It has helped to make Chinese Communism appear a real alternative to the Nagas and other tribesmen in the region. The effect of this could be disastrous for the entire country. The anti-Indian feeling that has been unwittingly helped to grow in NEFA will perhaps take a whole generation to be forgotten. The pity is that this feeling is not unfounded. Even the secretary of the reception committee of the Convention, Mr. Jaskie, was constrained to state publicly that "our homes have been disrupted, and some of our children are living as criminals in jungles and the rest are made to live in disgrace. Cultivation has suffered and a large number of people have died of disease". In view of the olive branch offered by a representative gathering of Nagas, and in view of their "long tale of misery, suffering and death", it would be wise on the part of the Government of India to accept its demands unequivocally and forthwith. Dilly-dallying will only precipitate matters and may well lead to permanent estrangement.

EMERGENT MALAYA

BRITAIN'S LAST major dependency in Asia, Malaya, will be independent on August 31. The Malayan Federation will be an independent State within the Commonwealth, but will be neither a Dominion nor a Republic. It will have its own constitutional monarch. Malaya's inclusion will mean that the number of White and non-White members in the Commonwealth will be equal — five each. The new State will comprise the nine princely States of Johore, Kedah, Kelantan, Negri Sembilan, Pahang, Perak, Perlis, Selangor and Treng-

ganu and the two Strait Settlements of Malacca and Penang.

Like all newly liberated countries Malaya will have its teething troubles. The first problem confronting it will be the position of Chinese settlers, who number over 2,216,105 in the new set-up. Recent Far Eastern history teaches that the loyalty of Chinese settlers is not limited to the country of their residence; it is emotional and transcends national boundaries. The Reid Commission did well, therefore, to ensure liberal grant of citizenship and franchise to allay the fears of the settlers, who are prone to look to Communist China for help and inspiration. But the problem of internal subversion has by no means been dealt with. The Communists, mostly Chinese, are already active and on the path of insurrection; the flexible loyalty of these settlers makes the problem more grave. Moreover, like all underdeveloped countries, Malaya, too lacks capital, skilled labour and technical know-how. For foreign co-operation in these essential resources of development, it must adopt appropriate policies.

Malaya's independence is the latest step in the astonishing evolution which is transforming the British colonial empire into a partnership of equal nations. On the other hand, Russia, while vehemently attacking Britain for "colonialism" and "imperialism" has added to and perfected the old colonial ways. The Russian empire is in our time at its zenith. It has not only kept in chains the Asian territories conquered by the Tsars, but has also subjugated East European nations. The irony is that its slogans are able to captivate so many even after repeated exposures of its barbaric exploitation of peoples. In spite of its professions of liberty, equality and fraternity, it has yet to show the world its Nehru, Bandaranaike, Suhrawardy, Nkrumah and Tengku Abdul Rahman.

RAW SILK PRICES AND S.T.C.

AT THE last meeting of the Technical Development Committee of the Central Silk Board held in Srinagar, towards the end of June last, the standing Committee is reported to have accorded its approval to a scheme for the fixation of floor and ceiling prices for indigenous raw silk with a view to stabilising the price trend in the Indian silk market. The June Newsletter of the Central Silk Board (C.S.B.) expatiates at length on the significance of the scheme. The scheme is no doubt important, inasmuch as it seeks to help primary producers of silk, cocoon rearers, silk reelers and silk weavers and promote quality production, but one hopes, in the light of the country's experience with cotton in the light of the country's experience with cotton ceilings and floors, that the ceilings and the floors fixed by the C.S.B. will, in fact, be "effective" ceilings and floors and not tend to become "notional" ceilings and floors as might suit the convenience of the Board.

Hitherto, the efforts of the Board were confined to distribution of imported silk. It has been claimed that, since the C.S.B. took over the distribution of imported raw silk early in 1955, the silkworm rearers and others in the industry have had less cause for worry on the score of supplies. At the same time, it is pointed out, in justifying the introduction of the scheme for ceilings and floors, that, however effective the control over the imported silk may be, "it is obvious that a rise in the price of raw silk (indigenous filature and 'charks') cannot be checked at times of severe short-fall in the supply of imported raw silk". This, naturally, raises the question of the efficiency of the agency entrusted with the import of raw silk into this country. It is common knowledge that this work is now being handled by the State Trading Corporation of India (Private) Ltd. The total quantity of raw silk

actually received by the S.T.C. during the year 1956-57, that is, July 1956 to June, 1957, comprising the two licensing periods July-December, 1956 and January-June, 1957, according to the C.S.B. Newsletter itself, was only 1,39,161 lbs. out of 2,33,067 lbs. contracted for by that body. So, after the S.T.C. took over the responsibility for importing raw silk, the chances of a short-fall in supplies of imported raw silk must have increased materially. If so, the decision to have a scheme of ceilings and floors for raw silk prices gains additional significance. For the Board has to contend with yet another uncertain factor, namely the import performance of the S.T.C.!

HEALTHY TRADE UNIONISM

THE ADVICE given by the Labour Minister in his reply to the debate on his Ministry's demands that trade unions should disassociate themselves from political parties need be increasingly followed by those having interests of labour at heart. There will continue to be distrust of the intention of the party in power and complaints of favouritism towards the I.N.T.U.C. which is gifted with its blessings so long as the above principle is not observed. It is hardly surprising that no less a man than the leader of the Communist group in the Lok Sabha levelled a charge against the Government of discrimination between different trade unions in recognition and representation on committees. Quite naturally the union alleged to be discriminated against is the Communist Party controlled All-India Trade Union Congress, and the one favoured is the Indian National Trade Union Congress. The Labour Minister was able to refute the charge by satisfactory evidence. As pointed out by the Minister the All-India Trade Union Congress had a higher percentage of cases sent up for adjudications during 1954-55 and 1955-56. In the matter of representation in sub-committees of the conference, the Labour Minister reiterated that the official policy as it has emerged is the fruit of the collective effort of all the trade union organisations. He referred to the labour policy of the government as truly national. If at all there is a cause of grievance regarding representation in certain sub-committees, it may be pointed out that the representation at any time might be in proportion to the strength in members of different trade unions. The INTUC has the largest membership of industrial workers. Its membership is three times that of A-ITUC and a little less than double of both Hind Mazdoor Sabha and A-ITUC. It is for the A-ITUC to ponder and convince itself why it could not enlist the support of workers.

The discussion, however, raises a fundamental question of policy in trade union organization; control and direction of trade unions by outside leadership. The dangers attended with such association cannot be overemphasized. In the interest of healthy growth of trade unionism and to avoid rivalries such an alliance should strongly be discouraged. It is only then that trade unions will be able to run on genuine trade union principles. In India, leaders of the trade unions are mostly found from outsiders. They are professionals and party workers. Without underrating their role in the organisation of labour it must be urged that workers themselves should be encouraged to run their own unions. It need not be denied that outside leadership has a definite function to perform in the development of trade unionism in this country in its present stage of growth. This fact is recognised by the statutory provision which allows the specified proportion of outsiders in the executive bodies of trade unions. But there should be a progressive trend towards control and management of trade unions by the workers themselves.

Foreign Trade Organization

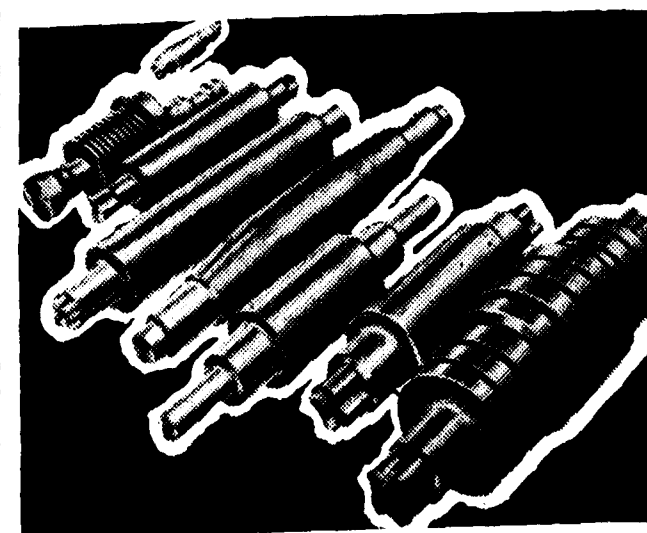
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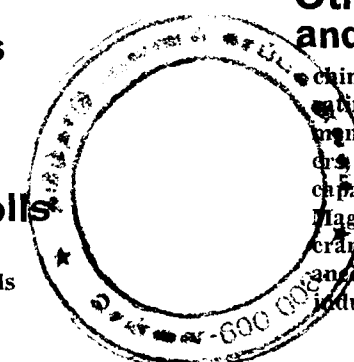
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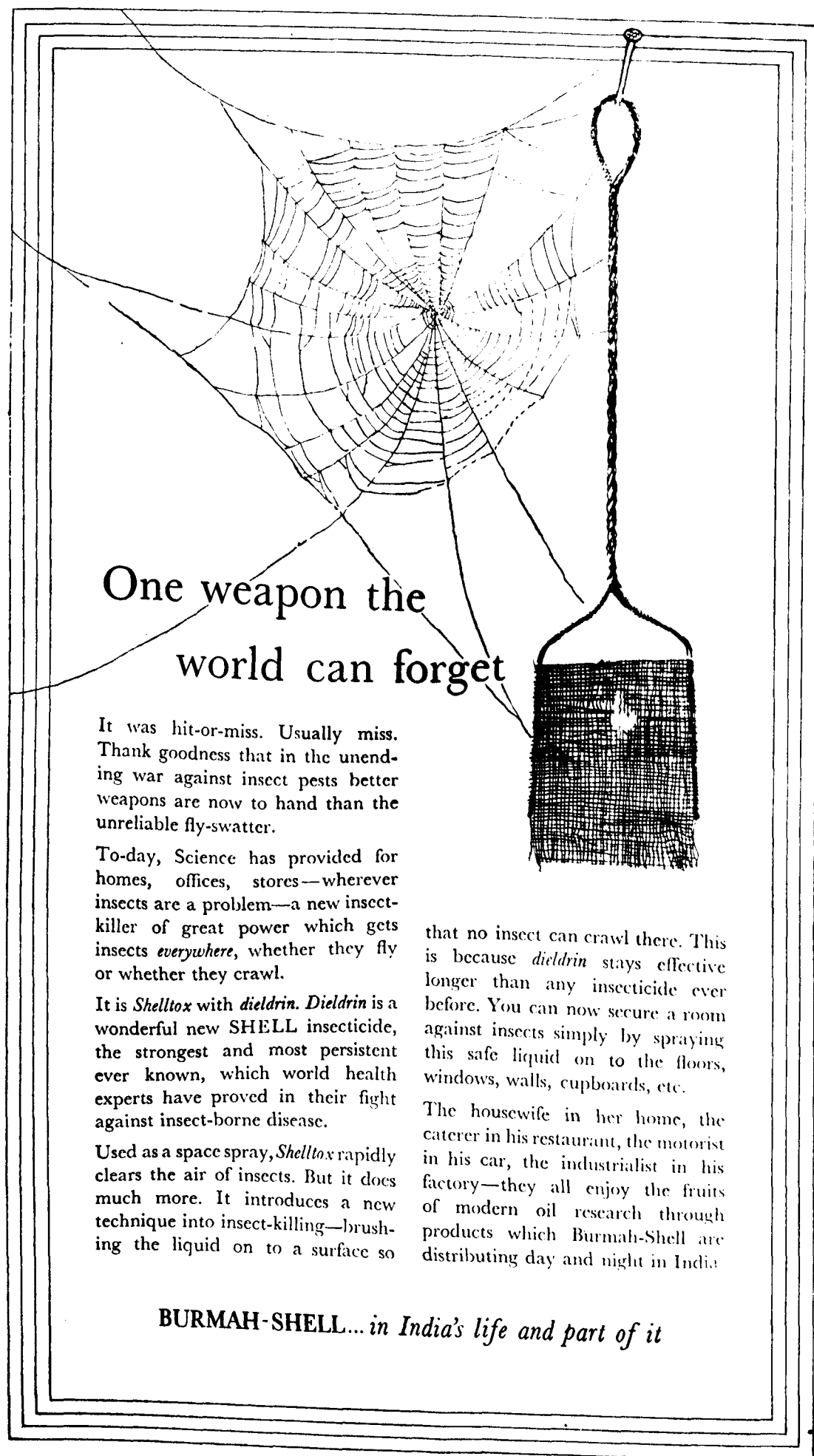
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A Window on the World

ODYSSEUS IN GERMANY

BONN (By Air Mail)

THREE outstanding developments have launched a grand debate in Europe on the future of NATO—the North Atlantic Treaty Organisation, with its fifteen member countries, the USA, the UK, Canada, Iceland, Denmark, West Germany, Belgium, Holland, Luxembourg, France, Italy, Portugal, Greece, and Turkey. These developments are, first, the British White Paper of last April, which said in effect that if the UK was to be a strong and reliable NATO partner, its economy must be prosperous; a military effort which strains the economy is of no value. The UK therefore proposes certain re-apportionments in military expenditure, combined with reduction in numbers of men and reliance on more powerful weapons and a revised strategy. Secondly, the Disarmament Conference in London has raised hopes and fears. Thirdly, the forthcoming German elections have attached something like a question mark to Germany's position in NATO.

These were the problems that I had most in mind in the course of a three weeks tour which has been taking me from NATO headquarters in Paris to Bonn, capital of the West German republic, and to Düsseldorf, Hanover, Berlin, Hamburg, Kiel, Munich, Mittelwald, Frankfurt, and back to Paris.

In the next week or two, I propose to render some account of the conversations that I have been having with government officials, politicians, officers and men in the French, British, American, German, and other armed forces of the NATO countries, journalists, radio commentators, foreign correspondents, university students, professors, policemen, and for good measure, three ambassadors.

In Bonn, I attended a press conference given by Dr. Rust, Secretary of the Ministry of Defence, and General de Maizière, Director of Training to the German army, to a group of correspondents from NATO countries.

The basic point made by these official spokesmen was that the new German army is being re-constituted as a contribution to the common defence of the NATO countries and not primarily as a German weapon for Germany's national defence. The size and structure of the German army were conditioned by NATO's requirements. It was emphasised by these spokesmen, as by many other Germans, that defeat in two world wars had brought home to the German people that they could not defend themselves alone; they could hope to survive only as one of a group of allies. They dismissed self-sufficiency in armaments manufacture as an impossible ideal, placing too heavy a burden on Germany's economy. They were ready to buy in France, Italy, the UK, or wherever might be convenient, those heavy armaments which Germany did not manufacture herself, and they regarded this not merely as a commonsense easing of the burden on Germany but as a contribution to the integration of Europe's economy, a step towards the European common market, in the promotion of which Germany has played a leading part.

15 NATO FACE 240 COMMUNIST DIVISIONS

In conventional weapons and forces the strength of the Soviets, and their satellites, towers over that of the free countries. There are 175 Soviet and 65 satellite

divisions with the colours, compared with less than 15 NATO divisions—a comparison which provides its own comment on Soviet allegations of Western aggression. What redresses the balance and prevents the USSR from exploiting its overwhelming "conventional" superiority is the deterrent of the H bomb. Nevertheless, NATO's military advisers consider that there should be 30 NATO "conventional" divisions available in Europe to guard against the risk of local or regional incursions. Without this NATO shield, the USSR might extend its influence by a series of regional accomplished facts, gambling on the reluctance of the NATO countries to turn a local war into a global war by recourse to the H bomb in the absence of adequate conventional forces.

The German government has agreed, that, providing US, British and other NATO forces are retained in Germany, it will contribute 12 divisions towards the required 30. These promised German divisions cause heart searching among several NATO countries. The French, Belgians, Dutch, Norwegians, and Danes find it hard to forget their sufferings under German domination in World War II, and while they recognise the necessity for a German contribution to NATO, they argue that if it is insisted that Germany should produce 12 divisions, she would have the most powerful land forces in free Europe and be in a correspondingly strong position to dominate Western Europe. If the UK were to remain outside the European common market, Germany's domination would be economically, as well as politically, complete.

The German reply to such fears is to insist, first, that they are not building a self-sufficient national defence but are integrating their armed forces to NATO requirements and relying on the whole of Europe's economy for their armament and maintenance, and secondly, that they would welcome the extension of the European common market to include the UK and as many other countries as wish to join.

This reply is convincing as far as it goes, but the fact remains that the Germans are capable and hard working people who have the most flourishing economy in Europe because they have not handicapped themselves by Socialist, state control, but have given free play to enterprise and initiative and that, barring some unforeseen disaster, Germany cannot fail to play a dominant role in Europe. This is one of the facts of life that the French need to digest. If the French had ratified the plan for western European defence in 1954, Germans would today be forming part of the common European army and there would be no national armies, German or other, at all. But that historic *lus* was well and truly missed once and for all.

'COMPARABLE PROPORTIONATE EFFORTS'

That Germany will, however, raise all of the promised 12 divisions is not beyond doubt because, as General de Maizière told us in Bonn, Germany is ready to make her "fair contribution, proportionate to the comparable efforts of her allies", and the divisions were promised before the British White Paper's proposals for reductions in Britain's contribution were announced. The British viewpoint is that their contribution to the defence of freedom, not only in NATO, but outside in the Commonwealth, has been proportionately greater

than that of any other free country, and that the British balance of payments shows that they cannot keep this pace up and remain of any use to the alliance. Therefore a cut is necessary, but that does not mean that this is a precedent for Germany or any other country which is not yet making its full proportionate effort.

Now, most observers with whom I talked in Germany thought that the forthcoming German elections would show that Adenauer's policy of defending Germany through the NATO alliance commands but a bare majority of the German people. In such a "touch and go" position, the German Government may well wish to seize any excuse to slow down re-armament in order to capture the marginal voters. Many observers believed that the German Government is ready to take advantage of the many practical difficulties that impede the re-constitution of the German army.

When, just over two years ago in May, 1955, Germany entered NATO, she had no armed forces whatsoever. Now, to build up an army, navy, and airforce, from scratch, you need experienced officers and NCO's. At first sight it seems extraordinary that in a nation with Germany's military record, there should be an extreme scarcity of officers. But the war ended 12 years ago, and assuming that an "experienced" officer should have had, say, a minimum of two years with the colours and actual experience of command in battle, that would mean that he would today be at least 32 years old. But Germany is not anxious to recruit a middle aged army.

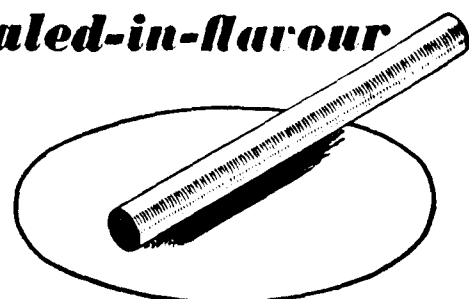
A second difficulty arises because after the war there was a tendency on the part of the victorious allies to regard all German officers as potential war criminals, a suspicion which the mass of the German people — painfully conscious of their defeats in two successive world wars provoked by "German militarism" — found easy to accept. Consequently German ex-officers have found it difficult to get employment since the war — except as porters, night watchmen, garage hands, and in other similar jobs. From this it follows that, on the one hand, among a substantial section of German public opinion, service in the armed forces, far from carrying any prestige, has some stigma attached to it, while, on the other. It was to be expected that all those German ex-officers who had failed to overcome the difficulties of making good as civilians would jump at the chance of returning to the life of "an officer and a gentleman."

But the German authorities do not want armed forces officered by cast-offs from civilian life — people who might be expected to have a grudge against the new German democracy. So the army accepts only those who have made good — like the captain I met who had risen from garage hand to motor car sales manager. This selective policy explains why all the German officers and NCO's with whom I talked were men of outstanding guts and character, men who had given up a good job in civil life, and were ready to brave social stigma, for the sake of service in the armed forces. But the net result is a serious shortage — particularly of junior officers and of NCO's, the ratio of whom to the troops is far below that in the British and American armies.

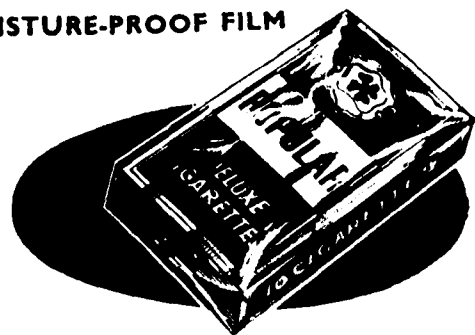
The widespread antagonism in Germany to the revival of "Prussianism" in the army adds to training difficulties and slows progress down. Knowing that popular feeling is behind them, the men are sometimes difficult to discipline. It can, for example, happen in any army that three or four young men who are

off duty take a couple of drinks too many and proceed to beat the town up. But the German commanding officer of today hesitates to punish such behaviour in the manner normal to all armies — for fear that the men may write to the newspapers or complain to a member of parliament that they have been victims of old-time Prussian drill-serjeant bullying. Today's commanding officer in Germany has to jolly his men along and feel his way towards raising standards of discipline.

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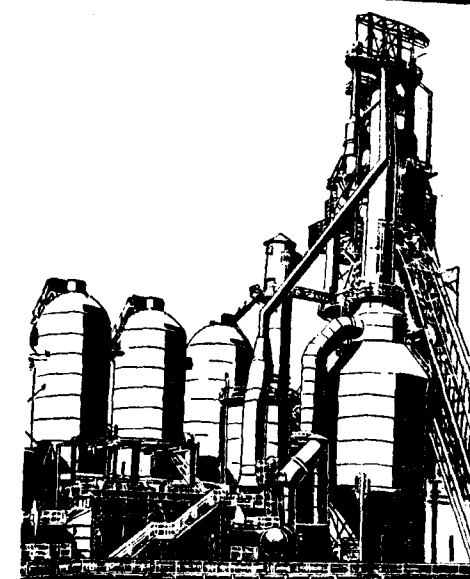
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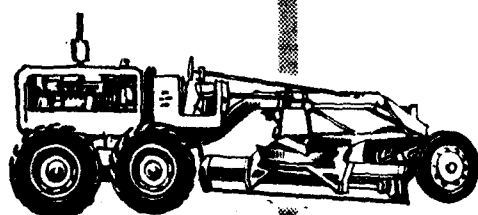
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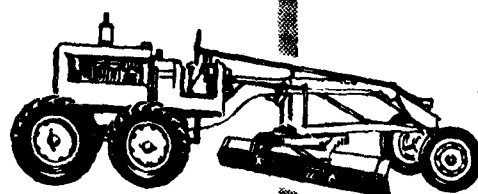
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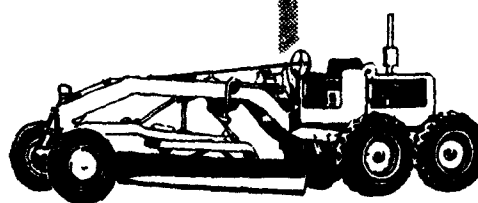
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T11/P145

WEST GERMANY'S FOREIGN TRADE CRISIS

(From Our Special West European Correspondent)

PARIS, August 24.

THE crisis in international trade brought on by West Germany's continuing export surpluses remains the main preoccupation of West European finance ministers. Capitals other than Bonn are prodigal with suggestions on what West Germany should do to resolve the crisis, but Bonn is unwilling or unable to do anything, least of all on the eve of the elections in mid-September. In any case, most of the suggestions and counter-proposals put up in this dispute are concerned with quite limited aspects of the case: we have discussed some of them on this page in recent weeks — currency realignments (up-valuation of the mark and/or devaluation of other European currencies), increased foreign investment by West Germany, "good-creditor" policies (freer imports, debt repayment), and so on. All of these are important and no doubt would have a notable influence on the situation — but that influence would certainly be temporary, for there are deeper-lying causes of the present unbalance and these are less susceptible of manipulation.

Plainly, as long as West German consumption levels are markedly lower than the West European average as long as German industry is heavily biased toward exportation, and as long as her neighbours and main competitors are laden with "imperial responsibilities" (i.e. non-commercial and unproductive investments in backward territories, such as colonial wars and the education and uplift of colonies and ex-colonies) — then no amount of fiddling with exchange parities and international credits is going to stabilise the position for very long. The foreign trade policies of all the other leading industrial powers — the USA, Russia, Britain and France — are set in a social and political context: exports are in each case limited by the necessity to sustain investments and consumption at home (this being what the German liberals denounce as socialism and inflation), while exports and foreign credits are directed in accordance with, and on terms suitable to, a politically determined programme (this being what the Germans denounce as imperialism; the satellite system or dollar diplomacy). West German heavy industry alone is free of both these servitudes: it can neglect the home market, decline to make unproductive investments abroad and push the greater part of its output on to foreign markets on straight commercial terms.

The upshot is the accumulation of foreign currencies in West German banks, a total unbalance of international trade and ultimately impoverishment of Germany's customers such as must make impossible the maintenance of German exports. Cut-throat competition eventually cuts the practitioner's own throat. No amount of "good-creditor" practice on West Germany's part can now correct this situation; for example, greater German investments abroad, as long as they were made on strictly business terms, would both increase German exports and contribute to the favourable payments balance, thus worsening the situation at least in the short term.

There are four ways in which the German economic potential could be harnessed to a social and political programme and thereby ease the strain on international trade in an age when all other major economies are

geared to such programmes. The first is more consumption (or if you like, more socialism) at home. But socialist-consumption policies cannot be forced on a people that does not demand them. The distributive economy can work in the USA because Americans are big spenders, and Keynesian policies can work in Britain because half the British population is born little Keynesians; the Germans are neither.

The other three concern international politics; German foreign trade could, in theory, be geared to the international programmes of one Russia, two the USA or three Britain and France. What would be involved in each of these theoretical cases?

The Russian solution, though politically unthinkable, is economically the most natural and the most in line with Germany's traditional economic ties. It would mean the reunification of West Germany with the much less prosperous and more backward East Germany, on terms such that the united country would be integrated into the economic system of East Europe. This would give West German industry the task of incorporating the 18 million East Germans into the present prosperous system, and would re-open to the Germans their traditional markets in Central and East Europe. This would at once correct the unbalance in world trade, for it must not be forgotten that it is the closing off of East Europe and hence the displacement of German exports to the West that is at the root of this unbalance, plus the fact that political division of the country has provided West German industry with an inexhaustible source of labour from a region where it has no social responsibilities. But this "solution" is politically impossible and would create more problems than it settled. Still, the fact stands that the West which is so worried about the German impact on its trading system cannot afford to forget that it is only by working for German reunification and a renewal of free East-West trade in Central Europe that the German economic problem will find an enduring solution, though this must be obtained on acceptable political terms.

The American solution has in fact been partly tried, and has failed, again for political reasons. This would be to get West German industry to shoulder its share (or if possible more than its share) of the anti-Communist rearmament effort. By burdening West German industry with the same sort of disability as has been suffered by Britain and France since 1948 and by replacing Allied military effectiveness beyond the Rhine with German, this would restore some of the balance in the West European economy and positively lighten the unproductive load carried by West Germany's main competitors. But it would also mean restoring German military power in Central Europe, and the French (and the British hardly less) showed that they were no more willing to envisage this than the Russians were; hence the failure of the European Army and the abortion of NATO. So the American solution of getting West Germany essentially to take over American defence responsibilities in Europe has failed.

The third solution would be to harness West German industry to the task of development of backward and colonial territories, a task now left substantially to Britain and France. This would mean not just making

commercial investments in those territories, building steel-mills and motor car factories, but actually accepting the burden of unproductive investments such as education, administration, public health, road and port development, and the like. It is investments of this sort that absorb a notable part of British and even more (in proportion) of French public outlays. In the past, the responsibility for such investments has been part of the cost of direct political hegemony, that is, it was part of imperialism. But today that is no longer wholly or even mainly true: as the old imperialist powers surrender political control they nevertheless retain the burden of social investments in their ex-colonies; witness the French subsidies to independent Morocco and Tunisia and the British contribution to the Colombo Plan, etc. And even in regions where the metropole's power is still intact, such as in French West and Equatorial Africa, immense investments are being made at the same time as progress toward political autonomy continues. So there is no reason why, with suitable but intricate political agreements and adjustments, West Germany should not contribute to this work without incurring the stigma of "imperialism". It is just this that the French had in mind when they insisted on including the overseas territories in the European Common Market, seeking to bind West Germany to an obligation to finance some of the public investment in those areas.

Unfortunately, there was Suez. And there still is the Algerian war. These naturally disincline the Germans (and equally the Swiss) to associate themselves with international programmes that can still be represented as old-fashioned imperialism. In fact, by far the greater part of the international responsibilities now shouldered by Britain and France have nothing to do with imperialism, even supposing (what is not perfectly certain) that Algeria and Suez (and Oman) betray the continuance of outdated attitudes, and nothing more. It is in this direction that there is most hope of progress and the Common Market will have justified itself if it succeeds in attracting West Germany into the field of common effort with Britain and France in the development of backward territories, particularly in Africa.

What is the alternative for West Germany? The course of her trade with the Middle East shows that

at the end of her present path of independent and strictly commercial trading lies self-defeat. In the last six years West Germany has increased her exports to the Near East by 220 per cent, and the only result is that Turkey, Iran and all the Arab countries cannot balance their trade and are driven into the same payments difficulties as Germany's European neighbours in EPU. The Germans have sought to remove these economic obstacles to their own trade by extending lavish credit to an extent that has become dangerous to themselves and their customers (witness the spectacular defaults in Turkey), and has moreover drawn accusations of dumping from competitors. The further Germany goes in this direction, the clearer it becomes that the classic weapons of economic competition are useless in seeking to develop trade with the underdeveloped countries. The only solution to the West German economic problem, which has now become the economic dilemma of all West Europe, is political.

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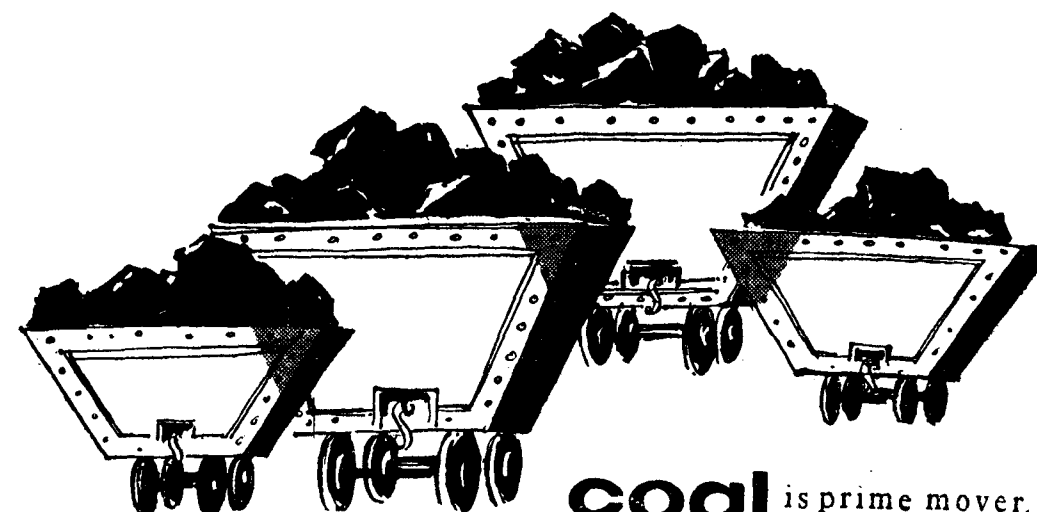
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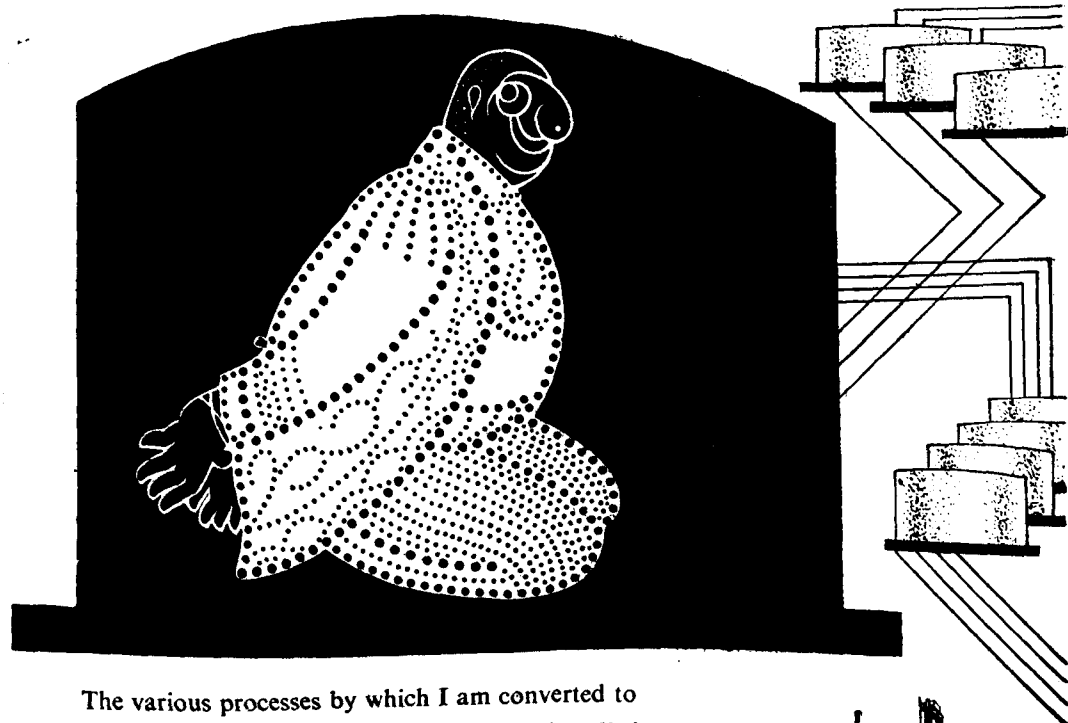
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WORLDGRAM

AGRICULTURE

Seed Farms in Second Plan: The second Plan provides for setting up of 4,328 seed farms—485 in 1956-57, 1,416 in 1957-58, 2,363 in 1958-59 and 64 in 1959-60. With an area of 25 acres, each seed farm will have a seed store as well. In this way, it is planned to supply pure seed to a total area of 215 million acres by the end of 1959-60. Nucleus seeds will also be supplied to registered growers for multiplication under the supervision of an agricultural officer in NES Blocks and distribution centres, and seed farms will be located at development blocks throughout the country. This is estimated to result in an increase of 10 to 15 per cent in production of main food and cash crops, such as wheat, gram, paddy, cotton, pulses, jowar and bajra. The Central Government will give a total amount of Rs. 1150.50 lakhs for the scheme—Rs. 553.12 lakhs as loan and Rs. 597.38 lakhs as subsidy in the period 1956-57 to 1959-60.

US Share in World Agricultural Exports: US exports of agricultural commodities rose in 1956 above the level attained in the late 1920's, and reached a new high figure. Of equal significance is the fact that agricultural exports of other producing countries also reached a new peak. These facts are pointed out in a study by the US Department of Agriculture, which is based on quantities of exports (valued in constant prices) of 52 commodities, omitting from the trade of other countries those farm commodities which the United States does not export, such as coffee, tea, and rubber. Agricultural exports of countries other than the United States have increased steadily since 1951, indicating that this export trade, in the aggregate, has not been disrupted by US efforts to increase its exports under various surplus disposal programmes. US exports in 1956 rose to \$4.7 billion—a sharp increase from \$3.1 billion in 1955—and accounted for 22 per cent of world farm exports. Two thirds of the 1956 increase was in cotton, as cotton exports of other countries declined, mainly because of smaller availabilities and not because of the US cotton disposal programme. Exporters in countries outside the United States are expected to have only normal carry-overs at the end of the current marketing season, and world cotton prices have been rising of late in the European market. Smaller exports of wheat from other countries in 1956 were the result of the winter freeze in Europe and a smaller exportable surplus in Argentina. Soybean exports of countries excluding the United States fell in 1956 owing to smaller supplies from China, the only large exporter outside the United States. From 1951 to 1955, total agricultural exports of countries other than the United States made constant gains, whereas US exports lagged and the United States became a residual supplier to the foreign agricultural market. Revisions in US export policies and programmes have, however, restored the competitive position of US farm products during the past two years.

Korean Grain Programme: The Ministry of Agriculture and Forestry of the Republic of Korea has formulated a Five-Year Plan designed to raise grain production from 26 million suk in 1958 to 31 million suk in 1962 (1 suk=317.5 pounds). The 1958 output target would be a figure 10 per cent higher than annual average production in the three preceding years. Under the programme the area planted to grain would be increased from 2.7 million chungbo (1 chungbo=2.45 acres) in 1958 to 2.8 million chungbo in 1962, largely through land reclamation; also, higher yields per acre are expected. For rice, the programme sets a produc-

tion target of 18.8 million suk by 1962, which is about 4.3 million suk more than the yearly average of the past three years.

Milk Boards for Urban Areas: To organise the dairy industry on a sound basis and improve milk production and distribution in the country, the entire work of supplying milk to the urban areas should be entrusted to licensed bodies. The licensing authority will be the 40 statutory milk boards to be set up in 40 cities, having a population of above one lakh, during the second Plan period. This is the main recommendation of the two-day Conference of Dairy and Health Officers which held a session recently. Another recommendation relates to a more efficient enforcement of the provisions of the Prevention of Food Adulteration Act, 1954. It was felt that additional staff and equipment required for this should be provided wherever necessary.

Research on Farming: In a statement placed on the table of the Rajya Sabha today in reply to a question by Shri Nawab Singh Chauhan, the Union Minister for Co-operation, Dr. Panjabrao Deshmukh said that use of radio-active isotopes in agricultural research was at present being made at the Indian Agricultural Research Institute, New Delhi. This work had been started only recently. A fully equipped laboratory to carry out experiments had been established at the Indian Agricultural Research Institute and work was underway on a number of soil-fertiliser problems of immediate practical importance to the country's agricultural development. Lately, at the same Institute, work had also been taken up in radiation genetics for production of better varieties of crops and for protection of crops against diseases and pests. A number of important results had been achieved already through this study.

INDUSTRY

Specification for Multipurpose Grease: The Indian Standards Institution has just published a specification for multipurpose grease, no. 1, 2 and 3 (IS: 1002-1957). This specification prescribes the requirements and the methods of test for multipurpose grease for three grades suitable for automotive as well as industrial use for the lubrication of plain as well as ball and roller bearings. The grades 1 and 2 are principally intended for use where high-pressure greasing equipment is employed.

Cable Factory in Kerala: In a written reply to a question by Shri T. C. N. Menon in the Lok Sabha, Shri Manubhai Shah, Minister for Industry, said, that a Cable Factory was to be started shortly at Tripunithura in Kerala. An application for the grant of a licence under the Industries (Development and Regulation) Act, had been made for the establishment of the factory. Shri Shah said that it was to be a joint Indo-Japanese venture and the authorised capital had been specified in the application as Rs. 50 lakhs. The conditions of foreign collaboration, Shri Shah said, were under examination.

Draft Standard for Bayonet Lampholders: The Indian Standards Institution has circulated, for eliciting comments, a draft Indian standard specification for bayonet lampholders. It covers both metal-cased as well as insulated lampholders and prescribes dimensional requirements and materials considered suitable for their manufacture. It also prescribes tests for determining their quality. This draft standard, when finalized, is expected to meet the long-felt need and

help the industry in producing uniform quality goods. Attention of the industry is particularly drawn to the dimensions of the lampholders included in this draft. The manufacturing practice in this country has been largely following the FPS system so far.

Production of Khadi: Over 3.81 crore sq. yards of khadi was produced during 1956-57 as against 2.52 crore sq. yards in 1955-56 and 1.91 crore sq. yards in 1954-55. This information was given by Shri Morarji Desai, Minister for Commerce and Industry in a written reply to a question by Shri Sugandhi in the Lok Sabha. The Minister said that these figures included the production of khadi by self-spinners

TRADE

Finland's Trade and Payments Arrangements: A protocol has been approved regulating trade relations and the system of payments from April 1 through September 30, 1957 between Finland and 12 Western European countries — Austria, Belgium, Denmark, France, the Federal Republic of Germany, Italy, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom. The 12 countries have agreed to grant as liberal treatment as possible to Finnish exports, and Finland will be liberal in the granting of export licenses. The licensing of imports by Finland from the participating countries is governed by three groups of quota lists annexed to the protocol. The first group consists of 64 "global" quotas, amounting to Fmk 29 billion; within each quota, the importer is free to select both the commodity to be imported and the participating country from which it will be obtained. The second group covers 13 quotas, amounting to Fmk 3.5 billion; for this group, the Finnish authorities will determine the importer and the commodity, but the choice of the country of supply is free. The licensing of imports in the third group (Fmk 6 billion) is fully controlled. The system of payments between Finland and the participating countries is based on multilateral principles; thus Finland has the right to transfer foreign exchange earnings from one country to another. The agreement is retroactive to April 1, 1957. Finland's bilateral agreements with the participating countries will be modified to the extent necessary to conform with the new protocol.

FINANCE

Burmah-Shell Refineries Limited, 1956 Accounts: The following items are of interest in connection with the Directors' Report and Annual Accounts for 1956 for Burmah-Shell Refineries Ltd. which cover the first full year's operation of the Company. The various plants, utilities and auxiliaries have been in steady operation during the year apart from the scheduled shutdowns for routine inspection and maintenance. A total of 2.35 million tons of crude oil from the Persian Gulf was processed during 1956, yielding 2.19 million tons of finished products. By processing this crude in India, instead of the equivalent quantities of refined products being imported, Burmah-Shell Refineries saved the Indian economy Rs. 7.51 crores in 1956 in foreign exchange. The Edleanu processing unit for improving the quality of kerosine produced came into operation in June 1956. Construction of the Platforming unit has proceeded according to plan, only minor items being outstanding at the year end. Capital expenditure incurred during the year amounted to Rs. 3.02 crores. In September 1956 the Directors decided, after most careful consideration, that the financial position of the Company arising from operations based on current working conditions and on the Refinery performances to date, was sufficiently encouraging to recommend that the Indian Government be advised with effect from 1st October, 1956 that Burmah-Shell

Refineries Ltd. was willing to forgo the duty protection of 2 annas per Imperial Gallon enjoyed on motor spirit production, for which provision had been made under the Agreement with the Indian Government for the construction and operation of the Refinery. This duty protection was calculated to amount in a full year to approximately two crores of Rupees. The Central Government revenues would therefore benefit to this extent from the offer made by the Company which was accepted by Government.

The net income of the Company for the year ended on 31st December, 1956 after providing for normal depreciation and the estimated liability for taxation amounts to Rs. 632 lakhs. To which is added the balance brought forward from 1955 Rs. 136 ..

Rs. 813 ..

From which an appropriation is proposed representing the difference between depreciation (including development rebate) allowed for taxation purposes to date, and the provision made by the Company for depreciation in its Accounts to date .. Rs. 511 ..

Rs. 307 ..

From which has to be deducted dividends amounting to .. Rs. 302 ..

Leaving an unappropriated balance of .. Rs. 5 ..

which the Board recommends to be carried forward to next year's Account. No specific provision has been made for debenture redemption: the commitment for redemption will fall to be met from reserves and from future earnings. In regard to future prospects, it is to be expected that earnings will show some reduction. Apart from the effect of forgoing protection on motor spirit, experience in oil refineries elsewhere shows that maintenance expenditure on the plant will progressively increase with each year's operation of the units, with consequent adverse effects on profit margins. Further, the recently announced increases in Crude Oil prices in the Persian Gulf will narrow the margin between crude oil and refined product prices with a consequent reduction in the level of refining income. The training of Indian staff continues and the Indianisation programme is being implemented according to schedule, the number of expatriate staff being reduced from 43 to 32 during the year.

GENERAL

More Workers to Get Provident Fund Benefits: About 76,000 more workers are likely to get provident fund benefits from December 1957 when the Employees' Provident Funds Act, 1952, is extended to workers in gold, manganese, iron-ore and lime-stone mines. The Act will apply only to those mines which have 50 or more workers and have completed three years of existence. It is estimated that the monthly contributions of these workers to the fund and the employers' share will amount to Rs. 7.40 lakhs. The Employees' Provident Funds Act, which came into force in November 1952, initially applied to six industries. It has now been extended to 24 industries, five classes of plantations and newspaper establishments. About 4,600 factories, 1,300 plantations and 160 newspaper establishments are covered by the Act. The total number of workers, who will be covered when the provident fund scheme is extended to the mine workers in December, will be about 24 lakhs. The contributions to the fund till May 31, 1957, amounted to Rs. 84.14 crores.



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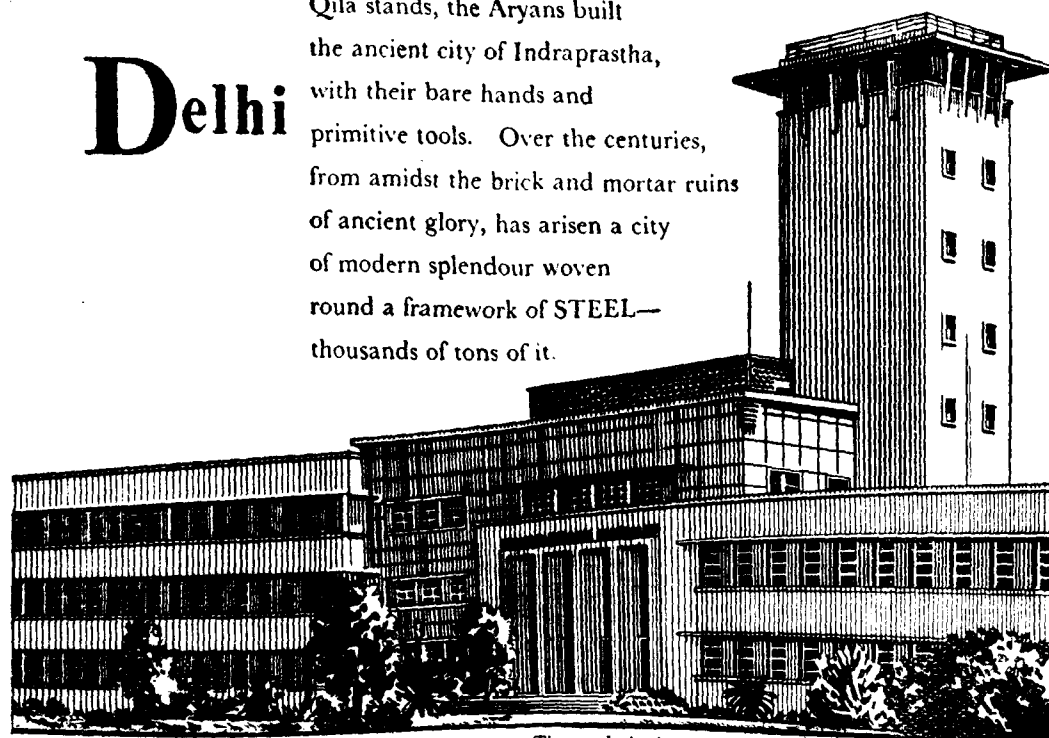


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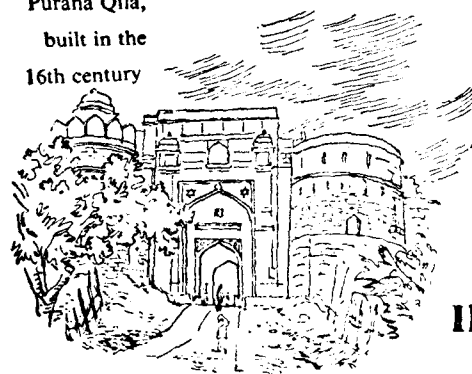
Delhi

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.



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NEWS IN BRIEF

INDIAN

Employment exchanges registered 15,791 scheduled caste applicants and served placements for 2,538 of them during May, 1957. Of these placed, 247 were under Central Government, 844 under State Governments, 177 under quasi-government establishments and local bodies and the remaining 270 with other employers.

A meeting of the Southern and Eastern Regional Committee on animal husbandry is being held at Trivandrum from August 28 to September 3. Another meeting of the Northern and Temperate Region will be held at Nainital from September 23 to 25.

It is reported that about 10,059 villages will be electrified during the second Five-Year Plan.

The demand for steel castings is envisaged to be of the order of 40,000 tons per year by the end of the second plan period.

A sum of Rs. 5.52 lakhs has been allotted during 1957-58 to the Kerala State Government for the welfare of scheduled castes under the centrally sponsored programme.

The Indian Standards Institution has granted a license to Messrs. Geigy Industries Private Ltd. now incorporated in Messrs. Tata Fison Private Ltd., Bombay for the use of the certification mark of the Institution, on DDT dusting powders, and DDT water dispersible powder concentrates.

Shri Morarji Desai, Minister for Commerce and Industry stated in the Rajya Sabha recently that 15,62,553 handlooms had been registered in the country up to June 30, 1957. This includes 2,24,000 handlooms registered in Assam up to May 1, 1957.

The Minister for Commerce and Industry, Shri Morarji Desai stated in the Rajya Sabha recently that a zinc rolling mill had been set up last year at Calcutta for the manufacture of electric cell cans. The total cost was Rs. 28 lakhs approximately.

It is proposed to establish a deep sea fishing unit at Visakhapatnam by using vessels obtained under T.C.M. aid. An Ice and Cold storage plant procured under T.C.M. aid has been allotted to Andhra Pradesh and the State Government in erecting the plant.

To meet emergency demands for improved varieties of wheat seeds in the areas where scarcity conditions occur in the area, five regional wheat seed stores are proposed to be set up soon—one each in the five main wheat-growing areas. Similar stores will also be set up for paddy seeds in the main rice growing areas.

FOREIGN

A bank rate has been announced for the first time by the Bank of Rhodesia and Nyasaland, the central bank of the Federation, which was established in March 1956. The rate announced is 4.5 per cent.

A further relaxation of import controls has been announced in the Union of South Africa. From now on importers full requirements of all motor cars will be covered on a replacement basis; i.e. their relevant import permits will be replaced to the extent that they sell motor cars.

The note issue (currency issue plus sight liabilities) of the Central Bank of Chile on July 13 was \$75 billion, almost exactly the same as at the end of 1956.

Several measures designed to stimulate residential construction in the United States have been adopted by the government housing authorities.

The Government of Afghanistan and the United States have concluded an agreement under which US private investors are assured, under the provision of the Mutual Security Act of 1954, of the free convertibility of currency, protection against expropriation, and protection against loss of their investments owing to military action.

The Indonesian budget for the Calendar year 1957 which was submitted to the Parliament on July 12, estimates revenue of Rp. 19.2 billion and expenditure of Rp. 20.8 billion.

Japan's cotton imports of 2,316,000 bales (500 pounds gross) from August 1956 to April 1957 were 40 per cent higher than imports in the same period a year earlier and the highest reported in 20 years.

The foreign exchange account of the Bank of Taiwan for the first six months of 1957 showed a surplus of US \$19.3 million, compared with a deficit of \$2.1 million for the corresponding period of 1956.

In the year 1956-57 financial year Australia sharply cut her dollar deficit, turned a deficit with the sterling area into a surplus and registered a substantial increase in its surplus with other countries.

Tunisia and Morocco have now both aligned their currencies to the new value of the franc. The Moroccan Government has introduced its own system for the application of the 20 per cent partial devaluation.

The Dutch Bank rate has been increased from 4½ per cent to 5 per cent. It was raised from 3½ per cent to 4½ per cent on July 16.

The Chilean Government has authorised the export of copper wire of up to 6 mm. in diameter to all countries without exception.



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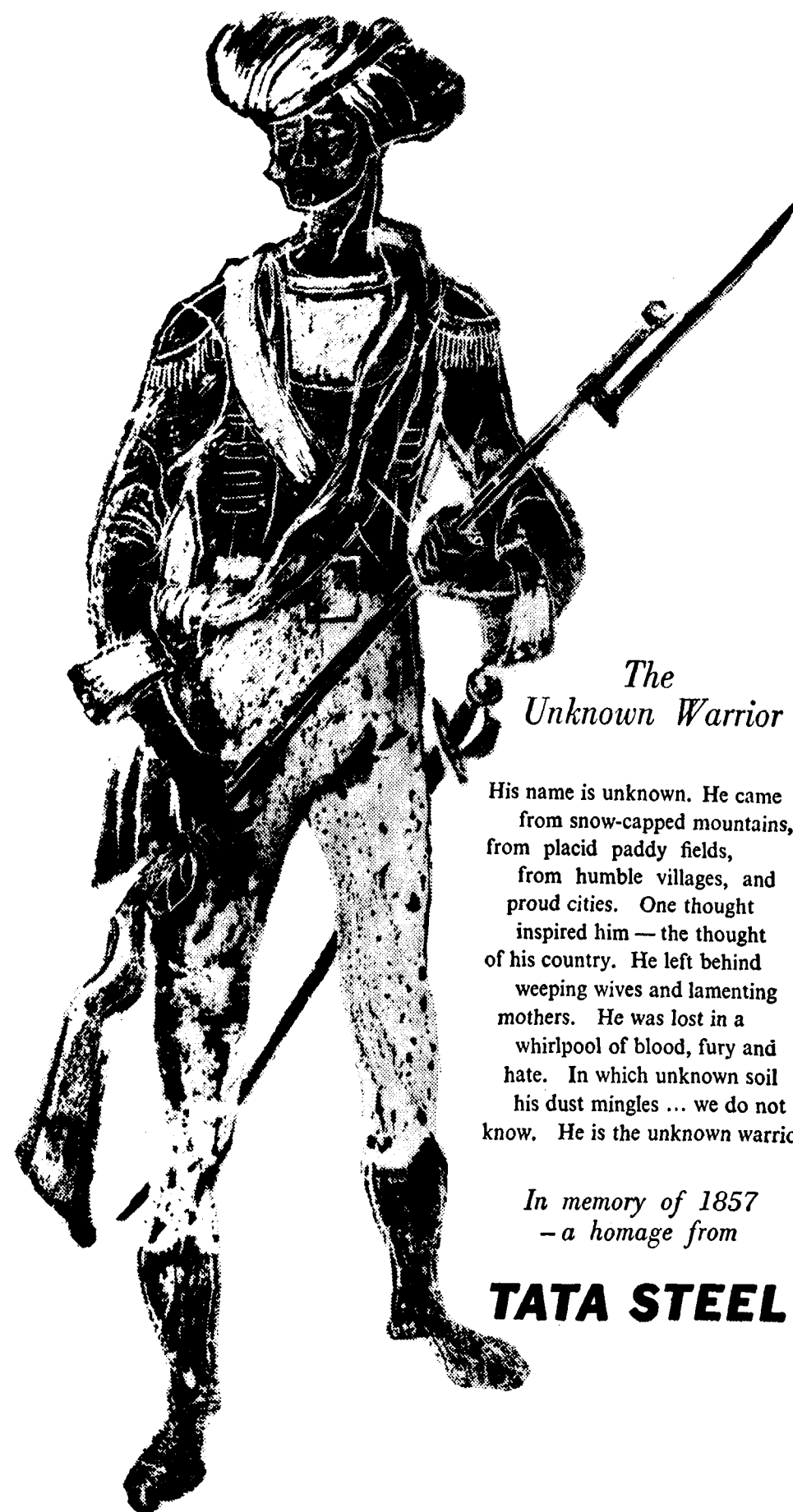
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Economic Report from the U. S.

CUSTOMS SIMPLIFICATION ACT

(By GUY SIMS FITCH)

WASHINGTON, Aug. 27.—The way is now clear for putting into effect one of the most significant of all United States trade liberalization moves. The U.S. Treasury Department a few days ago released a list of about 800 imported commodities it proposes to exclude from the provisions of the Customs Simplification Act which became law in August 1956. To understand this seeming paradox—how the publication of a restrictive import list brings closer to operation a liberalization measure approved a year ago—one must examine the Act itself. At its heart is a provision that U.S. "ad valorem" duties—duties assessed against imported goods on the basis of a percentage of their value—will be computed on the single standard of "export value." This value is the price at which goods are sold for export to the United States.

Currently, 'ad valorem' imports, which make up the bulk of all U.S. dutiable imports, have their duties fixed on the basis of either "export value" or "foreign value," whichever is higher. The foreign value is the price at which they are sold for consumption in the exporting country. Since the export value usually is lower, most dutiable goods entering the United States will be assessed under the new law at lower rates. The result will be an automatic reduction of a wide range of U.S. import levies. In addition, the Treasury no longer will have to go through the drawn-out process of determining the value of imported goods by two different methods. This inevitably will mean less uncertainty and a saving of time, as well as money, for both foreign exporters and American importers. Where, then, does the last week's treasury list come into this picture? When the Act was being considered by Congress, the understandable objection was raised that it might prove unduly harmful to some American industries if the final "export valuation" were to be

substantially below prevailing tariff rates. Therefore, Congress stipulated that those goods whose duties would be reduced by 5 per cent or more would be exempted from the act, and would be treated under the old dual formula.

This accounts for the delay in putting the Act into effect. For the past year, the Treasury Department has been making a painstaking study of the Act's probable impact on all goods entering the United States. The result of that study was the list of 800 exempted items. This is expected to have little material effect on the Act's operation. The 800 items which include such products as certain organic chemicals and rubber footwear, make up a small fraction of the many thousands of foreign products sold in the United States. They represent 16.5 per cent of the total value of U.S. dutiable imports and only 2.3 per cent of the total import dollar volume during the year that ended June 30, 1954—the base period for calculating the proposed exemptions. It should be noted, in this connection, that about half of all U.S. imports enter the country free of any duty.

American business men now have 60 days in which to request that other items be added to the proposed "exemption" list. After the Treasury studies those requests, the way will be clear for its promulgation of the final exemption list, which probably will differ little from the present preliminary list. And 30 days after that, the new valuation system will become effective. Now that the first major hurdle has been cleared, Treasury officials are hopeful that the Customs Simplification Act of 1956 will be in operation by the end of 1957 or shortly thereafter. And despite the delays and the exemption, American importers appear quite satisfied with it.

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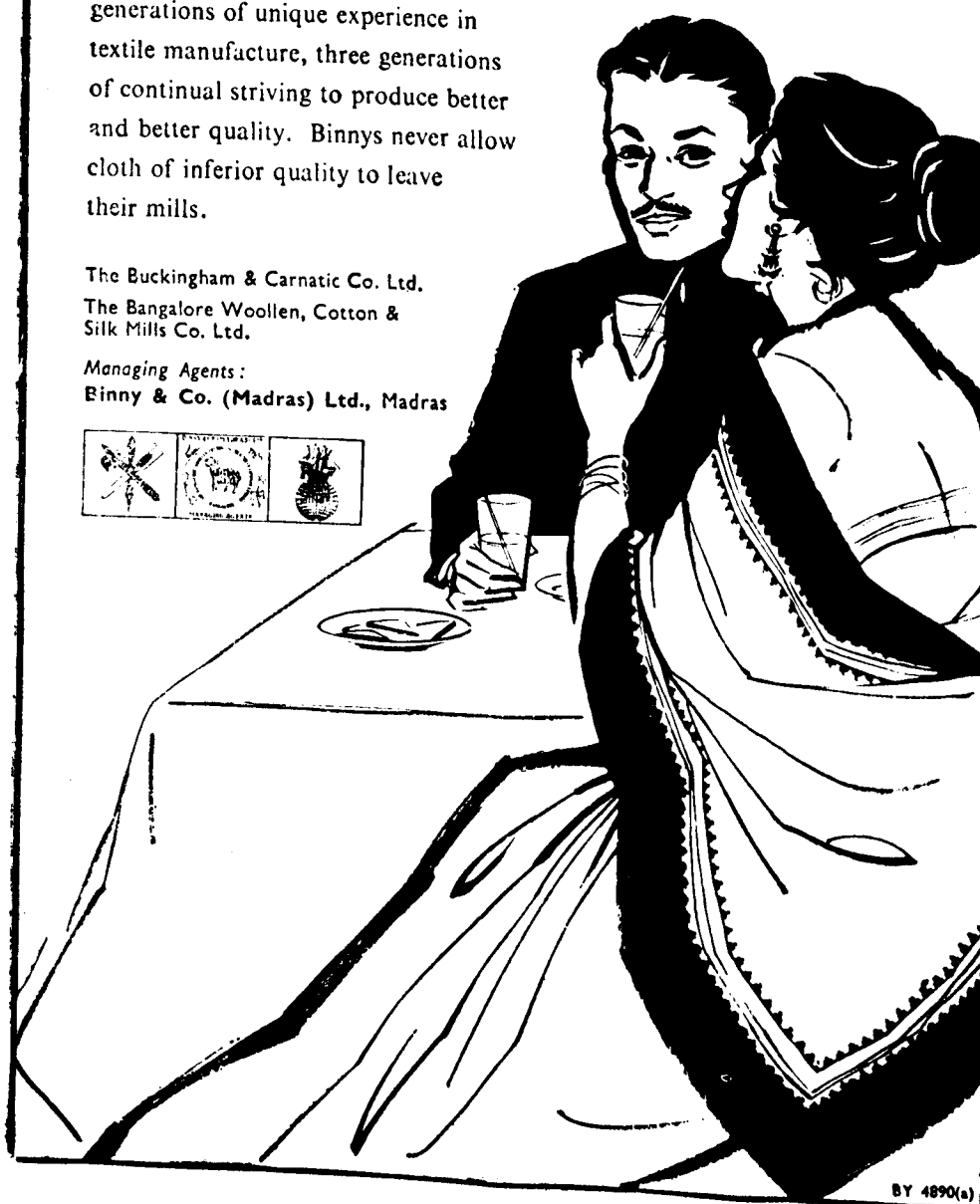
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The Business World

CO-OPERATIVE URBAN BANKS

By
CROESUS

IN a sense, small and medium scale industries are verily coming into their own. These industries are receiving prominent attention not so much because of their contribution to economic production as such as because of their so-called employment-potential, but there is no reason why they should not also prove to be economic units. It is, therefore, gratifying to note that this aspect too has begun to receive steadily increasing attention at the hands of the several agencies which have been entrusted with the responsibility of fostering these industries. By the way, the number of these agencies has grown to such an extent that one may be excused for not knowing all these agencies or at least the particular agency that one may have to approach for securing assistance for one's industry, if it is small or medium sized. Similarly, it is becoming more and more difficult to say whether or no there has already developed a certain degree of overlapping, calling, therefore, for a clearer definition of the respective sphere and scope of each of these agencies. Equally important seems to be the need for a co-ordinated—the term more in vogue these days is “integrated”—approach in the matter of financing these industries. It is a healthy sign that more agencies are coming forward to help small and medium industries with the latter's greatest need—money. Inasmuch as this is both an untried line for these agencies and also a line fraught with considerable risk, it is but natural that the concerned agencies should look to the State to be a sort of underwriter of their risks.

There is also another reason why these agencies deserve encouragement. It is that they serve to minimise the distress of the ‘small man’ in urban areas and thereby strengthen the economic structure of the towns and cities. As Mr. R. C. Saraiya, President of the First Conference of the Bombay Co-operative Urban Banks, held last week, observed, “the effort to revitalise the village economy will not bear fruit within the desired period, if towns are neglected”. It is in this context, I believe, that he complained that no systematic effort had been made to assess the magnitude of urban problems and the voluntary effort made by different agencies, including urban banks, to tackle them. Hence his suggestion to the Reserve Bank to make a survey of the productive elements like small-scale industries in the urban sector on the lines of the Rural Credit Survey. The interest of the urban co-operative banks in such a survey is more clearly brought out in the resolution adopted by the Conference. One of such resolutions read, ‘inter alia’, thus: This Conference recommends “that the Reserve Bank of India should, in collaboration with the State Co-operative Banks' Association, sponsor a survey of the problems confronting urban banks, including their organisation, methods of banking business and their ability to assist the small-scale producers within their fold”.

Unusually for such occasions, Mr. Saraiya did not have a long catalogue of difficulties to list before the Conference, a point which, I see, did not escape the notice of Mr. H. V. R. Iengar, the shrewd Governor of the Reserve Bank of India, who inaugurated the Conference. But Mr. Saraiya did have a couple of complaints which require mention and also comment.

The first of these was about the competition for deposits among banks, commercial and co-operative, but much of the validity of this complaint was lost—so it seemed to me—when he himself stated that some of the urban banks were able to hold their own and even increase their deposits, notwithstanding the fact that they offered a relatively lower rate of interest on deposits than did the commercial banks. If this is the position, it only means—or it could mean—that there was something wanting in the case of those urban banks that could not stand the competition. I am afraid, therefore, that Mr. Saraiya was not able to convince one as to what he precisely meant when he wanted the Central banking authority to co-ordinate the policies of all banking institutions to avoid unhealthy competition.

Secondly, Mr. Saraiya complained about the State Bank of India opening branches in the areas that were already being served by the urban co-operative banks which had been the pioneers in the field and had taken the trouble to explore it successfully. This is not the first nor, by any means, a new complaint, which only goes to prove that, as much as any other commercial bank, the State Bank also is anxious to enter only a prepared field, contrary to what the public has been led to believe all along. But now that the State Bank has also established itself, despite the competition, and even losses perhaps, it has per force to stay on, if only because it cannot afford—or is it “it will not be allowed”—to close down and discharge its employees. It occurs to me, therefore, that, in future at least, the State Bank can very well make use of the agency of the urban co-operative banks to explore fresh areas and, instead of establishing its own branches and slowly uprooting from such areas the urban co-operative banks—not forcibly but by its competition—let the latter banks themselves do its work as its agents. In other words, as Mr. Iengar suggested, by reason of the other and far more important responsibilities it has to shoulder, it seems desirable for the State Bank to remain in the background and guide and assist these small but handy and useful institutions.

While still on the subject of competition, I feel, a reference requires to be made to the question of interest rates. It is true the commercial banks offer and they have to do so—higher rates to attract deposits. It is not urban co-operatives alone that feel the competition thus, but even commercial banks have, in their turn, complained about the Exchange Banks offering higher rates and taking away the funds they would otherwise have got. This state of affairs has arisen because of the newly developing pattern of interest rates, thanks to both internal and external pressures. If the rates have gone up to some extent, as they would have done in the normal course by the higher outlay on the developmental projects under the second Five-Year Plan, they have gone up a little more now because, as Mr. Iengar pointed out, the Exchange Banks, which could not bring funds from their Head Offices owing to the higher money rates obtaining abroad, in particular in the UK, also have been tapping the Indian money market. The Indian Banks' Association has repeatedly drawn pointed attention to this feature and has even

sought some sort of protection against this powerful source of competition but to no effect so far, for, obviously, this is as delicate a problem as it is complicated involving perhaps constitutional issues. Mr. Jengar did not say all these but he must doubtless have had them all at the back of his mind when he said that, as far as he could foresee, there was no likeli-

hood of the interest rates going down. The latest restrictions on bank credit will certainly not help bring down interest rates; one must be thankful if they don't have the effect of further raising the rates by reason of future bank credit being more selective and thus not left to be decided by any normal bargaining between the lender and the borrower.

TRIBUTE TO TISCO

By

CROESUS

NO Indian, whether he attended the annual meeting of the shareholders of the Tata Iron and Steel Co., Ltd., on August 27, 1957, or not, would refrain from paying his own personal tribute to that great man, Jamsetji Tata, who, even two generations ago, had the vision to realise that political freedom, without economic and industrial strength to support and defend it, would be a cruel delusion and straightaway set out to lay the foundations of industrial power by establishing the largest steel-producing unit in the country, which is also the biggest single private enterprise of India today. Looking at the Company now and considering the resources and potentialities of the iron and steel industry in India which have been widely made known, it is difficult to imagine the struggles and hardships that the pioneers like Tata and his sons must have faced and overcome. Several others also have made a notable contribution to the building up of the TISCO, and it is only appropriate that, on the day of commencing the second fifty years of the existence of the Company, Mr. J. R. D. Tata, an illustrious scion of the Tata family and the present Chairman of TISCO, should have paid full some tribute to the memory of all these.

What has the Company achieved in the past fifty years? To quote Mr. Tata, "in the fifty years of our life, we made over 22 million tons of steel, paid Rs. 175 crores in wages and bonuses, about Rs. 45 crores in dividends, well over Rs. 70 crores in taxes and Rs. 40 crores into government price equalisation fund. In the process we saved the country hundreds of crores worth of foreign exchange and are doing so today at the rate of same Rs. 50 crores a year, which will rise to about Rs. 90 crores from next year onwards." With this record of achievement, the Company's Chairman could well claim: "I feel we have amply repaid the country for the protection granted to the steel industry during the difficult years following the first World War."

Mr. Tata did not forget on the occasion to recall the services of many others who made these results possible. Indeed, he was generous enough to admit that, if the Company has been able to overcome, over the past fifty years, all the obstacles and difficulties it met with, "it is partly because, even in the darkest days of our history, we enjoyed the trust and the support of our staff, workers, government and shareholders". The TISCO Chairman particularly expressed his appreciation for those shareholders who have held shares in the Company since its very inception by calling them "that stalwart band of Shareholders".

In all these, and especially in being frank enough to their mistakes whenever they occurred, the TISCO management could well declare "We never forsook the ideal bequeathed to us by the founder or lost sight of our duties and responsibilities to the country." In

having done so, TISCO has undoubtedly provided, as Mr. Tata declared, "a living and dynamic answer to the charge that 'Free Enterprise cannot deliver the goods, is only inspired by selfish motives, and does not serve the needs of the people'". Tatas have, indeed, served the country consistently and well. May they live long, prosper and carry on this great tradition from generation to generation. For, with even one outstanding example like that of the Tatas, Free Enterprise can still hold its head aloft.

RECORDS & STATISTICS

(QUARTERLY BULLETIN)

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

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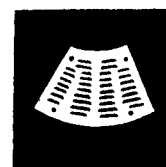
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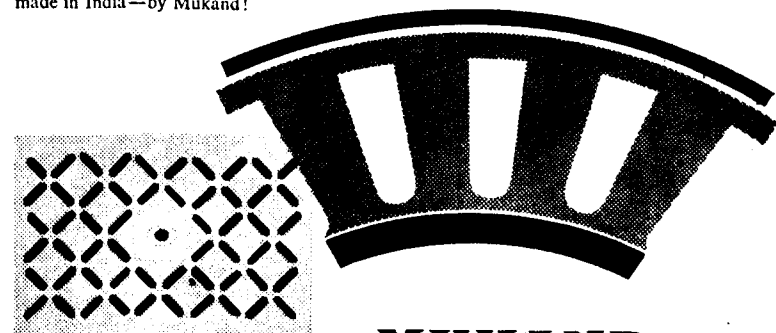
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Today India needs more homes—better homes—for her millions, calling for more cement and more steel. For the maintenance and expansion of cement production, components such as lining plates and grate plates are essential. Until recently these tough castings made of manganese steel were imported, but now they are made in India—by Mukand!

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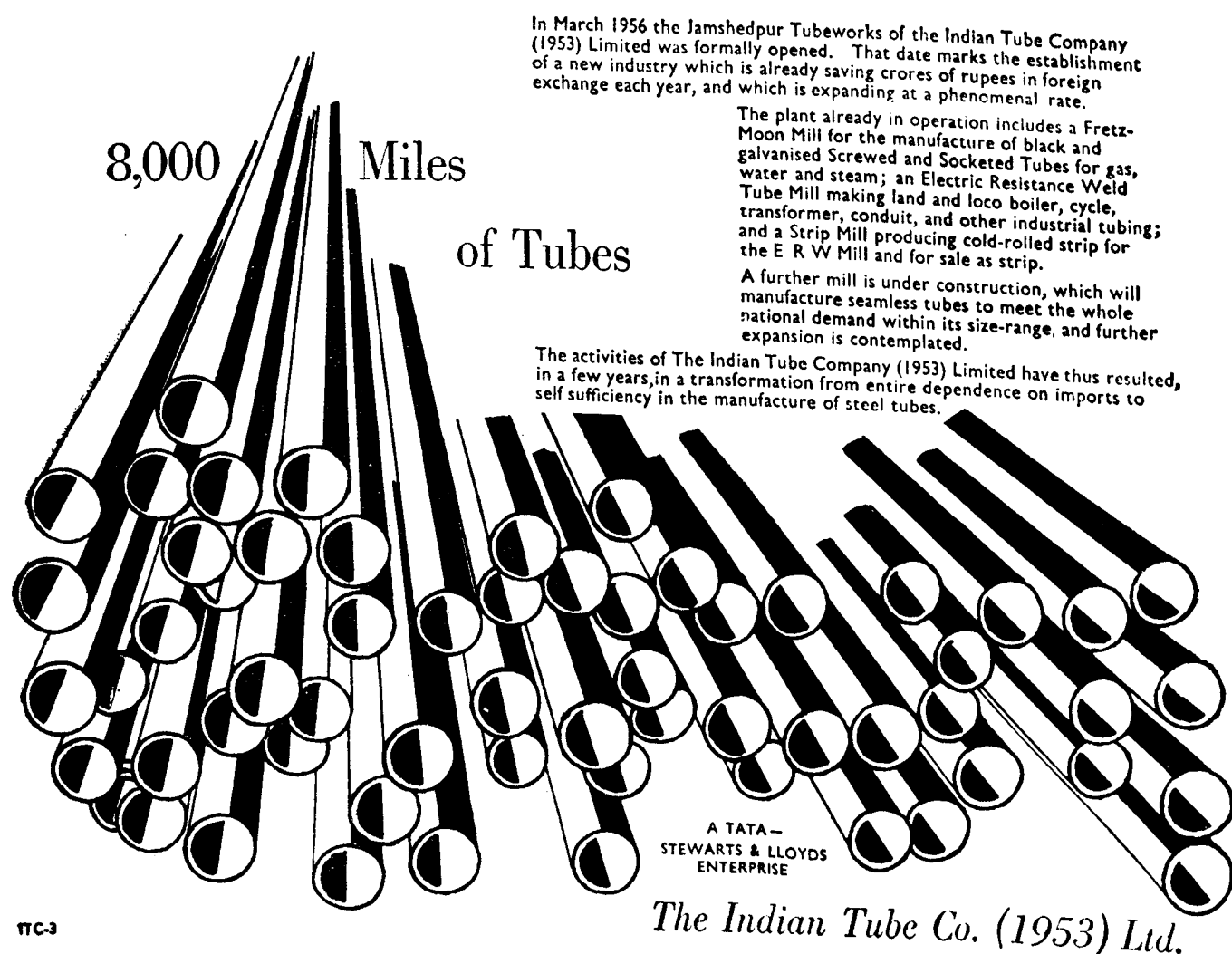
AUTHORISED CAPITAL	..	..	..	Rs. 50,00,000
SUBSCRIBED CAPITAL	..	..	..	.. 28,82,681
DEBENTURE CAPITAL	..	..	..	.. 5,00,000

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Rao Sahib K. A. M. A. KALIAPPA NADAR
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BUSINESS NOTES

TISCO: FIFTY YEARS OF PROUD PROGRESS

MONDAY, AUGUST 26, marks a golden jubilee of the Tata Iron and Steel Company. Looking back over the last fifty years, the company can take legitimate pride in its contribution to the progress of the nation. In a sense, therefore, the jubilee is an event also of national significance. Mr. Jamsetji Tata's pioneering zeal and unflinching faith in the industrial future of this country was the real force behind the birth of this great enterprise. A band of distinguished leaders charged with the onerous task of piloting the destiny of the company over the last fifty years has also contributed greatly to building the enterprise to its present stature.

Mr. J. R. D. Tata's speech on this memorable occasion gives a picture of the shape of things to come in the immediate future. The ambitious programme of expansion aiming at an annual production target of 2 million tons is now within sight of achievement. The programme is proceeding according to schedule, notwithstanding the pressures exerted by a heavy and accelerated schedule. This one instance constitutes eloquent testimony to the capacity of Indian private enterprise to take real risks even in a heavy industry and to deliver goods.

Mr. Tata had a happy news to break to the shareholders and also to the country about the management's success in raising the balance of development finance which was so far left unprovided. The uncovered gap was of the order of \$35 million. The good offices of the World Bank have been of great value in filling it and the country no less than the company will be grateful to it for this assistance. The Bank has agreed that it would give extra credit up to a maximum of \$17.5 million to the company on condition that an equal amount is raised from other sources first. Active efforts are under way and negotiations are proceeding with commercial banks in the United States for raising credits to the tune of \$17.5 million. It can be confidently hoped that these credits will be raised and the entire expansion programmes will be fulfilled in time. In case, however, rising taxation reduces the company's internal savings or the capital costs of the different projects in the expansion programmes go up, the Chairman has disclosed that the company would approach the Government for an increase in the retention prices. The possibility of taxation undercutting the company's internal savings seems to be real. The Chairman has estimated that the additional taxation resulting from the budget proposals and the excise duty on steel used in the expansion programme will be of the order of Rs. 1 crore. This is a measure of the inroad which the new taxation is making into the finances of the private corporate sector of industry.

RAYON YARN PRICES

RECENTLY, A section of art silk manufacturers would appear to have complained to the authorities that the rayon manufacturing industry had raised rayon yarn prices unduly during the third quarter of the current year, thereby implying that the latter was taking undue advantage of the scarcity created by the restricted import policy of the Government of India. As this is a very important question affecting the 'bonafides' of the rayon industry, the Rayon Manufacturers' Association (R.M.A.) has naturally had to come out to place before the authorities concerned all the "salient features and facts" about their industry. This it has done in a detailed memorandum which it has submitted to the Secretary, Ministry of Commerce and Industry, Government of India.

The manufacturers point out that there had been a plethora of yarn far exceeding the poor demand,

thanks to the increases in imports, which totalled 66 million lbs. as against the usual 50 million lbs., during the period April 1956 to March 1957. Owing to this and other factors, the indigenous yarn manufacturers were compelled to lower the prices and fix them as low as Rs. 3-9-0 and 3-14-0, inclusive of the excise duty. This price, according to the rayon manufacturers, has been the lowest and "at no time in their history they were called upon to sell their yarn at such a low price as obtained for the first two quarters".

Continuing, the R.M.A. memorandum maintains that the prices now fixed are comparable not only to the average selling prices since 1952 but they also "compare very favourably with the landed cost of imported yarn. The rate of 150 denier works out lower by about As. 5 per lb. of yarn". On the basis of the latest quotation, received from the importers, for the supply of 120 and 150 denier yarn, according to the memorandum, the price works out to 43d. per lb. of yarn. The landed cost works out to Rs. 3-13-9 for 150 denier. The rates quoted by the two premier rayon manufacturing units—The National Rayon and the Century Rayon—it may be noted, works out to about the same as far as 120 denier yarn is concerned and actually about 5 annas lower than the landed cost as far as 150 denier is concerned. Furthermore, the rates now fixed, the R.M.A. memorandum points out, do not take account of the increased cost of production since. It is recognised on all hands that the cost of production has been mounting. Notwithstanding this, the Rayon Manufacturers have not only excluded the increased cost from the rates now fixed but have even absorbed more than 50 per cent of the excise duty.

In order to substantiate this, the R.M.A. points to the results of working of two producing units, viz. the National Rayons and the Travancore Rayons which have returned a gross profit of 15.3 per cent and 17.3 per cent respectively, before depreciation and taxation on their gross block capital expenditure. When compared to this, some of the weaving industries, according to the Association, have shown a return of anywhere up to 65 per cent, a position which seems to have been assured to them, inasmuch as the artificial silk fabric industry now enjoys protection with a complete ban on imports.

The foregoing analysis clearly shows that the Rayon Manufacturers have not exploited the situation. It is, therefore, unjust to make any such charge against them. This is all the more so when, even the Government, according to the R.M.A., is convinced that whatever increase there has been is appropriate.

INDO-BURMA TRADE

WITH THE Burmese Trade Delegation presently touring the country, the commercial relations between India and Burma are expected to improve in the near future. Although the principal purpose of the delegation is to study the industrial development of the country, it is expected that negotiations may be made for purchasing cotton textiles. The chances of Burma buying cotton textiles from India seem brighter particularly when Japan has very recently not seen its way to agreeing to the request of Burma for a price concession in respect of her textiles. It devolves now on the textile trade interests to impress on the trade delegation the benefits of entering into longer deals with India.

Imports of cotton textiles into Burma from India in the recent years have been falling considerably. As against 38.60 million yards in 1954, imports from India in 1955 stood at 10.90 million yards. Although there was some improvement in the year 1956, this was less

than 50 per cent of Burma's intake of Indian cotton textiles in 1954. It is relevant to mention here that with the abolition of preferential duties on imports and levy of the standard rates for imports from all other countries, Indian textiles lost the price advantage which they enjoyed in relation to Japan whose competitive strength was enhanced. The latest developments show that Japanese cotton textiles are not priced at a level which Burma would desire.

The situation lends weight to the thesis that cotton textile exports will begin to have an increasing share in the Indo-Burma trade. Jute is another commodity in which exists ample scope for export as indigenous production in Burma is not sufficient to meet its entire demand. So far as exports from Burma are concerned, timber and rice will always have a good market in India.

EXPORT PROMOTION COUNCIL FOR LEATHER

EVERY YEAR India exports hides and skins worth nearly Rs. 30 crores, which works out to roughly about 5 per cent of the total foreign exchange earned. If the quality of raw hides and skins, which is reported to be deteriorating gradually is improved and if vigorous efforts are made to increase our exports, we are told, this industry, which has already carved for itself an important enough place in our economy, is bound to play a more important role still. It is, therefore, heartening to note that this aspect has already been receiving due attention at the hands of the Government.

For the purpose of finding out ways and means for the export of finished leather production, the Chief Minister of Madras, Mr. K. Kamaraj inaugurated only last week, the Leather Export Promotion Council—the eighth in the chain of Export Promotion Councils set up by the Government of India. While both he and Mr. A. J. John, Governor of Madras, who presided over the inaugural function, stressed the importance of the leather industry as one of the chief foreign exchange earners, Mr. K. Rangaswami, Chairman of the Leather Export Promotion Council, availed himself of the occasion, appropriately enough, to explain the objectives of the Council. He said that the Council would take all the steps necessary for organising a steady market in the Middle East and Africa, where the demand for finished leather goods was very great. Another task of the Council, according to Mr. Rangaswami, is to achieve diversification of exports and the establishment of more direct relations with the importers and the actual users on the Continent and elsewhere.

OIL PRICES

IN THE recent debate in the Lok Sabha on the demands for grants of the Ministry of Steel, Mines and Fuel, the price of petroleum oil turned out to be a combustible subject. An impassioned plea was made by some members that the price of petroleum oil be considerably reduced. It was pointed out that after the establishment of foreign refineries in India, there was no justification to stick to the old basis.

An analysis of the whole situation would reveal that it is pointless to demand a reduction in the price of the petroleum oil when the Government has already committed itself to price fixing in the agreements with the oil refineries. These agreements ought to be honoured since sanctity of contracts must be upheld. The agreements in the board outline are quite reasonable and positively very beneficial to India. While sentimental reasons might provoke one to seek changes in the agreements, the wider implications of such a course and the probable repercussions of pressure policies cannot be ignored. Hence the import parity basis for the pricing of petroleum product, has to be adhered to. One very vital and basic question to consider is the effect of imposed modifications on the foreign investor's confidence. Will not foreign capital which is already shy tend to be discouraged?

The demand for petrol is increasing year after year and the country has not made much headway in the production of petroleum. No doubt aero-magnetic surveys have been carried out in Jaisalmer and the Gangetic region and exploration has also been done at Naharkatiya, but the fact cannot be ignored that prospecting for oil is not only too expensive but literally a gamble. It is still to be determined in the light of a long-term programme of exploration to what extent India will be self-sufficient in her requirements of mineral oils. The necessity for imports is most certain to continue in varying degrees. At the same time, it should be appreciated that the foreign oil companies are amenable to persuasion. They have agreed to switch over from the Gulf of Mexico price parity to Persian Gulf price parity which means a saving of at least two crores of rupees to us at the present rate of consumption.

RATIONALISING THE SALES TAX

IN A STATEMENT on sales tax, adopted unanimously by the Sales Tax Conference convened by the Federation in Bombay on the 24th and 25th July last, the F.I.C. & I. suggested certain solutions to the "numerous difficulties and vexations caused by the administration of sales tax". The Federation suggested, for example, the centralisation of sales tax and distribution of the proceeds of the tax to the States on an agreed basis. This, in its opinion, would put an end to the various complexities. Among others, it suggested the formulation of a model sales tax Act for the guidance of the States, uniformity of rates, system, method of levy, administration and prescribed forms in all the States and certain modifications in the present Sales Tax Act to ensure that no purchase tax is levied by State Governments. With regard to the effect of sales tax on foreign trade, the Federation made a notable suggestion. In the context of the present acute foreign exchange situation, it said, Government should give encouragement to exports, whereas, actually, under our Sales Tax Act, only the last transaction is exempt, thereby making a large volume of exports bear an element of sales tax. This is clearly detrimental to increase our exports. The Central Sales Tax Act, as the Federation has said, needs modification to "the extent the export transactions should be defined as transactions which involve goods meant for export. Purchases made by an exporter for the purpose of export should not be subjected to sales tax".

Dr. Lokanathan, who is making an official enquiry into the structure and administration of the sales tax, also feels that there is a necessity for simplifying sales tax procedure and administration. While addressing the Madurai-Ramnad Chamber of Commerce, he said that one of his recommendations to the State Government would be that the rates of sales tax should be uniform at least in the neighbouring States. He also indicated that recommendations to make assessments quick and expeditious would be made by him. Presently, he said he was concentrating on how to ensure relief to small dealers whose turnover was less than Rs. 20,000 or Rs. 30,000. All the recommendations of Dr. Lokanathan would be watched with considerable interest, especially by the small traders and business men who strongly complain of several hardship in carrying on their trade these days.

A CORRECTION SAVINGS THROUGH "PEOPLE'S SHARES"

In the Business Note under the above caption on page 168 of our issue dated August 2, 1957, please make the following correction:

In the first line, for "Australia" read "Austria".

The whole scheme of "People's Shares" discussed in the first paragraph of this Note relates to the novel experiment that is being carried out in Austria. The error in printing is regretted.

Company Meeting

THE TATA LOCOMOTIVE & ENGINEERING CO., LTD.

Summary of the speech delivered by the Chairman, Mr. J. R. D. Tata, at the Annual General Meeting of the Shareholders of the Tata Locomotive and Engineering Company, Limited, on Monday,

August 12, 1957.

Addressing the Twelfth Annual General Meeting of Tata Locomotive and Engineering Company, Limited, the Chairman, Mr. J. R. D. Tata observed that the all round progress made and the satisfactory profits earned by the Company during 1956-57 had enabled the Directors to recommend an increase in the dividend to 8%.

The provision of adequate funds to finance the growing operations was today one of their main problems, said Mr. Tata. "By the nature of the industries in which we are engaged," he added, "and the circumstances peculiar to this country in the matter of essential supplies and bought-out items, it is necessary for us to maintain substantial stocks of raw materials and bought-out components. This locks up large funds as can be seen from the considerable amount of borrowings shown in the balance sheet. In addition, we still have a large amount of capital expenditure to incur in the next few years as we proceed with our current manufacturing and expansion programmes. Although, in the long run, the funds provided from year to year out of allocations to depreciation and various reserves will substantially cover the total amount of capital expenditure so incurred, the heavy commitments during this year and the next make it necessary for us to raise additional finance in the very near future. While no decision has as yet been made, the possibility of an additional issue of equity shares, possibly in the form of debentures convertible into ordinary shares cannot be ruled out."

The Company's commitments to deliver locomotives at the rate of 100 complete units per year from the beginning of 1958 would be fulfilled and possibly improved upon. The Chairman added that with the increase in output, further improvement in efficiency and fuller utilisation of available capacity it was expected that the costs would come down to a satisfactory level despite the recent steep increases in the costs of materials and in wages.

Mr. Tata observed that in India as elsewhere a gradual but inevitable movement towards the "dieselisation" of rail transport was taking shape, and said, "As and when oil in adequate quantities is discovered within the country, the process is bound to be accelerated. As mentioned in my speech last year, our works are exceptionally well equipped to undertake the manufacture of diesel locomotives. The Railway Board have recently issued enquiries for a fairly substantial number of such locomotives and we propose to respond to this enquiry in collaboration with our technical associates, Messrs. Krauss-Maffei A. G., and Messrs. Daimler-Benz A. G. We are in this regard fortunate in our association with both these firms, for Krauss-Maffei are leaders in the field of main line diesel hydraulic locomotives, while the Daimler-Benz range of high efficiency diesel engines are ideally

suited to rail traction. If our expectations fructify, we can look forward to a long period of continued collaboration with, and service to, the Indian Railways, even after the cessation of steam locomotive manufacture."

The Automobile Division was nearing the end of the second stage of development strictly according to schedule and despite the many complicated problems affecting supplies and operations the Company was confident that the manufacturing programme would be maintained.

Referring to the popularity and dominant position in the market of the Tata-Mercedes-Benz commercial vehicles the Chairman said that they had no doubt of the ability of these vehicles to withstand any competition they might have to face. Mr. Tata expressed gratitude to Government for their decision to sanction to the Company its reasonable requirements of foreign exchange for plant and equipment to implement its approved manufacturing programme. This would enable the Company to complete its plans by the end of 1959 when the Company was expected to be in a position to produce almost entirely Indian-made diesel truck and bus chassis. With the completion of this programme the foreign exchange saved each year would be larger than the aggregate amount spent for the purchase of plant, machinery and equipment for the Automobile Division.

Mr. Tata welcomed the decision of the Government of India to give the automobile manufacturers in the country a reasonably free hand to fix the prices within the overall limits, with a return of 10% on cost, subject to general supervision and check by the Government as this would go a long way towards providing an effective incentive for the rapid development of the industry.

In conformity with the Tariff Commission's views, the Company had submitted to Government a scheme for doubling once again the capacity of the Automobile Division and bringing it upto 12,000 vehicles per year. Mr. Tata said that the Government of India have informed the Company that the scheme would find acceptance provided suitable credit arrangements could be made to stretch out the foreign exchange expenditure over a period of years.

The Chairman hoped that the Government of India would in due course also enable the Company to diversify the output of its Automobile Division by manufacturing other types of vehicles such as light commercial vehicles, cars and diesel engines for various uses. Such diversification would promote efficiency and reduce costs. "The best warranty that we can offer to Government for the fulfilment of these objectives in due time," said Mr. Tata, "is our actual performance in the fulfilment of the initial programme

of manufacture of trucks and buses on which we are now engaged."

Continuing, Mr. Tata said, "On the recommendation of the Tariff Commission, the Government of India have decided to grant protection to the automobile industry for a period of ten years. Our present manufacturing programme will have been completed long before the end of this period. We hope also, before that time, to be well on the way to completing the expansion plan as well as further plans for other products. In effect, it is our intention to build up in this country, as rapidly as circumstances and the authorities concerned will permit, a self-contained and highly efficient automobile industry."

"We have also taken steps to implement other recommendations of the Tariff Commission, so far as they relate to us, amongst which is the extension of hire-purchase facilities, with the collaboration of our bankers and insurers, to the buyers of Tata-Mercedes-Benz vehicles."

Mr. Tata informed the meeting that the construction of the Steel Foundry—unquestionably the most up-to-date in the country—had been virtually completed. The production of castings in the Alloy Iron Foundry for the Automobile Division was expected to commence according to schedule.

Referring to matters of personnel and labour, Mr. Tata said that it was disappointing to note that in the year under review there had been a tendency on the part of certain sections of workmen to take matters in their own hands. "Our men," observed Mr. Tata, "are amongst the highest paid in the engineering industry. They enjoy excellent conditions of work in a fine integrated factory equipped with the best machinery and equipment to which we are continuously adding." "The capital investment per employee in our Company," added Mr. Tata, "is probably the largest in the industry. Our employees have a fine and safe future before them, but it is time they realised that the Company's continued ability to pay high wages and provide the maximum of amenities and job security depends on high productivity which, in turn, requires that the workers put in a reasonable day's work."

"Although some progress has been made, we are not satisfied with our present standards of productivity which, in the case of the Locomotive Division, have been criticised in the past by the Tariff Commission as comparing unfavourably with those at Chittaranjan. We are pursuing our efforts to achieve a satisfactory labour output but these will be in vain unless our employees and their Union co-operate with us. I am sorry that such co-operation has shown signs of weakening in recent months rather than the opposite, and I particularly regret that, in spite of its responsible and mature leadership, the Union has recently aggravated the lack of discipline by instigating the workers to down tools for a few hours in each shift mainly, it seems, as a protest against their not having been consulted in regard to the quantum of bonus declared this year. This action was, I feel, particularly unfair as the figure of bonus proposed to be declared was in fact disclosed to the Union some time before the publication of the Report and Accounts and the total amount distributed is twice that of last year and proportionately much in excess of the corresponding increase in dividends."

"As our manufacturing programme develops and an increasing proportion of the contents of our products are made in our own Works, our results will depend increasingly on the work and productivity of

our own men. Nothing could bring greater benefit to them as well as to the Company and its shareholders than a sound and cordial relationship between Management and Labour based on mutual understanding, respect of co-operation. I sincerely hope, therefore, that our workers and their Union, with both of whom we are anxious to maintain the most cordial relations, will take a correct and responsible view of the situation and will co-operate with the Management in their own long-range interests as well as those of the nation."

The Chairman referred to the satisfactory progress of the Apprentice Training Scheme and of the arrangements with the Company's technical associates for imparting higher practical training in their factories abroad to the Company's personnel. "We attach the greatest importance," he said, "to the efficient recruitment and training of young engineers which we consider as a vital part of our programme of development. We are trying to make every young man who comes to us feel he is well looked after, his worth recognised and every chance given to him to equip himself, at our expense, for a successful, imaginative and rewarding career."

The Chairman expressed appreciation of the valuable services rendered by Mr. Y. N. Sukthankar and Mr. V. T. Dehejia as Directors of the Company. He also expressed appreciation of the services rendered by Dr. Heinrich Korsch, General Manager of the Company from October 1951 to the end of April 1957 when he retired for reasons of health and of Mr. F. G. S. Martin's ready compliance with the Management's request to take over again temporarily the responsibilities of the post of General Manager. The Chairman then expressed his thanks to his colleagues and to all the members of the staff for the year's excellent work.

"Since this speech was written," said Mr. Tata, "the labour situation at Jamshedpur has, I regret to say, taken a serious turn. On the 5th of August, a minor matter concerning the temporary transfer, many weeks earlier, of three men, without loss of pay from one section of the Auto Division to another in accordance with established practice, was made the excuse for an illegal lightning strike which had obviously been well planned in advance, accompanied by violent behaviour towards German supervisors on the part of the ring leaders."

Mr. Tata said that the instigators had acted without the support or knowledge of the recognised Union. They refused to listen to Union representatives and insisted on being represented by a communist group.

Continuing, Mr. Tata said, "A serious aspect of the situation is that the trouble is clearly not an ordinary trade dispute, which could be settled in the normal way by negotiation with the Union concerned, but a deliberate attempt on the part of Communist leadership to disrupt operations at the Telco Works. There is evidence that this incident is part of a larger plan to disrupt the working of the whole of the industrial complex of Jamshedpur."

Mr. Tata observed that industrial strife formed a part of the traditional pattern of Communist action throughout the world, and that if they had failed up to now to achieve their ends in the Steel Works at Jamshedpur, it was because of the strength and success of the Tata Workers' Union and the good sense of the workers themselves.

A secondary but important issue to which Mr. Tata drew the attention of the shareholders was the

situation in Jamshedpur and elsewhere of foreign technical staff brought to India to assist the country in the establishment and development of new industries. It was impossible, he said, to exaggerate the contribution made by these technicians to the successful establishment of the industry. The German supervisors at Jamshedpur had been greatly upset by the prevailing indiscipline and violence. It was pointed out by Mr. Tata that if discipline was not re-established and maintained, the Company's operations would be paralysed and the completion of the programme of progressive manufacture, essential to the full establishment of the Locomotive and Automobile industries and to the resulting saving of large amounts of foreign exchange, would be seriously delayed. Mr. Tata pointed out that this situation applied not only to Jamshedpur but to other Companies and centres in India where new equipment and processes are being introduced with the assistance of foreign experts.

Mr. Tata expressed the hope that the highest authorities in the Central and State Governments, whose attention had been drawn to this matter, would take a firm stand in Jamshedpur and everywhere in India where the Congress Governments are in power and that they would make clear by word and action their determination to protect the industrial life of the country.

At the conclusion of his speech, Mr. Tata issued a note of warning and said that if this conspiracy to sabotage the country's progress was allowed to succeed at Jamshedpur and elsewhere, not only would the economic crisis looking before the country be aggravated but law and order and the peaceful and democratic development of the country would be imperilled.

(Note: This is not a report of the proceedings at the above Annual Meeting).

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COMPANY AFFAIRS

NEW CHUMTA TEA CO., LTD.

The gross profit of the Company for the year ended December 31, 1956, is Rs. 3,02,186, out of which have been provided Rs. 72,523 for Taxation and Rs. 52,504 for depreciation of assets. Allowing for these and other adjustments, there is a net profit of Rs. 1,97,233, which with the balance brought forward from 1955 gives a total of Rs. 2,76,930 available on this account. The directors have paid an interim dividend of 10 per cent on the July 25, 1957, absorbing Rs. 30,900, and have allocated Rs. 1,00,000 to Renewals and Additions Reserve and Rs. 25,000 to Staff Reserve, and there is a balance of Rs. 1,21,930. It is proposed to pay a final dividend of 15 per cent, making a total of 25 per cent for the year, absorbing Rs. 45,000. A sum of Rs. 76,930 has been decided to be carried forward to 1957.

Weather conditions generally were favourable and a crop of 5,64,457 lbs. of tea was made and disposed of on the Calcutta Auctions. Total net average sale price during 1956 was Rs. 1.86 per lb. against Rs. 1.65 during 1955. Working cost per pound of tea produced was Rs. 1.30 and Rs. 1.43 respectively.

In accordance with the voluntary scheme accepted generally by the Tea Industry in North East India, plucking closed on the November 20, and it is estimated that this resulted in a reduction in crop by some 40,000 pounds.

THE CARRON TEA COMPANY, LTD.

The audited Accounts of the Company, for the year ended December 31, 1956, disclosed a profit of Rs. 1,31,886.

After the transfers of Rs. 15,100 from Investment Reserve and Rs. 33,000 from Provision for Taxation being a reserve no longer required, there is a balance at credit of Profit and Loss account amounting to Rs. 1,50,586, of which Rs. 65,000 have been transferred to Revenue Reserve.

The Directors have recommended a dividend of 10 per cent leaving Rs. 25,586 to be carried forward. The average selling price realized was Rs. 2 per lb. as against Rs. 1-13-7 per lb. in the previous year.

POOBONG TEA COMPANY, LTD.

The audited accounts of this Company for the year ended December 31, 1956 also disclosed a loss of Rs. 1,47,845.

This sum when transferred to Profit and Loss Account and after sundry adjustments, including the transfers of Rs. 30,000 from Hail Reserve and Rs. 1,10,000 from Revenue Reserve, shows a balance at credit of the Profit and Loss Account amounting to Rs. 759, which it is proposed to be carried forward. The disappointing result of the year's working is attributed to increased wages, the full impact of which was only felt for half of the preceding year, loss of crop from hail damage and the recalcitrant attitude of the labour on the Pullongdong division, which necessitated the intervention of the armed police, coupled with the poor standard of their work.

A severe hail storm in April did considerable damage to the bushes and set back the crop by an estimated 287 maunds of made tea. The average selling price realized was Rs. 2-5-7 per lb. as against Rs. 2-5-11 per lb. in the previous year.

KUNCHUNPORE TEA COMPANY, LTD.

The audited Accounts of the Company for the year ended December 31, 1956, disclosed a loss of Rs. 5,344. On transfer of this sum to Profit and Loss Account and

after sundry adjustments, there is a balance at credit of that account amounting to Rs. 3,189, which it is proposed to carry forward.

Despite more favourable prices for the Company's produce, the year's working resulted in a small loss. This is due to high labour costs, a reduction in the crop and additional State levies. Severe flooding in June 1956, had its effect on the bushes and inevitably led to a smaller outturn. The average selling price realized was Rs. 2-0-9 per lb. as against Rs. 1-11-6 per lb. in the previous year.

BRIDGE & ROOF CO. (INDIA) LTD.

The audited Accounts of the Company have been prepared for the financial year 1956 in conformity with the provisions of the Companies Act, 1956.

The profit for the year (including items relating to previous years) after providing for Taxation and Depreciation, was Rs. 6,14,612. To this is added refund under Rule 7 of the E.P.T. (Post-war Refund) Rules, 1942 amounting to Rs. 1,536. The balance brought forward from 1955 was Rs. 1,51,297. Out of this total of Rs. 7,67,445 the Directors have set aside Rs. 3,50,000 to General Reserve, leaving a balance of Rs. 4,17,145 available for distribution.

A Dividend of 20 per cent has been proposed to be distributed, which will absorb Rs. 2,40,000. A sum of Rs. 1,77,445 has been decided to be carried forward. The increase in sales during the year from Rs. 134.66 lakhs to Rs. 173.20 lakhs reflects an increased tonnage output from the Works. Production of railway wagons rose from 639 in 1955 to 1,030 in 1956 and fabricated steelwork included blast furnace casings and other special plant for Steelworks extension.



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COMMODITY NEWS AND NOTES

INCREASED COAL OUTPUT IN MAY 1957

Coal output in the country increased to 3,794,092 tons in May 1957 from 3,726,290 tons in the previous month, according to information received from the Chief Inspector of Mines in India. Despatches of coal during May were 3,187,466 tons as compared with 3,184,217 tons in April. Coal stocks at pitheads at the end of May were 3,245,646 tons as against 3,091,633 tons at the beginning of the month. During May, 831 collieries were reported to be working with an average daily employment of 347,257 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-working and 0.41 ton for all persons employed including surface workers. The percentage of absenteeism was 13.93. Nine coke plants at collieries and elsewhere produced 372,375 tons of hard, soft and other kinds of coke, and despatched 184,070 tons during the month.

WHEAT PRODUCTION FOR SOUTH

To ensure a sufficient supply of wheat products at reasonable prices in South India, where the milling capacity is limited, the movement of maida, rawa and suji to Andhra, Mysore, Madras and Kerala from any of the northern wheat zones is now permitted without export permits. An order to this effect has been issued by the Department of Food of the Central Ministry of Food and Agriculture. Previous to the order, the movement of wheat products was governed by export permits. In view of the limited demand for wheat products in South India, there is little possibility of large quantities being exported by the flour mills in any of the States from which free export is now allowed. In any case, if exports from any of the States are found to be large enough to affect the price of wheat products in those States, the Government of India will make available to them for distribution suitable quantities of wheat from Central reserves. The new order will obviate the time-lag between the submission of applications by the flour mills and the issue of export permits by the State Governments, besides relieving the latter of work involved in dealing with mills' requests. The scope of the order does not extend to Bombay City, where the mills obtain their supplies of wheat entirely from Government. Movement from Bombay City will continue only on the basis of export permits.

STEEL IN INDIA

Though India is second only to Brazil in the possession of the world's largest reserves of high-grade iron ore, her output constitutes only 2 per cent of the total world production—compared to USA's 43 per cent and USSR's 18 per cent. India's annual output of steel is a little less than 1.5 million tons compared to 17 million tons in the UK and over 100 million tons in the United States. India consumes only 11 lbs. of steel ingots per head in comparison with USA's 1,237 lbs., UK's 628 lbs., Australia's 540 lbs. and Italy's 137 lbs. The first Five-Year Plan accorded high priority to the expansion of the steel industry and laid down a target capacity of 1.65 million tons of steel (as against 1.01 million tons in 1950-51) to be attained by 1957-58. By the end of the first Plan, the Government of India decided to set up three steel plants of 1.0 million ton ingot capacity each in the public sector, located at Rourkela (Orissa), Bhilai (Madhya Pradesh) and Durgapur (West Bengal). The total estimated cost of the three plants exclusive of townships will be Rs. 353 crore. The target of steel production for 1960 is 6 million tons. This includes the output of new works in the public sector as well as production through the expansion of existing works.

PRODUCTION OF COARSE GRAINS

In a written reply to a question in the Rajya Sabha the Union Minister for Food and Agriculture,

Shri Ajit Prasad Jain, said that during 1956-57, the first Year of the second Five-Year Plan, the production of coarse grains was estimated at 20.0 million tons as against 19.0 million tons during 1955-56—an increase of one million tons. Under the second Five-Year Plan, the additional production of coarse grains was fixed at 3.5 million tons over 1955-56, to be achieved by the end of 1960-61. On this basis the additional production in 1956-57 over 1955-56 appeared to be satisfactory.

EXPORTS OF LINSEED OIL

Before World War II India exported linseed in large quantities, but produced little of oil. Now, with the expansion of the oilseeds crushing industry, nine-tenths of the total produce is crushed in the country. India has thus emerged as an exporter of linseed oil, and her share in the international trade in this commodity has risen from a meagre one per cent to nearly 7 per cent. India produced 3.76 lakh tons of linseed and 1½ lakh tons of linseed oil in 1955-56. The exports which went mainly to the United Kingdom, Australia and New Zealand amounted to 81,000 tons of oil and earned Rs. 9½ crores in foreign exchange.

EXPORT OF SALT

In a written reply to a question by Shri Shree Narayan Das in the Lok Sabha, the Deputy Minister for Commerce and Industry, Shri Satish Chandra, said that total quantity of salt exported in the first six months of this year was 3,21,256 tons as against 1,00,400 tons during the corresponding period of 1956. The Deputy Minister said that salt exported to foreign countries had been exempted from the levy of cess. Prospects of exports were brought to the notice of the salt manufacturers associations.

POTATO ACREAGE IN BRITAIN

The area planted with potatoes this year in England and Wales and Scotland is over 72,000 acres less than in 1956, (which was 732,000 acres) the potato Marketing Board has announced. The acreage for earlier only is down by 16,000 and per main crop and second earlies by 56,000. Though the 1957 crop has improved a great deal from the rains in July, the Board says it is fairly clear there will not be anything like the heavy surplus of last year. The acreage figures are returned by 81,000 registered producers—about 90 per cent of all growers.



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Company Meeting

THE TATA IRON & STEEL CO., LTD.

The following is the speech of the Chairman, Mr. J. R. D. Tata, delivered at the fiftieth Annual General Meeting of the shareholders of the Tata Iron & Steel Company, Limited, on Tuesday, August 27, 1957.

Ladies and Gentlemen,

We meet this afternoon one day after the fiftieth anniversary of the birth of our Company and of the Indian Steel Industry.

GOLDEN JUBILEE

2. The Company is today so well and successfully established as the biggest single private enterprise in the country and its largest steel producer, that we are inclined to forget the struggles and heartaches of earlier years and the difficulties which had to be overcome before and after it was brought into existence. Considering the resources and potentialities of the iron and steel industry in India as we know them today, it is not easy to realise how little they were appreciated only fifty or sixty years ago and the extent of the doubts and disbelief with which the original proposals were greeted. Had it not been for the name and prestige of Jamsetji Tata and his sons, Dorab and Ratan, backed by their faith and determination, many more years would have passed before the steel industry was established in India. Amongst the patriots and leaders of his generation Jamsetji, more than anyone else, realised that political freedom without economic and industrial strength to support and defend it would be a cruel delusion, and that the foundations of industrial power were made of steel.

3. It is proper, therefore, as we look back today upon a half century of progress, that we should pay tribute to the memory of Jamsetji Tata and also remember the part played by his sons and others who are no more, including R. D. Tata, B. J. Padshah, John Peterson, Nowroji Saklatvala and Ardeshtir Dalal.

4. In the fifty years of our life we made over 22 million tons of steel, paid Rs. 175 crores in wages and bonuses, about Rs. 45 crores in dividends, well over Rs. 70 crores in taxes and Rs. 40 crores into Government's price equalisation fund. In the process we saved the country hundreds of crores' worth of foreign exchange and are doing so today at the rate of some Rs. 50 crores a year, which will rise to about Rs. 90 crores from next year onwards. I feel we have amply repaid the country for the protection granted to the steel industry during the difficult years following the first world war.

5. We have had our ups and downs and have made mistakes, but through good years and bad, we never forsook the ideals bequeathed to us by the Founder or lost sight of our duty and responsibility to the country. Our Company has provided a living and dynamic answer to the charge that free enterprise cannot "deliver the goods", is only inspired by selfish motives and does not serve the needs of the people. In all humility, I think we can justly claim we have served the country consistently and well.

6. If through these many years we have overcome so many obstacles and difficulties, it is partly because even in the darkest days of our history we enjoyed the trust and the support of our staff, workers, consumers, Government and shareholders. For that we are grateful and I am glad of the opportunity to say so today. I should particularly like to express grateful appreciation for their loyalty and support to that stalwart band of shareholders who have held shares in the Company since its very inception.

7. Before I leave the subject of the Golden Jubilee of the Company, may I refer to the view expressed by some shareholders that the occasion should have been celebrated in some suitable form, such as the distribution of an enhanced dividend or bonus shares? The fact is that we are today considering the annual report and accounts for the year 1956-57, while the fiftieth anniversary of the Company's foundation falls in the financial year 1957-58. I cannot say today what the Board may find it possible to do when considering the accounts for the current year. Much will depend on the results achieved and the circumstances in which we shall then find ourselves, but I can give the assurance that the Directors will give the matter their sympathetic consideration.

SECOND FIFTY YEARS

8. Today we begin the second fifty years of our existence with confidence. We are conscious of the heavy additional burden of work and responsibility that faces us and of the many problems and difficulties ahead, but with the combination of an expanded and renovated plant and a strong and mature organisation, we hope to give a good account of ourselves.

TWO MILLION TON PROGRAMME

9. Our first and most important task is to complete the expansion of our plant and reach our two million ton target as quickly as possible. Our schedule of construction was from the start an extremely tight one. Kaiser's still hope to adhere to the original schedule, but it is too early as yet to forecast the exact dates on which each of the new units will come into full production. One unavoidable consequence of having to telescope much of the programme into one year has been a greater degree of interference with existing production than previously anticipated, the effects of which on current production are being seriously felt.

SECOND FIVE-YEAR PLAN

10. The year under review was characterized by a severe reversal in the country's balance of payments position and by the emergence of inflationary pressures which, unless checked in time, may lead to a crisis even more serious than that relating to foreign exchange. Both these developments can be traced to the same source, namely, the mounting national expenditure in

both sectors of the economy under the second Five-Year Plan.

11. The essential questions to be faced are whether the total resources available in India and obtainable abroad are sufficient to meet the rate of expenditure proposed under the Plan, and even if they are, whether the Plan can be implemented without imposing such a strain on the economy that the material benefits would be lost in the resulting inflation. If the answers to either or both of these questions are in the negative, as I believe they are, there will, I hope, be no hesitation on the part of those in charge of our economic destinies either to prune the Plan or to phase it over a longer period, or both.

12. In view of the magnitude and urgency of the country's needs the planners were right in setting their sights high and attacking the problem with boldness. At the same time, the very complexity of the task, the difficulty of estimating precisely the costs of materials, equipment and services over a period of years, and the uncertainties in regard to political and economic trends throughout the world, made it all the more necessary to temper boldness with realism and to provide some margin for under-estimates, increases in costs and other contingencies. Instead, out of the original planned investment of Rs. 4,800 crores, no less than half, or Rs. 2,400 crores, was made dependent on such uncertain factors as foreign assistance, deficit finance and further taxation over the above the additional taxation of Rs. 450 crores already provided for. The estimated expenditure has since risen to Rs. 5,600 crores or more, increasing the gap to an even larger one. Faced with such a situation, I believe the Government of India recognise that substantial adjustments of the planned expenditure are inevitable.

13. The Plan, after all, is only a means to an end, not an end in itself, and the progress we make during the current five years is only one step in a long and steady march towards our ultimate goal. If we keep our eyes on that distant target, the exact measure of the step we take in the second Five-Year period loses some of its apparent importance. By taking a shorter and surer step today we may, in fact, reach our goal sooner and we shall certainly incur less risk on the way.

FOREIGN CAPITAL

14. Everyone, from Government downwards, recognises the crucial importance to India of foreign capital, whether in the form of aid, loans or equity. There is today an unprecedented demand for capital funds in all countries which has resulted, even in an enormously wealthy country like the U.S.A., in an acute tightness of money. It stands to reason that with local demand competing strongly for available funds there is little inducement for foreign capital to flow to India. Our constantly rising burden of taxation and the disincentives contained in various enactments and measures hardly represent the best way to create enthusiasm abroad for investing in, or lending money to, India.

15. Yet there is in the advanced countries of the West realisation of the tremendous long-term possibilities of increased trade with India and of opportunities for investment. If our Government and Parliament realising the full extent of such possibilities were to revise some of their policies so as to generate greater confidence in the investment markets here and abroad, I believe that over the years a substantial flow of foreign capital could be induced to this country and our foreign exchange position thereby greatly eased.

STABILITY OF THE RUPEE

16. The question of foreign exchange is linked, in the Indian context, with the question of foreign balances and the value of the Rupee. In recent years the Indian rupee has shown remarkable strength which has contributed much to the economic stability of the country. The extent to which the maintenance of substantial foreign balances has been responsible for the strength of the rupee in international markets cannot be assessed with certainty, but there is no doubt that it has played a part in the confidence our currency has enjoyed. I therefore view with alarm the suggestion advanced in some quarters that such foreign balances are wholly unnecessary as a backing to our currency and that statutory requirements for the maintenance of foreign balances should be abolished.

17. Confidence in a country's currency is a delicate plant which needs to be carefully nursed and which it is difficult to grow again once it is allowed to die. Both international credit and internal stability depend upon it and there are too many historical examples of the calamitous consequences to a country and its people of a collapse in the value of their currency, to permit of any risk being taken in the matter. I am sure that our Government are fully alive to the need of maintaining public confidence in the rupee both in India and abroad.

FINANCE FOR EXPANSION PROGRAMMES

18. Coming to our own affairs, perhaps the most important matter about which I think you will be interested to hear from me today is the progress we have made in securing the balance of the funds required to finance our current expansion programmes.

19. In paragraph 14 of the Directors' Report, it has been said that the Company had initiated negotiations in the U.S.A. Your Vice-Chairman and I spent a month there in June this year, during which we held discussions with the World Bank and with American commercial banks.

20. As before, we were received with the utmost consideration by the distinguished President of the World Bank and other Executives of that great Institution. They were good enough to agree to increase the amount of the previous loan of \$75 million by an amount equal to that which we were able to raise elsewhere subject to a maximum of \$17½ million, which is half the remaining gap of \$35 million. In order to facilitate our task they went further. They agreed to raise the amount of the present mortgage up to \$110 million, so that other lenders in the States could rank 'pari passu' with the World Bank in the matter of security, and they also agreed to the prior repayment of the loans from such lenders. We are deeply appreciative of the consideration and assistance extended to us by the World Bank, without which the task of raising the necessary funds would have been well-nigh impossible.

21. With these valuable concessions and the powerful assistance of the First Boston Corporation who have been appointed the Steel Company's financial agents for this purpose, and whose outstandingly able Chairman, Mr. George Woods, is one of India's best friends abroad, we approached a group of leading commercial banks in the States with a view of securing medium term credits from them up to a total of \$17½ million. The negotiations are still proceeding between these banks and the First Boston Corporation representing us and I hope they will fructify in the near future.

22. I should like to take this opportunity to thank the Government of India for the assistance they have given us in this matter, both by sponsoring and guaranteeing the additional loan from the World Bank and by helping us in various ways in our negotiations with the commercial banks.

23. Realising the valuable savings in foreign exchange and also in expenditure on steel used under the Plan which our expanded output will generate, the Finance Minister has, from the beginning, taken a great deal of personal interest in our expansion programme and in the means of financing it, and I wish on your behalf to express our grateful thanks to him for his support and sympathetic understanding of our problems.

24. The amount I have mentioned as being required to complete the financing of our programme of expansion is based on the assumption that the rate at which our internal savings accrue and the capital cost of the various projects in hand correspond with the estimates. To the extent that additional taxation reduces our net savings or enhanced customs and excise duties increase the capital cost of our new plant, we shall require additional funds and we are making a representation for an appropriate increase in our retention prices.

TAXATION

25. It is relevant that I should briefly discuss here the implications of the new taxation proposals, as taxation has nowadays a major impact on the operations and finances of industry. It is inevitable that a high rate of national expenditure calls for high levels of taxation, both corporate and individual. During the first Five-Year Plan, central taxation amounted to about Rs. 255 crores. The second Five-Year Plan, as originally conceived, visualized additional taxation of Rs. 450 crores over and above the existing levies, to which must presumably be added a part of the gap of Rs. 400 crores then left uncovered. Since then, however, the Finance Minister has indicated his intention to reduce the quantum of deficit financing from Rs. 1,200 to Rs. 800 crores, while the expenditure on the Plan has increased by a further Rs. 800 crores. The total uncovered gap would thus reach the formidable figure of about Rs. 1,600 crores. If any appreciable part of this gap were sought to be met by a further increase in taxation, it would place an unbearable burden on industry and commerce and deprive them of what little is now left of funds available for investment.

26. Apart from the magnitude of the additional burden of taxation proposed, the Budget for the current year presented to Parliament embodies new and unprecedented features. Of these, the one which has rightly met with almost universal disapproval is the Wealth Tax on companies. It is difficult to understand how such a measure of personal taxation can be applied to the assets of large public companies made up of contributions by thousands of shareholders, rich and poor alike.

27. The Wealth Tax on companies has been sought to be justified on the ground that in the peculiar conditions of India, very few shares in companies are owned by small shareholders. I think the best answer to this view is given in the figures recently quoted by the President of the Bombay Stock Exchange which show that, on the basis of a survey of ownership of shares and securities in Bombay City undertaken by the Reserve Bank of India in 1954, 60 per cent of the shareholders of companies were persons with incomes below Rs. 8,000 a year. In the case of our own Com-

pany, nearly half of our shareholders have holdings of less than Rs. 1,000 each, while the holdings of about 87 per cent amount to less than Rs. 5,000 each. The subjection of companies of Wealth Tax will therefore hit a large section of the middle class, will result in the shareholders being taxed twice on the same assets, and will act as a powerful disincentive to save and invest.

28. Apart from the controversial nature of the Expenditure Tax and the annual Wealth Tax, these taxes together with taxes on income, will result in individual assessee in the higher brackets paying substantially more than 100 per cent of their income. In effect, in addition to the whole of their income being taken away from them, they will now be made to pay something for the right to live and work in their own country. Nowhere else in the world does such an extraordinary situation exist. I can only hope, that even at this stage, Government will revert to a simpler and less drastic scheme of taxation. The only sure method of increasing tax revenues is to provide incentives for investment which, in the train of larger profits thereby generated, will bring in larger revenues to the State.

29. As a result of the Budget proposals, the amount of additional taxation which our Company will have to bear, including excise duty on steel used in our expansion programmes, will be approximately Rs. 1 crore for the current year and corresponding amounts in subsequent years, thereby adding to the financial stringency with which the Company is already faced in implementing the Two Million Ton Programme.

LABOUR

30. Some of you will have read in the papers the remarks I made at the annual general meeting of the Tata Locomotive and Engineering Company earlier this month on the labour situation at Jamshedpur.

31. While the position in the Steel Company was generally satisfactory during the year and the Company's relations with the Tata Workers' Union continued to be maintained on a basis of co-operation and mutual confidence, the general wave of labour unrest in the country, coupled with the recent attempts of the Communist Party to disrupt the working of the industries located at Jamshedpur, has recently affected the situation in our Works.

32. One of the most discouraging features of the labour movement in India up to now has been the relatively slow progress made in building up, as in other countries, strong and stable unions well organised and staffed, endowed with substantial financial resources and enjoying the sustained loyalty and support of the workers.

33. With rare exceptions, the labour movement here has suffered acutely both from the lack of support from within and from being kept in a constant state of uncertainty and agitation by a never-ending struggle for power, often in total disregard of the interests of the workers concerned. Once a union is well-established and recognised, it is made the butt of attacks and intrigues by outsiders bent upon acquiring control or establishing a rival union. If the union has established sound and constructive relations with employers, and even though it may, as in our case, have obtained through negotiations valuable concessions in

the form of increased wages, bonuses, retiring and other benefits, job security, consultative machinery and the like, its leaders are charged with betrayal of the workers' interest and its members instigated to renounce them and to follow others who promise to get them better terms from the employers.

34. The bewildered workers who, because of the lack of education still prevailing in our country, are easily influenced by such promises and exhortations, are kept in perpetual doubt as to where their interests lie and fail to see that they are the main sufferers from their unwillingness or inability to support their proved leaders in their efforts to build up strong and responsible unions.

35. The attempts of the President of the Tata Workers' Union and his colleagues to strengthen their organisation have been obstructed for some years by a continuous and virulent campaign against them by outside parties, with Communists now in the lead. As can be seen from recent events in Telco and the Tinsplate Company, these disruptive elements have succeeded in creating trouble and unrest which, if unchecked, may spread to the Steel Works.

36. All the policies and plans of the Government for developing the country and raising the standards of living of its people are based upon the achievement of a rapid and continuous rise in the output of all kinds of goods and services and particularly in industrial output. The Communists are well aware of this. In their eyes success in achieving prosperity through a mixed economy and by democratic means would be a severe set-back to their plans and must therefore be thwarted at all costs. Progress and happiness must be achieved the Communist way or not at all and they cannot afford to let success in India disprove the necessity of the totalitarian methods used in some countries which they seem to love more than their own.

37. There is evidence that their present activities at Jamshedpur are part of a pre-determined plan. Jamshedpur is one of their obvious and principal targets in the labour field, for control of the growing steel and heavy engineering industries there would provide them with a stranglehold on one of the most vital and sensitive sectors of the economy. Our information, confirmed by the recent developments at Jamshedpur, is that in the first phase which we are witnessing today their plan of action contemplates no frontal attack on the labour movement there but a series of localised incidents in each factory and neighbouring mines directed at destroying morale, fostering indiscipline and, wherever possible, at disrupting production through slow-downs and lightning strikes. Agitation, coercion and intrigue, in the traditional pattern of Communist action, all play their part in this preliminary softening-up process. If it succeeds, the pressure will be increased and extended to other units in the next stage until the present trade union movement and its leadership are destroyed. The last step would be to take over the whole labour movement at Jamshedpur and elsewhere.

38. The main responsibility for maintaining peace and order and for preventing disruption of industrial production at Jamshedpur by subversive elements, lies with the Government of Bihar, who are fully aware of the developments and of the serious implications of any loss of production that might result from continued disruptive activity at Jamshedpur.

INDUSTRIAL HEART OF INDIA

39. Bihar, along with adjacent areas, is rapidly becoming the industrial heart of India. It is essential that its development should follow an orderly pattern based on the maintenance of industrial peace, productivity, sound trade unionism and a high degree of discipline without which efficient production is impossible. It is gratifying that the Government of Bihar, while continuing to protect the legitimate interests of the workers and to promote their welfare, fully appreciate the importance of maintaining production and good industrial relations in their State. I am sure they will find the Managements of the industries established there more than willing to co-operate with them in carrying out these objectives.

40. The Government of India are also deeply concerned in this matter, for the industries of Bihar are national industries serving the whole country, and progress or set-backs in their working will benefit or injure the nation as a whole. The Central Government are themselves building three large steel works and other plants in the area, and a number of important industries, such as the Chittaranjan Locomotive Works and the Sindri Fertiliser Factory, are owned and run by them. What happens in the area is therefore of vital importance to them, and we look to them, in co-operation with the State Governments concerned, to initiate or support measures calculated to maintain peace, discipline, productivity and efficiency in the great industries on which the future prosperity of this country so largely depends.

41. Before closing I should like to say a few words about the death of Mr. Dinsha Daji to which a reference has been made in the Directors' Report. Apart from his outstanding knowledge of Company Law and his long experience of industrial and business affairs from both of which we greatly benefited, Mr. Daji was a great gentleman who lived a simple life dedicated to his work. We shall sadly miss his counsel and support, and I am sure the shareholders will want to join me in paying tribute to his memory and mourning the passing of a wise and learned man who, while he took a broad and human view of things, never compromised on principles.

42. I would also like to refer to the loss which the Company has suffered by the passing of Mr. A. Rajagopalan, who died on April 5, this year. An exceptionally able and industrious officer, Mr. Rajagopalan, rose to the high position of Agent in charge of the Company's office in Calcutta. Over a period of twenty-five years he rendered outstanding services to the Company in various branches of the administration and particularly in the preparation and presentation of the Company's case in successive Tariff Commission enquiries and in important negotiations with Government in regard to a number of intricate matters connected with finance, costs and prices.

43. Finally, I should like as usual to end on a message of thanks and appreciation to the management and all the employees of the Company at Jamshedpur and elsewhere for the hard work they have put in during the year. The tremendous amount of construction work at the Works, forming part of the Two Million Ton Programme, and the resulting complications and difficulties in maintaining normal operations, place them under a severe strain of added work, worry and responsibility. On your behalf, I thank them for their efforts and wish them all success in the completion of their heavy task.

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

CURRENT STATISTICS

August 30, 1957.

THE EASTERN ECONOMIST

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INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

Wholesale Prices (General Purposes Index)† Year Ended August 1939=100							Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	416.1	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	398.6	591.9	374.4	401.6	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	344.6	559.3	414.0	90.5	100.1	82.0	121.2
January 1957	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80.4	113.6
February	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.6
March	402.7	518.1	403.3	384.1	569.8	421.3	89.9	98.9	79.8	111.5
April	408.3	514.73	400.0	384.3	567.8	422.1	89.9	99.0	78.7	106.8
May	419.3	536.3	406.5	387.7	572.3	431.2	89.4	99.1	78.4	104.1
June	433.2	541.4	413.0	392.4	578.0	439.2	89.5	99.0	77.6	102.6
July	439.8	544.4	413.3	392.3	621.8	443.1	89.2	98.8	76.6	105.2
22-6-1957	430.5	539.9*	410.6*	392.4*	563.5	437.3	89.4	98.9	77.3	101.8
29-6-1957	438.1	540.9	413.0	391.6	601.5	441.2	89.3	98.9	77.4	103.8
6-7-1957	440.1	543.3	410.6	392.8	617.6	442.6	89.3	98.9	77.0	105.3
13-7-1957	440.8	545.3	412.0	392.1	618.6	443.1	89.2	98.8	76.8	105.3
20-7-1957	441.5	541.3	415.3	392.3	622.4	443.5	89.2	98.7	76.6	105.6
27-7-1957	440.7	547.6	415.7	392.1	638.3	444.6	89.1	98.6	76.5	105.6
3-8-1957	445.9	541.3	413.7	391.8	641.5	445.0	89.1	98.8	76.1	104.4

†Economic Adviser's Series.

* Average of weeks.

††Reserve Bank Series.

Revised*

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

Period	Bombay			Delhi†	Bengal	U. P.	Central Provinces			Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100				Kanpur	Nagpur	Jubbulpur†		Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	—	—	—	—	106	—	—	—
1948	288	303	243	132	339	105	104	146	106	309	168	136	134
1949	292	307	248	132	348	471	372	151	323	164	138	138	138
1950	298	313	257	132	349	478	377	151	325	165	145	145	139
1951	314	330	261	142	370	451	391	168	334	167	160	144	144
1952	321	337	275	143	351	441	380	150	330	161	154	141	141
1953	346	363	250	140	349	453	387	151	351	147	156	145	145
1954	342	359	244	138	327	408	373	139	341	148	140	138	138
1955	322	338	218	130	321	371	364	133	321	134	135	132	132
1956	336	352	244	142	347	424	397	151	356	152	146	145	145
1956 July	338	354	244	144	365	436	400	153	369	153	148	148	148
August	344	361	263	147	368	445	403	154	372	154	151	150	150
September	336	352	266	149	366	445	403	153	368	151	156	149	149
October	342	358	261	152	364	448	407	153	362	153	153	149	149
November	340	356	261	154	361	446	407	154	369	157	153	152	152
December	340	356	259	151	356	436	407	156	370	157	149	149	149
1957 January	339	355	252	150	354	436	411	156	372	157	148	148	148
February	341	357	253	150	350	438	411	158	369	157	148	148	148
March	340	356	254	150	348	433	415	158	367	158	148	148	148
April	340	356	256	148	345	427	415	162	369	161	152	148	148
May	347	363	267	151	352	441	—	—	369	—	—	150	150

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED								
	16-8-1957			9-8-1957			2-8-1957		
	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	108.75	108.31	108.46	108.25	106.81	107.57	107.81	106.84	107.32
Silver (per 100 fine tolas)	183.19	181.50	182.42	182.94	180.94	181.99	183.12	181.44	182.49
							183.25	181.00	182.02

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62	1,253.86
	(5.58)	(—)	(5.58)					(80)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	564.40	604.42	52.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.86	92.83	430.11	1,156.97
1954-55*	1,196.19	22.98	1,219.18	40.02	648.81	688.83	56.58	102.26	428.09	1,220.18
1955-56*	1,339.39	17.08	1,356.47	40.02	696.52	736.54	54.35	106.87	553.08	1,356.47
1956-57*	1,475.77	18.75	1,494.52	44.42	545.61	590.03	39.95	115.61	755.22	1,494.52
				(117.76)		(663.37)	(44.37)			
Average of Fridays										
November 1956	1,443.67	16.72	1,460.39	117.76	460.22	577.98	39.58	121.92	760.48	1,460.39
December	1,465.63	8.76	1,474.39	117.76	447.30	565.06	37.93	123.93	785.35	1,474.39
January 1957	1,488.29	15.48	1,503.77	117.76	441.09	558.85	37.57	123.46	821.46	1,503.77
February	1,508.89	13.48	1,522.36	117.76	412.52	530.28	36.70	122.05	870.03	1,522.36
March	1,521.09	13.51	1,534.64	117.76	412.52	530.28	34.55	121.37	882.98	1,534.64
April	1,569.25	11.86	1,579.11	117.76	412.52	530.28	33.58	126.41	922.42	1,579.11
May	1,582.22	17.53	1,599.75	117.76	412.52	530.28	33.35	125.60	943.87	1,599.75
June	1,567.48	29.03	1,596.51	117.76	412.52	530.28	33.28	125.17	941.06	1,596.51
Week Ending										
12-7-1957	1,542.92	38.40	1,581.33	117.76	412.52	530.28	33.53	126.24	924.81	1,581.33
19-7-1957	1,517.90	35.25	1,553.15	117.76	400.52	518.28	33.36	128.06	906.81	1,553.15
26-7-1957	1,498.83	36.14	1,535.27	117.76	400.52	518.28	33.76	130.18	886.81	1,535.27
2-8-1957	1,499.49	35.92	1,535.41	117.76	375.52	493.28	32.13	130.32	911.81	1,535.41
9-8-1957	1,516.11	18.69	1,534.80	117.76	375.52	493.28	32.14	129.71	911.81	1,534.80

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
1948-49*	222.17	16.93	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	62.89	61.93	259.02	33.69	292.71	28.03	6.64	133.66	2.85	19.03	89.77	12.83
1953-54*	105.44	23.40	46.62	57.45	232.80	33.91	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.81
1954-55*	89.13	20.66	55.20	36.29	201.28	33.62	234.90	23.24	6.10	87.53	1.14	28.55	80.52	9.82
1955-56*	60.11	19.85	53.77	18.31	152.04	45.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
1956-57*	57.52	14.10	52.46	19.73	143.81	101.21	246.92	18.91	5.69	64.77	4.89	83.34	57.82	13.60
Average of Fridays														
November 1956 ..	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
January 1957 ..	52.63	9.81	52.33	13.13	127.89	139.22	277.12	15.69	1.74	81.45	8.06	102.84	52.83	14.50
February	52.40	13.48	53.30	34.96	154.15	142.59	306.74	13.70	1.54	108.95	6.74	116.42	45.95	13.44
March	56.01	19.27	53.28	61.44	169.99	147.48	347.47	13.74	3.33	114.30	8.42	115.24	79.07	13.37
April	54.61	5.37	67.33	74.63	201.91	150.10	362.01	11.99	14.03	102.31	16.46	101.37	102.55	13.30
May	52.89	4.38	63.37	83.53	204.18	152.64	366.82	17.67	4.45	64.50	18.91	111.31	136.35	13.62
June	53.09	3.29	71.77	42.40	240.55	153.86	404.41	29.16	3.82	46.96	24.53	98.02	188.36	13.57
Week Ending														
12-7-1957 ..	53.45	1.41	78.71	148.91	282.49	119.01	411.50	38.55	3.76	28.55	27.58	81.34	218.46	13.26
19-7-1957 ..	54.02	3.09	87.82	149.48	294.49	120.97	425.37	35.39	3.69	31.19	27.79	69.98	246.37	10.96
26-7-1957 ..	53.90	2.19	103.83	149.04	308.96	121.27	440.23	36.68	3.06	19.69	26.19	63.29	280.81	10.61
2-8-1957 ..	51.96	3.17	108.32	139.13	302.59	120.72	433.30	36.90	3.44	26.32	23.54	69.18	265.60	9.22
9-8-1957 ..	85.48	16.90	85.13	138.73	326.24	123.30	459.55	18.78	2.61	17.51	22.53	102.21	230.41	9.19

SCHEDULED BANKS

Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5 + 6) as percent- age of (4)	Advan- ces	Bills Discount- ed	(8 + 9) as per- centage of (4)	Invest- ments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.03	..
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	81.66	60.68	339.74
1955-56	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56	71.39	359.35
Average of Fridays										
December 1956	652.00	459.06	1,111.77	35.49	51.06	7.58	611.97	168.62†	71.07	365.11
January 1957	659.71	464.95	1,147.97	36.01	49.32	7.58	647.60	165.94†	73.29	362.67
February	683.02	466.94	1,172.05	36.27	50.29	8.64	687.52	166.33†	74.97	357.27
March	705.11	491.75	1,220.03	39.31	51.79	7.97	708.67	168.45†	75.55	348.76
April	728.28	455.05	1,094.83	38.15	65.12	7.99	719.66	183.45†	74.69	345.68
May	723.73	516.38	1,240.11	39.26	59.74	8.08	744.48	188.14†	76.10	343.32
June	714.97	547.24	1,262.21	41.32	67.51	8.72	744.75	181.72†	74.24	335.02
Week Ending										
5-7-1957	713.14	563.76	1,258.32	41.30	73.51	9.12	741.69	173.27†	72.71	332.64
12-7-1957	715.71	559.88	1,258.43	41.32	74.74	9.22	737.10	167.11†	71.85	332.25
19-7-1957	724.66	563.33	1,265.95	39.12	83.44	9.68	714.89	177.88†	70.80	332.28
26-7-1957	741.92	568.73	1,288.45	37.53	90.52	9.94	708.84	176.27†	68.70	332.56
2-8-1957	728.80	578.04	1,283.67	36.59	107.04	11.19	708.62	176.98†	68.83	332.42

* 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 liab- ilities 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
1956-57	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
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	10.36	-12.98
September	2,109.41	1,435.05	673.46	662.92	10.54	-25.51
October	2,123.00	1,442.62	680.48	669.64	10.84	+13.50
November	2,151.46	1,462.01	689.45	677.09	11.46	+28.46
December	2,178.65	1,485.34	693.31	681.35	11.96	+27.19
January 1957	2,220.47	1,509.90	711.57	700.80	10.77	+42.82
February	2,264.55	1,528.31	736.24	724.46	11.78	+43.08
March	2,312.89	1,556.59	756.39	744.74	11.65	+48.34
April	2,363.18*	1,587.89*	776.28*	761.64*	12.51	+50.29*
May	2,381.95*	1,596.76*	785.16*	761.64*	23.55	+18.77*
June	2,312.05*	1,563.97*	778.08*	755.44*	22.64	-39.90*

* Provisional.

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

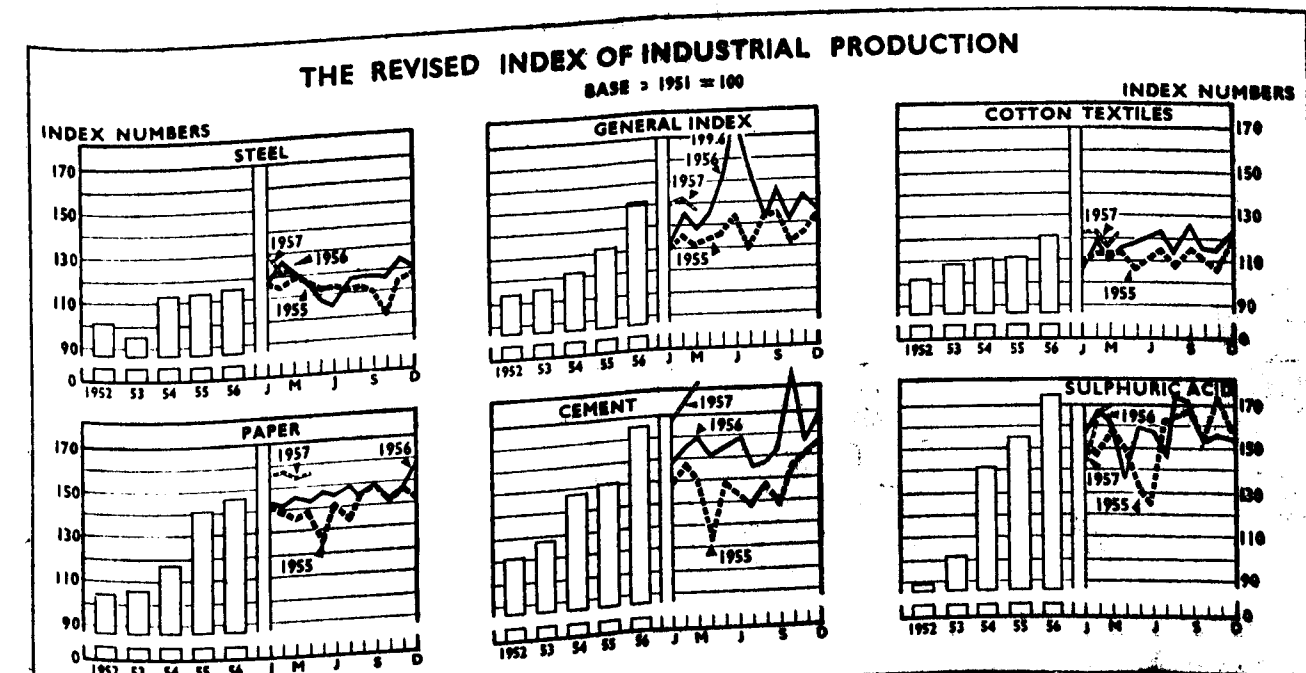
Source: Monthly Bulletin of Reserve Bank.

REVISED INDEX OF INDUSTRIAL PRODUCTION

(1951=100)

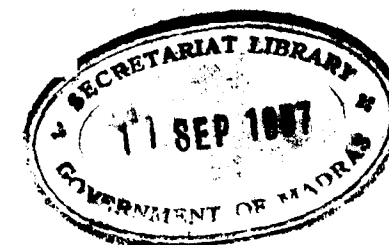
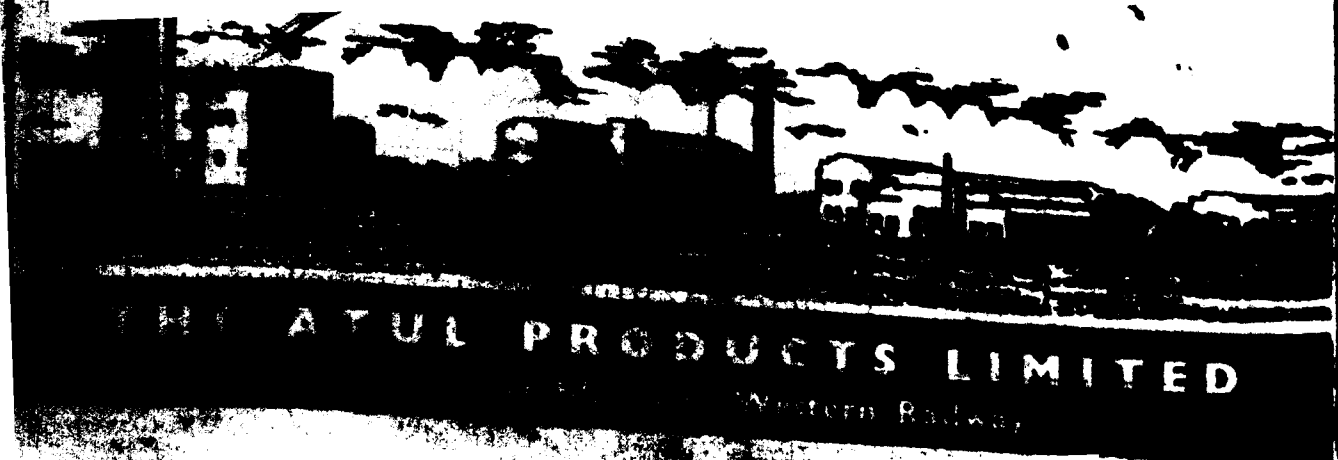
Year and month	General Index	Coal 2	Cotton Textils			Jute 6	Chem- icals 7	Cement 8	Iron and Steel 9	Gen.* Engi- neering 10	Paper 11	Sugar 12	Tea 13	Electri- city 14
			Total 3	Yarn 4	Cloth 5									
1952	103.6	105.6	102.3	103.0	102.0	107.6	117.9	110.7	102.2	92.8	104.2	134.0	98.6	104.9
1953	105.6	104.5	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
1956	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
October 1955	121.9	105.9	112.8	118.9	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	167.5
January 1956	122.9	110.0	107.7	112.4	105.4	121.2	164.3	148.2	116.7	170.3	142.9	133.2	145.2	152.3
February	124.2	113.5	118.9	123.3	116.7	125.2	173.0	155.7	125.0	204.9	141.7	127.2	123.5	161.2
March	128.6	115.7	111.0	115.2	108.9	135.6	165.9	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	153.4	105.1	220.1	145.5	1,684.4	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	119.9	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	138.1	117.4	220.0	143.4	231.7	104.8	165.8
November	142.1	118.2	115.1	122.5	111.5	120.4	175.9	157.3	124.6	240.7	148.0	369.9	95.4	169.4
December	130.1	126.6	122.4	130.7	118.2	118.7	177.1	169.6	120.9	239.3	157.3	191.6	58.1	171.2
January 1957	140.1	124.4	122.4	130.8	118.2	123.8	181.9	169.0	129.3	247.7	156.0	135.6	131.5	174.1
February	142.7	133.6	122.7	133.1	117.5	123.5	195.7	176.4	121.1	257.6	157.7	128.0	139.3	180.0
March	137.6	125.3	116.0	126.8	110.6	117.3	179.4	181.0	122.1	260.0	154.2	169.7	123.6	175.3
April	..	132.0	122.2	133.4	116.6	124.0	..	..	..	..	153.5	326.8	91.9	..

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



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DYES CHEMICALS PHARMACEUTICALS



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ONE RUPEE

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A Revitalised Congress ?

much noise has accompanied the latest session of the All-India Congress Committee has quietly transacted some very important business. It has voted, without much debate, far-reaching (and far-sighted) changes in Congress constitution with the avowed purpose of revitalising the organisation and bringing it to the people in a more active and massive way. And it has also discussed, behind closed doors, the current state of the second Plan and the problem, and land reform and co-operative issues. There is, it would appear, much more than meets the eye in this unusually busy procedure of a Congress body which has shunned lavish publicity in the past. The speed with which the Congress leaders sponsored amendments to the party consti-

tution is probably explained by their uneasiness on the score of the Communist challenge in and from Kerala to the pre-eminent position of the Congress in the country — an uneasiness that must have been shared by the rank-and-file also. And the secrecy clamped down on the A.I.C.C. members' views on matters of grave economic import is probably explained by their uneasiness on the score of mounting taxes and rising prices — an uneasiness that must have been shared by the leaders also. It would, therefore, appear that the Congress leadership and the rank-and-file have drawn themselves closer to each other and cleared the decks for the battles ahead. And in so doing, they should have been frightfully aware of the spectre hanging over the Congress and the country alike — the spectre of Communism. For,

although the Congress has won many a battle so far, the decisive battles are yet to be fought if it is to win that war — the war against poverty and social disruption (and Communism) in a peaceful, gradual and democratic manner.

This is the background against which the radical changes in the Congress constitution become easily comprehensible. The proposed constitution of mandal committees as the bases of the organisation at the rate of one such committee for an area of 20,000 population may well be a step in the right direction only if the Pradesh Congress Committees do not generally constitute subordinate committees below the mandal committees although they are permitted to do so, if they want, under Article XV of the amended constitution. The permissive provision for possible subordinate committees is not quite justifiable, for one would have thought that total elimination of small but numerous Congress committees at the village level in rural areas and the ward level in towns was called for in view of the proved difficulties of co-ordinating their activities and in view of their inherent incapacity to prevent effectively the infiltration into them of crypto-communists and fellow-travellers.

As a mandal committee is to consist of members (directly elected by persons of the age of 18 and over, subscribing to the object of the Congress and paying an annual subscription of four annas each) at the rate of one for about 2,000 population corresponding to not less than 25 and not more than 75 four-anna members, it should be a good enough democratic base deriving its strength from the general assembly of hundreds of primary (four-anna) members enrolled within the area of a mandal—neither too small nor too unwieldy, at once compact in its composition and capable of planning and pursuing mass-contact activities in a comparatively modest area of from 20 to 30 villages. A multiplicity of committees in that area which is by no means large by the size-standards of State Assembly constituencies would only make for confusion by way of election feuds and unrelated or unco-ordinated activities. A mandal committee, with up to 50 per cent of its total membership consisting of representatives of functional groups — propaganda or service teams, special elements like peasants and labourers, and popular organisations or institutions —, can be expected to operate effectively in all parts of its area without the aid of any subordinate committee. At least the mandal committee should not become an agency for transmitting orders received from above or a body sending down orders to any committee below. There is already far too much of red-tapism, bureaucracy and shirking of responsibility at every tier of the Congress organisation, and so the responsibility for organising mass-contact activities should be squarely placed on the mandal committees.

If the mandal committee, by virtue of its being constituted by direct elections, can thus be a popular body for active work among the people, the district or the pradesh committee, with its members elected by elected members of mandal committees besides having co-opted representatives of functional groups and organisations of its own, can well be an efficient, streamlined agency for co-ordinating, assisting and guiding the activities of the mandal committees. It is only at the mandal level that the Congress can be in direct, living touch with the people and their day-to-day problems and directly reflect their grievances and aspirations. For their part, the

district committees and the pradesh committee, by virtue of their being based on the mandal committees, can also become automatic carriers of representations, on behalf of the people, to the district administration and the State Government concerned.

While thus the limiting of direct elections to mandal committees is calculated to reduce the excessive preoccupation of Congressmen with internal party elections and squabbles arising therefrom to a bare minimum, the manner of constitution of the three-tier committees can, by itself, minimise the chances of Communist infiltration into Congress ranks. It cannot, however, wholly eliminate or block such infiltration because the current radical or socialist professions of Congressmen and Communists are such as to blur the differences between them. Incidentally it may be noted that this process of infiltration with its concomitant in increasing radicalisation of a section of Congressmen has been going on to some extent since the Palghat Congress of the C.P.I. Perhaps the Party's calculations are that the process would get accelerated in the next few years as a sequel to the Communist Government's slogans and doings in Kerala. Which probably explains the expectation of some Communist leaders that their Party would be in a position to form, following the next General Elections, a coalition government at the Centre with a section of Congressmen.

This, however, can be dismissed as a highly exaggerated hope on the part of some Communists. For, infiltration is necessarily a slow and laborious process and the placing of Trojan horses at strategic points in a colossal organisation like the Congress cannot be done all at once, as if by the wave of a magic wand, one fine morning. In any case, what little infiltration takes place can still be neutralised by functional representatives such as known Gandhians working in Bhoodan, Harijan uplift, social reform, cottage industry and other constructive spheres of activity and moderate and independent or pro-Congress leaders of kisan organisations and trade unions. The active association with the Congress committees of large numbers of Gandhian constructive workers who are today keeping themselves at a respectable distance from the Congress bodies out of sheer disgust with their mad scramble for the loaves and fishes of office, would be the most potent way of countering the forces of disruption both inside and outside that Party for Gandhians are essentially firm believers in the golden mean of compromise and moderation, some of their familiar fads notwithstanding.

Perhaps their distinctive contribution to the process of revitalising the Congress organisation could well lie in the land reform sphere where the State Governments are cutting a sorry figure. As the land problem today is, in the last analysis, virtually a Harijan amelioration problem, a vigorous application of the Bhoodan approach (with its pronounced bias in favour of Harijans) not only to rehabilitate as many of them as possible on donated lands but also to get for the rest voluntary concessions from landowners in respect of crop-shares and wages, should be of greater psychological value to the Congress both by way of cordial relations with the far more numerous class of landowning agriculturists and by way of speedy though modest relief to the landless than any body of radical agrarian legislation which would be more honoured in the breach than in the observance.

The Debate on the Finance Bill

THE debate on the Finance Bill in both the Houses only confirms the impression that despite the best of effort on the part of the Finance Minister and the stout defence which he put up for his taxation proposals, Parliament could not be convinced fully of their propriety and advisability in the prevailing situation. It ought to be conceded frankly that in spite of the wearisome process of having to traverse the same ground which he had already covered on several occasions since the budget proposals were announced, Mr. Krishnamachari did not relax in his zeal to expound the rationale of his taxation policy and its urgency at the present time. But the fact that his earnest advocacy could not sufficiently persuade or win the two Houses conveys important implications about the view which Parliament and the people take of the additional tax burdens. Probably the most important outcome of the debate was the definite indication given by Mr. Krishnamachari about the Government's positive approach to foreign capital.

The Finance Minister dealt at length with the role of taxation as an instrument of financing the Plan and propounded a 4-point thesis which was abstract in its essence. The most important part of the objectives of taxation as explained by him relates to its social ends. It should, however, be clear that the income redistributive function of taxation to achieve the objects of an egalitarian and at the same time prosperous society can hardly find place in an underdeveloped economy. It is bound to produce adverse repercussions on economic progress as it would impede the overriding goal of increasing the wealth and levelling up the standards of living first. In its absence redistributive taxation will bring about equality in the downward direction. In vindicating fresh taxation of the magnitude imposed in the current year, the Finance Minister has made out a new case for a greater emphasis on taxation than originally contemplated in the scheme of financial resources for the Plan. He has laid much stress on the diminishing efficacy of public borrowings as a source of finance. The underlying implication of this observation needs to be fully realised. If public borrowings fail to come up to the expectation of the planners, it would undoubtedly indicate that the economic climate is not as conducive to voluntary savings as it ought to be. The reason why it is not so conducive is more important than the assertion of the superiority of taxation over market borrowings as a source of finance.

When the Finance Minister hinted at the possibility of the belief being entertained that too many taxes were being compressed in the budget proposals in a single year, he had in fact gauged the general reaction and spotted one serious flaw in this year's scheme of taxes. His explanation for having imposed a multiplicity of taxes, however, hardly carries conviction. If the country is facing a difficult economic situation particularly because of inflation, taxation is not necessarily the most important answer to it. The second ground furnished for levying so many taxes, however, is noteworthy. The Finance Minister has explained that it is a good policy to give the entrepreneur and the businessman a clear and definite picture of what he should expect by way of taxation during the Plan period so that he may not be assailed by doubts and uncertain-

ties. There is some force in this argument to the extent that he has placed his cards on the table and given an assurance that there would be no further new taxation during the period of the Plan. But it cannot alter the fact that so many taxes imposed simultaneously have brought too great a burden on the people and far from removing the uncertainty about the future, they have created a basic uncertainty about the climate in which they have to function. A heavy tax burden cannot be imposed in an underdeveloped economy without impairing the incentives which are essential for intensive activity at all levels. If anything, heavy taxation resulting from too many new taxes will hamper the very object which is claimed to be its virtue.

One of the objects why the burden of taxes has been raised so steeply, it is claimed, is to hold in check the forces of inflation. It is argued that excise duties on which a great emphasis has been placed in the budget will help in creating a defence against inflation, first, because they will restrain consumption and, secondly, because they will help to mop up a part of excess profits. While these objectives may be realised in some measure, this argument overlooks the fact that excises have a real potential to inflate prices and the Finance Minister himself has straightaway stated that the new excise duties levied this year are admittedly stiff. The burden of new taxation has been falling heavily on the middle class both because the exemption limit of income-tax has been lowered and the excise duties make a direct inroad on its income. This is to inflict hardship on a strategic class of society whose insurance against want is of crucial importance to political and social stability. The concessions given to the wealthier class through reduction in the rates of personal income-tax at the top level have been more than nullified by the imposition of the wealth tax and the expenditure tax. The wealth tax on the corporate sector which is unprecedented in the history of taxation anywhere is bound to create serious problems for companies. By depressing incentives and retarding capital formation the new taxes will add to the difficulties of intensified production.

The Finance Minister's firm and forthright rejection of the Communist suggestion to put a ban on repatriation of foreign profits and foreign capital, although it was obviously expected, serves to reiterate Government's attitude to foreign capital. More important than this reiteration of policy was a significant observation made by the Finance Minister in his reply to the debate in the Lok Sabha. Its significance is enhanced by the fact that it comes as a purposeful statement in a prepared speech on the eve of his visit to the United States. He emphasised that while every developing economy must necessarily depend upon foreign finance for part of its requirements of resources, foreign capital can come only if one "actively seeks" it. His further observation in this very context that our approach to the problems created by the Plan is pragmatic and that we are now engaged in readjusting the size of the Plan should provide an answer to the oft-repeated criticism that it is too ambitious for the available resources. The Finance Minister will no doubt take upon himself the task of actively seeking external finance while he will be abroad in the course of the next few days.

Degrees and Services

THE report of the 10-member Lakshmanaswami Mudaliar Committee, appointed by the Government of India to recommend the basic qualifications for recruitment to and promotion in the public services, has now been made public. Appointed in April, 1955, the Committee submitted its report more than a year ago.

The problem of recruitment to public services is important to every country, more so in India where Government happens to be the principal and the biggest employer. Its proper solution can, therefore, not only provide a firm basis for administrative reform and efficiency, but also initiate change in the bias of the educational system. The very purpose of our educational system has been in practice perverted by Government's pre-condition of a university degree as the minimum qualification for all but the lowest posts and services. The result of this indiscriminate insistence on university degrees, the Committee rightly emphasizes, "has been to create a rush for university education even among people who can neither afford such education economically nor are likely to profit by it intellectually." The Committee has, therefore, recommended that the university degree as a requirement for the public services need not be a necessary qualification for all levels of Government services: clerks, junior officers, and senior officers. A university degree, the Committee suggests, should not be insisted upon for the first category; though it would not "disqualify" graduates from entering the clerical services, yet it would certainly "discourage" them from doing so. To achieve this the age-limit suggested is 17 to 19. For the middle category, the Committee has suggested that the university degree should not be made the minimum qualification but that graduates should be given an opportunity to compete if they so desire. Entry into the Senior Executive and Administrative Services, including the all-India Services, as well as the Central and State Class I Services, should be restricted to graduates. The Committee's recommendations on the question of classification of services are, however, not meant to be applicable to posts of technical and professional nature, such as Engineering, Law, Medicine and Teaching.

In their dissenting note, three members of the Committee, Prof. Humayun Kabir, Mr. N. K. Sidhanta and Dr. Sushila Nayar, have asserted that there was no sufficient justification for insisting on a university degree as a pre-condition for entrance to any "non-technical posts" under the Government. These dissenting members have referred to England and America where such a pre-condition would be considered "not only undesirable but also undemocratic." It would appear that the majority view is sounder than that of the dissenting minority. The latter seems to have omitted to take into account the fact that while in Britain and America, Government jobs go begging so to say, in India as much as a quarter of the present output of the graduates fervently hopes for services under the Centre or States, as there is practically no other opening available.

It is perhaps to meet the view of the dissenting members halfway that the Committee has recommended that the Government should "undertake re-examination of the methods of promotion" so that "as far as possible" promotions are not denied to non-graduates merely be-

cause of the accident of their not possessing a paper degree.

The Committee has also recommended "a system of weeding out (of the candidates) by preliminary examinations" to permit "wastefully large" numbers from appearing in various examinations held by the Public Service Commissions in the country. The final examination held for recruitment should be of a comprehensive nature and should test the mental qualities rather than merely the memory or the fund of information of the candidates. In addition, there should be some test for judging the personality, attitude and aptitude of candidates. The Committee has suggested the evaluation of the candidates' achievements during probation and adding it to the competitive examination marks for determining the final ranking in the services.

The principal advantage of adopting the Committee's recommendations so far as the first and second categories are concerned will be that the pressure on the universities, which have at present to cope with unmanageable number of students, will be relieved to some extent. But this is an advantage but of temporary value. If academic qualifications are divorced from the qualifications for recruitment to services, not only will all the present teaching schools be turned into coaching shops for public service examinations but many more may also spring up. Properly organized schools and colleges even with all their defects are in every way better than purely commercial establishments. Should we then in an attempt to reduce the number of students seeking admission to universities encourage the unhealthy growth of private money-making teaching shops? Surely it will not do at all either to allow every applicant to have a try or to adopt some *a priori* standards to decide which applications are worthy of consideration and which should go into the wastepaper basket. The Committee itself is conscious of such a development. That is probably why it has suggested a process of weeding out through a preliminary examination. If this suggestion is implemented, competitive examinations may well become as much of a problem as matriculation examinations are, wherein tens of thousands of candidates may be forthcoming to compete. Moreover, to do away with such a yardstick as a minimum qualification would be to throw open the doors to all manner of extraneous influences—not all of them healthy. It is true that there are many who cannot be considered truly educated even though they may possess the degree qualification. But the university degree remains the only criterion to decide whether a candidate possesses a passable minimum equipment of education and general information.

Again, there is no reason why the clerical as well as the middle services should not be open to graduates and non-graduates alike. Government service, even at the clerical level, in our increasingly complex society, calls for an amount of competence, judgment and maturity which a lad of 17, fresh from school, could hardly be expected to have. The remedy seems to be in speeding up economic development, and thus ensuring alternative channels of gainful employment. Only then will the stage be deemed to have arrived for reorganization of public services.

THE WEEK'S NOTES

J.P. STOOPS TO CONQUER

MR. JAYAPRAKASH NARAYAN has tendered his resignation from the primary membership of the Praja-Socialist Party. But in his letter to the Chairman of the party, Mr. Narayan has not disclosed any particular reason for his action. He does not even say whether he thinks membership of the Praja-Socialist Party to be inconsistent with the Bhoodan or Sarvodaya movement. Nor does he reveal whether it has interfered with his activities in the new sphere. All he has said is that by freeing himself from party bondage, he will be able to criticise any action of the party openly if he considers it necessary.

The reason advanced by Mr. Narayan for his resignation will probably convince none but the most gullible. It is about a year now since he stopped attending meetings of the National Executive of the Praja-Socialist Party and the party conferences. Whenever he did attend any conference, it was to speak on the Bhoodan movement. Moreover, the freedom he now aspires to enjoy by resigning his party membership he has enjoyed, in effect, ever since he ceased to be a member of the National Executive—which is primarily responsible for formulating the party programme. One is therefore constrained to connect Mr. Narayan's resignation with the failure of his recent efforts to bring about rapprochement between the Praja-Socialist Party and the Socialist Party. That the resignation came about almost simultaneously with the calling off of his talks with Dr. Ram Manohar Lohia reinforces this belief. He had, after all, conducted negotiations with Dr. Lohia against the wishes of the majority of the leaders and rank and file of the Praja-Socialist Party. In addition, he received a rebuff from Dr. Lohia in the form of latter's stubborn and unreasonable attitude and impossible preconditions. Dr. Lohia insisted that the Praja-Socialist Party should accept 'in toto' the constitution, policy and programme of the Socialist Party if a single party were to be evolved of Socialists in the country. In fact, he went to the extent of saying, in his letter of July 31, that all the rules and sub-rules made for the Socialist Party "must also be understood as included in the constitution" of his party and that "if there is any programme which may not be correct, not to speak of policy, that, also, has to be followed". Thus, Dr. Lohia, by his intransigence, frustrated Mr. Narayan's commendable move for a single party of those who believe in Democratic Socialism and probably forced him to leave the Praja-Socialist Party.

In Indian politics personalities are still more important than policies and programmes. Mahatma Gandhi's influence on the Congress, it may be remembered, grew after he ceased to be even a primary member of that organization. It should not, therefore, surprise any one if Mr. Jayaprakash Narayan's formal withdrawal from the Praja-Socialist Party should but increase his influence over the adherents of Democratic Socialism. A 'formal' resignation from the Praja-Socialist Party has given Mr. Narayan more elbow-room to move and manoeuvre than he had when he was in the party. This affords him an opportunity to use his undoubted influence in the political life of the country to greater effect than hitherto—which is all to the good.

NEW COMMUNIST "LINE"?

FROM SINGAPORE to Syria, the Communists are emerging in the open and adopting insurrectionary methods. The Singapore Government recently uncovered a Communist plot to instigate an armed revolt in the island for the purpose of capturing power. The police

arrested and detained 35 Communists in several raids on Left-wing organisations, including the People's Action Party into which the Communists had infiltrated since their own party was outlawed in 1948. Mr. Lim Yew Hock, Chief Minister of the Crown Colony, said that his Government was forced to resort to this extreme step to save those who uncritically and unwarily accepted the easy and deceptive slogans of the Communists, thus helping to create "objective" conditions for them. "No ideal of nationalism or humanitarianism is too sacred", he said, "for their exploitation in the interest of their more rapid progress to the control of absolute power." The Communists, whose tactics after 1948 had been peaceful penetration into trade union and Left-wing organisations, had apparently returned to violent methods.

This change in the policy of the Singapore Communists does not seem to be an isolated phenomenon. In Syria, for instance, the Communists are active and seem to have succeeded in putting their "own men" in key Government positions. Some four months ago, similar Communist efforts in Jordan were defeated by King Hussein's determined and timely action. In Iran, too, a Communist conspiracy was uncovered by the secret police. In Pakistan, the pro-Communist ex-Major General Akbar Khan is trying to rouse mass hysteria over Kashmir, doubtless to steal the thunder from Mr. Suhrawardy and prepare a mass base for the banned Communist Party's reorganisation. In India, the Communists are not encouraging lawlessness in Kerala only; they have come into the open in Kashmir also and have launched a campaign of vilification against the National Conference and Bakshi Ghulam Mohammed's Government. In Burma, the activities of the Communists caused enough anxiety to force U Nu to give up his self-imposed exile from administrative responsibility and take up again the reins of Government. In free Malaya, the Government's first task has been to deal with the continuing guerilla activities of the Communists. In South Vietnam, Communist subversive activity seems to be on the increase; this is evident from the frequency with which arm dumps seem to be discovered and Communist cadres responsible for attempted rioting taken into custody.

It would not be unsafe to infer from all this evidence that international Communism is on the way of renouncing the policy of "peaceful co-existence"—in effect if not in form yet. Are we then on the eve of the repetition of 1948? It would only be proper and opportune for the Government of India to be alert to the activities of the Communist Party of India, its numerous front organisations and its Ministry in Kerala. Democracy in our age is too often made a cover for the enemies of democracy to function.

"NOT BY BREAD ALONE"

THE SOVIET news agency, Tass, circulated a few days ago Mr. Khrushchev's remarks, made partly on May 13 last, at a writers' conference. Mr. Khrushchev's remarks would seem to have been occasioned by a novel, "Not By Bread Alone", written by Vladimir Dudintsev. Final comment on the book will be possible only when it is available. But one may speculate, basing such speculation on the fragments of criticism that make their way out of the Soviet Union. Speculation with the meagre data available is bound to be incomplete and perhaps misleading. But under the circumstances there seems no other way.

Dudintsev's book is about a school teacher and engineer, Lopatkin, who has succeeded in designing a machine for the centrifugal casting of iron pipes that

will save considerable labour and material. But a factory director, Drozdov, obstructs Lopatkin's project for bureaucratic and organizational reasons. The struggle between them is unequal, for Lopatkin is poor, a mere nobody, who lives in a slum. In the end Lopatkin's invention is accepted by authorities higher than Drozdov. The book lays emphasis on idealism, individualism and fearlessness. But it is not quite certain whether it criticizes the "system". After Lopatkin's invention is accepted, a friendly industrial executive says to him: "I say you are a believer. You believe and struggle. You have not become disillusioned I am often scolded as an idealist by those so-called practical people. But only the devil knows what it is all about.... And so I say: 'Here is an idealist, there's an idealist, in a third place you look and there's a so-called idealist One bumps into them at every step. But without bright insignia you will not recognize them, nor they you...'"

To judge from what is available of the proceedings at the plenum of the Union of Soviet Writers held in May, supporters of the Party "line" and some "heretical" younger writers indulged in exchanges which could have much significance. Dudintsev would appear to be not alone in thinking as he does. According to an article in "Literaturnaya Gazeta" of May 22, the silence that greeted the accusers astonished and even alarmed them. L. Sobolev, who wrote that article, warned the un-answering writers that their silence was dangerous. "What does it mean?" he asked. "What does it conceal? A proud disregard of the opinions of others? A contemptuous confidence in your own infallibility?" At a meeting of the Union of Soviet Writers and the Party organizations of the Moscow writers, Kaverin along with Dudintsev, E. Kosakevich, M. Aliger, V. Rudny and V. Tendryakov, "persisting in their errors", as "Literaturnaya Gazeta" of June 6, put it, "dissociated themselves from their comrades of the Party and writers' organizations". This schism, if it is that, may well be the result of the younger writers' disregard for the "wisdom" of the elder writers in laying down the "line". It is not clear whether they object to the laying down at all of an official "line". Dudintsev's "Not by Bread Alone" derives significance from the prevailing political climate. Mr. Khrushchev has said that "so far as Comrade Dudintsev is concerned, I believe that he will be able to steer on to the right track, given our help and his wish, and work together with the whole body of our writers, for the good of the people and for the good of our Socialist homeland". The past tells us that the current Soviet leaders know the "right track" and are always "helpful" towards those who deviate from it.

WHO HOARDS FOOD?

IT IS at once easy and difficult to answer this question. One has necessarily to go by some general impressions. The Mysore Chamber of Commerce, for example, thinks that it is not the trader but the large-scale producer who hoards food grains. How the primary producer is able to hold out for higher prices, it is not difficult to explain. In the opinion of the Chamber, his holding capacity or staying power has been considerably strengthened by increased Governmental assistance by way of credit facilities, manures, fertilisers, etc. (The Union Finance Minister, it may be recalled, also holds the view that the good prices obtainable for his crops has increased the peasant's holding power although he says, at the same time, that there has been some hoarding by trade also). The trader, on the other hand, does not hold up his stocks for a longer time than is absolutely necessary. In Bangalore, for example, only two or three weeks' stocks of rice out of the City's monthly intake of one-and-a-half lakh bags are generally available with the traders. This is probably true

of Bangalore; the accuracy of the Chamber's statement need not, therefore, be questioned as far as that City is concerned.

But the question is whether it would be possible to generalise on that basis and conclude that a similar situation obtains in all the urban markets in the country. (Incidentally the Mysore Chamber makes no such generalisation for its views are confined to its own State). There is no reason to believe either that the traders do not generally hope to profit at a time of rising prices or that there are not small consumer hoards on a wide scale at such a time. Perhaps it would be nearer the truth to say that everyone concerned — the producer, the trader, the miller and the consumer — "hoards" to some extent. Such hoarding is quite natural at a time of rising prices and cannot be easily described as anti social. But many a mickle makes a muckle, and it is therefore necessary to make some more rice supplies available in all the urban markets so as to bring down the prices. How some stocks could be released from the big producer, the big trader and the rice-miller without too drastically pulling down the rice prices, has been dealt with in a leading article in "The Eastern Economist" last week.

THE PLIGHT OF PLANTATIONS IN KERALA

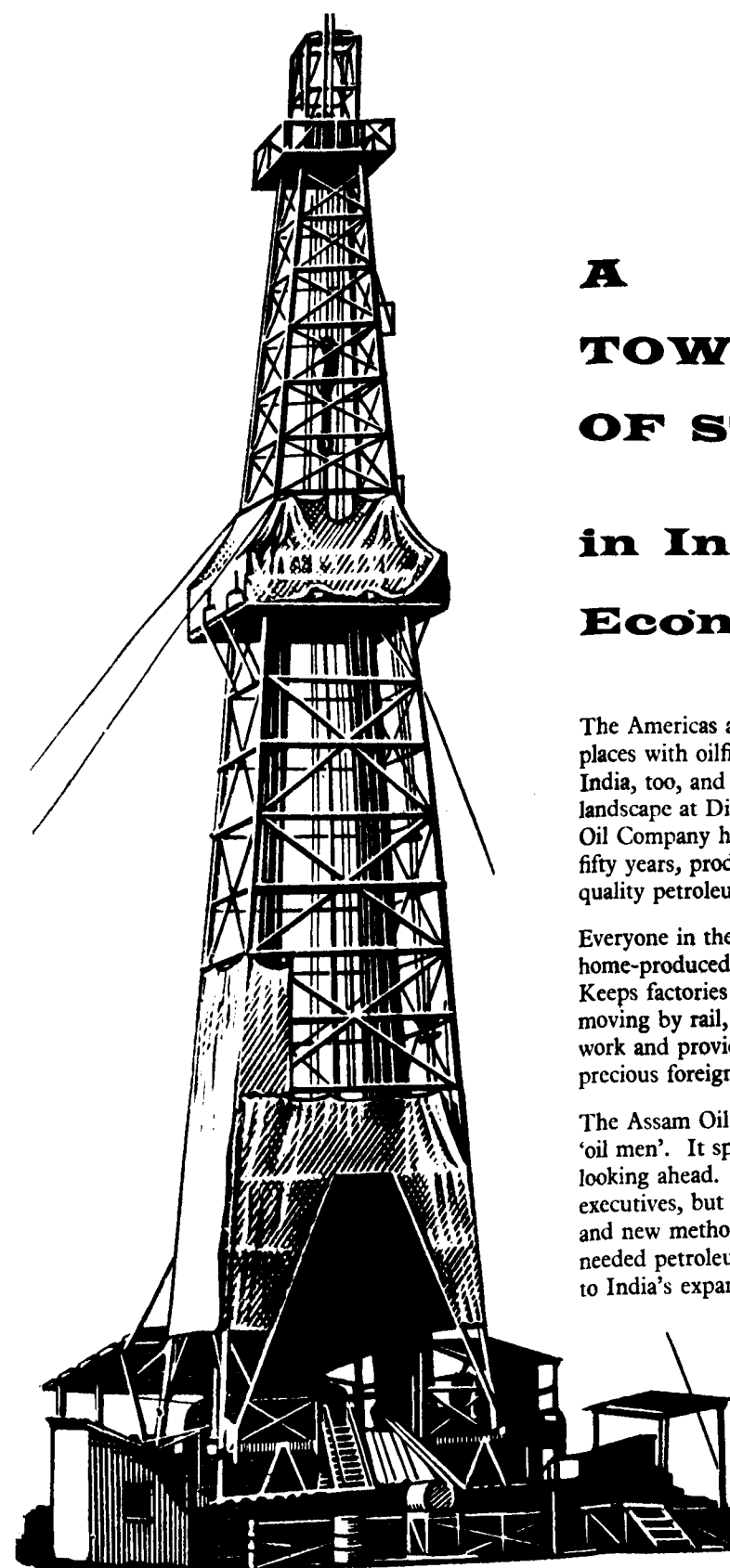
THE PLANTATION industry in the South is in an unenviable State. Every year that passes adds more problems. This year's 'outstanding' is the emergence of Kerala State with a Communist Government. The Chairman of the United Planters' Association of Southern India, Mr. M. M. Varghese, made a pointed reference to this in his address to the annual general meeting of the Association held at Coonoor on August 29. Mr. Varghese referred to the two significant developments that were taking place, affecting the incentive for expansion and development of the industry: One, the fiscal policy adopted against the industry, and, secondly, the growing indiscipline among labour. The Kerala Government, unable to achieve its declared objective of nationalising foreign-owned plantations, has been hard in its exactions on the industry. The levy of agricultural income-tax is heavier in Kerala than either Mysore or Madras. The high rate of super-tax combined with the basic agricultural income tax exceeds the rate of the Centre's Corporation-tax. The disorderly state of affairs due to labour troubles has not improved in spite of the statement of the State's Chief Minister.

It appears that the Kerala Communist Ministry is oblivious to the dangerous consequences of its two-pronged onslaught on the plantation industry. While heavy taxation is likely to lead to fragmentation, thus weakening the competitive position of the industry in the foreign market, its reluctance to check lawlessness will scare away the foreign investors. Moreover, a valuable avenue of co-operation of foreign capital in national endeavour of economic development will be lost. Can it be hoped under the present dispensation that the rot that afflicts plantation industry in Kerala will be stopped, especially when the plantation industry is a vital part of the nation's economy? It is the largest earner of foreign exchange. It provides more employment than any other industry, and holds a pivotal position in the economy of Kerala State.

A CORRECTION

In 'The Week's Notes' in our issue dated August 30, 1957, in the note entitled "Nagas' Hand of Friendship" on page 299, the first line was inadvertently omitted. It reads as follows:

"The Naga People's Convention, attended by nearly" The error is regretted.—Ed.



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.

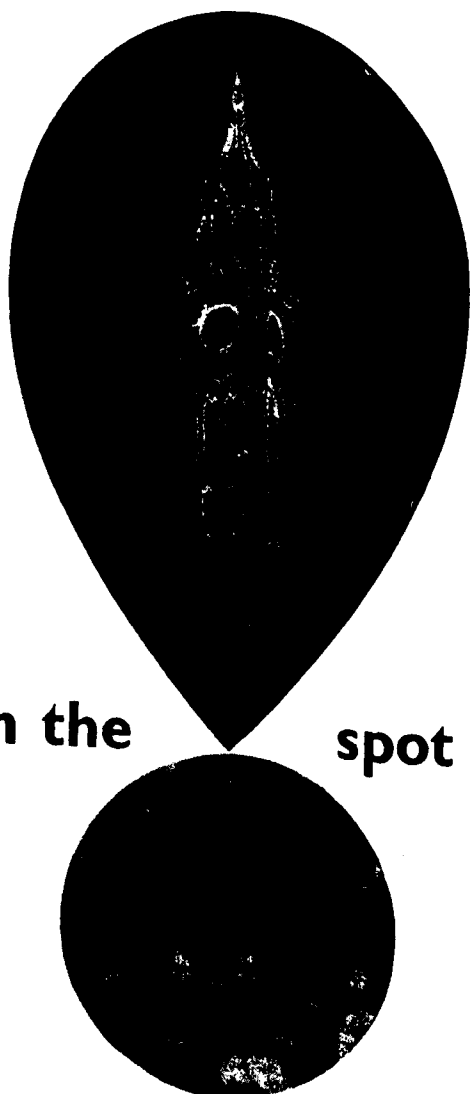
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A Window on the World

NON-VIOLENCE AGAINST A DICTATORSHIP

By
ODYSSEUS

THAT BRITAIN should cease nuclear armament and adopt a policy of national defence by passive resistance is the suggestion made by Sir Stephen King-Hall, the well-known publicist and editor of the "King-Hall News Letter" (162 Buckingham Palace Rd., London, S. W. 1) whose views I outlined in the two preceding weeks. Sir Stephen does not claim that his proposals would work but only that if they are to be rejected it should be after searching investigation by a Royal Commission. He emphasises that hitherto all discussion of pacifism has been from the moral viewpoint whereas, he points out, since pacifists constitute an infinitesimal fraction of the population, pacifism has no chance of being adopted as a national policy unless it is found to be workable from non-pacifist motives.

I begin by challenging the universal belief, which Sir Stephen appears to share, that history offers examples of a disarmed population securing their objectives against armed forces solely by non-violent passive resistance.

We saw last week that Sir Stephen cited the success of the German resistance to the French in the Ruhr in 1923, the Sinn Fein terrorist campaign against the British in Ireland, the Israel victory over the British mandatory administration, the Algerian struggle, Eoka, the resistance movements against the Nazis in wartime France, and civil disobedience in India. But all these movements were (or are) supported by violence and/or terrorism.

For example, the German resistance in the Ruhr was accompanied by outrages in which hundreds were killed. "The state of violence was similar to that in Ireland in 1921 when the British Auxiliary Police were engaged in guerilla warfare against the Sinn Fein party.... The whole world watched.... this terrible struggle between armed force and disarmed Germany.... The pressure on the German economic system was devastating. The rate of exchange of the Mark in London crashed from about 100,000 to the £ in the Spring of 1923 to about 15,000,000 in the autumn.... At last.... the German Government surrendered and withdrew its support from the passive resistance movement.... Morally France was well satisfied.... she had proved that Germany was still at her mercy". (Sir Stephen King-Hall may perhaps accept this account of events in the Ruhr because I am quoting from the 'History of Our Own Times' (p. 127. 1940 edition) written by that admirable authority Sir Stephen King-Hall). Moreover, it was during this period that violence became endemic in Germany and political extremists, fanatics, and gangsters of all kinds, seized the opportunity to increase their following and, by sowing disorder, to prepare the way for the Nazi dictatorship.

As for India, we are apt to forget that Gandhiji insisted at first that mass civil disobedience should not be initiated until a "non-violent" atmosphere had been created, that he subsequently yielded to pressure and agreed to give it a trial at Bardoli, that following the violence which attended the arrival of the Prince of Wales, he wavered, and that he called off civil disobedience in February, 1922, after a mob had set fire to the police station at Chauri Chaura, where 21 lives

were lost. While there were heroic moments of non-violent resistance, civil disobedience was punctuated throughout by the violence that Gandhiji condemned. With his characteristic honesty, Gandhiji said in 1942 that he could not guarantee that once a large-scale non-violent movement had been launched there would be no violence. "I do not want rioting as a direct result," he wrote in the 'Harijan' of July 19, 1942, "If, in spite of precautions, rioting does take place, it cannot be helped." In the event, hundreds lost their lives in 1942. Nor did this rebellion justify non-violence, or even violence, by attaining its objective.

The first conclusion that suggests itself is therefore that if despite the revered example of Gandhiji, India, with considerable elements in its population naturally disposed towards the religious pacifist attitude, failed to achieve genuine non-violence, how vastly more difficult would it be for the people of the UK, of whom only a decimal fraction are attuned to pacifism, of whom the majority are ordinary flesh and blood.

THE AFTERMATH OF VIOLENCE

Is, then, the alternative that the British should not attempt non-violent resistance to a foreign foe but should adopt the sort of civil resistance, accompanied by underground acts of violence, practised by the Germans in the Ruhr and Eoka in Cyprus?

I submit that civil resistance with violence must seriously affect the social fabric of the nation adopting it. Organised fighting in armies is disciplined. I do not suggest that this discipline never breaks down, but that the practice of violence in, as it were, an orderly and responsible manner, by bodies of men subject to discipline does not undermine the Rule of Law and social fabric of the nation as partisans practising guerilla warfare do.

Guerilla violence recoils on those who practice it. The violence of the German resistance against the French in 1923 let loose the political extremists and gang warfare that paved the way for Hitler's brutal dictatorship. In France, after World War II, as many as probably 100,000 "traitors" were executed in the name of justice. Most of these cases were in fact private vendettas or acts of irresponsible haste carried out by the rival parties of the French resistance. These tragic memories have added to the divisions and bitter-nesses of the Fourth Republic. The habit of violence: once encouraged among civilians is not easy to shake off.

In short, if the British were to try to defend their way of life by pacifism against Soviet invaders, all history suggests that it would not be possible to keep civil resistance non-violent, and that the longer the struggle the more widespread and irresponsible the violence. Against a determined dictatorship, which does not shrink from purgings and deportations by the hundred thousand, violence might become endemic, and the British would end by destroying the very way of life which they were seeking to preserve.

From the Indian struggle for independence, and from those periodical moments in it when Gandhiji's ideal of non-violence was attained, I suggest that it is difficult to draw conclusions of universal application because of factors which made it a special case. First, the struggle was not between two peoples who hated each other, like the Soviets and the Hungarians in the revolt of 1956, but between two peoples who fundamentally respected and liked each other. While there were doubtless individual exceptions, it was fought with regret by both sides. Again and again the nationalist leaders have in their writings paid tribute to the regret and embarrassment that they so often encountered in those who had to repress them. Again and again was the same sentiment expressed by Britons, not least by Mr. C. N. Broomsfield, the judge who, in sentencing Gandhiji in March, 1922, said:

"Mr. Gandhi, you have made my task easy in one way by plead-guilty to the charge. Nevertheless, what remains, namely, the determination of a just sentence, is perhaps as difficult a proposition as a judge in this country could have to face. The law is no respecter of persons. Nevertheless, it will be impossible to ignore the fact that you are in a different category from any person whom I have ever tried or am likely to have to try. It would be impossible to ignore the fact that, in the eyes of millions of your countrymen, you are a great patriot and a great leader. Even those who differ from you in politics look upon you as a man of high ideals and of noble and even saintly life" — a remarkable relationship between judge and accused. I regret that I have no space for the full text of the judgment which continues on this high level. You will find it in the "Selected Writings of Mahatma Gandhi", edited by R. Duncan (Faber, 1951).

VITAL POWER OF PUBLIC OPINION

Moreover, since a section of British opinion was increasingly critical of imperialism in India and out-

spokenly embraced the Indian cause, and since this section eventually established itself as a majority of the British nation and enacted Indian Independence in 1947, can it be argued that the struggle for independence was wholly between Indians on the one side and the British on the other?

Civil disobedience was conducted in India against a people with a conscience and a public opinion free to express and to organise itself. It was because the British conscience was shocked by such tragic events as Jallianwala Bag in 1919, that that section of British public opinion which sympathised with Indian aspirations was able steadily to increase its influence and the struggle in India was free to wax in intensity.

But supposing that India had had to deal with Soviet imperialism? During and after World War II, the Soviet Government dissolved four Autonomous Republics and expunged four major, and several minor, nationalities from the ethnographic map of the USSR. These people saw their political and cultural institutions destroyed. They were taken from their homes and dispersed over vast areas of the USSR. The liquidation of the Germans of Russia was, for example, one of the outstanding achievements of the Soviet regime. The Germans in Russia had an important civilising influence as long as Russia was in process of being opened up. The pioneer work over, the Russians turned against the German minority. The Czarists hated them. It was left to the Soviets by the decree of August 28, 1941, to expell them from the family of the Soviet peoples and to order the removal of some 200,000 from the Volga to the far off, deserts of Siberia, Omsk, and the Altai region.

Non-violent, or violent, can civil disobedience succeed against such ruthless rulers?

FRANCE AND SPAIN

(From Our Special West European Correspondent)

PARIS, August 31.

WHEN the French deputy foreign minister last weekend paid a brief visit to San Sebastian, the summer capital of the Francoist Government, and was received by the Spanish foreign secretary, this was the first meeting at this level between the neighbouring regimes for more than a quarter of a century. We can expect to see more frequent encounters in the near future, because both Governments are determined to liquidate the cause both disputes and grudges that have accumulated over 25 years. Some of these are of long standing: the frictions of the Civil War years. Spain's alliance with the Axis, France's leadership in the U.N. attempt to wind up the Francoist regime immediately after the war, and Spain's encouragement of anti-French agitation in North Africa. There is still a total contrast between the regimes and even if a reconciliation is achieved in the coming months, France and Spain cannot be comfortable allies as long as Franco is in Madrid. But their need of each other is great; it is to the future rather than to the past that they must look, and in the future closer Hispano-French co-operation will be inevitable.

Most people in France outside the Catholic Right would have preferred to postpone the reconciliation until Franco was gone, or at least had proclaimed a sufficiently notable change in his regime (e.g. by restoring the monarchy) to make it plain that the French were not compromising with "fascism". But events have moved too quickly: European integration and the opening up of the Sahara Desert have made further delay impossible. It was Mendes-France who first sought to resolve the old quarrel and Antoine Pinay followed him in these efforts; the Guy Mollet government had prepared a more ambitious act of settlement, and it is the present coalition of Radicals and Socialists that is seeking to implement this. So the new understanding with Franco is being sought by parties that cannot be suspected of any sympathy with the Madrid regime.

What makes this new understanding possible is that Spain fears the consequences of being left out of an integrated Europe, particularly the Common Market, while France fears that she cannot exploit the Sahara as long as political disputes about its borders have not been settled. On the one side it is clear that the rickety Spanish economy would be dealt a fatal blow if Euro-market were closed to its exports. On the other side, it is clear that the French are already going to have enough trouble in the Sahara with the Moroccans and Tunisians (and possibly the Algerians) without having Spain continue her traditional policy of exploiting French political difficulties in Africa to her own petty advantage. There is the basis here for a deal: the French facilitate Spanish entrance to the OEEC, encourage British plans for a free exchange area surrounding Euromarket so that Spain (like Britain) will be guaranteed against losing her markets in west Europe, and conclude a trade-and-currency agreement that will safeguard the peseta from the shock of the franc devaluation. Against that, the Spanish would agree to desist from all connivance at anti-French activity in the south-west Sahara and conclude an agreement on frontiers that puts a stop to all Moroccan claims to the desert.

Last weekend's meeting in San Sebastian was brief and it is improbable that anything so complete as this programme was discussed. But the Moroccan reaction was instantaneous and sharp. It was sensed in Rabat that a Hispano-French reconciliation could only be at the expense of Morocco, and this would be the end of the profitable Moroccan policy of playing Spain off against France in north-west Africa. The external affairs ministry in Rabat at once accused the French of violating the convention between the two countries that there should be consultation between them on all external matters of mutual interest. While a spokesman was reading this declaration the French ambassador was already giving an account of the San Sebastian meeting to the Moroccan Government. This incident showed the sensitivity of Rabat to any suggestion of co-operation between the two former "protectors" of Morocco. The forms having been respected, the Moroccan Government could not protest, but this has not prevented the Moroccan Press voicing all its suspicions: Madrid and Paris are accused of making a secret pact aimed against Morocco and so on.

What the French really hope to get out of the Spanish as regards Africa can only be appreciated by looking at a map of the Sahara. Oil and other minerals extracted from the northern parts of the desert can be transported through Algeria, provided that country remains under French control. But the very substantial mineral resources of the western regions and Mauritania are separated from the Atlantic seaboard by the long strip of foreign territory formed by Morocco and the Spanish possessions of Ifni and Rio de Oro. It is from these territories that incursions have been made by armed bands that are hindering French development of the western desert; neither the Governments in Rabat or Madrid are necessarily sponsoring these incursions, for these areas are mostly quite lawless, but neither are they doing all they could to stop them. Moreover, since the resources of the western Sahara have been discovered and prospected by the French, the Moroccans have claimed that all the territory down to Senegal is by rights theirs: this involves a claim not only to large parts of the French Sahara but also to the Spanish possessions mentioned. The Moroccan claim is no doubt baseless but the legal definition of frontiers in this part of the world has always been vague. A glance at the map will show that if the Spanish and French firmly settled the borders between Mauritania and Rio de Oro and then extended their respective authorities right up to those borders, Moroccan ambitions to extend their territory southwards would be checkmated.

It was for this reason that Guy Mollet had prepared a frontier convention with the Spanish, and although nothing has been said of it we can assume that this was mentioned again last weekend in San Sebastian. Quite apart from limiting Moroccan ambitions, the map shows that the French can get nothing out of the desert except through the seaboard states, and the more alternative routes they can guarantee, the more strongly they are placed in their negotiations with any one of those states. As long as the war continues in Algeria, that entrance to the desert is dangerous, as the rebels have recalled lately by extending their activities into the far south where the French are already beginning to exploit oil deposits. So the French must depend on

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Morocco and, to a lesser extent, on Tunisia and Libya; a reconciliation with Spain would reduce this dependence, at least in one important part of the continent.

Another reason for Moroccan dismay at the Hispano-French reconciliation is that Rabat has just decided to get tough about Ifni, the tiny Spanish enclave on the southern Atlantic coast of the country, a sort of Spanish Goa. There has been recurrent trouble here over the last few months, and last week Rabat recalled its ambassador in Madrid to give him instructions to open negotiations for the return of this territory to Morocco. The Moroccan claim to this region is very good, the enclave is of no special value to the Spanish and the French have no particular interest to see the Spanish stay there; so the negotiations could have some success. But it is feared in Rabat that co-operation between Franco and the French might reinforce Spanish determination to hold on to Ifni.

Spain's interests in Africa are in fact quite small and there is no doubt that Madrid's main concern in seeking French co-operation would be to facilitate Spain's admission to the European community. To date she has been firmly excluded from this. American support has got her into the various international organisations but French opposition has kept her out of the purely European organisms. True, when the European powers declined to accept Spain in NATO the Americans concluded the Iberian treaty with Spain and Portugal, and since Portugal is in NATO, Spain is in practice a sort of second-class member. But in the face of growing European integration, second-class membership is not enough, particularly in economic matters. Spain has begun a programme of industrialisation, behind a barrier of protection, and thus could not afford to join the Common Market, even supposing she were invited to do so; but she cannot afford to stay out either, for her main exports are still agricultural produce which is sold principally in the Common Market area. She must seek some special form of association with the Common Market that will protect her secondary industries while it guarantees her agricultural exports. And it is only by a renewal of co-operation with France that this will be possible.

Growing illiberalism in France necessitated by the hopeless Algerian war seems to have disposed to French

to co-operation with the "fascists" whom they have been denouncing for 20 years past. Or at least, the French case in Algeria is founded so heavily on "non-intervention in domestic affairs of other nations" that they could scarcely continue to raise questions about the nature of General Franco's regime. Whatever the reason, the fact that France and Spain are back "on terms" will be of importance in Europe and Africa.



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September 6, 1957.

WORLDGRAM

AGRICULTURE

Lift Irrigation Schemes: A total number of 1,513 schemes in Punjab, PEPSU and Himachal Pradesh for lift irrigation had been completed and an expenditure of Rs. 22.23 lakhs was incurred on them during the first Plan period, said Shri A. P. Jain, Minister for Food and Agriculture, in a written reply to a question by Shri Hem Raj in the Lok Sabha. Shri Jain also stated that 933 lift irrigation schemes were proposed to be undertaken during the second Plan period in Punjab (including PEPSU) and Himachal Pradesh.

Central Assistance for Minor Irrigation and Fishery Development: In a statement placed on the table of the Rajya Sabha by the Union Minister for Food and Agriculture, Shri Ajit Prasad Jain, stated that a loan of Rs. 4,799.65 lakhs and a subsidy of Rs. 607.60 lakhs for minor irrigation schemes and another loan of Rs. 113.47 lakhs and a subsidy of Rs. 76.07 lakhs for the development of fisheries were sanctioned by the Central Government to the various State Governments during the last five years. The rate of interest charged on the loans varied from 3 per cent to 4½ per cent depending upon the period of repayment.

Supply of Quality Jute Seeds: For multiplication of quality jute seeds, seven farms have been set up — one by the Centre and the remaining six by the States in main jute-growing areas. The Central Nucleus Jute Seed Multiplication Farm, with an area of 212 acres, was established at Panagarh in the Burdwan district, West Bengal, and started work in 1956-57 under the supervision of the Indian Central Jute Committee, Calcutta. The West Bengal Government has established two major farms for which the Central Government sanctioned long-term loans amounting to Rs. 8,11,500. Similar farms have been set up by the U.P. and Assam Governments — one in each State. The Central loan granted to Assam for this purpose amounted to Rs. 1 lakh. In addition, the Bihar Government was sanctioned a loan of Rs. 4,63,144 and the Orissa was sanctioned a loan of Rs. 2,67,192 in 1956-57 for setting up two farms. A further loan of Rs. 86,818 has been sanctioned to the Orissa Government for 1957-58 for extension of the farm in the State.

INDUSTRY

Steel Foundries: In a written reply to a question by Shri M. Valiulla, in the Rajya Sabha, Shri Morarji Desai, Minister for Commerce and Industry, stated that 12 steel foundries were proposed to be set up during the second Plan period. Of these, three would be in the public sector and nine in the private sector. The Minister laid a statement on the table of the House giving details about the location and the estimated cost of each of these steel foundries. According to the statement, one of the units in the public sector will be established at Chittaranjan in West Bengal at an estimated cost of Rs. 3.5 crores and the other in Bangalore in Mysore State at an estimated cost of Rs. 60 lakhs. The location of the third unit has been provisionally fixed near Ranchi in Bihar State, the cost of which has not yet been worked out. Of the nine units to be set up in the private sector, two each will be in Jamshedpur in Bihar and Sukehar in West Bengal and one each in Dalmianagar and Dhansar in Bihar, Triuvettuyur and Peelamedu in Madras and Ulhasnagar in Bombay. The total cost of the nine units is nearly Rs. 4 crores.

Standard for Paper Sizes: The Indian Standards Institution has just published an Indian standard for paper sizes (IS: 1064—1957). This standard prescribes

the requirements of printing, writing, wrapping and casing paper sizes, machine-made and hand-made, normally held in stock by the trade. Foolscap and crown sizes of paper, now prevalent in the country, are not included in the main series recommended to be adopted ultimately. However, their equivalent sizes have been recommended with a view to helping the industry in the intervening period before adopting completely the main series.

Manufacture of Pozzolon: Shri Manubhai Shah, Minister for Industry, stated in the Lok Sabha that a plant had been set up by the Bhakra Nangal Project authorities to manufacture pozzolon. The Minister said that pozzolon had been used in the construction of a portion of the Bhakra Dam. Shri Shah said that the cost of production of pozzolon was stated to be Rs. 65 per ton, while cement for use in the Bhakra Nangal Project was available at about Rs. 93 per ton.

Manufacture of Newsprint from Bagasse: Shri Manubhai Shah, Minister for Industry, said in the Lok Sabha that a German expert firm had recommended the adoption of the A-Z process, patented by it, for the production of 30,000 tons of newsprint per year at Shakarnagar in Andhra Pradesh, utilising the sugarcane bagasse available from the sugar factory there. The Minister said that the implementation of the scheme was dependent upon the negotiations of suitable terms of credit for the procurement of plant and equipment. Shri Shah added that discussions in this regard were in progress. He said that a report had not yet been received from the Italian experts.

Locomotive Parts Factory: It has been decided, stated the Deputy Railway Minister, Shri Shah Nawaz Khan, in a written reply to a question in the Lok Sabha by Sarvashri Bhakt Darshan and Bibhuti Mishra, to establish a locomotive component manufacturing factory at Manduadih, near Banaras and construction work is being taken in hand. Subject to the availability of the necessary foreign exchange it is expected to be completed in about three years time.

TRADE

Import of Skimmed Milk Powder: Two thousand five hundred metric tons of skimmed milk powder are being shipped to Calcutta from the United States of America. This is part of 5,000 metric tons of skimmed milk powder being imported by the State Trading Corporation. Information for the shipment of the remaining quantity will be announced shortly. Price at which the milk powder will be made available in the country, will also be announced by the State Trading Corporation in due course.

Business Transacted by S.T.C.: The Deputy Minister for Commerce and Industry, Shri Satish Chandra, stated in the Rajya Sabha that the State Trading Corporation of India had transacted by the end of June 1957, business amounting to Rs. 27.14 crores for exports of Indian goods. During the same period the business transacted for imports of different commodities totalled Rs. 15.15 crores. He said that during the 12 months July 1956-June 1957, the Corporation purchased indigenous cement worth nearly Rs. 54.55 crores. The Deputy Minister said that the amount of expenditure incurred by the Corporation so far had not yet been finally assessed. The following details were given in a state-

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ment laid on the table of the Lok Sabha by the Deputy Minister:

EXPORTS

Name of the Commodity	Total Business Transacted from 18-5-56 to 30-6-57
Coffee	Rs. 74,99,333
Shoes	1,67,65,988
Woollen cloth	70,67,750
Handicrafts	18,95,549
Salt	25,28,571
Tobacco	20,15,852
Coir matting	1,68,950
Cotton seed oil	18,96,666
Cardamoms	1,18,763
Castor oil	39,89,093
Lemon grass oil	14,187
Tea	20,57,723
Cotton handloom toweling	3,15,000
Jute bags	20,66,625
Raw Sann Hemp	3,08,555
Chrome ore	42,66,372
Manganese ore	7,74,69,862
Iron ore	14,09,56,832
TOTAL	Rs. 27,14,01,671

IMPORTS

Gypsum	Rs. 19,50,000
Soda ash	1,36,16,278
Caustic soda	2,11,97,644
Ammonium sulphate	2,10,19,538
Chilean nitrate	43,50,000
Raw silk	49,80,958
Ships and launches	1,58,39,203
Machinery	25,00,000
Skimmed milk	65,40,000
Rice	31,73,254
Cement	5,63,39,144
TOTAL	Rs. 15,15,06,019

FINANCE

Foreign Exchange Requirements: The total requirements of foreign exchange for the Indian Railways for the second Five-Year Plan have been estimated at Rs. 425 crores. This information was supplied in a written reply by the Deputy Minister for Railways, Shri Shah Nawaz Khan, to a question in the Rajya Sabha by Shri M. Valiulla. The Deputy Minister added that out of this sum, foreign exchange so far secured is as under:

- Aid under the Technical Co-operation Mission amounting to Rs. 24 crores in respect of rolling stock and steel.
- Aid under the Colombo Plan amounting to Rs. 4.5 crores for rolling stock.
- Loan from the International Bank for Reconstruction and Development (World Bank), for which an agreement was recently signed, amounting to Rs. 42.8 crores in respect of rolling stock and steel.

Total = Rs. 71.3 crores.

This does not take into account disbursements made out of the sterling balance resources of the country. The amounts under (a) and (b) have been computed at normal world prices. It is expected that a substantial portion of the balance of the requirements of foreign exchange would be forthcoming by way of loans from abroad. It is not possible to say at this stage, however, as to when and what amount of such further loans would become available.

State Governments Loans: The Governments of Bombay and Mysore have announced the issue of their new loans bearing interest at 4½ per cent for amounts aggregating Rs. 900 lakhs as under:

Government	Amount of Loan	Issue Price
Bombay	Rs. 600 lakhs	Rs. 99.75 per cent
Mysore	Rs. 300 lakhs	Rs. 98.75 per cent

The above loans will be repaid at par on September 16, 1969. The loans will open for subscription on September 16, 1957 and close on September 18, 1957, or earlier without notice as soon as subscriptions approximate to the amount of each issue. The State Governments reserve the right to retain subscriptions up to 10 per cent in addition to the notified amount. The loans will bear interest from September 16, 1957. Interest will be subject to income tax. Subscriptions may be in the form of cash/cheque in respect of both the loans. 3 per cent Mysore Government Loan 1958 will be accepted at Rs. 99.75 per Rs. 100 nominal for conversion into the new loan of that Government.

Deferred Payment: Shri Manubhai Shah, Minister for Industry, said in the Rajya Sabha that 37 cases of deferred payment with regard to imports into India had been approved by Government of India so far in the current financial years. Their total value was Rs. 20.87 crores. The Minister added that six cases of deferred payment of the value of Rs. 3.24 crores had been rejected by the Committee dealing with proposals for deferred payments.

Economic Assistance from Netherlands: Dr. Panjabrao S. Deshmukh, Union Minister for Co-operation, replied in the affirmative to a question whether the Netherlands Minister of Agriculture had offered economic and other assistance from his Government to the Prime Minister of India during the latter's recent visit to that country. Replying to Dr. Ram Subhag Singh in the Lok Sabha, Dr. Deshmukh said that the Netherlands Minister of Agriculture had presented to the Prime Minister two memoranda during the Prime Minister's recent visit to the Hague. The Memoranda contained offer of financial and expert assistance for the establishment of an advanced training centre for work in hides and skins tanning, curing, tanning and the manufacture of shoes at Bakshi-ka-talab near Lucknow, U.P., and financial support for the operation of a pilot scheme for the reclamation of saline soils in the north coastal area of Saurashtra (Bhal area). The Minister further said that the Netherlands Government had earmarked a sum amounting to approximately 650,000 guilders (Rs. 812,500) for the training centre at Bakshi-ka-talab and about 850,000 guilders (Rs. 10 lakhs) for the execution of the project for the Bhal area in Saurashtra.

GENERAL

Employees' Provident Fund Scheme: The Government of India have amended the Employees' Provident Fund Scheme, 1952, with a view to liberalising the rules regarding payment of an employer's contribution to the fund to outgoing members. A subscriber will now receive in full the employer's contribution, with interest thereon, on attaining 15 years' membership. He will receive 85 per cent of the employer's contribution where the period of membership is 10 years or more but less than 15 years; 75 per cent where it is 5 years or more but less than 10 years; 50 per cent where it is 3 years or more but less than 5 years and 25 per cent for less than 3 years' membership. In case of death, permanent disability, superannuation and retrenchment, the full amount including the employer's share will continue to be paid. Hitherto, a worker could get a full refund of the employer's contribution only after 20 years' membership and no part of the employer's share was paid to a worker with less than 5 years' service provided he had not attained the age of superannuation. The employee's own contribution, with interest thereon, however, was payable in all cases.

NEWS IN BRIEF

INDIAN

The Government of India have announced that export of nickel scrap for conversion into rolled nickel plate anodes will be licenced freely, subject to the condition that after refining and reshaping a full 100 per cent, less refining losses of the scrap, is imported back into India.

The Government of India have fixed September 20, as the last date for submission of applications for conversion of import licenses, according to a public notice issued in a 'Gazette of India' extraordinary.

A purchasing mission is to proceed abroad soon for getting suitable equipment needed by Indian ports.

The cashew and pepper Export promotion Council has decided to ascertain the export possibilities of cashew in countries where this commodity is not exported at present.

The production of clocks in India increased substantially in 1956 as against the preceding year.

Production of steel structurals in India increased from 90,000 tons in 1955 to about 102,000 tons in 1956. The output in 1954 was only 28,000 tons.

It is reported that there has been a considerable increase in exports of cotton carpets, rugs and durries during the last two years.

Shri Jaisukhlal Hathi, Deputy Minister of Irrigation and Power told the Lok Sabha recently that an amount of Rs. 12.98 crores had been provided for loan assistance to the Governments of Punjab and Rajasthan for irrigation and power works of the Bhakra Nangal Project.

India has entered into an agreement with Japan to supply 7.2 million tons of iron ore to Japan between April 1957 and March 1962.

It is reported that in July 1956, the Civil Supplies Board of Burma had called for tenders for 14,000 bags of prawns from India to be supplied during August-September 1956. Against that tender, the authorities accepted an offer of 8,000 bags from Indian exporters.

The Indian Standards Institution has just published a standard giving methods for testing the performance of sparking plugs (IS: 1062 — 1957) used in high tension spark ignition system of internal combustion engines, excluding aircraft engines.

In a written reply, Shri Ajit Prasad Jain, Union Minister for Food and Agriculture informed the Lok Sabha recently that the production target for sugar for the second Five-Year Plan was 22.5 lakh tons per annum, out of which 20.2 lakh tons had already been produced during 1956-57 season.

FOREIGN

Ceylon produced 27.9 million lbs. of tea in July, 2.8 million lbs. more than last July. Production in the first seven months this year totalled 257.6 million lbs.

Increased taxation in luxury articles and modifications in the tax structure have been proposed in Burma's budget for 1957-58. In the budget which shows an overall deficit of Rs. 64,15,000, the estimated revenue receipts for the year are Rs. 98,01,33,000 and current expenditure Rs. 94,08,20,000 showing a revenue surplus of Rs. 3,93,13,000 for the year which begins on October 1.

The French Finance Minister, Mr. Gaillard announced recently that the Government had decided to freeze prices from August 28, at the level of August 15, in an effort to halt inflation.

U.S. steel production is rising slightly but a sharp pick-up is not anticipated. Output edged up to 30.6 per cent of capacity during the week ended August 18, from 29.4 per cent in the preceding week.

Rubber consumption in the U.S. in July was 109,331 tons, some 2,000 tons less than in the previous month. But the July figure was still 13,000 tons higher than a year ago.

It is reported a private Japanese trade delegation will leave for Peking around September 10 to negotiate the fourth private trade agreement with Communist China since 1954.

A cold steel rolling mill is to be established in Ashkelon on the Mediterranean coast of Israel, by the French Giro Company.

South Viet Nam re-entered the international rice trade this year, with exports totalling 156,000 tons up to the end of July.

The Iraqi Government has approved a £250,000 subsidy to help barley exporters dispose of the carry-over from last year's crop resulting from the closure of the Suez Canal. This is estimated at more than 260,000 tons.

The Indo-China, State of Cambodia has suspended exports of local products to the France zone until further notice, pending classification of the recent trend in the exchange value of the franc.

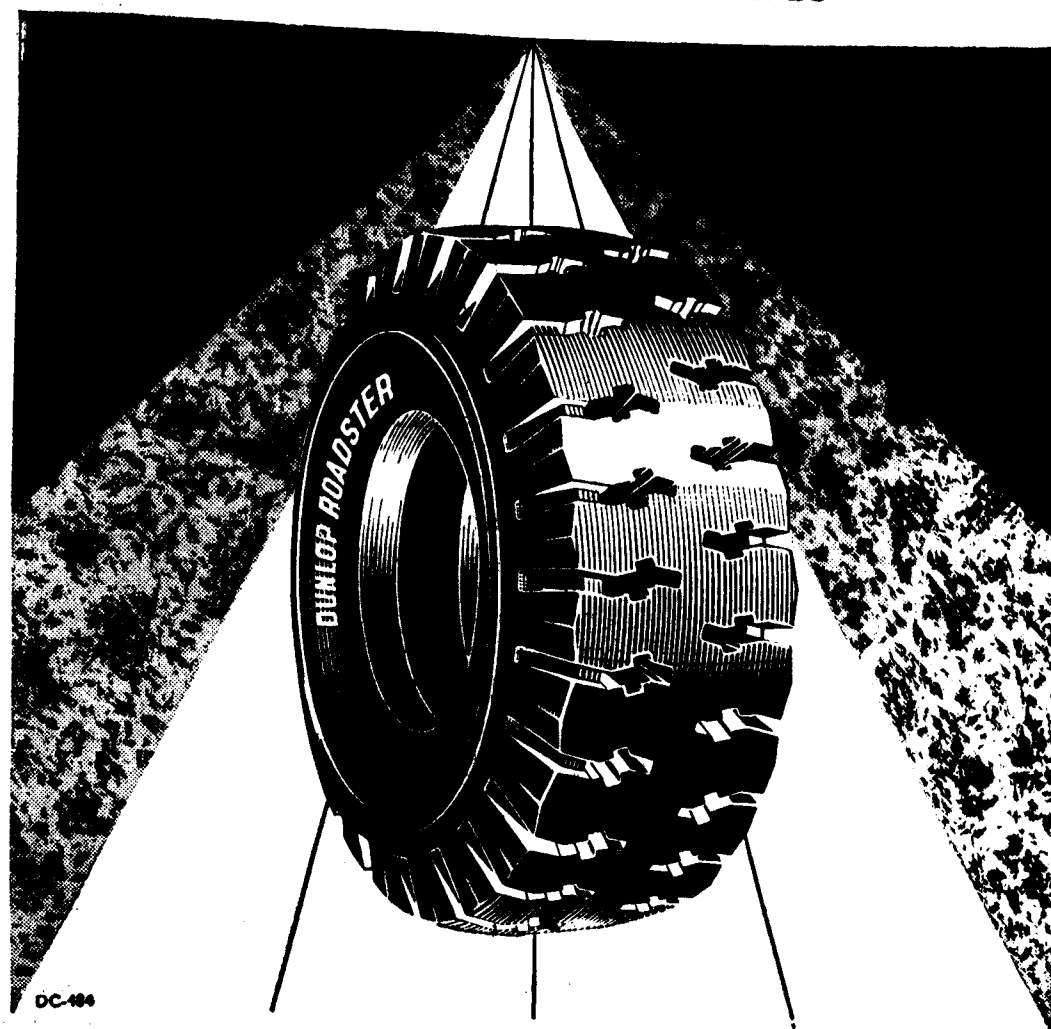
It is reported that Poland has asked Jordan to supply her with 100,000 tons of phosphate this year and expressed her willingness to pay in dollars.

German industrial turn-over during the three months period ending June 30, amounted to £4,107 million or 2.2 per cent more than during the first quarter of 1957 and 5.3 per cent over the comparable figure of last year.

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Special Articles

CANADA'S LONG-RANGE ECONOMIC OUTLOOK

WHAT will the Canadian economy be like in 1980? To investigate this question, the Canadian Government appointed a Commission in June 1955. It was asked to inquire into the long-term prospects of the Canadian economy. The Commission has recently published its preliminary report which shows that the average Canadian will have, in all probability, two-thirds again as much net income in real terms in 1980 as he had in 1955. This works out to a little less than 3 per cent (simple) per annum in per capita terms.

The analysis of the Canadian Commission rests upon three broad assumptions. In the first place, it assumes that there would be no global war during the next 25 years. Secondly, it assumes that there would be no depression of the type which overtook the world in the thirties. It also assumes that the Canadian Government would not initiate any major changes in its economic policy which would have a strong bearing on the progress of the economy. It does not, however, mean that the Government in the next 25 years would play an inactive role.

The Commission has estimated the population of Canada for every quinquennium-end till 1980. Table I below shows the forecasts of Canada's population from 1955 to 1980.

TABLE I.
Forecast of the Population of Canada
(Assumed net immigration - 75,000 per annum)

Year	Persons
1955	15,575,000
1960	17,505,000
1965	19,515,000
1970	21,640,000
1975	23,990,000
1980	26,650,000

It shows that Canada's population in 1980 is estimated to be around 26.65 million as against 15.58 million in 1955. This estimate is based upon two assumptions. In the first place, it is assumed that net immigration per annum would be around 75,000. Estimates show that the immigration rate might lie anywhere between 50,000 and 100,000 per annum. It is safe to assume the rate at the mid-point. The second assumption is with regard to the Canadian birth rate which is supposed to be slightly lower than that of the last decade. The fertility rates in the coming decades will be governed by the level of economic activity and employment. It is observed that an inverse correlation exists between birth rate, and level of economic activity and employment. With rise in incomes, the size of the family tends to be smaller.

The rate of increase in productivity in different sectors of the economy is the second most important characteristic which will govern the course of the economy. In agriculture, for example, it is predicted that productivity will increase at an average rate of 3 per cent (compound) annually until 1970 and at a low rate of 2.5 per cent (compound) annually for the next 10 years until 1980. For the business sector, recent experience shows that it may lie between 2.5 per cent and 3.25 per cent. The Commission has assumed in average of these two rates.

Estimates in regard to gross national product are set out in Table II below. Here 9 sets of estimates are tabulated. In addition to the rate of net immigration, productivity factor plays a vital role in the generation of G.N.P. The productivity factor may range anywhere between 2½ per cent and 3½ per cent for the business sector. The Commission believes that net immigration rate of 75,000 per annum coupled with the average productivity factor for the business sector gives the best possible estimate of gross national product. On the basis of these assumptions G.N.P. at constant 1955 dollars in 1980 will be \$76.1 billion as against \$26.8 billion in 1955. In other words, the total gross national product of Canada will nearly treble itself during the next 2½ decades.

TABLE II.
Forecasts of the Gross National Product
(Billions of constant 1955 dollars)

		Assumed Net Immigration		
		50,000 per annum	75,000 per annum	100,000 per annum
Productivity factor 2½%(1)				
1965	.. ..	38.0	38.7	39.5
1970	.. ..	46.7	48.0	49.3
1975	.. ..	56.3	58.2	60.2
1980	.. ..	67.7	70.3	73.0
Productivity factor 3½%(1)				
1965	.. ..	40.2	41.1	41.8
1970	.. ..	50.9	52.4	53.9
1975	.. ..	63.5	65.7	67.9
1980	.. ..	78.9	82.0	85.2
Average of the above				
1965	.. ..	39.1	39.9	40.7
1970	.. ..	48.8	50.2	51.6
1975	.. ..	59.9	62.0	64.0
1980	.. ..	73.3	76.1	79.1

(1) Assumed rate of productivity increase per annum for the business sector.

Note: In 1955, the Gross National Product was \$26.8 billion.

A still clearer picture of the course that the economy will take in the future is depicted by Table III on the next page which sets out per capita gross national product both in terms of dollars and index numbers. It shows that per capita gross national product in 1980 will improve by 67 per cent in 25 years. In terms of Canadian dollars, it will be 2,859 dollars—nearly 50 per cent more than the current American level of per capita income.

The graph below shows the probable trend till 1980 of population, labour force and the G.N.P.

A close study of this 186-page Report leaves an impression of confidence and optimism in the long-range economic prospects of Canada. This confidence is born out of the fact that Canada possesses reserves of all those commodities which the growing economy of its next-door giant will need desperately in the coming years. Canada will not suffer from any shortage of working force because of its high rate of population growth. Another additional factor is the congenial climate for attracting foreign funds. Canada offers an alluring climate for investment which does not exist in any other country of the world. The last most important reason is that a large portion of the land mass in the North remains undeveloped and there is ample scope for a "push" to the North.

This long-range study has been made possible by thirty-four separate studies prepared by experts in various aspects of the economy. These studies formed the basis on which the forecasts were erected. When these separate studies are published, they will be of great assistance for long-range forecasting in other countries.

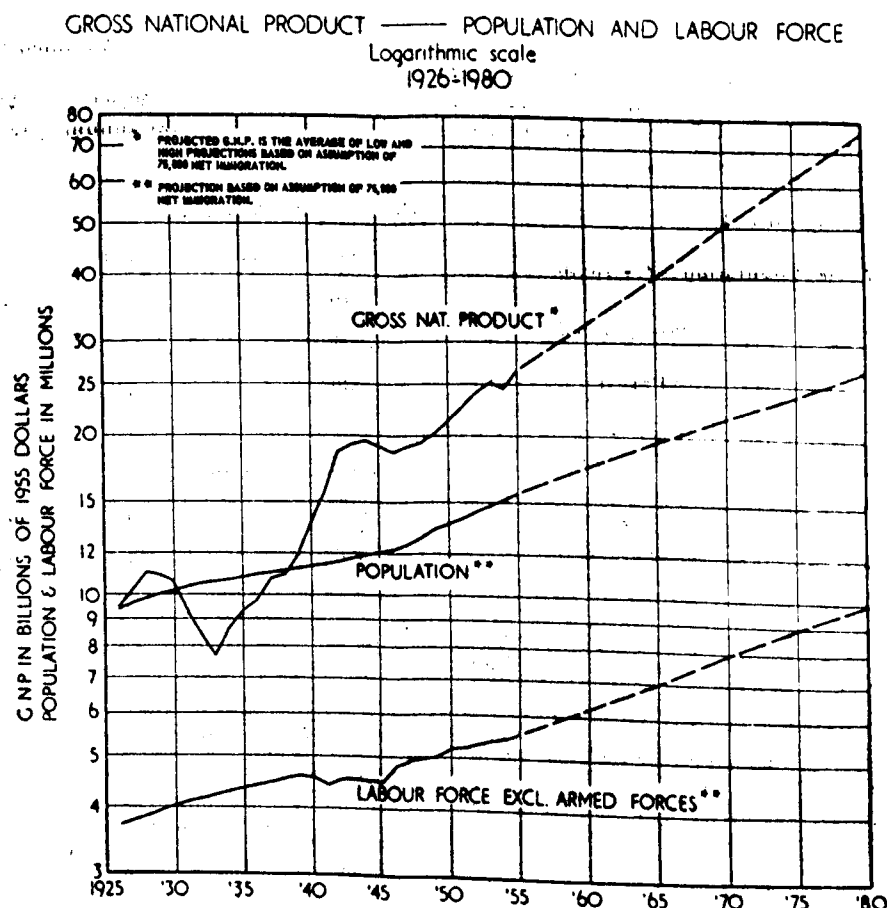
TABLE III

Forecasts of Per Capita Gross National Product

Assumed net immigration — 75,000 per annum Average between the high and low projections

(1955 dollars)

	Per Capita Gross National Product	
	Dollars	Index (1955=100)
1955	1714	100
1965	2044	119
1970	2320	135
1975	2584	151
1980	2859	167



THE OUTLINES OF A FERTILISER POLICY—IV

By

C. R. RANGANATHAN

It is obviously useless to create a demand for balanced fertilisers unless steps are taken to meet it. This raises the entire question of production and distribution. It also raises the question whether the outlets at the consuming points should supply straight fertilisers and leave it to the farmer to mix them or whether the outlets should supply mixed fertilisers, or both.

FERTILISER MIXTURES

The theoretical advantages of balancing fertilisers by using them separately in the straight form are well

known. By adopting this method, the dosage of nutrients can be more precisely related to actual requirements, and the separate fertilisers can be placed in the soil in the appropriate manner and at the appropriate time. There will be a saving in buying the fertilisers separately, but this will probably be offset by the additional cost of labour involved. As against these advantages, the practical convenience of using mixed fertilisers of an appropriate formula is indisputable. This applies with special force to the case of small farmers who do not possess the knowledge or the

facilities for mixing their own fertilisers in the soil. If mixtures are standardised as contemplated in the recently issued Fertiliser (Control) Order and technical advice is rendered to the farmer as to the right kind of mixture for his soil, there is a good deal to be said for mixed fertilisers in the present circumstances. But whether the outlets at the consuming points supply straight fertilisers or mixtures, it is obviously desirable that the farmer should be enabled to get all his requirements at the same outlet.

RAW MATERIAL SUPPLY FOR SUPERPHOSPHATE

The programme of fertiliser production in the second Plan has been referred to in the first article and attention has been drawn to the large gap between the production aimed at and the anticipated consumption. For the immediate future this gap will have to be filled by imports, but serious consideration will have to be given to measures for stepping up indigenous production of fertilisers. The superphosphate industry relies on imports of sulphur and rock phosphate which were of the order of 75,000 tons and 55,000 tons respectively. These imports are expected to rise to 210,000 tons for sulphur and 400,000 tons for rock phosphate at the end of the second Plan. The search for indigenous sources of these minerals, particularly rock phosphate, needs to be intensified. The Geological Survey of India may be informed of the urgency, from the point of view of the fertiliser industry, of finding indigenous sources of rock phosphate.

DISTRIBUTION PROBLEMS

The problem of effective distribution of fertilisers is a large and complicated one and is likely to become even more complicated with the increasing use of fertilisers, unless steps are taken at once to rationalise it. Some idea of the diversity of the methods and agencies adopted and the difficulties experienced at present by mixers, dealers and consumers is given in Mr. Hart Walters' recent report on 'Fertiliser Distribution in India.' No attempt is made to cover this ground in this note. Mention may be made of the recommendation of the last meeting of the Standing Committee on Manures and Fertilisers that a Committee should be set up to go into this question at an early date.

CREDIT PROBLEMS

An equally complex question is that of providing credit facilities to the farmers for the purchase of fertilisers. This again is too large a subject to be dealt

with here. Here too is work awaiting investigation and rationalisation by an expert committee.

NEED FOR SOIL TESTING

Being concentrated sources of plant nutrients, fertilisers have to be used with due regard to the actual requirements of the soil and the crop, if waste is to be avoided and deleterious consequences averted. It is also necessary to keep track of the effects of the fertilisers used on soil acidity and alkalinity, so that timely correctives can be applied. This implies that fertiliser use must be based on soil classification and soil analyses. The status of plant nutrients in the soil changes as a result of cropping and their replenishment should be related to requirements, as assessed objectively by soil tests. Soil surveys and periodic soil testing are thus ancillary to regular use of fertilisers. A network of soil testing laboratories is being set up in India, thanks to the generosity of the Technical Co-operation Mission of the U.S.A. These should be regarded as only a small beginning in a vast country like India. The real difficulty lies not so much in providing soil testing facilities, but in getting the farmer to make use of them. A great deal remains to be learnt about the role of fertilisation in crop production and the soil testing laboratories can play an important part in the research work involved. It is necessary to consider how best these laboratories can be popularised and put to fruitful use in our food production drive.

NEED FOR BREEDING RESEARCH

The present varieties of wheat, paddy and other cereals in India have been developed by selection and breeding to grow under conditions of traditional manuring. Experience has shown that while they will respond to application of fertilisers up to certain limits, they cannot stand very high dosages of fertilisers. Under the Japanese method of cultivation cases of rice lodging under very high levels of fertilisation, such as are used in Japan, have come to notice. This was no doubt due to the local variety of rice being unable to stand very heavy fertilisation. A limit will soon be reached to the quantity of grain that can be grown with our present seed strains even with optimum use of fertilisers. Development beyond that limit will depend on breeding new varieties which can give high yields with high fertilisation. As genetical work of this character takes time to produce results, it would be wise to initiate a programme of research for breeding varieties which can respond to high fertilisation as soon as possible.

BOOK REVIEWS

COMMUNISM AND WRITERS

The March of a Conspiracy (Writers as Accessories):
By Gopal Mittal: Published by National Academy,
9, Ansari Market, Delhi: Price Rs. 2.

Gopal Mittal is not the first poet turned crusader, and like the rest of them he makes a remarkably forceful fighter for the truth he holds. He turns from the subtle nuances of Urdu poetry and handles with ease and telling effect the medium of English prose. Having himself been attracted by the theory of communism, and been a member of the Communist-controlled Progressive Writers' Association, he was thoroughly disillusioned as have been many young enthusiasts before him.

This book is concerned with the appearance of "a cloud on the literary horizon of India" in the shape of

the Progressive Writers' Association. Inaugurated in 1936, it was opposed to the Congress as much as to the hated imperialism of the British. Under the guise of freeing Indian art and literature from the shackles of tradition and orthodoxy the Communist bias began to appear. "Indian literature since the breakdown of classical culture, has had the fatal tendency to escape from the actualities of life", they said, and the accent was on the "people" and on "basic problems of existence today". Needless to say the inspiration came from outside, from the Communists in Britain and in Russia.

In spite of the obvious conviction of the author that communism is a pernicious growth, there is a balance in his writing that adds to the interest of the book. The growth of the censorship in both the USSR and in Communist China is traced with method and logical sequence. The logic is, of course, all on the part of the author. The two Communist governments display the

height of irrationality. "The Thaw and the Freeze" in Russia is the rather desperate story of how the Communist government professed liberalism, and the unfortunates who made the mistake of believing them. It is the same "partyism" in China where Mao Tse Tung invites a hundred flowers to bloom and then prescribes the colours and perfumes.

Gopal Mittal's final chapter has a picture of what he calls "Socialist Realism in East Europe". Czeslow Miloz, a Polish artist who realised that communism and art were contradictions, the Czechoslovakian Hallas who sold his soul for bread, and many others point the same terrible moral. The Hungarians who suffered so tragically have the final word—"the writer must have unlimited freedom to tell the truth, to criticise anyone or anything, to be in love, and to think about death.... to believe in Almighty God and to deny God.... to think in a non-Marxist way...." This would communism deny its artists and literary men, and it is to preserve this freedom against the conspiracy of communism that Gopal Mittal writes and exhorts his fellow writers not to be accessories to the crime.

INDIAN INDUSTRIES

Surveys of Indian Industries: By B. Srinivasa Rao. Vol. I: Published by Oxford University Press. Pp. 358: Price Rs. 15.

With the country set firmly on the road to rapid industrialisation, it is natural that increasingly greater attention should be paid to literature bearing on this subject. The author of this book, who is the Industrial Correspondent of 'The Statesman', has therefore done well in attempting to bring together all the relevant information pertaining to the development of important industries. In this first volume of his project, the author has dealt with the following industries: iron and steel, the non-ferrous metals, automobiles, diesel engines, light mechanical and electrical engineering, coal, electricity, petroleum, chemicals, drugs and pharmaceuticals and fertilisers. In his second volume, he proposes to cover some of the other important industries.

This volume, as the author himself points out in his preface, is the outcome of a series of surveys of Indian industries which have appeared in 'The Statesman' and, by and large, these have been kept intact except to bring the surveys as far up to date as possible. It is obvious that in view of the rapidity of the changes, any book written on industrial development is bound to lag behind and, to that extent, depress the interest of the reader. This volume confirms this amply. For instance, it is rather odd, while reading the section on the Iron and Steel industry, one should be told that "a second State steel plant is under consideration". This basic defect covers the entire volume and the story of the progress of industrial development in many fields stops with 1955 or even earlier. This perhaps may be inevitable, but of this the reader should be warned lest he should feel disappointed. However, as providing a background to the study of industrial development in this country, the book has undoubtedly its value. And to be fair, the author is very modest in his claim. He says: "Together, these surveys constitute an attempt to relate a few facts of first importance as accurately as possible.... That a picture of the past is perhaps the best basis for understanding the future is its only justification". One could naturally have no quarrel with this. The volume is neatly got up though one might wish its cost were less prohibitive.

SUGAR INDUSTRY

The Indian Sugar Industry (1955-56 Annual): Editor M. P. Gandhi: Published by Messrs. M. P. Gandhi and Co., Jan Mansion, Sir Pheroza Shah Mehta Road, Fort, Bombay-1: 344 Pages: Rs. 6.00.

'The Indian Sugar Industry Annual' for 1955-56 maintains its usual quality as a standard reference-book of facts and figures bearing on the industry. The number of statistical tables giving comprehensive information pertaining to the industry in India and abroad has been increased to nearly 150 in this Annual. Although its publication has been unavoidably delayed, the Editor has taken advantage of such delay to bring the figures up-to-date in many respects covering the 1956-57 season. And the promised publication of the 1956-57 Annual by February 1958 may further make up for the present delay. This forthcoming Annual may be awaited with interest by trade and industry for its possible exhaustive treatment of the question of exports now that production of factory sugar in the country has reached an all-time peak of 20.3 lakh tons in 1956-57 and is expected to reach 22.5 lakh tons in 1960-61. As the Government is trying to restrain domestic consumption (although 'per capita' consumption of sugar in India is still deplorably low at not more than 11 lbs. per annum and the domestic market for sugar can easily absorb what is produced) in order to create an export surplus for earning some foreign exchange, this question of exports has acquired great importance at the present time. It is to be hoped that Mr. M. P. Gandhi's 1956-57 Annual will throw light on current achievements and prospects in the matter of sugar exports.

BENGAL CHAMBER OF COMMERCE

Report of the Committee of the Bengal Chamber of Commerce and Industry for the year 1956.

This Report will interest those in business and outside. Besides giving a survey of the Chamber's activities, it is a compendium of important economic events of the year 1956. The report includes important points from Law and Legislation concerning companies, Import, Export and Customs regulations, Taxation, Transport, Industry and labour. Proceedings of the Annual general meeting of the Chamber are also given.

RECORDS & STATISTICS (QUARTERLY BULLETIN)

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

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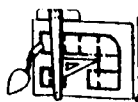
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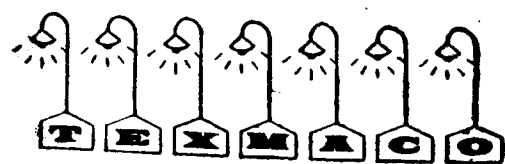


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THE EASTERN ECONOMIST

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The Business World

THE INTRIGUING PROBLEM OF RISING FOOD PRICES

By

CROESUS

WITH the presence here, last week, of the Food Grains Enquiry Committee, otherwise called the Asoka Mehta Committee, the question of food grain prices naturally dominated to such an extent that it is difficult for any columnist to resist making a reference to it. True so much has already been written on the subject, but it is equally true that the picture one gets after reading it all is still distorted and confusing. Several views that have been put forward on the subject may seem closely reasoned, but they do not seem to clinch the issue. To sift all the memoranda presented, besides the mass of evidence already tendered, to the F.E.C. would take several weeks even for a conscientious and indefatigable Chairman like Mr. Asoka Mehta. It is only thereafter that the whole Committee could sit down to record its findings and make recommendations. However, Mr. Mehta has reiterated the commitment he made when he was in the South to submit his report by the end of next month. Even so it means waiting for nearly two months more from now. But, meanwhile, Mr. Mehta has said enough in press statements, and at several press conferences, for any one to guess how his mind, is not that of his whole committee, is working on this question. At any rate, the F.E.C. Chairman has indicated in clear terms the probable nature of the Committee's recommendations. This he did at a press conference he held in Bombay after completing the Committee's sittings here. At this conference he said: "our recommendations should be fair to the producer, fair to the consumer, and also favourable to the economic development of the country."

Frankly, I don't know how the F.E.C. would be able to make recommendations that would at once satisfy all these three tests. For, if any price is to be fair to the consumer and also to the country's economic development, it cannot but be as low as possible. One would desire it to be very low. But no price, however, low, can be below the producer's cost of production plus a reasonable of profit. Here, the difficulty would be not only in ascertaining the exact cost of production of each individual farmer but also in convincing him that is his overall cost and he must be satisfied with, that is his overall cost and he must be satisfied with, assuming that, in the larger interests of the country, he can be prevailed upon to agree to this).

That the problem does not permit of an easy solution even if and when an acceptable formula on these lines is evolved becomes evident from the demand that at least one State Government has made — The Andhra Government — to the effect that the price to the producer must not only be based on his own cost of producing food grains but as much on the prices he has to pay for the goods he, in turn, has to purchase for the requirements of himself and his family, including those of cultivation such as seeds and fertilisers. (It may be recalled that, in pre-Independence India, a Central Minister for Agriculture — I believe it was Sir Azizul Haque — had put forward a similar thesis when he pleaded for a correlation between what he termed the "exchange price" and the "exchangeable price" of the cultivator.) The subsequent report in the daily papers that the Union Finance Minister had told the 'Lok Sabha' that he wanted to widen the scope of the Asoka Mehta Committee's enquiry to include the trends in the prices of other essential commodities also lent support to this command and Mr. Mehta was actually questioned about this at the Bombay Press Conference.

Although Mr. Mehta replied that he did not know about it, he seemed not altogether disinclined to take on this additional responsibility if the Government wanted it; he, however, added that this could form the subject-matter of a second report to be submitted later, only if his Committee agreed to the Government's proposal and could find the time necessary for it. What Mr. T. T. Krishnamachari actually stated in the 'Lok Sabha', when replying to a non-official resolution asking for a setting up of a committee to report on a clear-cut price policy, by the way, was: "The Asoka Mehta Committee will take into account the trends in the prices of essential commodities other than food grains, and the fact remains that, after all, for the bulk of the community food prices are the most important of all prices." Evidently, this does not suggest any widening of the scope of the F.E.C. as such. In fact, this aspect was stressed by Mr. Mehta himself at the Bombay press conference when he referred to the fact that, while it might be necessary to go into the question of prices of other essential commodities, the price of food grains was the most important in the context of the prevailing inflationary conditions, inasmuch as food grains constituted about 31 per cent, of the entire trade of India.

According to another school, it is not enough to have price parity between food grains and other essential goods; there should also be price parity between food crops and commercial crops. This has been urged because, otherwise, it is feared, the cultivator would be tempted to give up food crops and take to commercial crops, as he has already begun to do in some cases, a factor which, according to some, has had the result of reducing the total volume of food grains that might easily have been higher otherwise.

It is noteworthy that most of the State Governments (those whose views have been made known to the Committee so far) would appear to be opposed to compulsory procurement and rationing. But, as Mr. Mehta observed at the same time, few could be found in the year of grace 1957 that would opt for unfettered free trade. Indeed, many of the witnesses examined by the F.E.C. are believed to have been of the view that the best solution to the problem lay somewhere midway between compulsory procurement and rationing, on the one hand, and unfettered free trade, on the other. But this view does not appear to be shared by Mr. Mehta himself personally.

Talking of rationing and distribution of food grains, one's thought inevitably turns to the working of fair price shops, by which the Food Ministry seems to lay great store. But opinion outside of New Delhi, both official and non-official, is not in favour of these fair price shops. Again, on the question of Citizens' Committees to supervise the working of these shops, all the States other than Kerala, where such committees are there already, want them, but it is significant that the opposition parties in Kerala do not seem to favour them, presumably because they have been sedulously kept out. Be that as it may, the Calcutta system of a family ration card has attracted considerable attention, nay even acceptance, and it is not unlikely that the Asoka Mehta Committee will recommend this modified system of rationing.

Of all that Mr. Asoka Mehta has said so far, one remark stands out, and it is his undertaking to include in the Committee's report a complete and thorough assessment of all the available statistical data on food production in the country. There is certainly no dearth

of food statistics, but now far these statistics are reliable is anybody's guess. Even to this day, no one is quite sure as to whether we achieved all the food targets in the first Five-Year Plan, although the overall food production did increase. Similarly, there seems to be some doubt on whether the food position has fully recovered since 1953-54. While one set of figures suggests that the position has been more than fully retrieved, some official spokesmen aver it has not. Thus, according to the Union Finance Minister, the latest food production figures — those for 1956-57 — are better than those for either the preceding year or the year previous to that. He stated in the 'Lok Sabha', the other day, that food grains production in 1954-55 fell below that in 1953-54 by two million tons and that food grain production in 1956-57 fell further by 1.5 million tons as compared to 1954-55, but that the corresponding figure for 1956-57 was higher by 3.7 million tons over the figure for 1955-56. This suggests that the 1956-57 figure is higher than the 1953-54 figure by 0.2 million tons; yet Mr. Krishnamachari is reported to have stated that "this is still slightly below the peak level reached in 1953-54." Factually, however, Mr. Krishnamachari is correct, because, according to another set of official figures, again, the post-war peak in food production of 68.7 million tons was reached in 1953-54, while, in 1956-57, food production was nearly the same at 68.6 million tons. This is mentioned here only to point out the discrepancy even as between two sets of official figures. What is relevant for our purposes, however, is the fact, as declared by Mr. Krishnamachari, that "food grains production has not risen in keeping with the demand".

Why has the demand for food grains risen so much? Is it due to the increase in population outstripping the pace of increase in food grains production? "The Eastern Economist" (vide page 295 of the issue dated August 30, 1957) at any rate holds the view that the rate of population increase has not outstripped the rate of increase in production, especially of rice, the price of which it is that has risen by 37 per cent over 1949-50. Professor

B. R. Shenoy also shares this view. Thus, when he addressed a Forum of Free Enterprise meeting last Friday (August 30, 1957) on "The Food Situation And The Common Man", he stated categorically that the rise in food grain prices was not due to any shortages in supplies but that it was due to the inflationary expansion of money incomes. "It is not that supplies are short," he said, "it is rather that the money demand for food grains is too high." One cannot help agreeing with the Professor's view that "the sharp bulge in food grain prices is principally due to the fact that, in a poor country where consumption of food by vast masses of the people is below nutritional standards, a rise in money incomes is apt to be spent first on food grains". Hence his exhortation to the Government of India not to indulge any more in over-investment and to import food grains to meet the deficit in what he calls "an artificially created market shortage."

How effective is selective credit control in regard to food prices? This question also figured both at Mr. Mehta's press conference and at Professor Shenoy's meeting. From what Mr. Mehta stated at the press conference, it would seem that opinion is sharply divided, depending presumably on where one locates the hoarding to have taken place. Some feel that the hoarding of food grains these days is not so much by the trader as by the large scale producer, while others are equally vehement that it is the latter who has been hoarding and not the former. Although Professor Shenoy does not proceed on this basis — his thesis, on the other hand, is that the reasoning that links up the price rise with hoarding is rather superficial — he is frankly sceptical about the effectiveness of selective credit control.

All in all, thus, the present position in regard to food grains prices is an intriguing phenomenon and, as such, more than ordinary interest is being evinced in what the Asoka Mehta Committee will say on the question.

BUSINESS NOTES

A NEW FORMULA FOR IMPORTS!

WHILE EVERYONE accepts the imperative need for curtailing imports all round and as far as possible, one is unable to justify the woefully small allocation of the foreign exchange believed to have been made by the Government of India for the licensing of replacement of textile machinery, for more than one reason. In the first place, this industry contributes in quite a handsome way to the country's foreign exchange earnings; in 1955-56, it earned for the country as much as Rs. 86.3 crores, while, in the following year, it was only slightly lower at Rs. 80.2 crores. It is, therefore, of the utmost importance to ensure that this export-earning potential of the industry is not adversely affected by any short-sighted action by our own Government. Secondly, the industry supplies an important item of consumer goods that enters into the family budget, of almost every Indian, so that we cannot afford to stall the continuous working of the industry by failing to provide it with the machines it needs, as this would only lead further to intensify the tempo of inflation. And, thirdly, the textile industry's needs of capital goods for replacement are about the utmost minimum that any organised Indian industry requires, thanks to the rise and growth of a well-equipped indigenous textile machinery-making industry which is able to manufacture most of the spinning, weaving and bleaching machines. In other words, the likely drain of foreign exchange that would be occasioned by this industry, even if it is allowed to import all its requirements, is so small that it seems hardly worthwhile to prune it down further.

But saying all these is not to approve of a reported suggestion by the concerned importing interests that, inasmuch as the Indian textile industry accounts for earning a substantial amount of foreign exchange, it must be allowed, say, at least 25 per cent of such earnings on imports of textile machinery and parts, if only for the essential purpose of replacement of old, worn-out and obsolete machines and machines required for balancing existing equipment, as the Government seems to have committed itself to allow. For, apart from being wrong in principle, this would give rise to all manner of fantastic demands by other industries and State Governments. Already, the suggestion of Dr. John Mathai, a former Finance Minister of the Government of India, that, since Kerala's exports account for a large amount of foreign exchange, Kerala can very well ask for a higher allocation for the State's economic development than has been allowed to it is believed to have prompted the wise men of other States also to restudy their respective strong points and to press such of them as are plausibly strong for claiming a higher subvention from the Union Government. This would, of course, be over and above what these States must have already claimed when presenting their respective cases to the Finance Commission.

But another suggestion credited to the same source — the importing interests — seems feasible and is, therefore, worth consideration. This is an offer by the concerned interests to an agreed phased programme of deferred payments to be staggered between one and five years from the date of shipment of the machinery, and also varying with the value of the machinery. This correlating of the value of the machinery with the term of deferred credit is as interesting as it is novel, and seems, in fact, to permit of application on a wider front. The forthcoming meeting of the Import Advisory Council would do well, therefore, to give this suggestion earnest and sympathetic consideration.

TAX ON RAILWAY TRAVEL

THE FINANCE MINISTER had a sound case in arguing the propriety of taxing railway travel when it is recalled that railway fares have not been put up since World War II in anything like the same proportion as the rise in the cost of living. But he was treading on unsure ground when he tried to justify the purpose for which the proceeds of the tax were intended to be used.

It was a foregone conclusion that the Railway Passenger Fares Bill would meet with stiff opposition in the Lok Sabha. This was what actually happened as was obvious from the points of order raised against the motion for consideration of the Bill and the strong disapproval of the tax shown by speakers from all the parties including particularly the party in power. This is, however, not the same thing as to say that the passage of the Bill was in doubt. Two more important concessions have been made. Like the travel by season tickets, travel up to the first fifteen miles has been exempted from the tax. In the next place, apprehensions about the steep incidence of the tax on travel in hill areas have been removed by either total abolition of inflated rates of fares in these areas or their reduction up to 25 per cent.

Easily, the most valid and convincing argument in support of this levy is that the tax is required because the exchequer requires increased revenue to meet expenditure on development. But the real snag is that the tax is being imposed to meet the requirements of the State Governments. They are its direct beneficiaries. The Finance Minister demonstrated that a federal tax is levied on railway travel in the United States and Germany. But he did not demonstrate that it is levied in these countries for the benefit of the federal units. It is true that the Central exchequer in India owes an obligation to find tax revenue to finance the requirements of the State Governments. But in this case there was a failure to determine whether priority in the claims over this fresh revenue should have been assigned to the needs of the railways or to the needs of State Governments. The Railways in India have been hard put to it in finding adequate resources to meet their own share of the outlay in the second Plan. Besides, the original outlay has been raised by Rs. 200 crores and only last week the capacity target was also raised. It would have been more appropriate to make an outright increase in railway passenger fares in the Railway Budget to meet part of the railways' own share of the total development expenditure than to levy the tax under a separate Bill, transfer its proceeds to the State exchequers and provide aid from the Central funds to the railways on the plea that they are unable to fulfil the target of self-financing fixed for them in the Plan. There is an irony in this entire circuitous procedure.

L.I.C. INVESTMENTS

FEARS WERE expressed at the time of its set up that the Life Insurance Corporation may not be able to invest in the private sector the same percentage of investment in equities, preference shares and debentures of joint stock companies as before nationalisation of life insurance. In this context, it may be recalled that an assurance was given on the floor of the House by the then Finance Minister, Mr. C. D. Deshmukh, that the proportion of investment in the private sector would not be allowed to fall below the pre-nationalisation level. On the whole it can be said, that the assurance has been kept up and implemented by the Corporation. On August 31, the total value of all investments amounted to Rs. 341.40 crores of which investments in debentures, preference shares and ordinary shares of companies amounted to Rs. 57.09 crores, or 16.8 per

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cent of the total value of all investments. On June 30 1957, the total book value of all investments of the Corporation stood at Rs. 361.03 crores, out of which Rs. 65.71 crores were invested in debentures, preference shares and ordinary shares of companies accounting for 18.1 per cent of the total investments of the Corporation. The Corporation even ventured upon the writing of new issues. A total of over Rs. 75 lakhs was invested in new issues of which Rs. 18 lakhs was in debentures, Rs. 5.8 lakhs in preference shares and Rs. 2.5 lakhs in ordinary shares. The Corporation no doubt imparted strength to the capital market and helped sustain the confidence of investors but that was only during a short period. The room for grievance still remains that it has not accorded the same accommodation to the private sector in regard to funds and resources as private insurers did before nationalisation.

While the investment policy may be considered in this manner without decrying the corporation's management, the business record in life insurance has been poor. In order that the Corporation may be able to devote greater attention to its primary task of acquiring new business, a Bill has been introduced in Parliament which seeks to entrust the work of investment of the funds of Life Insurance Corporation to an Investment Board. The investment Board of which the Governor of the Reserve Bank will be the Chairman, will consist of Chairman of the Central Board of the State Bank and the Life Insurance Corporation. The Bill also provides for the formation of advisory Committees in Bombay, Calcutta and Madras to advise the Board on investment problems. Separation of the functions of investment and acquiring new business would give a greater opportunity to the corporation to concentrate on the latter on which great effort is absolutely necessary not only to recover the ground that was lost after nationalisation but to assist the supreme task of encouraging savings. But the separation of functions is an indirect reflection on the capacity of the corporation to manage what is managed every where else and also in this country before nationalisation by the same authority. The claim of higher efficiency under integrated management which is held up as a virtue of nationalisation is not strengthened by this bifurcation.

CO-OPERATIVE MOVEMENT IN INDIA

THE IMPRESSION that one gets, regarding the trend and progress of the Co-operative Movement in India, during the year 1955-56, after a perusal of the "Statistical Statements relating to the Co-operative Movement in India for the year 1955-56"—the latest Publication of the Agricultural Credit Department of the Reserve Bank of India—is not altogether unmixed. Though all types of societies in general and the primary agricultural credit societies in particular increased numerically and there was also "a general improvement in the profits of all societies", it is somewhat disquieting to note that increase in the owned funds and deposits of all types of co-operative institutions has not been commensurate with the increase in their borrowings, other than deposits. Two other equally disconcerting features may be observed. First in the case of all primary societies, there is an increase in overdues at the end of the year; the amount overdue at the end of 1955-56 was Rs. 22.63 crores, as compared with Rs. 16.38 crores, Rs. 16.26 crores, and Rs. 21.82 crores, respectively, during the preceding three years. The second feature relates to the capital structure of the central banks, which, according to the Publication itself, is "still weak in a large number of States". On this point the Report points out that, except in the case of Madras, Andhra, Bombay, Mysore, and Madhya Pradesh, the average share capital per central bank for all the remaining States was less than Rs. 2 lakhs as on June 30, 1956.

To turn now to certain general aspects of the Co-operative Movement during the year 1955-56. The number of co-operative societies of all types rose from 2,19,288 in the preceding year to 2,40,395 in 1955-56, recording an increase of 9.6 per cent. So also, the membership of primary societies and the working capital of all types of societies recorded increases, the former from 16.02 million to 17.62 million, or by nearly 10 per cent, and the latter from Rs. 390.52 crores to Rs. 468.82 crores, while the loans advanced by primary societies increased from Rs. 111.15 crores to Rs. 140.78 crores, profit earned by all types of societies stood only at Rs. 6.26 crores, which means only a slight improvement over the profit figure for the previous year, the relevant figure for that year being Rs. 2.71 crores.

The following table shows a few of the other important features of the Co-operative Movement in India during 1955-56, at a glance:

Type of the institution	Number	Member-ship	(Rupees in thousands)	
			Loans advanced	Working capital
			Rs.	Rs.
State co-op. banks	24	36,394	67,86,38	63,33,93
Central banks and banking unions	478	2,99,555	79,83,43	92,66,65
Primary agricultural credit societies	1,59,939	77,90,850	49,61,72	79,10,18
Primary non-agricultural credit societies	10,003	30,72,600	72,06,22	85,73,67
Grain banks	8,169	7,30,428	56,42	2,42,11
State non-credit societies	82	22,894	..	9,20,41
Central non-credit societies	2,764	19,14,715	..	19,93,87
Primary agricultural non-credit societies	30,268	23,91,826	..	28,40,89
Primary non-agricultural non-credit societies	27,745	33,22,447	..	58,12,50
Central land mortgage banks	9	90,786	2,83,04	18,52,63
Primary land mortgage banks	302	3,13,827	1,73,64	11,34,85

THE MYSORE PAPER MILLS

IN SPITE of the difficulty in getting adequate supplies of imported pulp, the Mysore Paper Mills made a significant progress both in reducing the production cost and improving the financial condition of the Company during 1956. This was possible due to greater output and utilisation of larger quantities of indigenous pulp. The production of the Mysore Paper Mills reached 7,500 tons, which shows a good performance in the situation as it obtained.

The Company faces two problems; inadequacy of wood pulp and marketing of increasing output. In both these directions the Company is well set to meet any difficulty. The policy of the company to reduce the use of imported wood pulp and to depend increasingly on indigenous bamboo pulp is being pursued steadily. Thus whereas in the year 1948-49 wood pulp constituted 50 per cent of the raw material requirements of the unit, it comprises less than 7 per cent today. Regarding the problem of marketing Mr. T. Shamanna, Chairman of the Company, pointed out at the twenty-second ordinary general meeting that the response from dealers and distributors to co-operate in this respect was quite encouraging. The Company has drawn up a sales programme in collaboration with dealers and distributors, and it hopes to tide over the difficulty of slack demand and accumulation of stocks.

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- The branches and treasury pay offices of the State Bank of Hyderabad within the State of Bombay.
- The Government treasuries and sub-treasuries in the State of Bombay at places where there is no branch or treasury pay office of the aforesaid banks.
- Applications will also be collected by the State Bank of Saurashtra at Bhavnagar and its Branches within the Saurashtra area of Bombay State and forward to the nearest receiving office.

Full particulars can be obtained at any of the offices of the Reserve Bank of India, Branches of the State Bank of India, branches of the State Bank of Hyderabad within the State of Bombay, branches of the State of Saurashtra within the Saurashtra area of the Bombay State and the Treasuries and sub-treasuries in the State of Bombay.

Economic Report from the U.S.

MUTUAL SECURITY PROGRAMME

(By GUY SIMS FITCH)

WASHINGTON, Sept. 3.—From some of the anguished cries that have greeted the final congressional action on the Mutual Security Appropriation for the current fiscal year that began on July 1, one might think that this vital programme had been all but wiped out. Yet the fact remains that Congress appropriated more than \$3,400 million to carry it on. Now \$3,400 million is a lot of money even for the United States, and while it is not as much as many experts in this field would have liked, it obviously will enable the United States to continue a substantial programme of economic and military aid to other countries.

The congressional economy knife cut deeply, of course, the \$3,400 million appropriated is about \$1,600 million less than President Eisenhower had asked for originally, and about \$570 million below the amount appropriated last year. At the same time, more than a few observers are pleased that the cut was not even deeper, in view of the hue and cry raised throughout the country about the need for governmental economy. As it stands, it is about in line with past congressional reductions in Presidential "foreign — \$" requests.

It should be noted, moreover, that about half of this year's cut came in so-called military "hardware" — that is, direct military aid to friendly countries. And it is this part of the programme that has the biggest backlog of previous voted but still unspent funds. There were only small reductions in some other phases of the programme. These include both defence support — economic aid to help allies maintain their military forces at necessary strength and special assistance — a catch-all category designed largely to provide emergency assistance that cannot now be foreseen. Funds for technical co-operation with other countries also were cut moderately. This essential part of the Mutual Security Programme is likely to proceed at about last year's level. That leaves the element of outright economic aid for less-developed land in all parts of the world. And it is in this part of the programme that economists generally express the greatest disappointment — not so much in the actual amounts appropriated perhaps, as in the rejection of important new approaches outlined by the President.

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NOTICE is hereby given that an Interim Dividend at the rate of 2½%, less Indian Income-tax thereon, will be paid to the Registered holders as on the 21st October, 1957, of the 50,000 Cumulative Preference Shares of Rs. 100 each in the Company in respect of the year ending 31st March, 1958.

The Share Transfer Books of the Preference Shares will be closed from the 14th to the 21st October, 1957, both days inclusive.

By Order of the Board,
D. SMALLEY,
Actg. Secretary.

4, Clive Row,
CALCUTTA, 1.
29th August, 1957.

THE EASTERN ECONOMIST PUBLICATIONS

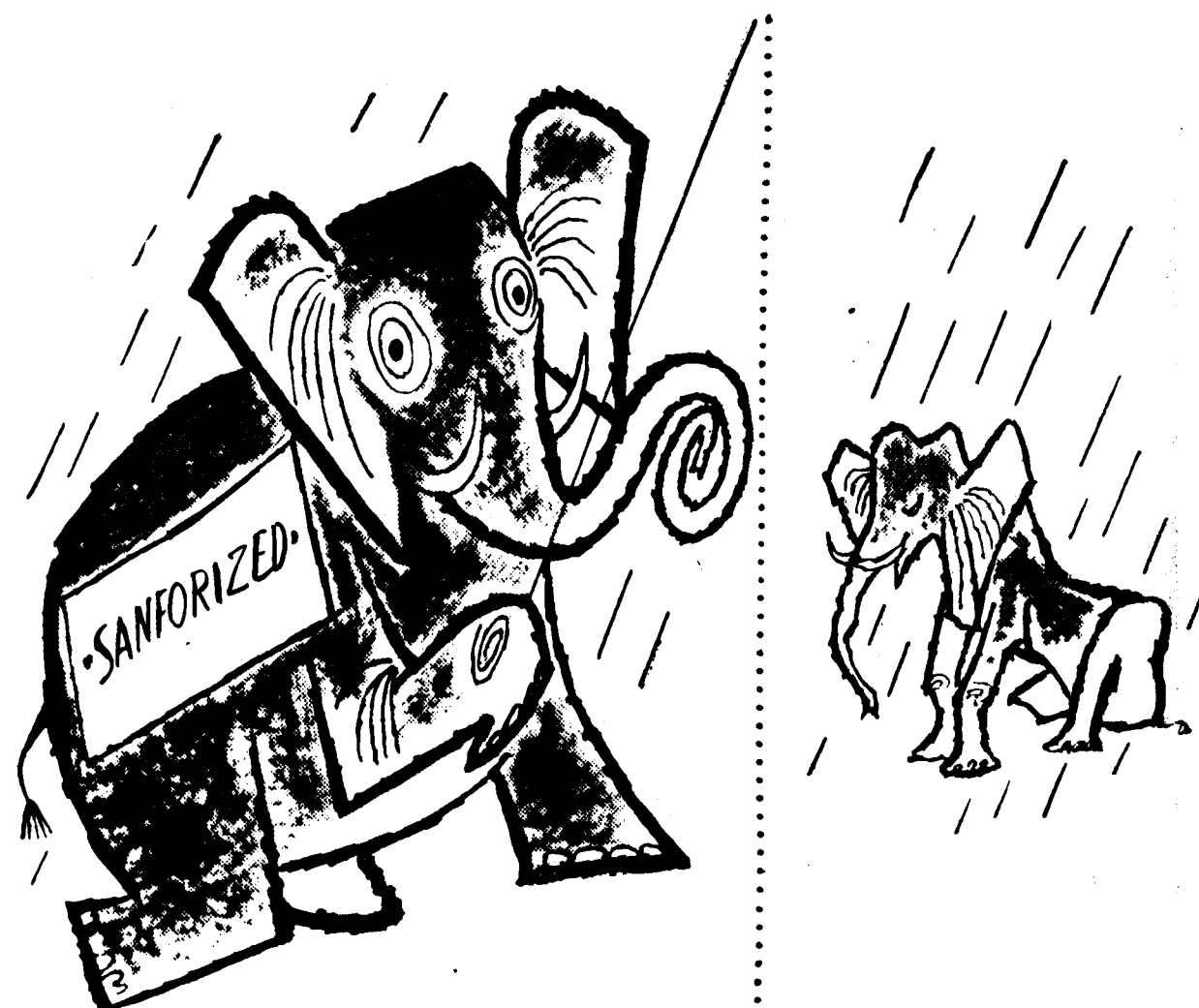
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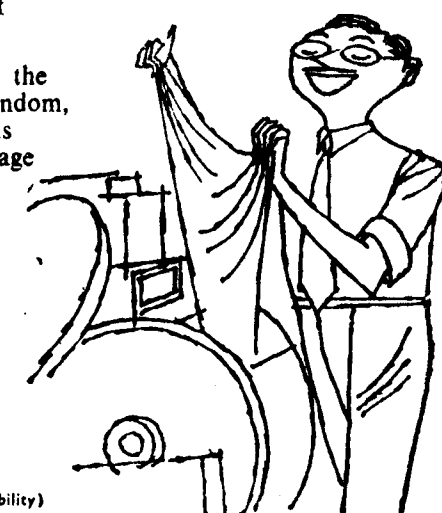
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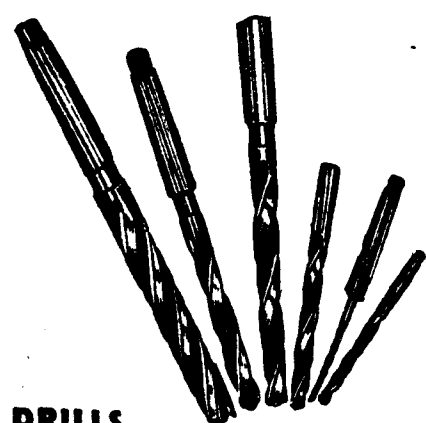


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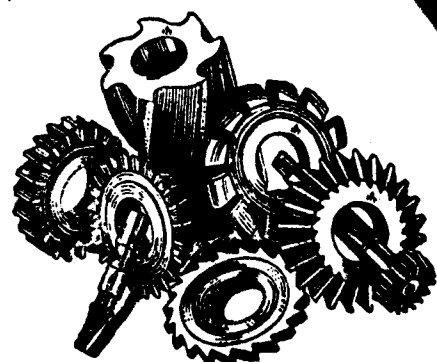
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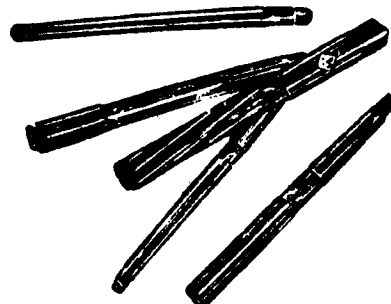
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BAGALKOT CEMENT COMPANY, LTD.

Despite certain adverse factors such as short supplies of coal, transshipment bottleneck (at Hoigi station) and restrictions on wagon movements from time to time, which affected production as well as despatch of cement, the Bagalkot Cement Company, Ltd., was able to show a profit of — Rs. 6,77,649 (as compared to Rs. 12,16,666 for the previous accounting period, which, however, was only two months) after meeting all expenses of operation and management and after providing Rs. 8,01,602 for depreciation and Rs. 55,000 for payment of bonus to employees. To this must be added Rs. 14,622 being amount set apart for rehabilitation expenses at the instance of the Government of India, which the Government subsequently asked the Company not to maintain. Out of the net profits, the Directors have provided for income-tax (paid in respect of previous years) Rs. 1,01,023 and have recommended a dividend of 6 per cent on the capital paid up on the old shares (without deduction of income-tax), while also providing for part repayment of Guaranteed Dividend Account to the Government of Bombay of Rs. 1,43,168.

When the State Trading Corporation of India took over the sale of all cement manufactured in the country, the Bagalkot Cement Co., Ltd., was also affected, but it was appointed as one of the Selling Agents of the Corporation in respect of its production. At this time, the price payable to the Company was fixed at Rs. 54.8-0 ex-works, exclusive of packing charges and excise duty. The cost of production of cement has since gone up considerably and the Government of India has asked the Tariff Commission to go into the cost structure of the cement industry and to fix up a fair price to be paid to the producers. The Directors, as a result, expect that the price payable to the Bagalkot Cement Co., Ltd., will be raised.

The Directors report that production during the year roughly corresponds to the rated capacity of the Plant. Incidentally, it is proposed further to expand the productive capacity of the Plant by 200,000 tons of cement in two stages of 100,000 tons each. Negotiations are in progress in this connection. In order to meet the cost of the new expansion, the Company issued Rs. 25 lakhs worth of new shares. But of the new issue, there are still 1,35,222 shares (worth about Rs. 13½ lakhs) to be subscribed.

AMAR DYE-CHEM LTD.

The Third Annual Report of Amar Dye-Chem, Ltd., showed a small profit of Rs. 2,839 during the short period of production (the whole factory was commissioned into production only on October 14, 1956), which began only during the year of report. This too was possible, because the Managing Agents agreed to forgo their commission for the year 1956. For obvious reasons, no depreciation could be provided for, nor any provision made for taxation.

It is noteworthy that the installation of all the three plants of the Company, namely, Amarthol Plant, Fast Base Plant and BON Acid Plant, were completed in less than two years. At the inaugural function last October were present Mr. James Hill (Jr.), Chairman of the Board of Directors of Messrs. Sterling Drug, Inc., U.S.A., Messrs. Nelson S. Knaggs and John L. Prichett, representatives of the Company's Technical Participants, Messrs. Hilton-Davis Chemical Co. The Directors report that items of expenditure on construction and installation which amounted to Rs. 1,32,742 were allocated and capitalised.

THE MYSORE SPINNING AND MANUFACTURING CO., LTD.

The results of working of the Mysore Spinning and Manufacturing Co., Ltd., for the year ended February

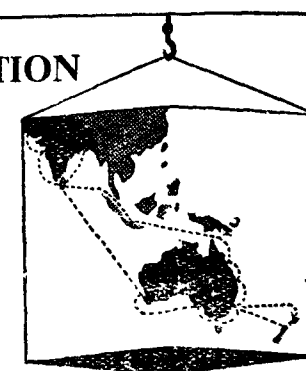
28 1957, showed a gross profit of Rs. 8,99,282. After providing for depreciation on Buildings and Machinery, amounting to Rs. 3,87,386, the net profit for the year stood at Rs. 5,11,896, as compared to Rs. 4,94,379 for the previous year. The Directors have proposed a final dividend of Rs. 3 and also a bonus of Rs. 3 per share. Together with the interim dividend of Rs. 3 per share, the total distribution for the year thus amounts to Rs. 9 per ordinary share, or 18 per cent per annum. The total distribution, however, is the same as in the previous year.

Although the depreciation for the year under review amounted to Rs. 3,87,386 as stated above, the total depreciation that had to be provided for by the Company was higher by Rs. 2,15,000, this amount having been provided out of the General Reserve. The necessity for this arose, it is stated, as the Income-tax authorities accepted this liability only during the year under review, when the payment also was actually made. It is noteworthy that, as a result of the allowable losses and depreciation allowances of the year under review and the year preceding it, no provision has been found necessary for tax for the year. In view of this, it follows, no tax will be deducted on the dividend payable on the preference shares.

The Directors also observe in their Report that the demand for cloth slackened and the position became worse when from September 1 1956, there was a further steep and sudden increase in the excise duty, over and above the increase in excise duty on cloth that had already been imposed on March 1, 1956. As the Mills had to bear half the increase in duty against pending contracts, it is stated, the Company's realisations were naturally affected adversely. According to the Report, the position has worsened since; "conditions since then have deteriorated to such an extent that profit margins have been practically wiped off and sales of cloth even at prices below cost have become very difficult."

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COMMODITY NEWS AND NOTES

IRON ORE PRODUCTION IN JUNE

Output of iron ore in India during June 1957 was estimated at 366,471 tons. Production in the previous month was 417,662 tons. Returns received by the Chief Inspector of Mines in India from 128 mines during June showed that 272,380 tons were despatched to iron and steel plants and 77,381 tons to the export market. Iron ore stocks at the end of June were estimated at 1,525,610 tons.

OUTPUT OF OILSEEDS

The output of major oilseeds, namely, groundnut, mustard, sesamum, castor and linseed in 1956-57 was estimated at 60.3 lakh tons. Two factories had been set up in the first Plan period to refine castor and other oils. Six factories, had been licensed so far in the second Plan period. Bombay led the other States with the production of 12.86 lakh tons. Andhra produced 12.22 lakh tons, Uttar Pradesh 9.31 lakh tons, Madras 9.06 lakh tons, Mysore 5.9 lakh tons and Madhya Pradesh 4.1 lakh tons. Rajasthan and Punjab produced 2.77 lakh tons and 1.59 lakh tons respectively while the other States produced in all 2.51 lakh tons.

COTTON SEED OIL EXEMPTED FROM EXCISE DUTY

Cotton seed oil is at present subject to excise duty at the rate of Rs. 56 per ton. With a view to encouraging the crushing of the seed for oil and in the hope that this would enable some ground-nut oil to be released for export, the Government have decided to exempt, with effect from August 28, cotton seed oil from the whole of the excise duty leviable thereon.

EXPORT OF GREEN TEA

The Minister for Commerce, Shri Nityanand Kanungo, said in the Lok Sabha that green tea had been included in the list of items to be exported in an increasing measure from India to Afghanistan under the Indo-Afghan Trade Agreement concluded recently. He added that it was also proposed to send a Tea Delegation from India to Afghanistan for making personal contacts. Shri Kanungo was replying to a question by Shri Hem Raj and another Member. The Minister said that a decrease in exports to Afghanistan which was India's principal market for green tea, was responsible for the accumulation of stocks of green tea with the growers. Shri Kanungo said that the quantity of green tea produced in the Kangra district was about 21.46 lakh pounds in 1956 as compared with 16.54 lakh pounds in 1955. In Himachal Pradesh the production was 2.36 lakh pounds in 1956 as compared with 2.91 lakh pounds in 1955.

FORECAST OF BAISAKHI AND JETHWI LAC CROP

According to the final estimates of the Baisakhi lac crop for 1957, issued by the Indian Lac Cess Committee, the total crop is estimated at 6,50,000 maunds, as compared to the revised estimate of 5,93,000 maunds of last year. The final report of the crop indicates an increase of 57,000 maunds over the revised estimates, mainly because arrivals of sticklac at Gondia and other centres in Madhya Pradesh have been higher than expected. Hence, estimates for Madhya Pradesh and Bombay have increased. In addition to the Baisakhi crop, about 20,000 maunds of Jethwi (Kusumi) have also arrived in the markets.

EXPORT OF IRON ORE

Shri Nityanand Kanungo, Minister for Commerce, stated in the Rajya Sabha that the State Trading Corporation to which the export of iron ore had been entrusted, hoped to exceed in 1957-58 the target fixed in the second

Plan. He added that the total exports over the second Plan period might well exceed 11 million tons. The Minister said that the second Plan provided for the export of iron ore to reach a level of about two million tons by the last year of the Plan.

The Minister also laid a statement on the table of the House showing the quantity of iron ore exported during the last two decades. According to the statement, the export of iron ore in 1956-57 was 17.93 lakh tons as compared with 14.97 lakh tons in 1955-56 and 10.10 lakh tons in 1954-55.

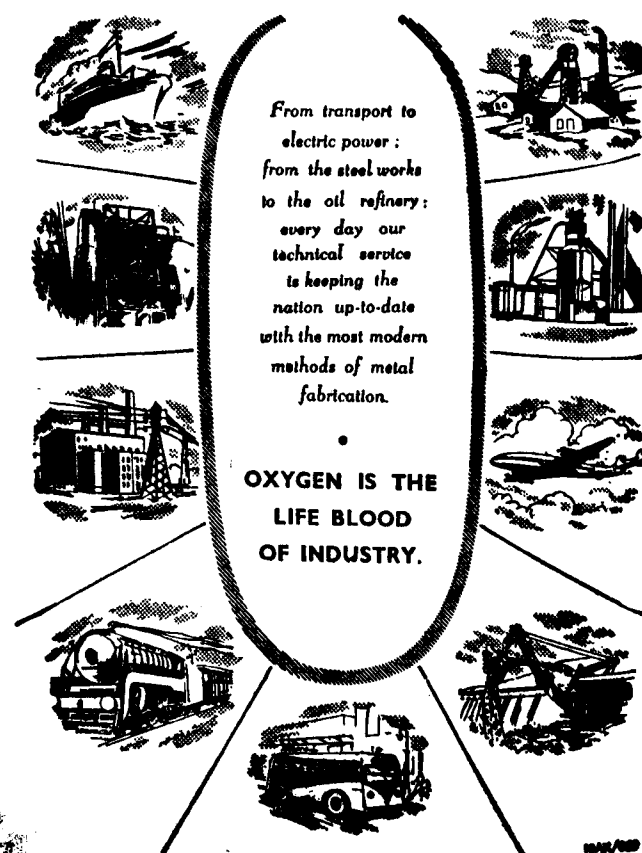
IMPORT OF SUGAR

The total quantity of white sugar imported on Government account and of raw sugar imported by sugar factories for refining during the last four years beginning from 1953 was 13.27 lakh tons and 0.76 lakh tons respectively at a total cost of Rs. 68.73 crores and Rs. 3.38 crores respectively. The entire quantity of white sugar imported on Government account had been sold. The total amount realised as sale price was about Rs. 107 crores. All the sugar produced by the refining of raw sugar had also been disposed of by the factories concerned. The profit made by Government on white sugar totalled about Rs. 5.84 crores after the payment of Customs Duty of Rs. 28.33 crores and meeting incidental charges.

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Company Meeting

THE MYSORE PAPER MILLS, LIMITED

Speech delivered by Sri T. Shamanna, M.A., I.A.S., Chairman and Managing Director, The Mysore Paper Mills Ltd., at the Twenty-second Ordinary General Meeting of the Company held at Bangalore on Friday the 30th August 1957.

Gentlemen,

I have great pleasure in extending to you a cordial welcome to the Twenty-Second Ordinary General Meeting of the Shareholders of the Company and to place before you the report of the Directors and the Audited Balance Sheet for the year ended 31st March, 1957. These have been circulated already and with your permission, I shall take them as read as usual, and proceed to briefly review the main features of the year's operations.

In exercise of the right to appoint a Director on the Board of Directors of the Company as provided for in the Deed of Mortgage, dated 31st March, 1953, the Industrial Finance Corporation of India have appointed Sri T. Bhaskara Rao, I.C.S. (Retd.) M.P. as a Director on the Board, in the place of Sri K. Narayanaswamy, Director of Industries and Commerce, who resigned his seat on our Board. Your Directors have placed on record the valuable services rendered by Sri K. Narayanaswamy as Director. I welcome Sri T. Bhaskara Rao, and I am sure his wide knowledge and administrative experience will be of great advantage to the Board.

It had been reported to you that owing to the shortage of pulp, we could not reach the target production of 8,000 tons, that action had been taken to increase the production of bamboo pulp and to instal certain equipment to secure economies in the operations. I am glad to inform you that we have been able to produce 7,500 tons of paper and production costs have also been brought down. This is reflected in our accounts to which I shall refer later.

The policy initiated in 1948-49 to reduce the use of wood pulp and to increase the use of indigenous bamboo pulp has been pursued steadily with the result that while we were using 1,800 tons of wood pulp in 1948-49—nearly 50 per cent of our requirements—today we are using only about 500 tons of wood pulp which works out to less than 7 per cent of our requirements to feed the two Paper Machines.

Our paper making capacity still exceeds our pulp making capacity. Limited quantity of waste paper pulp has to be used as the market demands high quality papers and imported wood pulp cannot be used as its price is high and hence uneconomical. To surmount this difficulty, action has been taken to further step up bamboo pulp production from 6,000 to 7,000 tons. Alongside the expansion of the Pulp Plant, action has also been taken to recondition the First Paper Machine which has worked continuously for over 18 years and requires urgent attention. Licences to import the necessary equipment have been obtained from the Government of India.

I am extremely happy to report that the record turnover this year has exceeded a crore of rupees.

Although the market conditions were generally favourable, the demand was slack during the early part of the year. There was therefore accumulation of stocks which led to locking up of funds. This caused a little strain on our financial resources in common with Concerns which finance their Expansion Scheme from current resources. The situation has improved and our ways and means position is now satisfactory.

With a view to studying the needs of the market and to adjust the manufacturing programme to the demands of the market and also determine any new lines of manufacture that the Company could undertake with advantage and to avoid occasional set-backs in trade, I convened a Conference of the Distributors and Dealers of our products. I am happy to say that the response was very good and our Distributors and Dealers from Bombay, Poona, Madras, Salem, Coimbatore, Trivandrum, Pudukottai and almost all parts of our State attended the Conference. These deliberations proved fruitful and we hope to draw up our manufacturing and sales programmes which would ensure to a great degree steady and regular supplies to Distributors and Dealers and through them to Customers at reasonable prices.

It was also encouraging to note that our Distributors and Dealers expressed the view that they would all help in marketing the products of our Concern if and when we increase our present output.

I have stated earlier that the increased production and reduced costs of production are reflected in the accounts. The financial results of the operation of the Company during the year under review are quite satisfactory. The results achieved are directly attributable to greater output and utilisation of larger quantities of indigenous pulp. The results would have been much more appreciable but for the increase in the cost of Chemicals, Coal and other essential raw materials. We have provided for depreciation on Fixed Assets a sum of Rs. 10,50,086, calculated on the basis of rates allowed for normal depreciation and extra shift allowance as per Income Tax Act and have paid interest amounting to Rs. 2,75,212-7-0 on borrowings. A provision of Rs. 2,00,000 has been made to meet the liability towards payment of Retirement Gratuity and this, together with Rs. 50,000 provided last year, will cover in full the Company's liability for payment of Gratuity for employees who have completed 15 years' service as on 31-3-1957 in terms of the Industrial Award, 1955. Further, a sum of Rs. 2,50,000 towards cost of repairs and replacements and Rs. 25,000 towards Wealth Tax have been provided and after making all these provisions, the net profit for the year stands at Rs. 5,00,531-7-3 as against Rs. 4,61,729-9-8 in the previous year.

A sum of Rs. 2,00,000 towards the third instalment of the loan to the Industrial Finance Corpora-

tion of India, which was due on 1-7-1957 has been paid in May 1957 alone to save interest charges. In addition, the fourth instalment of Rs. 2,50,000 due on 1-7-1958 has been paid in August 1957 with the same object. On account of advance payment of instalments the loan account of the Industrial Finance Corporation of India now stands at Rs. 42 lakhs. We have been able to do all this while maintaining the Cash Credit Account with a credit balance.

I have no doubt that you will agree that the financial results have been quite satisfactory.

Out of the surplus of Rs. 5,47,697-10-7 inclusive of carry over, your Directors have decided to set apart a sum of Rs. 2,50,000 towards the Industrial Finance Corporation of India Loan Redemption Fund and to recommend declaration of 10 per cent dividend absorbing Rs. 2,50,000, the balance being carried forward.

It has been reported to you before that the Government of India have accorded sanction to the construction of 300 tenements in our Labour Colony under the Labour Housing Scheme. The work of construction is progressing rapidly and with the completion of the construction of these houses, most of the labour force would have been provided with quarters.

A bonus equivalent to 3 months' basic pay or wages has been sanctioned to staff and labour. The wages and rates of Dearness Allowance obtaining in the Mills are those laid down in the Consent Award passed in 1955 which is current till the end of October 1957. Government have recently revised the rates of Dearness Allowance and in accordance with previous practice, we have also revised these rates entailing an extra expenditure of Rs. 42,000 per annum. The Labour Association has been making representations for further amenities and I take this opportunity to assure them that the Management will consider sympathetically the reasonable demands of labour as in the past.

I had reported to you at the last meeting that we should consider increasing the production capacity from 8,000 to 16,000 tons. I have since gone into this matter in some detail and I am advised that the production capacity of an economic unit should not be less than 16,000 tons, with a like capacity of pulp plant which alone justifies the installation of a Modern Soda Recovery Plant to secure maximum economies in heat conservation and chemical recoveries. While I feel it is necessary to undertake such an expansion programme, I have not been able to formulate specific proposals in this behalf having regard to certain recent developments relating to tightness of the money market, scarcity of foreign exchange, etc.

In regard to raw materials, a new factor has to be taken into consideration. At present, we are using mainly bamboo for purposes of pulp. All over the State, new Sugar Mills are coming up and a Mill has been installed very near Bhadravati. It has been established that paper could be manufactured out of bagasse which is the agricultural residue. The points for consideration are how to replace bagasse which is used as fuel by coal and the economies involved in the process. It would be economical for us if the Sugar Companies have disposable bagasse. However, this is a matter which requires detailed investigation and in any future development of our Mill, this factor has to be seriously considered.

Further, in view of the scarcity of foreign exchange and the long delivery periods quoted for supply of machinery from abroad, it would be also a matter for consideration if we should not make use of old machinery available in the country if it suits our purpose and proves efficient and economical.

All these matters have been receiving our earnest attention and a comprehensive project with alternative approaches will be prepared. Implementation of any such project will involve huge outlay and you will agree that such heavy amount could be met partly by

raising the capital but mainly by borrowing. In view of the satisfactory performance of the Mills in repaying the current loan, I hope that the necessary funds could be found and when the project report is drawn, I shall place the proposals before you for consideration.

The Government of India have appointed a Committee to review the working of the 1956 Companies Act and when that report is ready, and consequential legislative enactments are completed, I shall request you to meet in an Extraordinary General Meeting to effect the necessary amendments to our Articles of Association.

I take this opportunity to express on behalf of the Management our gratitude to the Government of India, the Government of Mysore, and the Industrial Finance Corporation of India, for their continued interest and sympathy in the progress and prosperity of the Mill.

Your Directors and I highly appreciate the untiring and enthusiastic co-operation extended by all classes of the Company's employees, and I trust that their continued co-operation will be extended to us in our efforts to achieve further progress of the Mills.

I also wish to express my grateful thanks to my colleagues on the Board for the uniform courtesy and co-operation that they have extended to me and their valuable advice.

Gentlemen,

With these observations, I beg to move that "The Directors' Report, the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 1957 be Approved and Adopted."

NOTE: This is not a report of the proceedings at the above Annual Meeting, of which proceedings a separate report will be circularized.

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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	626.2	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	95.9
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	121.0
1956-57	..	388.5	501.9	402.3	394.6	559.3	414.0	90.5	100.1	82.9	121.2
January 1957	..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80.4	113.0
February	..	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.0
March	..	402.7	518.1	403.3	384.1	589.8	421.3	89.9	98.9	79.8	111.6
April	..	408.3	514.73	400.0	384.3	567.8	422.1	89.9	99.0	78.7	104.8
May	..	419.3*	536.3	406.5	387.7*	572.3	431.2	89.4	99.1	78.4	104.1
June	..	433.2*	541.4*	413.0	392.4	578.0	439.2	89.5	99.0	77.6	102.6
July	..	439.8	544.4	413.3	392.3	621.8	443.1	89.2	98.8	76.6	105.2
29-8-1957	..	438.1	540.9	413.0	391.6	601.5	441.2	89.3	98.9	77.4	103.8
6-7-1957	..	440.1	543.3	410.6	392.8	617.6	442.6	89.3	98.9	77.0	105.3
13-7-1957	..	440.8	545.3	412.0	397.1	618.6	443.1	89.2	98.8	76.8	105.3
20-7-1957	..	441.5	541.3	415.3	392.3	622.4	443.5	89.2	98.7	76.6	105.6
27-7-1957	..	440.7	547.6	415.7	392.1	638.3	441.6	89.1	98.6	76.5	105.6
3-8-1957	..	445.9	541.3	413.7	391.8	641.5	445.0	89.1	98.8	76.1	104.4
10-8-1957	..	443.5	533.4	413.0	392.2	643.3	443.1	89.0	98.8	75.9	104.9

† Average of weeks.

Revised*

†Economic Adviser's Series.

††Reserve Bank Series.

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1934=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	164
1949	292	307	248	132	348	478	377	151	323	164	138	169
1950	298	313	257	132	349	434	372	153	325	165	145	170
1951	314	330	261	142	370	451	391	168	334	167	160	174
1952	321	337	250	143	351	441	380	150	330	151	154	171
1953	346	363	275	140	349	453	387	151	351	147	156	176
1954	342	359	244	138	327	408	373	139	341	148	140	168
1955	322	338	218	130	321	371	364	133	321	134	135	162
1956	336	352	244	142	347	424	397	151	356	152	146	165
1956 August	344	361	253	147	368	445	403	154	372	154	151	160
September	336	352	256	149	366	445	403	153	368	151	156	149
October	342	358	261	152	364	448	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	436	411	156	372	157	144	149
February	341	357	253	150	350	438	411	158	369	157	148	148
March	340	356	254	150	348	433	415	158	367	158	148	148
April	340	356	256	148	345	427	415	162	369	161	152	148
May	347	363	257	151	352	441	—	—	369	—	—	150
June	354	370	—	192	371	446	—	—	373	—	—	153

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	23-8-1957			16-8-1957			9-8-1957			2-8-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	108.19	107.37	107.93	108.75	108.31	108.46	108.25	106.81	107.57	107.81	106.84	107.33
Silver (per 100 fine tolas)	182.62	180.62	181.72	183.19	181.50	182.42	182.94	180.94	181.99	183.12	181.44	182.49

THE EASTERN ECONOMIST

INDEX OF

INDIAN AGRICULTURAL PRODUCTION

(Base : Average for 1936-37 to 1938-39 = 100)

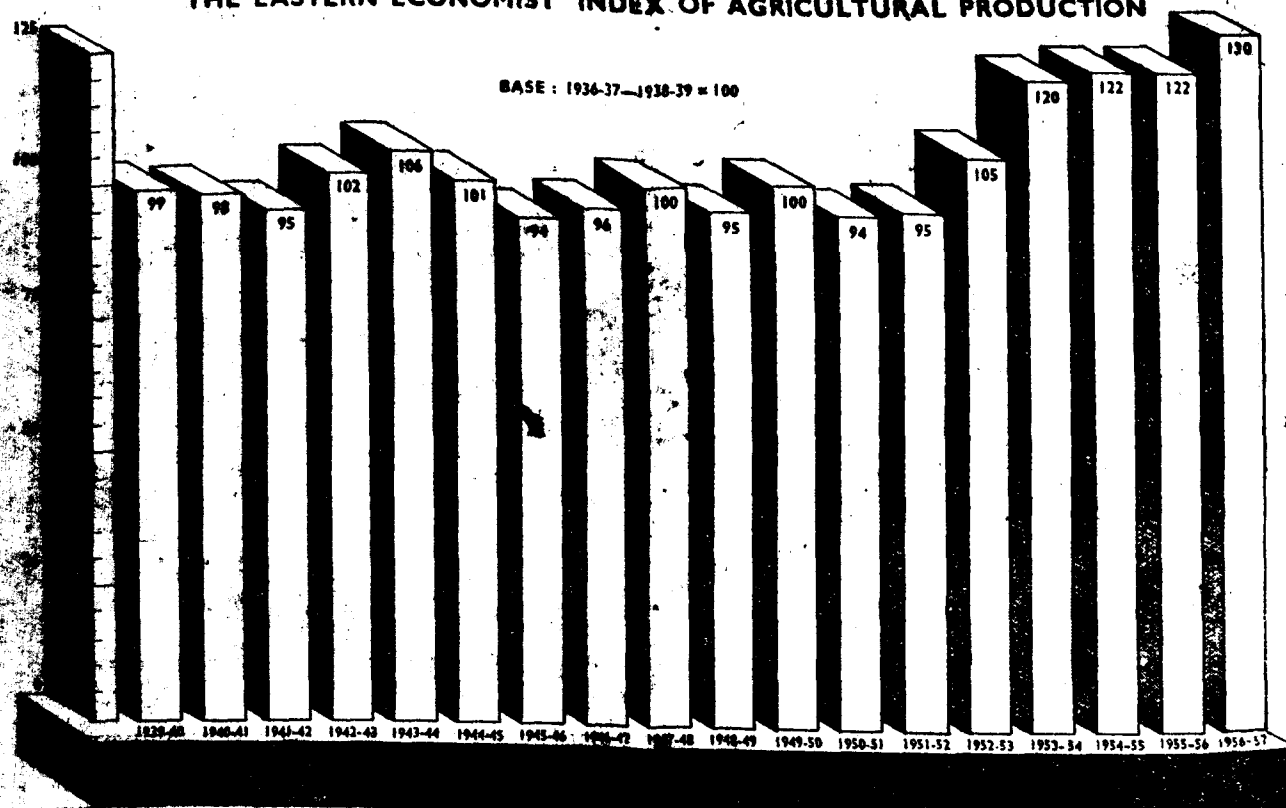
	1942-43	1943-44	1944-45	1945-46	1946-47	(*) 1947-48	(*) 1948-49	(*) 1949-50	(*) 1950-51	(*) 1951-52	(*) 1952-53	(*) 1953-54	(*) 1954-55	(*) 1955-56	(P) 1956-57
Food Grains ..	103	107	104	95	96	102	96	99	91	91	104	122	121	121	129
Rice ..	99	109	102	96	104	102	98	101	88	90	98	118	107	117	123
Wheat ..	99	90	97	84	67	77	77	86	87	82	101	106	120	117	124
Millets ..	112	111	114	99	99	108	89	99	93	96	111	136	142	119	130
Grams ..	111	122	103	100	115	143	145	117	115	105	133	146	164	171	190
Fibres ..	78	87	55	56	53	58	53	78	85	100	98	105	112	114	130
Cotton ..	76	89	54	52	51	54	46	65	72	77	77	97	106	98	116
Jute ..	87	77	62	78	66	83	99	154	164	235	229	156	146	210	211
Oilseeds ..	98	104	107	97	100	104	95	106	103	104	100	111	127	113	121
Sesamum ..	106	102	88	88	81	88	84	108	113	110	113	132	147	114	112
Groundnut ..	91	125	122	110	114	109	92	107	109	97	92	114	131	123	139
Rape & Mustard ..	102	93	111	96	107	109	99	107	101	122	112	112	130	114	137
Linseed ..	92	86	89	83	77	101	99	97	85	73	83	83	91	88	82
Miscellaneous ..	117	116	112	124	112	121	121	126	127	126	127	130	141	144	152
Sugarcane ..	100	114	106	102	110	131	109	111	126	136	113	104	125	133	150
Tobacco ..	86	75	93	97	79	69	75	78	76	61	71	75	73	70	88
Tea ..	113	135	121	136	147	152	156	158	158	164	162	164	174	180	180
Coffee ..	102	108	108	159	96	99	139	128	116	130	142	184	156	209	263
General Index ..	102	106	101	94	96	100	95	100	94	95	105	120	122	122	130

(*) Revised.

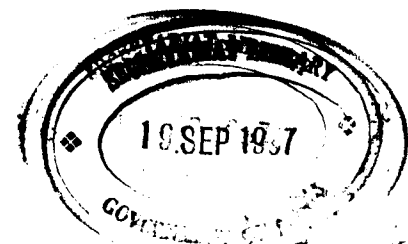
(P) Provisional

THE EASTERN ECONOMIST INDEX OF AGRICULTURAL PRODUCTION

BASE : 1936-37-1938-39 = 100



The



Eastern Economist

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ONE RUPEE

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The State of the Nation

NE sign that the country is not in the best of health is the frequency with which the state the nation is being discussed both in public and in private. Today the Planning Minister, G. L. Nanda, made an elaborate assessment of the Lok Sabha obviously to meet much unpublished criticism of the likely failure of the second Plan. The Prime Minister himself also spoke today at the Delhi University in a speech which can be read as more defensive than almost any other in recent months. Indeed, it is obvious that whatever brave face is placed on planning difficulties, these difficulties are not merely severe in themselves, but have produced grave doubts both within and outside the country on the capacity to finance and to implement even the 'hard core' of the Plan within the period specified. It is not defeatism to face the facts, and it is wholly wrong for any person, inexperienced in the problems of industrial organisation and the need for facing hard facts in the process of overcoming them, to deprecate this assessment of the facts as being defeatism, and, therefore, evil.

There is no defeatism in facts. The defeatism is in a matter of unwise opinion, not an assessment of things as they are. Much of the unwisdom is in fact on the Government side.

One should recognise that things as they are justify a considerable amount of criticism of both the planning authorities and the Government of India. In the first place, as Mr. Nanda observed, the Plan was based on two assumptions which were as rigid in their fulfilment as the success of the Plan itself. The first of these was that the current rate of saving should rise from 7 to 11 per cent, a condition which, as was pointed out when the Plan frame first appeared, assumed a marginal rate of saving of 30 per cent. A substantial reason for the inflation which has occurred is that this assumption was wide of the mark, and, in any case, could not be effective unless substantial increases of real income had occurred. This attracts the second assumption on which the Plan was based, namely, that real income would be rising at an average rate of about 4 to 5 per

cent per year. From where else could increments of saving come? And, if real income did not rise, could the Plan proceed just the same? It is the Government which has ignored the absurdity of fulfilling a Plan irrespective of the fulfilment of its assumptions. It is time they understood the error, which Mr. Nanda showed no inclination to accept.

While neither of these basic assumptions has been fulfilled, the Government of India has proceeded almost blindly to implement the Plan as framed as though vast new savings could be extracted from a country when no new real income per capita was being produced. There is no evidence that, after providing for the increase in population, per capita income in the last two years is significantly above what it was in 1954-55. Yet investment has been forced to double with results which are all too obvious in the price level and in the crisis which has been produced. The fact that much of this investment has been obtained by taxation is secondary. It is the combined effect of inflation and taxation which must be reckoned. That they have been excessive the discussions in Parliament over the last two months have made abundantly clear.

To argue, as Mr. Nanda argued yesterday, that the basis of the Plan was that some substantial impression had to be made on living standards and employment and that, therefore, the Plan was from the point of view of needs the minimum that could be envisaged, does not answer the point that we have outrun our resources in the short period. It is wholly right to argue that a permanently cut Plan is no solution to the Indian problem, which is the maintenance of a rate of development of at least 4 to 5 per cent per year overall. But, surely, one cannot assume that because this must be our average rate of progress, we can at all times proceed at this rate. Fluctuations are written into economic growth as they are written into political life. One wonders why politicians who are so ready to recognise their own changing fortunes are so unmindful of the point that they share with their electors—the changing fortunes of the economic game, like their own, a game of chance no less than of skill.

If Indian agriculture had performed well in 1955-56 and 1956-57, there would be everything for proceeding headlong with the measures which the Government of India has initiated on taxation, direct and indirect, as well as on most other things. But two major handicaps, one on rupee resources and the other on foreign exchange, have raced far ahead of schedule. It is blindness to assume that our difficulties can be overcome merely by persuading ourselves how eminently reasonable in terms of the challenge that we face are the targets that were initially made. These targets are not absolute; they depend on resources. Since the Indian people will not accept inflation, this means necessarily a drastic revision of the Plan. It is hoped this revision will be temporary, but unless we can break bottlenecks, instead of merely describing them, they may well be permanent and crippling.

Equally one might argue with Mr. Nanda, that while it is reasonable for us to expect foreign assistance at the level contemplated in the Plan on the basis of our needs and of the existence of the world's surplus capital, it was wholly erroneous that the paltry efforts we have made to sell ourselves to the world should be deemed adequate to

attract the vast sums we need. What is reasonable as an expectation must be judged also by what is reasonable in terms of efficiency in implementation and the power to persuade and attract a scarce commodity. No effort has been made properly to understand the demand for the world's surplus capital and the terrific pressures to which it is at present subjected. If a detailed study had been made, even in the last six months, it would have been appreciated that an explanation of the Plan such as is now being painfully undertaken by the Indian Industrial Delegation abroad, and is likely to be undertaken by the Finance Minister in the next 30 days, should have been begun much earlier and in a much more ambitious and flexible manner. The recklessness with which one assumes that foreign capital whether by aid, loan or equities is independent of the structure of foreign and domestic policies is something which must be seen to be believed. Thus on the day following a request for a 500 million dollar loan both the Prime Minister and the Defence Minister thought that this request was entirely irrelevant to a pointed, and not extremely well-informed assessment of the trouble in the Middle-East attributed to Western policies. Whether or not one accepts the view presented by the Prime Minister or the Defence Minister in this case, it will be read abroad certainly and in some sections at home as a direct disincentive to foreign lending by the United States to this country. It cannot be that the Prime Minister and the Defence Minister are wholly unaware of the structure of that portion of opinion in the United States which settles major issues of this kind. To argue, therefore, as Mr. Nanda does, that because we have a reasonable expectation we are not to blame if the reasonable expectation does not mature, is to indicate a childlike simplicity which is wholly inconsistent with the kind of practical determination which alone can accomplish great tasks of this kind. It is quite a serious situation which has been created by just this kind of unawareness of the problems of the real world. If domestic and foreign policies are continuously being oriented in terms which have no chance of filling foreign exchange gap or obtaining our domestic resources, it surely cannot be claimed by the wildest stretch of imagination that the Government of India is not responsible for the crisis that has occurred.

It is time that the country which has as large, and indeed a greater, stake in the success of the Plan than have its authors, set out the conditions under which Ministers of the Central Government can frame policy in depreciation of the targets of the Plan and its practical implementation. There will be all over the country an anxiety to share in the sacrifices of a Plan, which will be successful in fact as well as in talk. But there is all over the country at this time serious doubt as to whether the men who demand these sacrifices—and these include the Finance Minister and the Defence Minister—have the competence and the power of persuasion to draw either at home or abroad the resources without which the task cannot be accomplished. The practical men may all be right in the very long period. But who will claim that their theories already bear the stamp of proved wisdom which they choose cheerfully to arrogate to themselves? Surely the course of wisdom is to be critical of all things. Whether the politicians like this or not, this country will test all things and hold fast to those which are good. Therein lies their hope—and their peril. Today their peril is far greater than their hope.

Extended Austerity

MR. MORARJI DESAI'S speech at the Import Advisory Council's meeting on Monday this week presented a faithful picture of the reality of the situation. If it was somewhat austere in its tone, it was because, consistently with his reputation for clarity and objectivity in outlook, he could give no quarter to misplaced expectations. His description of the prospect for import as rather grim is strictly confined to the immediate future. This is an interlude which throws up a challenge to us to demonstrate our capacity for austerity for sometime more. The outlook beyond the proximate future, however, promises a heartening change as preliminary indications tend to disclose. But until distinct evidence of the coming change is available, austerity in imports must be given an extended lease. This was what the Minister for Commerce and Industry categorically emphasised and the Council too concurred in his view.

Those who had cherished hopes of relaxation in import austerity after the end of the current quarter — July to September — were certainly wrong in doing so. The quarterly period was selected not as a period of critical transition but to facilitate a change-over to six-monthly import licensing periods to be adjusted with the financial year in place of the former calendar year base. Licensing policy for this quarter had imposed a virtual ban on consumer goods and it also saw the abolition of the O.G.L. except for the border trade between India and Pakistan. It also stopped the issue of fresh licences to established importers. How far this policy was effective in easing the strain on the foreign exchange resources can be determined only when relevant data become available after some time. One welcome development which has emerged is the prompt response given by the trade and industry in making a success of the scheme of conversion of licences into those for essential goods. This gesture has been amply appreciated.

The stringency which has been clamped on imports does not necessarily imply an abrupt decline in the flow of imports of essential equipment and materials. It has certainly not resulted in a dislocation of industrial production. There are positive assurances that the flow of essentials will be sustained to maintain the tempo of industrial production at the present level, if not at a higher level, and certainly there is no ground for apprehending that production will decline. What has been a target of much criticism in the recent past is now providing relief to keep the wheels of productive activity moving. Accumulated licences out of past issues have involved definite commitments with suppliers abroad and it is in pursuance of these orders that imports are pouring in to satisfy priority requirements of industry in an adequate degree. There has been undoubtedly much greater investment in the public as well as the private sectors in the initial months than envisaged in the Plan. Its magnitude will have to be reckoned as a factor in pruning the original programmes of development. Nevertheless, this investment has prevented a sudden slowing down of the tempo of production in industry.

The state of our present reserves of foreign currency does not admit of anything but a very

cautious rate of withdrawals. During the ten weeks preceding the end of August this year, the foreign exchange reserves declined by Rs. 89 crores to Rs. 380 crores. It is common knowledge that the Reserve Bank has been granted permission to allow withdrawals below the normal statutory limit of Rs. 400 crores as a matter of urgency. This is a signal for extra restraint in expenditure from the reserve. Nevertheless, current earnings of foreign exchange, even if they are admittedly lower than the expenditure of foreign exchange, constitute an important source to keep up the level of imports. During the second half of 1956 exports increased by Rs. 15 crores to Rs. 315 crores above the previous half year and the trend during January-May this year shows a further marginal increase in export earnings. This trend, however, has been more than off-set by the increasing volume of imports and the trade gap is likely to widen by about Rs. 70 crores in the first half of 1957, above the previous half. Restricted imports which are made possible with the help of these two resources are expected to meet at least the minimum demands of industry in respect of essential raw materials, capital goods, components and spare parts.

In the meantime, until the picture of foreign exchange resources improves and takes a clear shape, Government has hardly any course left open but to extend the policy of austere imports. What is happening in India now is a repetition of the situations which arose in the post-war period in different countries demanding a tightening of the belt in the matter of imports of consumer goods and non-essential materials. Only some marginal changes are likely to ensue when the licensing policy for the next half-yearly period commencing in October will be announced. It is, however, obvious that wherever imports can be obtained on terms of deferred payments, they will be permitted as a part of the declared policy of the Government. Negotiations for imports on the basis of deferred payments have now been made expressly subject to prior letters of authority from the Import Trade Control Authority to ensure that they qualify for accommodation in terms of the official policy.

The emergency in imports has brought a keener appreciation than before of the necessity of foreign assistance to finance the foreign exchange component of investment in the second Plan. As it now transpires, the Planning Commission's original estimate of the requirements of foreign assistance was conservative, although it is true that the size of our requirements has been inflated partly by rising prices. Mr. Morarji Desai made a significant reference to this type of assistance materialising in the near future. Certain reassuring developments, too, have followed to lend added strength to his optimism. The Prime Minister has indicated the magnitude of assistance from the United States which would go to help solve the import problem in the second Plan and has placed it between \$500 and \$600 million. Almost simultaneously Mr. Dulles gave an indication of the American Government's attitude of sympathy and helpfulness to India's needs in this behalf. Necessarily, some time will have to elapse before these hopeful developments take concrete shape and the period of import austerity is ended.

Ballistic Blessing ?

MR. ZORIN, leader of the Russian delegation to the Disarmament Sub-Committee of the United Nations, recently announced in London that the Soviet scientists had produced a missile capable of reaching "any part of the world." The claim was later reiterated by a Tass message that a "super long-distance, inter-continental, multi-stage ballistic rocket" was launched and that it flew at "unprecedented altitude" and "landed in a target area." The announcements do not, however, give details of the rocket. Nor do they say whether Russia could manufacture them in sufficiently large numbers for operational use.

The announcement by Russia has been received with cautious alarm and deep scepticism in the free world. "We do not take the Russian claim as a gospel," said Sir Dermont Boyle, Chief of Command of the Royal Air Force. Others have even said that the Russians were bluffing. But in its own interest, the West would be well advised to concede the Russian claim. Moreover, past experience has shown that even when they made propagandistic claims of this nature they found the means and talents to make it good. That has been the story ever since 1949 when they exploded their first atom bomb. In 1951, the Russians claimed that they had an hydrogen bomb and proved some time later that theirs was not, at least then, an empty boast. It will be, therefore, wrong to dismiss the present Russian claim as entirely unrelated to facts. The Inter-Continental Ballistic Missile may not be the "ultimate weapon," which the Russians claim it to be, but this should be sufficient to make the West sit up and dig for its own resources and plans to meet the challenge that it poses. There is, of course, nothing "ultimate" in the field of human inventiveness and the I.C.B.M. is a weapon only in so far as it can carry conventional or nuclear warheads, and it will be some time before it can attain reckonable precision. The difficulties include the need for accuracy in directing a ballistic missile to its target, the provision of a warhead which can stand the strain of re-entering the earth's atmosphere, and the designing of a mechanism which will detonate at the right moment. Whether the Russians have succeeded in finding ways to prevent such missile mishaps is still in doubt. Both Mr Dulles and the British Defence Minister, Mr Duncan Sandys, have referred to this uncertain aspect of missile strategy. Moreover, experimental success is one thing, mass production of I.C.B.M. is another. But in a few years' time a position will have been reached where both the free world and the Russian empire could launch rocket-borne hydrogen warheads at selected targets in the heart of each other's territory through a push button operation. Thus neither the free world nor the Communists can build its strategy around a technical lead of a few critical years. It would be also wrong to draw the conclusion— as has generally been done in India by the Press and the general public—that with the I.C.B.M. in Soviet hands the free world has lost the superiority it has enjoyed in the nuclear field since the armaments race began. It is also immaterial whether it is the free world or the Russian empire that possesses more and deadlier atomic weapons. Numerical superiority has little relevance in the nuclear age. America has enough bases, number- ing 135 according to a Russian estimate, in different parts of the world to strike directly at the

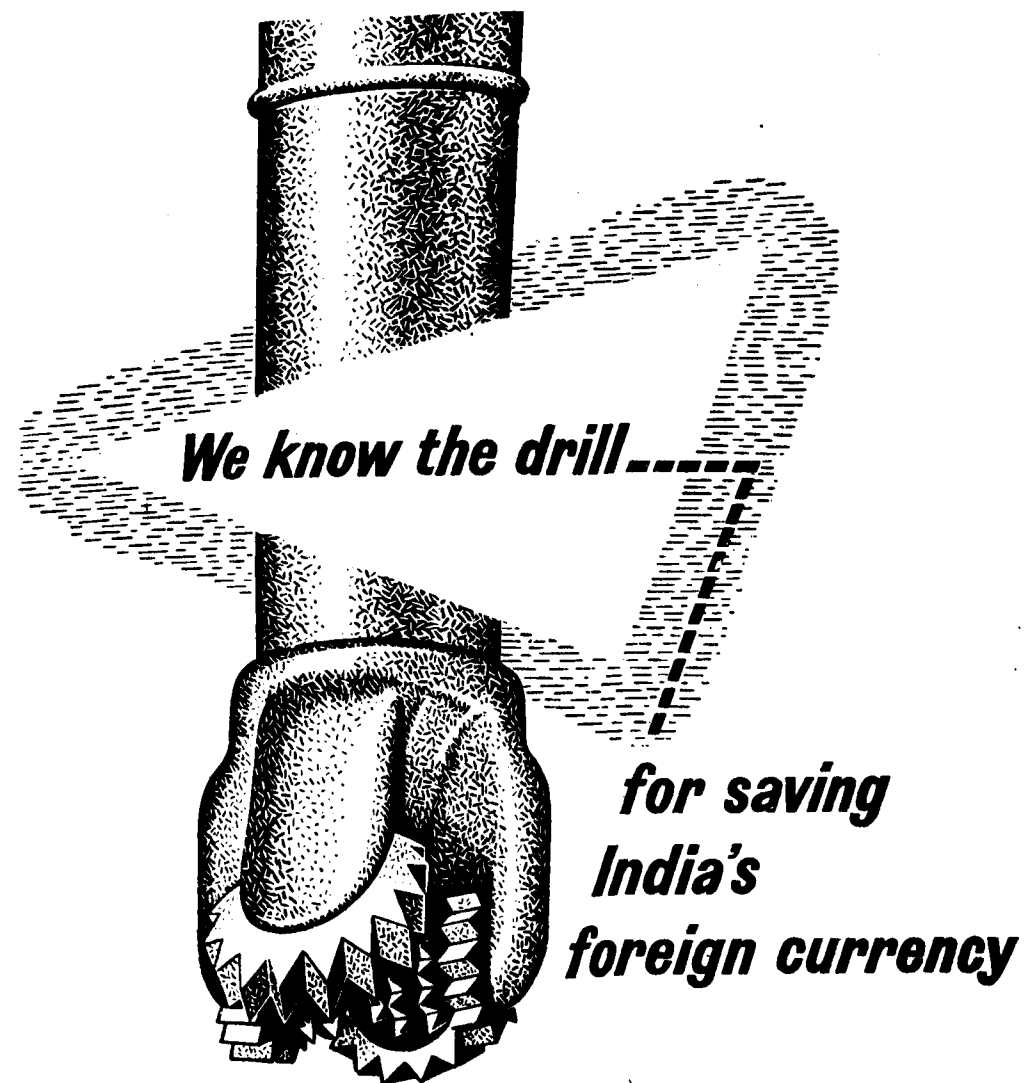
Russian empire. It can still hit Russia harder and quicker than it can be hit in return. But need mankind go on thinking only in terms of attrition and annihilation?

Paradoxical as it may appear, the invention of the I.C.B.M. has made war an absurdity as an instrument of policy. The new weapons have made it absolutely essential for international society to outlaw test explosions and ban war with deadly weapons of mass destruction. If that is done, and a war is unleashed, humanity will be faced with perils it has never faced before. After all, the days are gone when Man was afraid of the forces of Nature and worshipped them. The position appears to have been reversed now. The forces of Nature seem to disintegrate before the ingenuity of Man.

The new discovery will make nonsense of the military plans which find strength in large armies and numerous foreign bases. The international ballistic missiles have also rendered Mr. Dulles's plan of zonal inspection obsolete because ballistic missiles require neither elaborate bases nor strategic air forces for launching attacks and delivering warheads on targets. Again, considerations which are impeding the reunification of Germany, Indo-China, and Korea and have precipitated a highly explosive situation in the Middle East have today lost their significance and relevance. Now that both sides have deterrents, there might really be no war. The Russian possession of "the ultimate weapon," thus, has strengthened the nuclear stalemate which has so far been the best guarantee for peace. Whether the Russians with their new-found self-confidence can be induced to take a more conciliatory attitude towards the West is however problematical, but it justifies probing at all levels and from every angle.

This possibility raises certain other and perhaps more important political and diplomatic questions. The problem that faces the free world is to devise a new policy in regard to the uncommitted nations, now that the Communists will try to realize their dream of "world revolution" by internal subversion through economic aid and the threat of their new weapons, being more confident of their striking power than ever before. What is needed now is a new diplomacy for the nuclear age and a new political philosophy more in conformity with the new situation. The free world can only check the Communist subversion by proving that its way of life is superior to that of the Communists' and that it means to practise its principles of liberty, fraternity and equality among nations, big and small.

The main advantage of the Russians so far has been their propensity and ability to exploit situations which are themselves explosive. If their moves in the Middle East or the Far East have demonstrably succeeded, they have had local situation to profit by. The Arab and the Israeli and the Chinese and the Korean have been, in a sense, inviting preys to them. The weapons and wars that they have utilized have merely been accessories to their plans of overall world domination. It is from these that the free world can draw instructive lessons. What is necessary is political astuteness and a sense of timing.



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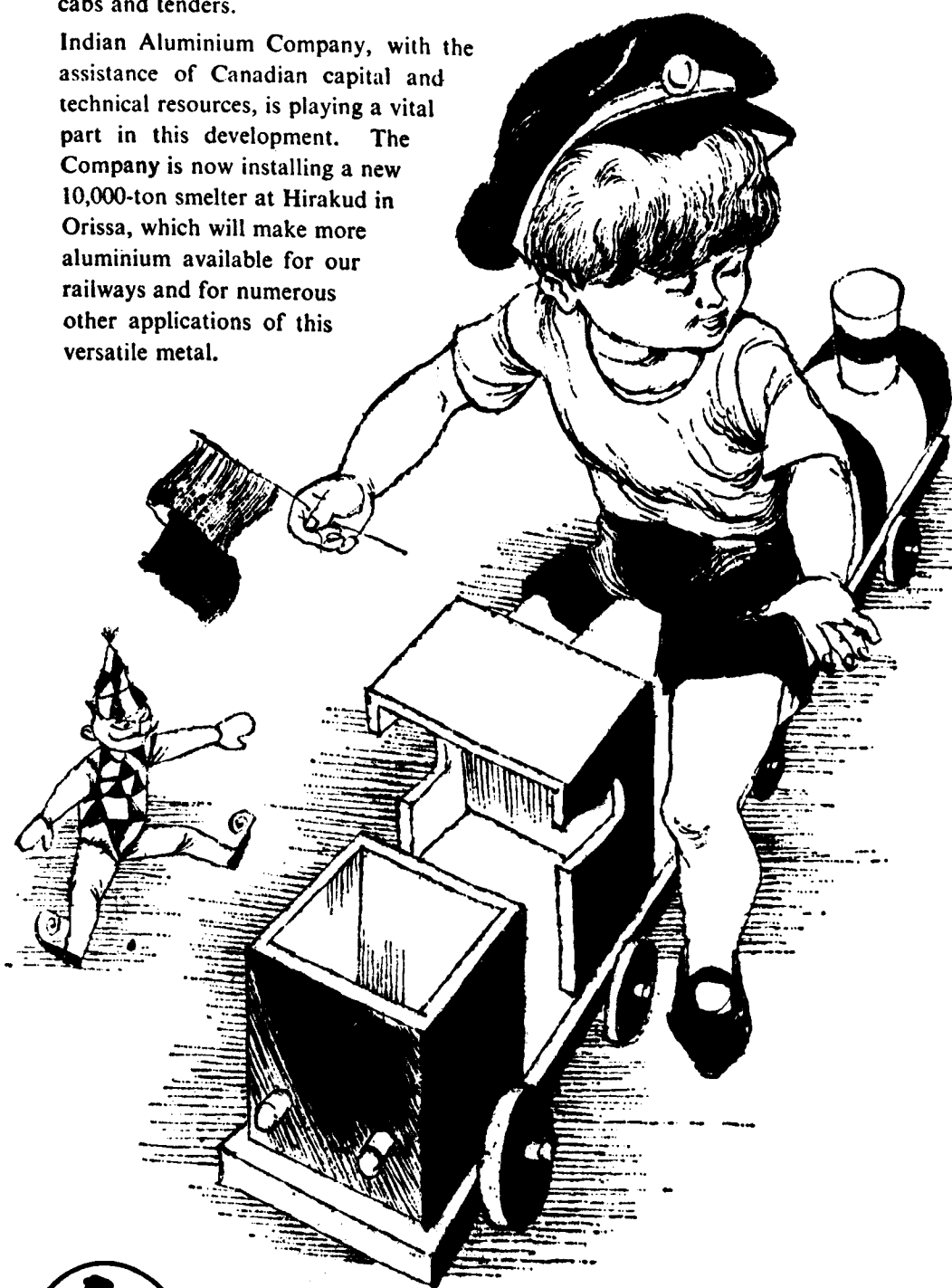


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THE WEEK'S NOTES

DISTINCTION WITHOUT A DIFFERENCE

A SIGNED editorial note entitled "Congress Socialism and Communism" is published in the A-I.C.C. 'Economic Review' of September 1, 1957. In this note Mr Shriman Narayan bitterly criticises a leading article under the title "Distinction without a Difference?" in 'The Eastern Economist' issue of August 16 last. As a reply, the Congress General Secretary's criticism is extremely weak for it does not even attempt to meet any of 'The Eastern Economist's' arguments squarely. And it is misleading, too, for it does not even refer to this journal's main arguments. Instead, the two concluding sentences alone of the article in question are quoted—not as conclusions but as unsubstantiated (?) observations—to drive home the point that 'The Eastern Economist' has confused the Congress policy with the Communist or totalitarian policy.

To black out, as Mr Narayan's note has done, the arguments in a 144-line article and to allege that "it appears the writer has not even read the full article of the Congress President carefully" are positively unfair to 'The Eastern Economist' Mr Shriman Narayan may well note that it has always been the practice of this journal to base its criticisms on original documents as far as possible and not on their summarised versions in the daily papers. In the present case particular care was taken to secure in advance copies of the 'Youth Congress' issues (of July 1, July 15 and August 1, 1957) in which Mr Dhebar's article entitled "Post-Election Heart-Searching and Revitalisation of the Congress" has been serialised.

Any objective and fair-minded reader of 'The Eastern Economist' article would readily know that Mr Dhebar's article was not only read but read with extra care. To say that the writer has not even read Mr Dhebar's article and then to quote the Congress President, as Mr Narayan does in his note, in connection with the well-meaning distinction he has sought to draw between Congress Socialism and Communism, are calculated to ignore the fact that in the second para of 'The Eastern Economist' article the theoretical distinction drawn by Mr Dhebar between the two approaches is clearly and succinctly given. The purpose of this journal's article is to show that the laudable theoretical distinction cannot be sustained in practice if the policy for nationalisation of industries as advocated by the Congress President comes, by any chance, to be implemented. The third para of 'The Eastern Economist' article has listed Mr Dhebar's criteria for nationalisation which are mostly novel and certainly run counter to the policy of the Congress-run Government of India. And the fifth para of the article brings before the reader "the picture of Indian economy that the Congress has in mind" and which is delineated by Mr Dhebar.

The arguments of 'The Eastern Economist' are solidly based on the most relevant passages in Mr. Dhebar's article. The long and short of this journal's thesis is that the Congress brand of Socialism may well, in the conditions of nationalisation visualised by Mr Dhebar, slide into the Communist brand and that if more and ever more nationalisation is conceded as essential for Socialism, "the very bureaucratisation and State Capitalism that Mr Dhebar does not quite relish will become inevitable." It needs only to be added that the logic of this conclusion must have been so compelling that Mr Narayan, refusing to be convinced, has resorted to something bordering on abuse even as some persons resort to baculine argumentation when vocal argument fails.

RESERVE BANK'S FRANK APPRAISAL

THE RESERVE BANK'S recently published report for the year ended June 1957 makes refreshing reading by virtue of the striking fact that it contains a frank analysis of the state of the country's economy and recommends forthright remedies as essential correctives. The analysis which it makes may look as still another corroboration of the appraisals made at different levels in the recent past. Its merit, however, lies in the fact that the Central Board of Directors, as custodians of the country's Central Bank, feel impelled to speak out boldly and frankly that the time has now arrived when action cannot be delayed to relieve the heavy strains on the economy which have manifested themselves since the very start of the second Five-Year Plan. These strains have taken concrete shape in the form of upsets that have been caused in the general price level and in the balance of payments position. The Central Board of Directors of the Bank have categorically stated that, although expansion of money supply and bank credit is implicit in developmental programmes of investment, it ought to be recognised that the growing payments deficit has prevented the expansion of money supply at a faster rate.

This is to underline the important fact that foreign currency reserves have been drawn upon heavily to provide resources for investment inside the country. The normal minimum limit of Rs. 400 crores as a currency reserve was not lowered at the end of the year under survey. But since then special permission has been granted to the Reserve Bank to draw upon the reserves below this limit, but not below Rs. 300 crores as provided by the statute. It is not clear at this stage what would be the size of foreign capital that will be available to us. But in the meanwhile it has become clear that the original assessment of our requirements of foreign exchange by way of assistance in various forms from abroad was an under-estimate. The gap in foreign exchange is most likely to prove larger than what foreign help and secondarily export promotion at some cost of consumption at home can be reasonably expected to fill. The only moral of this stark prospect is that investment programmes as envisaged in the Plan must be pruned. Once this is done and a reasonable relation is established between investment targets and available resources, internal as well as external, it will be for the Reserve Bank to continue unrelaxed its vigilance on the vital front of bank credit and money supply. The report devotes an important part to the elucidation of the Bank's policy of controlled expansion with special reference to selective credit control. Care will need to be taken to ensure that real requirements of funds will not be neglected. The demarcation line between speculative demand and genuine demand for credit is not always clear. Furthermore, the Bank's claim to the effect that it has tightened the screw only against speculative demand in the pursuit of its policy of selective control is debatable.

BACKWARD CLASSES AND SCHEDULED TRIBES

DESPITE THE usual yearly improvement claimed by Mr. B. N. Datar, Minister in the Ministry of Home Affairs, in the expenditure and welfare of backward classes and scheduled tribes, dissatisfaction with what has been done so far was expressed in the Rajya Sabha. Those who spoke on the occasion were practically unanimous on the slow and uninspiring progress, and complained against "improper" use of money granted for the relief and welfare of these benighted people during the last seven years. They also asserted that

there had been hardly any improvement even in the machinery for collecting adequate information about them. They quoted from some of the reports of the Commissioner for Scheduled Castes and Tribes in which it is repeatedly said that there were delays in sanctioning money for the desired welfare schemes by the Centre because of the failure of many of the State Governments to comply with requisite formalities. In this connection it may be remembered that even the Planning Commission has had to admit that during the first Five-Year Plan period it experienced considerable difficulty in assessing the progress of various programmes for the development and welfare of these people, because of the paucity of information. In his reply to the debate the Minister concerned was constrained to admit indirectly that what had been done till now fell far short of expectations.

Most of the members, especially those belonging to the backward classes and tribes, therefore, pleaded for the extension of the special privileges granted to these backward sections under the Constitution for a further period of twenty years. Their main, and almost unassailable, argument in support of this plea, was that practically nothing had been done so far to improve their conditions and bring them within the orbit of modern civilization. It would be difficult to deny the wisdom of this argument. It is, indeed, the duty of the Government of India to help these people, who have suffered unspeakable indignities for centuries, to catch up with their more fortunate countrymen as early as possible. Without the extension of the present privileges, these unfortunate people will not be able to compete with the more advanced section of the Indian people; they will be condemned to live for ever in the prevailing shocking conditions. This would be not only unfair, but immoral in a democratic country. Democracy, is, after all, based on the concept that every one of its citizens should have equal opportunities. Dr H. N. Kunzru was unmistakably right when he observed: "We must either grapple with this question as quickly as possible or create a force that will be hostile to democracy." Backward people are generally more amenable to the suggestions and machinations of anti-social elements, whether they are socially conservative or politically "progressive."

It would be fruitful to probe into the utilization of the Rs 130 crores allotted for the various welfare schemes under the first and second Five-Year Plans. This is called for not only because grave charges have been levelled at the authorities about the use of the allotted funds, but also because the schemes have not in implementation been given the priority which they had been given in the national plans.

CHINA'S DREAM OF AN EMPIRE

MR. CHOU EN-LAI has accused the United States of "pouring" weapons and military personnel into the Republic of Viet-Nam and trying to "link" it with South-East Asia Treaty Organization. He has also accused the Republic of obstructing "free general elections." "Supported and connived at by the United States of America," the New China News Agency reports him as saying, "the South Viet-Nam authorities again and again rejected the reasonable proposals (put forward by the North Viet-Nam authorities for free general elections)." Mr Ho Chi-Minh dutifully echoed him in Hanoi. He is quoted as having said in course of a speech, "While the North of our country is becoming stronger and stronger, in the South, American imperialists are increasing their intervention."

It may be remembered that, along with Britain, France and Russia, China voted for partitioning the country and for an armistice control commission to be present for supervising and observing whether the stipulations of the Geneva Agreement were carried out. Among other things, it was laid down that the current

armed strength of each party was not to be increased. If Mr Chou En-lai now accuses the United States of "pouring" arms and military personnel into the Republic of Viet-Nam, he indirectly accuses the Armistice Control Commission of either being lax or dishonest. We shall not go into the accusation; the members of the Commission will doubtless themselves answer the charge and clarify to the public on its truth or untruth. But we would certainly like to know how Mr Chou En-lai has convinced himself of the propriety of advising or upbraiding the Commission. The reason for his "concern" for the Vietnamese is not obscure: it may well be that Mr Chou and the regime he speaks for are carried away by ambitious dreams of reviving a "glorious" past. China extended its tyranny over rich and fertile Viet-Nam for about a thousand years: today it is entrenched in its northern part. This is obvious from, among other things, the ruthlessness with which protest against Chinese paternalism is curbed. Revolts in the northern part are known to have occurred among intellectuals as well as peasants. Mr Chou's visit to Hanoi on November 18, 1956—soon after the peasant uprising at Quynh Luu, Quynh Nam and other places—cannot have been forgotten. There was on that occasion not enough time for the Hanoi authorities to construct even the usual triumphal arches. Many observers, among them the "Economist" of London, saw in that visit a purpose similar to Mr Krushchev's when, as suddenly, he visited Warsaw. This would connect Mr Chou's journey with the discontent and revolts in north Viet-Nam. In this atmosphere, the Communist leaders of China and north Viet-Nam demand free elections. It may be remembered, in this connection, that the representative of the National Government of Viet-Nam, after proposing a cease-fire without partition, suggested the holding of free elections under United Nations' supervision. But the Viet-Minh representative, under the undoubted influence of the Chinese, rejected the proposal. This could indicate that the Chinese dream of reviving a "glorious" empire in Viet-Nam was mature at the time of the Geneva conference in 1954. The Communists' prowess in connection with the holding of "free" elections is known and if elections do take place under the Communists, the southern part of the Viet-Nam will be added to the north, and the entire country will pass under the "protective wing" of the Chinese. For Mr Chou and his Comrades, what better prospect is there than this?

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AGGRESSION

By

ODYSSEUS

THE WILL TO POWER

SIR STEPHEN KING-HALL'S suggestion that the UK should disarm and rely for defence in civil resistance has attracted public discussion. In preceeding weeks I outlined his arguments and I suggested that the sort of civil resistance that was practised in India was only possible against a state susceptible to appeals to conscience and in which public opinion was free to express and to organise itself. But against a ruthless dictatorship, such as that of the USSR, which has dissolved four Autonomous (sic) Republics and expunged four major, and several minor, nationalities from the ethnographic map of the USSR, taking whole families forcibly from their homes and dispersing them in distant provinces, civil resistance has no meaning.

Moreover, the relevance of the other instances cited of successful resistance, such as that of the French during the German occupation in World War II is open to debate.

Resistance movements flourish as long as there seems a chance of ultimate victory. A resistance believed to be hopeless fades away. The French resistance was actively aided with weapons and equipment by the British regular armed forces and fought on in hopes of the Allied landing which eventually took place on D-day in 1944. If the Allies had lost the war, the French resistance would have evaporated if the Germans had been prepared to purge, shoot, kill and deport wholesale. You can only argue with an armed man if he will let you. If not, not. I submit therefore that whether British civilians could put up any prolonged resistance against regular Soviet forces would depend on how they estimated their chances. If they faced the Soviets alone, without aid from the USA and the Commonwealth, the chances would be nil. But here another of the questions put forward for investigation by Sir Stephen King-Hall becomes relevant: "Could a national resistance policy be carried out irrespective of the views of Britain's allies and the Commonwealth?" The answer is: No. What is more, a serious proposal that the UK should adopt a pacifist defence policy would so undermine US confidence in Britain that one could expect an agonising, probably isolationist, re-appraisal of Soviet-American relations at the expense of all that Britain held dear. The point of departure of US and Commonwealth thinking would be that while they were ready to spring to the aid of a Britain that was making its contribution to the common defence, they would see no reason to pay any attention to the interests of a Britain that was content to let others shoulder the expense in peace and shed the blood in war.

Liberal ideals were undoubtedly among the several reasons which led the British to leave India, but included among these reasons must also be listed a decreased will-to-power and the loss of that supreme self-confidence in their destiny which characterised the British in the nineteenth century. Whatever the reasons for this—among them the material losses and psychological sufferings in two World Wars suggest themselves—the fact remains that a people whose self-confidence and will-to-power have been undermined must gradually yield ground in the type of struggle conducted by the Congress Party and Mahatma Gandhi.

But this is an all-important qualification which does not apply to the Soviet rulers who, on the contrary, are in the first, power-drunk phase of a nation which has found its youth, is full of the lust of life, and looks forward to ever greater economic and imperial expansion. The Soviet ruling class has (rightly or wrongly) the intoxicating sensation that the future belongs to them. With a nation of 214,000,000 occupying two-fifths of the land surface of Europe and Asia, at their backs, the will-to-power of the Soviet rulers is broadly based and their freedom from (a) the inhibitions of conscience in affairs of state and (b) a public opinion free to express and to organise itself endows their dictatorship with a ruthless determination. There is no record of any constituent people of the former Czarist Russia surviving as a cultural, or other un-Russianised, separate entity under the Soviets.

The civil resistance and partisan movements cited as apparently successful in Algeria, Cyprus, Ireland, and elsewhere, are all examples of resistance against democracies with (a) public consciences, (b) public opinions, and above all, (c) uncertain wills-to-power and dimmed self-confidence. Their examples are therefore, irrelevant in a discussion of the feasibility of civil resistance by a disarmed and semi-pacifist Britain against Soviet invaders impelled by a lusty will to power, uninhibited by conscience or public opinion. That there is no parallel between these two cases is one of the basic points of my argument.

The fundamental point against the view that passive civil resistance is feasible as a weapon of diplomacy, foreign policy, and national defence, is that self-assertion and aggressiveness are part of the innate, psychological make-up of all human beings. A degree of aggressiveness is biologically necessary for the survival of an individual, a race, nation, culture, or a way of life. I fear that I shall attract the wrath of the many million followers of the Hindu ascetic leaders, of Christ, and of the Buddha, when I assert that the nation which consistently practised all the virtues of selflessness, meekness, love for its enemies, and the turning of the other cheek (or should we say the opening of the other frontier?) in response to foreign aggression would in due course vanish from the face of the earth, leaving it to be shared out between the enemies that it had loved as well.

Among the 14 questions that Sir Stephen suggested that a Royal Commission should investigate (see this column for August 23), were "if it were decided to adopt a new policy, how long would it take to implement it?" and "What training must the population be given in schools and elsewhere for its role in a war of non-violent resistance?" When one reflects that Buddhism and the Hindu ascetics have been preaching against the instincts of self-assertion and aggression, and upholding the virtues of peace-making, patience, humility, and respect for life, for 2,500 years over the greater part of Asia, and Christianity doing likewise for 1,900 years throughout Europe and vast areas of the rest of the world, the prospects of transforming lip service into

action—say, within a generation or two, to say nothing of a decade—are discouraging.

SHOULD INDIA ECONOMISE RS. 253 CRORES?

When one reflects further that, having a considerable section of its population naturally disposed towards pacifist ideals, and virtually the whole contemporary population having for some 30 years lived under the inspiration and the teachings of Mahatma Gandhi—one of the great religious leaders of all time and the incarnation of non-violence—India, now that it is free to make its own policies, has not chosen disarmament and non-violent resistance as the main sanction behind her national defence but that, on the contrary, the Lok Sabha recently passed by unanimous vote, the largest sum ever voted (Rs. 253 crores) for her three armed services, and that this represents no less than 40 per cent of the budget, one wonders what hopes there are of converting to non-violence the British who have never attained any conspicuous success in the practice of meekness, mildness, and the turning of the other cheek? Any British politician who stood for a pacifist defence policy would forfeit his deposit and would lead any party so suicidally minded as to adopt it into the limbo of lost political causes.

Sir Stephen King-Hall listed among the possible reasons why the Communists wished to destroy the democracies the fear that the long-term objective of the West is to overthrow the USSR Government by force.

I agree that the West should aim to allay this fear. This is largely a problem of establishing a two-way flow of personal contacts between leaders and peoples on both sides of the Iron Curtain and requires time and patience. But the danger of unilateral disarmament is that it would simultaneously allay fears and create an invitation to the Soviets to give uninhibited vent to their natural human instincts of aggression, which are at present kept in check by a healthy fear of the NATO alliance, backed up by the might of the USA. In the circumstances imagined, there would be no need for this aggression to take the form of war. The USSR would simply send missions to re-organise the UK economy as best suited the USSR. They would transform it into a "colonial" economy geared to Soviet interests, as was India's to Britain in the nineteenth century.

Tibet is the only nation which has tried out non-violence as a national policy. China had no reason to fear that Tibet's long-term objective was to overthrow the Peking regime by force. Tibet was the supreme example of an unarmed people, anxious only to live, the world forgetting, by the world forgot, careful to threaten no one by raising armed forces, careful to avoid getting mixed up with power blocs by seeking the protection of powerful allies.

That is why Tibet was "liberated". That is why there is no longer a Tibetan way of life.

ALGERIA BEFORE THE U.N. DEBATE

(From Our Special West European Correspondent)

PARIS, September 7.

THE Algerian situation, which is to come before the United Nations this month, has considerably worsened since the last U.N. session, at which France was given a reprieve on the understanding that she would try more liberal courses in the near future. It has worsened because in the interval the ultras have come to power in both camps: the rebel leadership has hardened and is now less under the influence of the Algerian intellectuals who preach its cause in foreign capitals; while in the French Government Algerian affairs are in the hands of the most conservative politicians that could be found within the present Radical-Socialist coalition. The Bourges-Maunoury Cabinet is now committed to total military repression. The "framework-law" that it is preparing for Algeria does not seem likely to impress the rebels as a liberal measure is in any case intended rather as a showpiece to display at the United Nations.

French methods have certainly improved in recent months as a result of the vigorous campaign in France itself against brutality and atrocities. Civil liberties are better safeguarded, legal treatment of suspects is more nearly the rule, public enquiry into irregularity is more prompt and there is evidently less recourse to "special methods" for extracting information. But this only means that the Army is being used for military rather than Gestapo purposes—and it is now being used to fight the rebels with more vigour than ever. In this it has achieved what appear to be successes: more rebels have been killed and captured and the flow of arms into the country from across the borders has slowed down. It is quite another question whether these military successes bring the French any nearer controlling the situation politically. Perhaps not. But the present Government is determined to continue this policy until it unambiguously fails or succeeds. In other words, no change of heart can be expected from the French side as long as this Cabinet remains in office—and as long as its military policy holds out hope of success, no Parliament will overthrow it.

How far the Bourges-Maunoury Government is prepared to go in this direction has just been demonstrated. The French have built a fantastic fence over 200 miles long running the length of the Tunisian-Algerian border, in an effort to block off the supply of arms from the east. This barrage consists of several rows of barbed wire, electrified hedges, minefields, and radar equipment; it required 20,000 tons of material and was built by 12 battalions of engineers and 7,000 local workmen. It follows the north-south railway line from Bone down beyond Tebessa. It is impossible to continue the passage of the barrage, between the railway line and the actual Tunisian border, a considerable no-man's-land has been emptied of population, dotted with desert forts and is constantly patrolled by aviation. Behind the barrage is another empty no-man's-land and behind that again a region where all movement is strictly controlled. Once this fence was near completion, the French Government served notice on the Tunisians that if any rebels made an incursion into Algeria from their side of the border, they would be pursued back into Tunisia by French troops. Within a few days, this new policy

was applied and there was a bloody skirmish on Tunisian soil. Obviously, the Government in Paris is willing to ruin its relations with Bourguiba (although Bourguiba is the one man who could help find a genuine political settlement) in an effort to seal the borders of Algeria.

Whether or not this desperate military programme can succeed remains to be seen. But it is clear that a Government that ventures on it is giving no thought to seeking a political settlement. So the "framework-law" must be taken, not as an attempt to meet Algerian aspirations, but as a device to gain a further reprieve from the United Nations, to give time for the military programme to prove itself. The Americans have already told Paris that at this U.N. session they will abstain from voting, rather than round up support for the French, unless some definite step has been taken toward liberalising the Algerian regime. Since France would certainly be heavily outvoted if the Americans declined to use their influence to get a favourable vote, the "framework-law" is being hurriedly concocted to give Washington an excuse to preach patience.

The "framework-law" is in fact the merest gesture. It offers nothing beyond a measure of decentralisation and would not bring Algeria to anything like the stage reached by India in 1935 after the Government of India Act. It has not yet been approved by all the parties that Bourges-Maunoury needs to get a favourable vote in the French Assembly, but its present terms are these: it divides Algeria into five or six regions in each of which there would be a "territorial assembly" elected by direct universal suffrage. Over these territorial assemblies, there would sit in the city of Algiers a "co-ordinating assembly" which would attend to questions of common interest but would not have legislative powers and would not be elected by universal suffrage. Real power would remain with the third part of the regime, and executive or administration sitting in Algiers and presided over by a minister nominated from Paris. Even supposing, what is quite likely, that the rebels would be content with something less than the absolute independence they are claiming, nevertheless the dispensation envisaged in the "framework law" would be quite inadequate to secure their support. But then, I repeat, it is scarcely meant to attract their support.

Since the French have apparently abandoned all effort at negotiation such as was going on constantly and secretly under the Guy Mollet Government and have set themselves on a total military victory, what chance do they have of achieving it? In theory, if the borders of Algeria with Tunisia and Morocco were completely sealed, the rebellion in Algeria could be exhausted within several months. The rebels receive all their arms and ammunition from across these borders; they retreat across them when pursued by the French; they have rest camps and training centres in Tunisia; they get supplies from the Tunisian administration and are allowed to use official services and transport for their purposes; Tunisians officials along the border (who in this no doubt go beyond the orders or even the connivance of the Government in Tunis) actively co-operate with them. In all these respects the newly independent Government of Tunisia is clearly violating its international obligations. The administration

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and army that it allows to assist the Algerian rebels is subsidised and maintained by the French; in fact Tunisia is simply passing on to the rebels a share of the money and arms it receives from Paris. Similar observations would apply to Morocco, though Moroccan complicity in the rebellion is considerably less.

If this outside support could be stopped, the French Army argues, the armed rebellion would collapse. But it would be immensely difficult to seal borders that run across the desert, even by such grotesquely expensive means as the French have used in building the Bone-Tebessa fence. And even without outside help, the rebel movement would no doubt be able to continue terrorism on a politically significant scale for many months, perhaps in some regions for years. But what the French are banking on as much as an outright victory in the field, is the discouraging effect of continuous military successes on the rebel leadership. This leadership is already acutely split. Ever since Colonel Nasser founded the FLN in Cairo, by splitting off pro-Egyptian elements from the older MNA revolutionary movement, the Algerian cause has been deeply divided, and these two groups spend as much time terrorising each other as they spend fighting the French. Their rivalry has increased in recent months, and now there

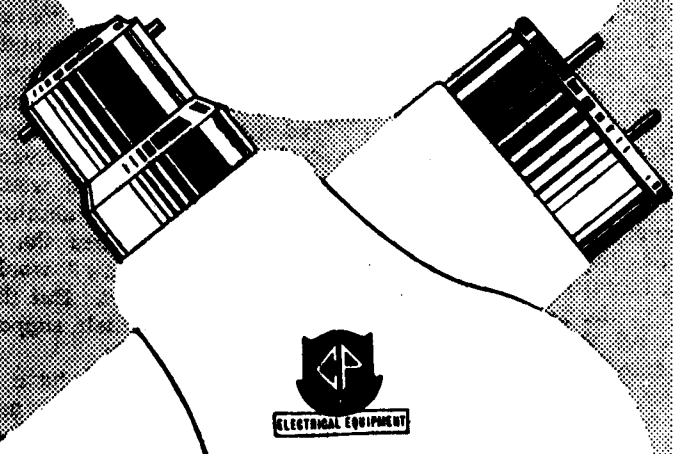
is growing division within the FLN itself. The chiefs who conduct the rebel bands in the field are out of sympathy with the intellectual leadership whom they variously accuse of being pro-French, pro-Communist or pro-Egyptian. It is this division of the rebel movement that enables the French to say they cannot negotiate because there is no one party to negotiate with—and this is true, even if it is not the only reason the French are disinclined to negotiate. Above all, this division encourages the French to persist in their military programme in the hope that the rebellion, if sufficiently hard pressed, will collapse under its own internal contradictions.

An idea of how much support the Bourges-Maunoury programme enjoys among the French electorate was provided this week by a Gallup poll taken by the Institute of Public Opinion. It showed that 36 per cent of the metropolitan French favour maintaining Algeria's present status as a juridical part of France, 34 per cent favour greater local autonomy while retaining Algeria within the Republic, only 18 per cent favour outright independence, and 12 per cent had no opinion. So less than one-fifth of the French people are yet willing to envisage the solution recommended this month by Mr. Nehru.

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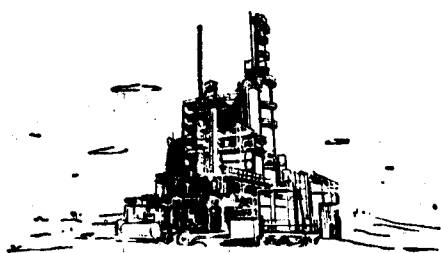
After drilling me out of the earth, they take me to the Refinery. Here I am passed through a continuous process in which I am heated in pipes running through a furnace.

By now I am a mixture of hot vapours and liquid discharged into a fractionating or "bubble" tower, and I pass through vents in a series of trays. As my fractions are separated at different boiling points the residue is drawn off at the bottom, the lubricating oils at the middle of the column, motor gasoline and kerosene fractions still higher up.

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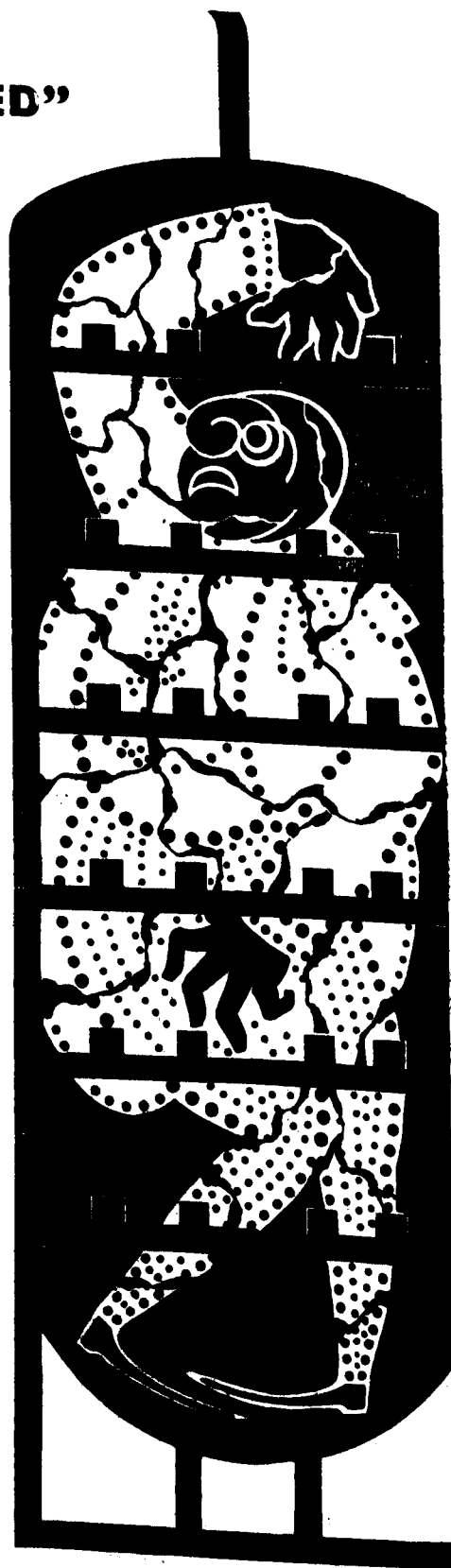


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WORLDGRAM

AGRICULTURE

Nitrogenous Fertilizers: The requirements of nitrogenous fertilizers in the country during the calendar year 1956 were 6,55,500 long tons, revealed Shri Ajit Prasad Jain, Union Minister for Food and Agriculture, in the Rajya Sabha. Out of this, 3,88,990 long tons had been produced locally. The country's requirements in terms of sulphate of ammonia, Urea and ammonium sulphate nitrate last year were 6,13,000 long tons, 24,600 long tons and 17,900 long tons respectively.

Delhi Milk Supply Scheme: Shri M. V. Krishnappa, Deputy Minister for Agriculture, informed the Rajya Sabha in a statement placed on the table of the Sabha that the New Zealand Government had agreed to make a grant-in-aid of £800,000 to the Delhi Milk Scheme under the Colombo Plan. The amount would be utilised for meeting the cost of imported milk-processing equipment required for the Central Dairy and its ancillary rural milk collection and chilling centres. The cost of equipment was estimated at Rs. 153 lakhs. No plant was to be received from New Zealand. The statement further said that the Central Dairy, which would house the main plant, would be located in Delhi near the West Patel Nagar Railway Station. The milk animals, removed from Delhi, would be housed at a cattle colony near Badli. About 350 maunds of milk would be secured from the cattle colony and 6,650 maunds of milk from the other rural areas. It was difficult, at this stage, to work out the quantities. Only whole milk would be sold in the beginning, but toned milk would be prepared, if there was a demand for it.

Uttar Pradesh Irrigation Projects in Second Plan: Ten irrigation and multi-purpose schemes, which will benefit an area of 15.59 lakh acres in Uttar Pradesh, have been included in the second Five-Year Plan. The total cost of the schemes, three of which will be carried over to the third Five-Year Plan, is estimated at about Rs. 38.37 crores. Of this amount, Rs. 22.90 crores are likely to be spent during the second Plan period. Nearly 15.59 lakh acres will receive irrigation benefits during the period. A sum of Rs. 50 lakhs has been earmarked for investigations during this Plan period. One of the major schemes is the Rs. 15.99-crore Ramganga river project. This is expected to irrigate 7.01 lakh acres in various districts of the State. Rs. 4.50 crores are to be spent on the project during the second Plan period.

Bhoodan Land in Bihar: A pilot scheme has been formulated to resettle landless agriculturists on the Bhoodan land in Bihar on a co-operative basis. Resettlements will be made on suitable blocks of 75 to 100 acres, and it is proposed to settle 25 families on each of 10 such blocks. In this way, 250 families will be settled on Bhoodan land, having an area of about 750 to 1,000 acres. The Government of India has sanctioned a sum of Rs. 2½ lakhs for resettlement of these families.

INDUSTRY

Target for Industrial Alcohol: The Committee of experts on alcohol industry appointed by the Government of India has recommended that the target of production of industrial alcohol should be raised from 30 million gallons per year to 46.8 million gallons per year by 1960-61. The Committee had recommended that in order to achieve this rate of production the

target capacity should be raised from 36 million gallons per year to 52 million gallons per year. The Committee had made certain other recommendations for the development of the industry and for the utilisation of the increased production during the second Plan. The Report of the Committee was at present being considered by the Government.

Manufacture of Machine Tools and Hand Tools: By a notification published in a Gazette of India, the Government of India have exempted from the operation of the registration and licensing provisions of the Industries (Development and Regulation) Act, 1951, all industrial undertakings engaged in the manufacture or production of machine tools, hand tools and small tools for their own consumption. Any undertaking which manufactures these tools need not, therefore, apply for registration or licence unless its manufacturing capacity is such as would enable it to effect sale of the tools to the public, in addition to meeting its own requirements.

Production of Rayon Yarn: The Minister for Commerce and Industry, Shri Morarji Desai, stated in the Rajya Sabha that licences under the Industries (Development and Regulation) Act had been issued to seven firms for the manufacture of rayon yarn with a total capacity of 80 million lbs. The present production of rayon yarn, Shri Desai said, was only 20 million lbs.

TRADE

Indo-Austrian Trade Agreement Extended: Letters have been exchanged at Vienna between the representatives of India and the Austrian Federal Republic extending the validity of the Indo-Austrian Trade Agreement up to June 1958. The Trade Agreement, which was signed on December 9, 1952, was initially valid for two years ending June 1954 and was extended from time to time. It was last extended in September 1956 and was valid up to June 1957. In terms of the latest exchange of letters, the Austrian Federal Government have agreed to license freely for importation into Austria from India of walnuts, kapok, raw wool, pig bristles, cotton seed oil for industrial purposes, crushed bones for use as fertilizers and bladders and guts. Other commodities that are permitted to be imported freely into Austria from India are castor oil, coir, coir yarns, fibre for brushes and brooms, handicraft manufactures of ivory, brass, horn and brocade, iron ore, manganese ore, mica, shellac, linseed oil, myrobolans, spices, cashewnuts, tanned leather, tea, carpets, sports goods, hydrogenated oil for industrial purposes and raw cotton.

Indo-Japan Trade Treaty: The Minister for Commerce, Shri Nityanand Kanungo, said in the Lok Sabha that the possibility of concluding a trade agreement with Japan before the end of this month was under active discussion with the Japanese Government. Shri Kanungo was replying to a question by Shrimati Tarkeshwari Sinha and another Member whether there was any proposal to extend the provisions of Article 2 of the Indo-Japan Peace Treaty of 1952 beyond September 30, 1957. The Minister added that the question of extending the provisions of the Article for a further period did not arise at this stage.

Export of Iron Ore to Japan: The Minister for Commerce, Shri Nityanand Kanungo, said in the Lok Sabha that the State Trading Corporation was confident of delivering the contracted quantities of 1.3 million

tons of iron ore to Japan during the period July 1957 to June 1958 for the supply of which it had entered into an agreement. A total quantity of nearly 1,20,600 tons had been shipped up to August 25, 1957. Considering seasonal difficulties, the deliveries so far had not been unsatisfactory. Shri Kanungo added that the S.T.C. was receiving necessary assistance from the Ministries of Railways and Transport.

FINANCE

Financial Aid for Warehousing and Co-operative Societies in States: For development of warehousing schemes in the country, loans amounting to Rs. 7.5 lakhs—Rs. 2.5 lakhs to Orissa and Rs. 5 lakhs to Madras Governments—have been sanctioned by the National Co-operative Department and Warehousing Board for setting up of State Warehousing Corporations in the two States. The loans to the Orissa and Madras Governments are a contribution to share capitals of the State Warehousing Corporations, and represent 25 per cent of the total paid up value of the shares. The Board has also sanctioned about Rs. 30 lakhs as subsidies and loans for development of large-sized and small-sized co-operative societies in Bombay, West Bengal, Uttar Pradesh, Delhi and Himachal Pradesh for 1957-58.

Low-Income Group Housing Scheme: Shri Anil K. Chanda, Deputy Minister of Works, Housing and Supply, in reply to a question by Shri Maheswar Naik in the Rajya Sabha laid the following statement on the table of the House giving the names of the State Governments which had availed up to August 31, 1957, of the facility of the grant of loans by the Government of India for the acquisition and development of sites for sale to persons in the Low-Income group on a no-profit-no-loss basis: Andhra Pradesh—Rs. 5.55 lakhs; Bihar—Rs. 16.00 lakhs; Bombay—Rs. 22.65 lakhs; Jammu and Kashmir—Rs. 5.00 lakhs; Madhya Pradesh—Rs. 23.25 lakhs; Madras—Rs. 4.24 lakhs; Punjab—Rs. 5.00 lakhs; Rajasthan—Rs. 8.50 lakhs; Uttar Pradesh—Rs. 47.00 lakhs and Delhi—Rs. 25.00 lakhs.

Foreign Exchange for Business Travels: Foreign exchange expenditure on business travels in 1956, according to information available from the statistics maintained by the Reserve Bank, was Rs. 39.5 lakhs against the total foreign exchange expenditure (both visible and invisible) of Rs. 1,089.3 crores. During January-April this year, out of a total foreign exchange expenditure of Rs. 427.7 crores, the amount spent on business travels was Rs. 28 lakhs.

Decimal Coinage: The total value of all denominations of decimal coins put into circulation during the period April to July 1957 was about Rs. 1.6 crores, said the Finance Minister, Shri T. T. Krishnamachari, in a written reply to a question by Shri Manabendra Shah, in the Lok Sabha.

GENERAL

Employment Situation in June 1957: In spite of a fall in registrations, vacancies notified and in the number of employers utilising the services of Employment Exchanges, there was an increase in the number of persons placed in employment in June 1957. During the month, 91,533 applicants were submitted to employers for selection as against 1,04,870 in May. The number of placements in June was 17,369 as compared with 17,271 in the previous month. The increase in placements was appreciable in Uttar Pradesh and

Madras, while there was a decrease in Delhi, Madhya Pradesh and Kerala. Of the total number of placements, 5,605 were under the Central Government, 7,661 under the State Governments, 1,352 under quasi-Government establishments and local bodies and the remaining 2,251 under other employers. At the end of June, 7,79,478 applicants were on the live Register of Employment Exchanges. This was 3,455 less than the figure at the close of the previous month.

Specifications for Dairy Products: The Indian Standards Institution has issued four draft Indian standard specifications for dairy products for eliciting comments. These drafts, prepared by the Dairy Industry Sectional Committee of the Institution, cover milk powder (whole and skimmed), condensed milk, casein (acid), edible and industrial, and lactose. In the draft specification for milk powder (whole and skimmed), requirements for moisture, total milk solids, solubility index, ash, fat, acidity and bacterial count have been prescribed. In the draft specification for condensed milk, the four types of condensed milk, full cream sweetened, and unsweetened and skimmed sweetened and unsweetened have been covered. The draft Indian standard specification for casein (acid), edible and industrial, prescribes the requirements in respect of moisture, total ash, acid insoluble ash, fat, nitrogen, etc. in respect of two grades of the material, namely edible and industrial. The fourth draft standard series deals with lactose. In view of the fact that lactose is used both for commercial and for pharmaceutical purposes, the Sectional Committee decided that requirements for the material used for these two purposes should be specified separately.

State Electricity Boards: State Electricity Boards have been set up in West Bengal, Madhya Pradesh, Bombay, Kerala, Madras, Rajasthan and the Union territory of Delhi, said Shri Jaisukhlal Hathi, Deputy Minister of Irrigation and Power, in a written reply to a question by Shri Nawab Singh Chauhan in the Rajya Sabha. Shri Hathi added that all the remaining States had agreed to constitute the boards shortly and were engaged in finalising the preliminaries. The boards could not be established in these States earlier on account of certain administrative and technical difficulties.

Indian Students and Trainees in Germany: During the State visit of the Prime Minister, Shri Jawahar Lal Nehru, to West Germany a number of scholarships were offered by the Government of the Federal Republic of Germany to India. A number of other scholarships were also offered by the West Germany, 600 from the Government of the Land North Rhine Westphalia, for students and trainees, 100 from the Hamburg Chamber of Commerce, 10 from the Senate of the Free city of Hamburg for post graduate study and research work at Hamburg University and two scholarships were offered by the Student Body given through the Student Council of the Hamburg University.

Expansion of Matchwood Plantations under Second Five-Year Plan: During the second Five-Year Plan, it is proposed to bring in an additional area of about 50,000 acres under matchwoods. The scheme is being undertaken in suitable forest localities by the States of Bombay, Madras, Orissa, Bihar, West Bengal, Assam, U.P., Punjab, Mysore, Andhra Pradesh, Kerala, Manipur and Andamans. The total provision for the scheme for the Plan period is Rs. 1,01,78,000.

NEWS IN BRIEF

INDIAN

With a view to promoting Consumption of pure coffee within the country, the Coffee Board has recommended that import of chicory should be banned.

The National Industrial Development Corporation is conducting negotiations with a few foreign firms for obtaining technical and financial collaboration in this project for the manufacture of intermediates for dye-stuffs and drugs.

The Indian Standards Institution has just published a code of practice for use of structural timber in building (material, grading and design).

It is reported that the Steel Purchasing Mission of the Railway Board have placed orders for most of the steel requirements of the railways. Orders have been placed for 5.22 lakh tons of iron and steel valued approximately 36 crores of rupees.

A more comprehensive range of life insurance policies, lower premium rates, omission of extras for war risks and insurance of women on a liberal basis are some among the several measures taken by the L.I.C. to afford better insurance facilities to the people.

To promote the small savings movement in the Community Development and National Extension Service Areas, the Ministry of Community Development have suggested to State Governments to establish two to four pilot projects in each State, depending upon its size, for an intensive drive.

Salem magnesite is proposed to be exploited through the formation of a Corporation in which the Government of India, the Madras Government and a private firm—Burn and Company—will participate.

The Government of India are understood to have agreed to licence the setting up of a 12,000 spindle co-operative textile mill in the Ramnad district in Madras. The mill is being set up as a co-operative venture of handloom weavers and cotton producers.

It is reported mill molasses of Bombay origin will be licensed freely for export to all permissible destinations.

Copper base alloys conforming to the standard specifications such as B.S.S., A.S.T.M., I.S.I. will be licensed freely for export to all permissible destinations.

Sardar Swaran Singh, Union Minister for Steel, Mines and Fuel stated in the Lok Sabha recently that in 1956-57 the Punjab was allotted 57,196 tons of steel. The State's total allotment for the first two quarters of 1957-58 was 22,186 tons.

FOREIGN

The Federation of Malaya had a favourable trade balance of \$M23.8 million in July, according to preliminary figures issued in Kuala Lumpur. Exports in July were \$M174.1 million and imports \$M150.3 million.

Pakistan had received \$124.6 million of aid up to June 30 this year for various development projects.

Yugoslav shipyards at Rigeika, Pula and Split have concluded contracts with British and other foreign shipowners to build 36 Ocean vessels worth about £50 million by the end of 1962.

The Ceylon Government has reduced the export duty on all rubber, except scrap crepe, by four cents per pound.

Rubber consumption in the US in July was 109,331 tons, some 2,000 tons less than in the previous month. But the July figure was still 13,000 tons higher than a year ago.

It is reported plans for a Portuguese steel industry would shortly be finalised. Its target is the production of 300,000 tons of iron and steel annually. Siderurgia Nacional, the company which will own and operate the new industry, estimates that by 1960 it will be able to produce 20,000 annually.

A Bill to extend the US National Wool Act for another four years to March 31, 1963 was introduced in the Senate recently.

South Africa's total gold and foreign assets in the week ended August 23 totalled £112,936,000 compared with £112,821,000 a week earlier. The last total comprised £80,198,000 in gold coin and bullion, £21,595,500 in foreign bills, £7,103,000 in foreign securities and £4,040,000 in other foreign assets.

Dutch foreign trade in July showed a decided improvement. Imports totalled Fls. 1,375 million against Fls. 1,299 million in June and Fls. 1,277 million in July 1956.

It is reported Saudi Arabia has become a member of the International Monetary Fund and World Bank.

British and Anglo-Dutch oil companies produced 125.2 million tons of the 868.9 million tons record world oil output for 1956. The British-Dutch share represented an increase of about 7 million tons on 1955, this new peak being achieved despite the effects of the Suez crisis on Middle East output in the last two months of the year.

A tender from the Czechoslovakian Techno-Export Corporation to build a sugar factory in Ceylon has been accepted by the Ministry of Industries.

German plastics production has now reached an annual value of £42 million—a 54 per cent increase over 1954. In the same period, the plastics processing industry's output increased by 64 per cent to £98 million.

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Special Articles

STATE DEFICITS: THE WAY OUT

THE State Budgets for 1957-58, taken together, reveal a considerable deficit for the third year in succession. The aggregate revenue deficit this year is Rs. 77 crores (after taking into account the estimated yield of additional taxation of just under Rs. 10 crores in all in the States of Bihar, Uttar Pradesh, Punjab, Rajasthan, Orissa, Madras and Kerala) as against the same figure in 1956-57 (Budget) and Rs. 66 crores in 1955-56 (Revised). As for overall deficit, it is of the order of Rs. 111 crores this year, and this is to be partly met by reduction of cash balances and by sale of Rs. 25.5 crores' worth of securities in investment accounts. Still the closing balance will be a negative item of Rs. 59 crores. This state of affairs for which the revenue deficit is largely responsible is, perhaps, not as disquieting as it looks, for this may well be considerably reduced if the final recommendations of the second Finance Commission regarding the Central grants-in-aid to States and the distribution of the divisible Central taxes turn out to be generous according to general expectation.

Incidentally, the trend in regard to shared taxes is that the States' share has increased from Rs. 53 crores in 1951-52 to Rs. 98 crores in 1957-58 (Budget). This increase of Rs. 45 crores is by no means phenomenal in the context of an increase of about Rs. 300 crores in the entire tax revenue of the Centre since 1951-52. On the other hand, Central grants to States have increased to a greater extent from Rs. 34 crores in 1951-52 to Rs. 122 crores in 1957-58 (Budget). As the present Finance Commission is rightly expected, in the context of State Governments' inability to levy any substantial additional taxation after the huge tax effort of the Centre this year, to recommend a pattern of tax-sharing and grants-in-aid which would be more favourable to States, the States may get an additional revenue of not less than Rs. 50 crores in the budget year (1957-58) under 'shared taxes' and 'grants' together. Even after the possible transfer of about Rs. 50 crores to the State Governments this year, there will be a gap of Rs. 27 crores which, according to present indications, are likely to be covered later in the year by additional taxation. If there is to be no negative closing balance, additional taxation may have to be at least Rs. 36 crores in all.

With the expected increase in resources made available by the Centre, such resources 'plus' loans might come to Rs. 527 crores accounting for 48 per cent of the States' aggregate expenditure of Rs. 1,106 crores on revenue and capital accounts together in 1957-58. In other words, roughly half of all expenditures of the State Governments could be incurred only with the aid of resources made available by the Centre. How centrally-regulated planning has brought about an increase in the financial dependence of States on the Union Centre can be seen from the first table in the next column.

If State autonomy which is, to some extent or other, already circumscribed in practice by this financial dependence is not to be curtailed further, the State Governments may have to cease asking for more and more from the Centre and either to curtail their plan budgets suitably or to get some more revenue by additional taxation. As continuing overdrafts and sale of securities to the Reserve Bank (as distinguished from short-term ways and means advances by the Centre and the Reserve Bank) largely constitute deficit-financing, the State Governments may have to

raise additional resources by taxes in order to reduce the need for such deficit-financing to some extent.

(In Rs. Crores)

Year	Resources from the Centre by way of shared taxes, grants & loans	Expenditure of States on Revenue & Capital Accounts together	(2) as a percentage of (3)
(1)	(2)	(3)	(4)
1951-52	160.1	544.0	29.4
1952-53	221.6	572.5	38.7
1953-54	272.8	625.0	43.6
1954-55	343.7	701.5	49.0
1955-56 (R.E.)	433.0	947.4	45.7
1956-57 (B.E.)	479.6	1040.7	46.1
1957-58 (B.E.)	476.8	1105.7	43.2

Here one is led to examine the scope for additional taxation in the States. As things stand at present, the scope for raising more revenue from such tax-heads as 'Stamps and Registration,' 'General Sales Tax,' 'Sales Tax on Motor Spirit,' 'Entertainment Tax,' 'Electricity Duties' and 'Motor Vehicles Taxes,' seems to be very limited for these reasons: Stamp duties, registration fees and motor vehicles taxes are already known to be very high in this country; any further increase in the rates of sales tax in general and on motor spirit would respectively add to the present heavy burden of indirect taxes on the consumer and increase the cost of road transport at a time when it has to relieve the pressure on railways; any increase in electricity duties would add further to industrial costs at a time when they are going up on account of other well-nigh uncontrollable factors; and any increase in the rates of entertainment tax would be stoutly opposed by the cinema industry which caters to the masses. The only tax-heads which provide scope for additional revenue are 'Land Revenue,' 'Agricultural Income-Tax' and 'State Excise.'

TAX REVENUE OF STATES

Tax-Head	(In Rs. Crores)	
	1951-52 (Accounts)	1957-58 (Budget)
Share of Income-tax	52.65	61.78
Estate Duty	—	2.44
Union Excise	0.70	19.21
State Excise	49.41	41.78
Land Revenue	47.99	92.54
Agricultural Income-tax	4.33	6.34
Stamps and Registration	25.56	29.12
General Sales-tax	54.40	88.57
Sales-tax on Motor spirit	4.53	9.08
Entertainment-tax	6.39	6.91
Electricity duties	3.39	5.99
Motor Vehicles taxes	10.09	17.37
Urban Immovable property tax	1.85	2.03
Profession tax	0.07	0.29
Other taxes and duties	19.69	17.97
Total	281.05	401.42

But unfortunately any proposal to increase substantially the revenue from these sources would involve political and non-economic or non-fiscal considerations. These considerations are not so compelling as the Congress-run State Governments take them to be. For example, in the case of land revenue it is thought that any steep increase in the rates of assess-

ment would make the Congress unpopular with the enormous body of landowners and probably lead to its defeat at the polls. This is an unwarranted fear because the comparatively greater prosperity of the landowning classes as a result of the higher prices they have been receiving for their surpluses since de-control and on account of the larger aids they are being given through community projects and otherwise, provides good enough justification for stepping up the rate of land revenue assessment to an extent that might be agreeable to them in the context of their increased well-being.

It may be retorted in this connection that land revenue has increased from about Rs. 48 crores in 1951-52 to nearly Rs. 93 crores in 1957-58 (Budget). Such a reply ignores the fact that the increase in land revenue is mostly a sequel to the abolition of Zamindari and jagirdari tenures which were yielding far less revenue to the State Governments than would have been the case if ryotwari tenure had prevailed in their place. In other words, the land revenue yield would have been not less than Rs. 80 crores even in 1951-52 if ryotwari tenure is supposed to have prevailed all along throughout the country. As ryotwari rates of

assessment have practically remained at a more or less constant level in the last 20 years or so in spite of the increase in agricultural prices since war-time, it is admitted that, on an average, the acre-assessment represents only from 5 per cent to 6-14 per cent of the current net income from an acre of land. There is, therefore, a case for revising the ryotwari rates upwards in resettlements so as to increase revenue. Of course, it would not be possible to raise the rates to the full half-net level of ryotwari assessment in view of the increased cost of living of the landowning classes. Even if the rates cannot be generally doubled so as to make them correspond to from 10 per cent to 12-12 per cent of the current net income from land, they can at least be generally raised by half which would mean an additional revenue of up-to Rs. 50 crores a year. If, at the same time, the exemption-limit for agricultural income-tax other than on plantations is maintained uniformly at the same exemption level as under the Central Income-tax in all the States (other than Punjab and Bombay where it is not now levied) and if extension of Prohibition is postponed indefinitely, a way-out of the budgetary difficulties will have been found for the State Governments.

1957-58 BUDGETS OF STATES

(Figures in Rs. Crores)

State	Revenue Budget				Capital Budget			
	Revenue		Expenditure		Receipts		Disbursements	
	Tax	Non-tax	Develop-ment	Non-Deve-lopment			Develop-ment Out-lay	Non-Deve-lopment Outlay
Andhra Pradesh	34.92	17.15	36.69	20.86	38.92	24.68	0.36	14.17
Assam	12.75	10.80	18.92	9.24	18.84	10.89	-0.32	5.16
Bihar	32.47	11.31	45.05	23.71	31.62	20.44	0.07	4.74
Bombay	73.52	30.98	52.07	54.80	57.10	33.15	1.95	24.85
Kerala	15.93	10.95	20.26	8.37	13.83	8.07	-0.05	5.70
Madhya Pradesh	25.13	23.47	30.99	21.09	37.09	16.68	4.49	20.16
Madras	35.28	22.12	42.07	18.67	21.38	21.71	1.78	10.80
Mysore	20.32	15.36	29.37	15.67	31.25	22.30	0.16	12.48
Orissa	9.92	11.45	15.06	9.49	23.54	17.53	0.04	2.83
Punjab	21.12	17.39	25.83	15.49	37.75	29.79	0.14	9.77
Rajasthan	17.31	11.47	17.38	14.21	24.41	17.08	0.03	4.82
Uttar Pradesh	61.07	27.81	55.08	45.47	64.92	37.56	-0.97	16.66
West Bengal	41.68	19.24	38.08	33.13	35.88	26.38	0.33	11.06
All States	401.42	229.50	426.85	290.70	436.53	286.26	8.01	143.20

PLANTATION EXPORTS

THE CASE HISTORY OF TEA EXPORTS

(CONTRIBUTED)

EXACTLY a hundred years ago, Britain's consumption of tea was 69 million lbs., of which India supplied two million lbs. This year's import of tea by Britain would be over 520 million lbs., of which no less than 300 million lbs. would have been supplied by India. Of the world's total output of tea, excluding China's, over 1,000 million lbs. are exported to consuming countries. More than half of that export goes to the United Kingdom. In 1857, only 3 per cent of the 69 million lbs. received by Britain came from British possessions and 97 per cent came from China. Last year, tea import by the U.K. was nearly 513 million lbs., of which only 2.1 million lbs. came from China. Part of this transformation was due to the systematic promotion of tea drinking carried on for over a century by the British tea trade.

Tea takes the pride of place as the first commodity in which co-operative publicity was attempted by the producers. In 1887, Ceylon started a publicity campaign for the Island's tea and this was followed a year later by India. In 1902, the producers in India submitted a memorial to the Governor-General for the introduction of a Bill which would force all producers to bear the burden in proportion to their share of the export market under statute. The first Bill of its kind, the Tea Cess Bill of 1903 was enacted and a committee to administer the cess fund was constituted under the Act. This Act is to be remembered for three features which have a bearing on any consideration of export promotion to day. The first was that the cess was a specific levy on an industry and it was for a specific purpose. The second was that the cess was levied on export,

because the money was primarily required to promote the export market. The third was the nature of the committee. It was composed entirely of producers, from whose produce the cess was being collected, and it was for the purpose of promoting the sale of their produce with which they were the party most concerned.

It was in 1933, after the great depression and when India agreed to participate in international regulation of planting and export, that a change occurred both in the constitution of the Cess Committee and in the statutes affecting tea directly. The Cess Committee became the Indian Tea Market Expansion Board and was a new body, the Indian Tea Licensing Committee, was found under the Indian Tea Control Act to implement the Tea Agreement in India. The setting up of the Board marked the beginning of a new phase in tea promotion. The Indian Board was a parallel body to the International Tea Market Expansion Board set up in 1935 in London and was based on the idea that India provided an unlimited market for the Indian tea industry at its doorstep and it should be developed for the future stability of the industry. The Board showed up two new features. One was that its funds still came from a charge on the foreign consumers of India's tea and the other was the emergence of a specially qualified technical staff for the conduct of propaganda. It retained two old features. The producers still continued to be in a majority on the Board and the cess collected was wholly devoted to tea promotion, whether it went into export promotion, propaganda in India, or to the Board's reserves.

The threatening cloud of official interference in matters which were the concern of the Tea Board came in 1952. In September, the Government suddenly, and without warning its partners on the International Tea Market Expansion Board, withdrew from it. This action was taken without the knowledge or consent of the Tea Board, which was supposed to be an autonomous body charged by statute with the conduct of tea propaganda. One of the sections of the Tea Board Act provided for the Tea Board being consulted on matters affecting its responsibility. That section was, of course, ignored. To this day the country—not to speak of the industry—has not been vouchsafed an explanation why India withdrew from the I.T.M.E.B. without the advice of the Tea Board, without any stated reason, without intimation or consultation with Ceylon, Indonesia or Pakistan and thereby losing the assets of the Board built up over 17 years, the services of some of the best propagandists and the disorganisation of a promotional machinery spread over 12 countries.

Within four months followed the introduction of a Bill in Parliament totally and in almost every important detail altering the constitution and composition of the Tea Board. The long-established planters' organisations were no longer free to nominate their own representatives on the Board. The chairman of the Board was to be an imprest holder and appointee of the Government. The Board's income from cess was to be found through the Consolidated Fund of India and there lay no automatic right with the Board to the proceeds of the cess. In effect, the specific cess became an item of revenue and payments to the Board became appropriations and grants. Board budgets and appointment of officials became matters for direct Government decision. All the procedural rules of the Government became applicable to the body which was composed of members who are there by Government nomination. The producer members the affairs of whose industry were to be discussed and decided by the Board were in a minority. Interests, in some cases opposed to the producers, have been placed on the

Board, with the result that Board discussions stray far from business discussions and get involved in political and philosophical alleys and by-ways. Not rarely the debate ends in such a way that an objective discussion is impossible and decisions of the Government however wrong cannot be corrected.

The consequential change affected by the new Plantation Act is the reduction of the most vital interest in the Board and whose livelihood and interests would be directly affected by any decision of the Board, to an emasculated minority. With a rise in Government interference with the functioning of the Board can be traced two new developments affecting promotional efforts: one is the dissociation of the representatives of the industry from the responsibility of shaping, fashioning or controlling propaganda work; the other is the increasing weight of procedural rules which take the life out of any concept of imaginative promotion.

The export Promotion Councils, which have come into being during the last four years, had their origin in a flash of idea which has not been tested and which has only a remote resemblance to the Joint Promotional Councils which existed in the United States under the International Tea Market Expansion Board. The Tea Council, brought into being by the Tea Bureau in New York, was a joint promotion Council, the contributors to its fund being the Tea Bureau of New York which was controlled by the I.T.M.E.B. in London, which, in turn, was controlled by the producing countries and the tea trade of the United States. On this Council, the Bureau had sufficient weight, apart from the fact that its entire executive was composed of Bureau appointees and the Council consisted of men drawn from the top of the tea trade in America. In bringing together promotional Councils in India with members who have never in their lives done any publicity on their own and with scarcely any idea of organisation, there exists no parallel on which to build such joint Councils. Another serious defect is the excessive faith put in part-time work as Chairman by officials who are already saddled with their department. It is part of the promotional Councils' constitution that the Chairmen of such Councils should be the Import and Export Controller of the Commerce and Industry Ministry. The association of such an official with a body of this kind can be considered quite helpful, but placing them as the 'ex-officio' chairman in each case has not done anything to add to the efficiency of these councils. The funds for the councils are to be raised in a manner which will find most of these councils functioning with scarcely any resource capable of creating an impact by their work. The Government will contribute to the fund a sum equal to the total voluntary contribution made by the industry. When an industry is not organised, the raising of such a fund is extremely difficult, as has been proved in the case of councils like the Cashew and Pepper Export Promotion Council and many others. The anxiety to make these councils departmental has induced in their staff some of the attributes of Government officials and a reverence for procedural correctness which render the Councils totally unfit to fulfil the functions for which they were created. A proper appraisal of the worth of these councils and of the propaganda organisation of the statutory Boards should be undertaken by a body familiar with publicity methods on behalf of commodities and by persons who are capable of making an objective and impartial study. Otherwise, the Government would merely perpetuate organisations which are never likely to produce any worthwhile result and yet have invested with a trust to accomplish the desired objectives. It is in the interests of both the industries concerned and the Government to make such an appraisal as early as possible.

BOOK REVIEWS

SECRETARIAL PRACTICE

Secretarial Practice in India: By Bahl and Acharya: Publishers Messrs. N. M. Tripathi (Private) Ltd., Bombay 2: Pp. 619: Price Rs. 8.75.

With the enormous expansion of joint stock enterprises in the country, Secretarial Practice has assumed tremendous importance. The passing of the 'Indian Companies' Act 1956—perhaps the most complicated legislation passed so far by the Indian Parliament—has increased the responsibility of Secretaries by leaps and bounds. It is no wonder, therefore, that both the subjects of Secretarial Practice and Business Management are receiving steadily increasing attention in our universities. Provision of a given course of study or creation of a new faculty is only the least important of our academical problems these days. The really knotty problem, a problem that does not appear to have been effectively tackled yet—if it has at all received attention—is that of suitable text books for these new courses and faculties of studies. There is no gain-saying the fact that, even today, there is a paucity of good and suitable books, particularly text books on these new subjects. The book under review, written by two eminent professors—Prof. J. C. Bahl and Prof. B. K. Acharya—of the Siddharth College of Commerce and Economics, Bombay, should meet the requirement at least in respect of one important new subject.

As the authors have written this book, keeping, in main, the syllabuses in Secretarial Practice of the various Indian universities in view, it follows that the publication does not say much by way of criticism of either the existing Secretarial practice or Company Law as such. We feel they might have included an Appendix dealing with this at least to help serious students of company management. This apart, the publication should be useful both for students and for business men wishing to know what precisely is the correct secretarial procedure, inasmuch as it explains, in very simple and clear language, all the cumbersome procedure after collecting and collating the material from

several sources. A particularly useful feature of the publication is that every aspect of secretarial procedure explained has been substantiated, wherever possible, by illustrations, specimen forms, letters and other documents which are actually taken out from the files of some of the leading Indian joint stock companies. The two chapters on "Management of Companies" and "Winding Up" have been revised in the present edition (fourth edition) in accordance with the provision of the new Companies' Act. In short, the publication bids fair to be a valuable guide to students of commerce and business management, as also to others desiring to specialise in secretarial practice.

STATISTICS

Fundamentals of Statistics: By D. N. Elhance: Published by Kitabmahal, 56A Zero Road, Allahabad: Price Rs. 15.

The literature on statistics has grown enormously during the last decade. But there do not seem to be very many good books dealing with the elements of statistics written primarily for the Indian student. This comprehensive volume of more than a thousand pages meets the long-felt need for a lucidly written book on the subject. Mr. Elhance has tried to limit mathematical treatment to the minimum in order not to confuse the students of Commerce. The book will be found specially useful for those appearing in the Indian Administrative Service and the Provincial Civil Service examinations.

Beginning with the definition of statistics the book covers measures of central tendency, measures of dispersion, index numbers, time series, correlation, theory of attributes, sampling, analysis of variance, interpolation and business statistics. The last chapter on the growth of statistics in India is a special feature of this volume. The usefulness of this book to students is greatly enhanced by the abundance of examples worked out and the test questions provided at the end of each chapter.

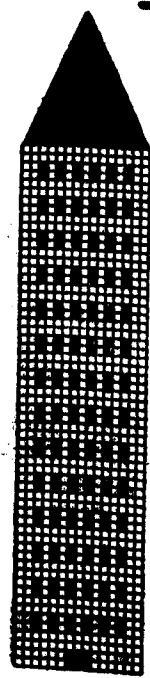
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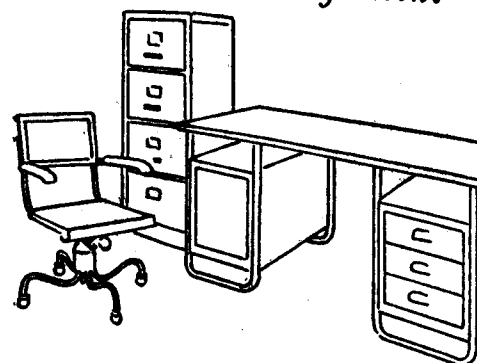
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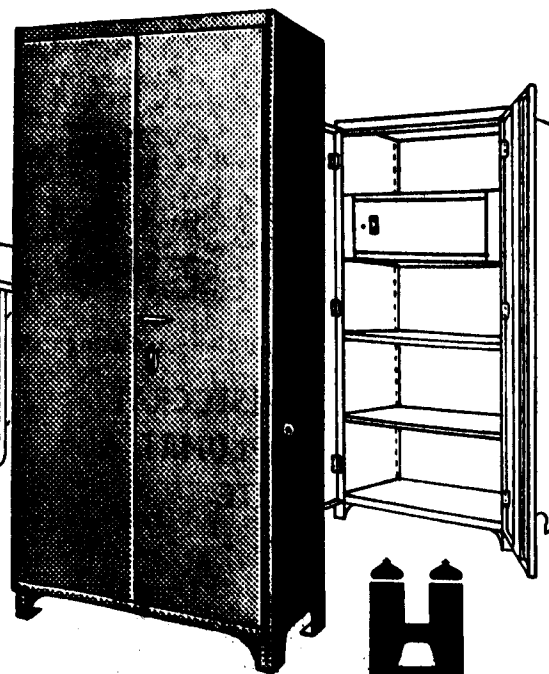
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The Business World

THE FUTURE OF PLANTATION INDUSTRY IN KERALA

By
CROESUS

MANY must have awaited with bated breath the proceedings of this year's annual meeting of the United Planter's Association of South India (U.P.A.S.I.) and its several committees, because this happens to be the first occasion for the plantation interests in South India to make known to the public of the country, at first hand, the peculiar problems of their industry under the new State Government of Kerala. What the proceedings have disclosed cannot have surprised many; these have only served to confirm the worst apprehension they must have had about what private enterprise could expect under any Communist regime, despite all assurances to the contrary by the leading spokesmen of the Communist party of India and the present Kerala Government. I do not think the shrewd spokesmen of private enterprise at any rate had expected it to be otherwise; if there were any, they must have since become as completely disillusioned as the few innocent independents in China who had the temerity to air their individual views, following that seemingly reassuring, but most carefully calculated, statement of Mao Tse-tung: "let a hundred flowers bloom."

It is nothing short of a tragedy that, along with the reorganisations of the States, Kerala, the largest plantation State in India, should have come under a Government with its known bias against private enterprise. It has not taken long for the plantation interests of the State to discover that the days of any growth or development of their industry in the corporate sector in Kerala are well-nigh over. In fact, their confidence was shaken immediately on the present Government's assumption of power in Kerala. For the first thing that the new Government did was to declare with much fanfare its objective of nationalising foreign-owned plantations. The Kerala Government would probably also have implemented this but for the firm stand taken by the Government of India, in particular, by the Union Minister of Commerce and Industry, Mr. Morarji Desai. Mr. Desai was quick enough to perceive the dangerous repercussions of any such move, and that in respect of a century-old industry which has been making a very handsome contribution to the nation's economy and revenues. Had the insidious move succeeded, it would not only have driven away entrepreneurial experience, enthusiasm and capital from this country, but led to the establishment of a rival industry by these very interests in countries where they are verily wooed and welcomed today. It is India's good fortune that it did not. All the same, it has shaken confidence, and it will be difficult to restore the confidence thus lost. Confidence is not a quality which is built so easily as it can be shattered.

Hardly had enough time elapsed for this initial shock to be forgotten came the Kerala Government with its new budget proposals. It is true Kerala's is not the only State Government to impose fresh burdens on the plantation industry, but it has left the Madras and the Mysore Governments so far behind that these two Governments can now claim to be relatively moderate in their exactions on the plantation industry.

It is not this fiscal burden alone that the industry has to bear in Kerala; it has also to put up with an unprecedented degree of labour indiscipline. The Kerala Chief Minister has no doubt made an important statement on labour policy, but the result has been a total disregard for even the minimum discipline required for maintaining successful production. The

statement has served rather to increase than to mitigate lawlessness, especially in the ranks of plantation labour. In the name of labour dispute, the police is studiously kept out. Mr. E. M. S. Namboodiripad did not mince words when he said that the police were not there to protect the interests of landlords and capitalists, but to maintain law and order; only he did not qualify "law and order" by saying "elsewhere than on plantations". I wonder whether, under our Constitution, it is open to any State Government thus to deny the fundamental right of protection of law and order to a particular section of the community.

Many may not be able to realise the important place that the plantation industry occupies in our economy in the absence of this industry's sizable contribution to our national output and to the nation's exchequer. In 1956, for example, the plantation industry produced a record coffee crop of 42,000 tons, out of which more than 15,000 tons have already been allotted for export and some more are expected to be similarly allotted. In spite of large areas of old and worn out rubber trees having been cut down for purposes of replanting, the rubber industry accounted for an all-time high production of about 24,000 tons. And the tea industry (south India) gave a total outturn of 127 million pounds, of which exports amounted to 80 million pounds. It may be mentioned here, in passing, that, barely 20 years ago, the total value of all the plantation crops produced in India did not fetch in export anything more than Rs. 40 crores, as against which, these very crops earn for the country today over rupees one hundred and seventy four crores! This is not to suggest that only foreign consumers of our plantation products have been benefitted. Internal consumption of all the three crops also has risen appreciably. The estimated consumption of tea today is 220 million pounds (as against 110 million pounds before the war), of coffee 24,000 tons (as against 7,500 tons before the war) and of rubber 30,000 tons (as against 6,000 tons in the late thirties).

One would have expected any Government not only to maintain and foster such an industry but encourage it to develop to its maximum potentiality, but the Kerala Government has unfortunately chosen, doubtless for political considerations, to penalise this industry, especially the bigger units there of. Even the first budget proposals of the Communist Government in Kerala are so discriminately against the plantation industry that the basical agricultural income-tax in the State, coupled with the high rate of super tax, exceeds even the Centre's Corporation Tax. The Kerala Government seems to have forgotten that the plantation companies in the State are large corporate bodies consisting of innumerable middle class shareholders, who it is that are hit ultimately, by its tax imposts. But then the Communists apparently do not care as much for the middle class as for the working classes. For is it not the latter that can give them more votes and is it also not through them that they can manage effectively to paralyse the country's economy? I am suggesting that the interests of labour are to be relegated to the background. At least in the case of the plantation industry, it cannot be seriously contended by any one that the workers have not had a fair deal.

Some of the larger plantation companies have, in fact, conformed to the highest standard of labour wel-

fare and have provided all manner of amenities to their workers. But sympathy for workers cannot be the sole force guiding or governing Government's policies to the exclusion of all regard to the normal economic facts of the industry. If the Kerala Government feels convinced that enough is still not being done to labour by plantation employers, let it convince the public about it. As the spokesmen of the industry have themselves asked, let there be a factual study of the industry, its wage structure, costs and the contribution it makes to the State's economy had to the nations exchequer by way of the large foreign exchange it earns for the country, as also the large employment it provides for the people of the State (Kerala's un-

THE PRESSING PROBLEM OF THE WOOLLEN INDUSTRY

Bv

CROESUS

THE more one goes into question of import restrictions, the more one realises how complex, if not complicated, the whole question is. For each industry has its own peculiar import problems and not unless the import licensing authority is fully seized of all these can it do adequate justice to the import requirements of every industry. It behoves them to do adequate justice to the needs of every industry, even if the industry be in the private sector, because the resulting benefit is by no means confined to those in immediate charge of a given industry but to a very much larger section of the population, nay to the country's economy as a whole. Take, for instance, the Indian Woollen industry. The number of units in this industry is, and, between them, these units provide employment to 11,625 persons. Whatever some may say, woollen textiles are not a luxury, at any rate to people in some parts of our country, and so these must either be imported from abroad or produced indigenously. By reason of our foreign exchange shortage, there is undoubtedly a case for banning imports of woollen goods, which the Government has done. In doing so, obviously, the Government has been influenced by the fact that the country has an indigenous woollen industry which can supply the requisite quantity of quality woollen textiles. But, after completely banning imports of woollen goods into the country, as was done in June, 1957, it becomes the responsibility of the authorities not only to keep the indigenous industry going but also to ensure that there is no idle capacity in the industry. If there is any idle capacity, not only would the country's national output be adversely affected, but the industry's ability to meet the requirements of woollen goods to sections of the population that must needs have them would also be reduced. As a matter of fact, such a situation would appear to be already developing, as stocks of imported raw wool with the Indian woollen industry are believed to be getting fast exhausted and it is anybody's guess as to when fresh supplies would become available.

The ensuring of adequate wool and wool tops supplies presents a problem even normally and it is all the more so now, what with import control, port congestion, transport bottleneck, etc. For foreign wool and wool tops required by the Indian woollen industry are not in regular supply throughout the year. These must be got at the time of auctions by the leading wool-producing countries, such as Australia, Canada, New Zealand, South Africa and the UK, and the auctions are confined to a part of the year only—generally to the period between August and November. It is only at the time of these auctions that the requisite types and the required quantities could be got on the most favourable terms. It is thus seen that the Indian industry has necessarily to adjust its buying

employment problem would undoubtedly have been magnified a thousand times without its plantation industry) and then formulate its industrial policy. No statement of industrial policy, however impressively worded, will inspire confidence among industrialists, as witness the Kerala Government industrial policy statement itself. What will inspire them is the measure of incentive for expansion and development that the Government policy affords. If the leaders of the plantation industry are to be believed, the present Kerala Government has been at special pains to remove practically every incentive. No wonder then that they regard the days of any growth or development of their industry in the State as finished.

programme to the exigencies of the international market and the latter cannot be expected to adapt or adjust itself to the special requirements of our import control, whatever may be our peculiar problems or needs.

Now the last import licensing period was July-September, and, in the ordinary course, the fresh import licences would be available only after the policy for the next licensing period is announced and that may be sometime in October. And, by the time the import licence is actually obtained and orders are placed, some more time would elapse, which means that the Indian woollen industry would almost have missed the bus, that is the auction season. Surely it cannot be that the importing authorities do not appreciate this, although it is difficult to understand why, if they are able to do so, they have not been prompt enough in moving in the matter. If what the spokesmen of the Federation of Woollen Manufacturers in India say is to be believed, unless "immediate and necessary" measures are taken to ensure adequate supplies of wool and wool tops for the industry, very soon, one woollen mill after another would be compelled to close down.

If the plight of the Indian woollen industry is thus unenviable, it seems to me that the demands of the industry are unexceptionably legitimate and reasonable. All that they want is that they should be allowed either to import their raw material requirements under the O.G.L. or to get all their twelve-month requirements based on any formula naturally acceptable to them and to the Government. While this would enable them to cover their entire requirements on the most favourable terms, there can be no fear of their over-importing or creating a sudden demand for all the foreign exchange to cover the total cost of imports of wool and wool tops by the industry. This is so because imported wool and wool tops are used only by the few woollen mills in the country and, further, there is no open market for them in which the importing mill can sell the raw material and make a profit. In consequence, the mills would take care to cover just their requirements and no more, especially today in view of the tight money conditions. Secondly, although the mills may cover their year's requirements, the orders would be spread over the whole year, if only to take the maximum benefit of forward deliveries, so that the demand for foreign exchange also is spread practically over the entire twelve-month period.

I have reasons to believe that the foregoing analysis of the problem is objective and dispassionate and, if so, the conclusions cannot be questioned. In that event, it is hardly necessary to add, the plea of the Indian woollen industry for "immediate and necessary" action deserves the promptest attention possible at the hands of the authorities.

WANTED: A REVISED CLOTH POLICY

By
CROESUS

THE Cotton Textile industry has made a twofold plea—one, for a production target to the mills commensurate with the growing cloth requirements of the country and, two, for permission to modernise their plant and machinery so that they might be able to offer quality goods at economic prices in the domestic as well as in the foreign markets. There is ample justification for this, and for those who care to be convinced, the Millowners' Association, Bombay, has got up a neat and attractive brochure. This brochure is appropriately titled "The Indian Cotton Mill Industry: Its Importance to the Nation".

After tracing briefly the history of this premier industry of India, the brochure deals with the present problem of the industry under the caption—"Textiles in the Plan". While the planners envisage a cloth offtake in the country at 18.5 yards per head by 1960-61, when the population according to them, is expected to increase to nearly 400 million, the millowners hold or rather reiterate their view that the rate of cloth consumption would assuredly be more than this, their own estimate being about 22 yards 'per capita'. Without saying in as many words that the Government has failed to appreciate this; the Millowners say, the Government has been "over-generous in assigning the production targets to non-mill sectors". However, when the defects or inadequacies of this textile policy became obvious in the latter half of 1956, largely due to the rising demand for cloth, the Government took several remedial measures. Paradoxically enough, those who had been arguing for a rising standard of living, felt called upon now, by force of circumstances, if not by reason of their short-sighted policy, to adopt measures to check consumption. The most painful of these has been the substantial increase in the excise duty on mill cloth. It is much better that one reads in the original itself this sad tale of the excise duty on mill cloth, which has increased from 12.33 crores in 1949-50 to 72.00 crores (estimate) in 1957-58! 'Inter alia' the brochure observes thus:

1957-58! 'Inter alia', the brochure observes thus. 'It is difficult to find justification for such a sharp increase in the excise, especially when the rise in cloth prices was by no means substantial. In fact, we have the testimony of the White Paper on the Budget for 1957-58 that the index for cotton

CO-OPERATIVE URBAN BANKS—A POST-SCRIPT

By
CROESUS

IN my piece on the above subject ('vide' issue of 'The Eastern Economist' dated August 30, 1957) I had said: "I am afraid Mr. Saraiya was not able to convince me as to what he precisely meant when he wanted the Central Banking Authority to co-ordinate the policies of all banking institutions to avoid unhealthy competition", especially after reading his earlier statement that "some of the urban banks were able to hold their own and even increase their deposits, notwithstanding the fact that they offered a relatively lower rate of interest". I am thankful to Mr. Saraiya for clarifying the position to me when I met him recently and we talked about this. It is Mr. Saraiya's contention (a contention with which, let me say, I agree) that, while there is a general increase in the deposits of scheduled banks, the increase in the deposits of the urban banks is not of the same order. In other words, the tempo of increase in deposits is more in the former case than in the latter. Mr. Saraiya is not only naturally concerned about this, but his greater concern would appear to arise from the feeling that the urban banks would have lost much more of their

manufactures in 1956 increased by 4.3 per cent only. This small rise in prices cannot justify an increase in excise by an average of 11.2 per cent over August, 1956 and 14.8 per cent over December, 1955. Today, excise calculated on the mill prices of a 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 fact, on certain categories of superfine cloth, it is as high as 38/39 per cent”.

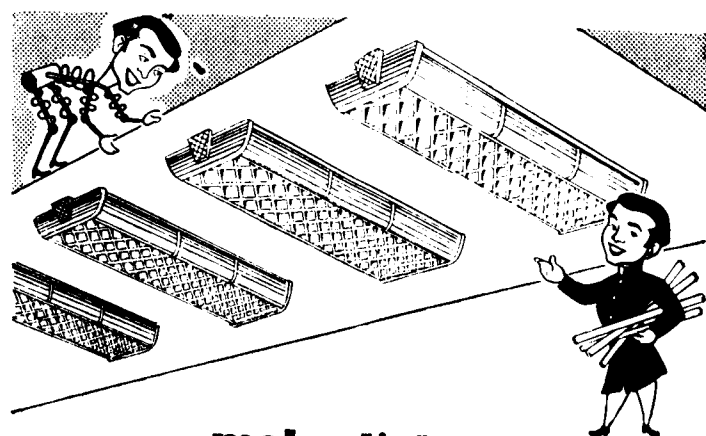
The result of all these ill-conceived measures was a perceptible decline in the volume of cloth offtake in the country, as neither the dealer nor the consumer was in a position, let alone be prepared, to bear the incidence of this abnormal levy. Obviously the industry, which was also forced to countenance "the intractable problem of cost inflation" could not bear this heavy additional burden and the stocks of cloth began to accumulate, exceeding even the 500,000-bales mark!

The foregoing narrative clearly shows, "that the most effective safeguard against a recurrence of cloth crisis and disorganisation of trade is", as the brochure itself points out, "to allow the mills to instal additional productive equipment on a scale commensurate with the growing cloth requirements of the people". The Association rightly maintains that, apart from the rising standard of living, the fact that the increase in population is creating a market for about 4.5 million new customers every year must be taken into consideration. To maintain stability in prices, on which depends the success of the Plan, it is imperative to ensure higher production, in particular, of consumer goods, such as food grains and cloth.

The need for modernising plant and machinery has also been emphasised in the brochure. It is very necessary in order that the cotton textile industry might be in a position to offer its production at economic prices in both national and international markets. It is to be hoped that the Government would bear in mind the background furnished in the comprehensive brochure under review, so as to be able to consider the twin pleas of the industry referred to above in a dispassionate way.

deposits, had it not been for the co-operative loyalty of the members and the services which the urban banks have been rendering to their members. He further apprehends, and not without reason, that the urban banks cannot go on attracting deposits even to the extent they have been managing to do so far, if commercial banks should offer considerably higher rates of interests. There is, after all, a limit even to co-operative loyalty, especially when there is a glaring disparity in interest rates. Mr. Saraiya is opposed to this unhealthy race for raising interest rates to attract deposits and asks: "Is it in the interest of the banking system to go on offering higher and higher rates of interest on deposits and raising the rates against all borrowers, including the greatest borrower, the Government of India?"

After this clarification, I am bound to say I fully endorse the suggestion of Mr. Saraiya that there should be some kind of co-ordination of the policies of all banking institutions and that this should presumably be brought about by the good offices of the Reserve Bank of India.



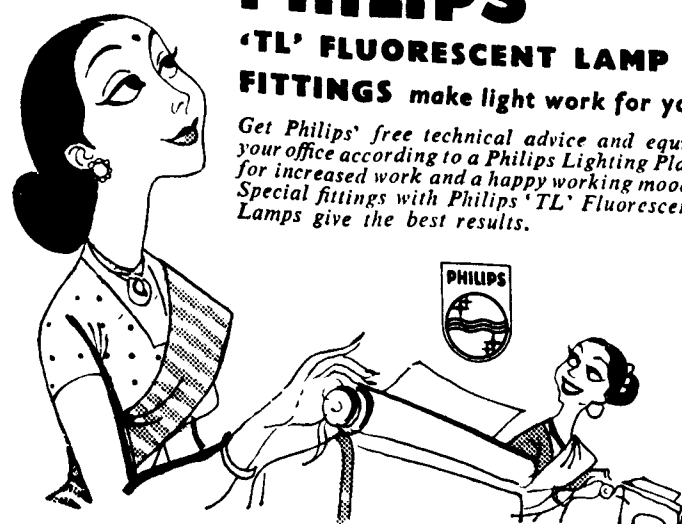
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BUSINESS NOTES

THE UNUSUAL FALL

THIS MONTH'S fall in the gold and dollar reserves of the sterling area has caused much concern. The pressure on reserves is exceptionally severe; much more than what can be expected due to seasonal factors. The deterioration in the reserves position by \$225 million during August is the biggest since the Suez month, when reserves dropped by \$279 million. At \$2,142 million the reserves are barely \$142 million above the minimum which cannot be pushed further consistently with considerations of safety. If the deficit of £63½ million with the E.P.U. that belongs properly to this month is also counted the fall in reserves approximates \$320 million. But this settlement is due only in the month of September.

Financial circles blame speculation in favour of D. Mark very largely for this big fall in the reserves. But there are certain other factors also responsible for this. For sometime exchange systems in Europe have been in a bad state. The de facto devaluation of the French franc only underlined the necessity of reconsideration of the existing exchange parities. The powerful impulse comes from the emergence of Germany as a potent competitor in industrial production and from the mounting export surplus which she is recording in the E.P.U. trade. As against it other European countries including UK suffer from inflationary conditions. There has been regular influx of gold into Germany. This has led many due to her successful export drive. This has led to anticipations of an upward revaluation of the D. Mark; one result of which is that the private balances usually kept in London are now kept in Germany. This transfer of funds is undoubtedly due to speculative anticipations regarding the upward revaluations of the D. Mark. The British Treasury does not take an alarmist view of the whole situation. It is rightly affirmed that the economy is in sound health because the U.K.'s payments position outside E.P.U. is strong. The growing strain calls for a cautious approach. It needs to be mentioned here that the reserve figure of \$2,142 million does not include the I.M.F. standby credit of \$738 million and the line of credit of \$500 million from the Export-Import Bank in the United States. In this connection the cost structures of the UK and also of the sterling area's manufactures need to be reviewed to impart them competitive strength. After all the strength of sterling is determined by the competitive strength of the sterling area's exports.

On a wider plane the recent pressure on sterling area's reserves and the special position of D. Mark forebode difficulties for the prospective European Common Market. Owing to the persistent drain represented by the German export surplus, some of the participating countries may be forced to take defensive measures. And that will create difficult circumstances for the development of the organisation. In this context the repeated and emphatic disclaimer of any intentions by the German Government to change the parities of the D. Mark has long-term implications. A right solution to this question will have to be found sooner rather than later.

AVERTING SUGAR IMPORTS

NOT VERY long ago, it may be recalled, we had to import into this country, even with about 175 sugar mills (excluding gur refineries) working, over Rs. 42 crores worth of foreign sugar. Fortuitously—also fortunately—for India these years did not happen to be years when large imports of food grains also had to be got. Otherwise, it is not difficult to imagine how much more of a drain there would have been on India's fast-depleting and none-too-comfortable foreign exchange reserves. But could not even these Rs. 42

crores expended on sugar imports in 1954-55 and 1955-56 have been saved? The argument of those who say so is that, if what the sugar industry has achieved in the past two years had been done a little earlier which was not impossible, in all conscience the country would not have been obliged to expend Rs. 42 crores on imports of sugar.

It is this interesting point that Mr. M. P. Gandhi has appropriately highlighted in his "The Indian Sugar Industry—1955-56 Annual" (reviewed last week in this Journal vide p. 359). According to him, "how exactly it has been possible for the industry to report a consistent performance in the past three years and be confident of being able to maintain production at high levels is not quite clear. The answer is probably to be found", he proceeds to say, "in the fixation of minimum prices for sugarcane which are relatively more remunerative for the cultivators". But, he rightly hastens to add, "the pursuance of a policy which assures the availability of a satisfactory return on the production of sugar for over a period is even more important". This is an aspect which those in authority are liable to forget these days.

Mr. Gandhi is evidently satisfied with what is being done by the Government to maintain, nay increase, sugar production, although he would like, it seems, the target of 25 lakh tons by 1960-61, now fixed by the Planning Commission, to be somewhat higher still, not only because of the definitely rising trend in the 'per capita' sugar consumption but of the prospects—more than the prospects, the need—for larger exports. At least in regard to the sugar industry, the bogey of unequal competition as between the mill sector and the cottage industry sector—gur and khandasari—is not being raised to the same extent as in regard to the cotton mill industry. Happily for the sugar industry, the 'gur' industry also is not feeling the competition, as it seems to be having its market largely intact. If both the mill sector and the 'gur' industry are to keep going, they must be assured of an adequate supply of sugarcane, and the sugarcane crop must be much higher—say, 850 lakh tons—than the current figure of 546 lakh tons and the present target of 770 lakh tons. Mr. Gandhi feels—and we agree with him—there is no reason why this should not be, as there is still a very long leeway between our present average per-acre yield of 13 tons and 30-40 tons actually raised on some of the well-managed farms of private companies. Evidently, here, as in Indian agriculture generally, there is the urgent need to carry to the fields the benefit of research work that is being successfully undertaken in the various model farms, to which the Governor of Mysore referred in Coimbatore recently.

COTTON TEXTILE EXPORTS

INSPITE OF the fact that India has established herself as a major producer and exporter of cloth, she has not been able to strengthen her position on the export of cotton textiles. There has been a considerable decline in exports of cloth since the peak was achieved in 1950. While in 1950 India exported 1,133 million yards of cloth in 1956 exports amounted to only 721 million yards. This comparison is, of course, subject to the important qualification that exports in 1950 were pushed so high without due regard to the home demand. Japan a rival of India in the world export market on the other hand has made a considerable headway. Her exports in 1956 amounted to 1,262 million yards.

In the second Five-Year Plan, the production target for cloth has been fixed at 8,400 million yards assuming that the per capita consumption would be 18.5 yards by 1961. The estimate is erroneous if the increase in

per capita income and in population are taken into consideration properly. The rising population along with rising incomes is bound to add to the pressure of demand on cloth supplies, which means that the rate of cloth consumption per head would be around 22 yards as estimated by the industry objectively. The question arises how is this increasing demand to be met. Will the handloom sector be able to meet the desired needs? The past performance of the handloom sector shows that in spite of active assistance from the Government it will not be able to fulfil its second Plan target. The Government has adopted a policy of putting restraint on rapid expansion of the mill industry with the object of encouraging the handloom sector to expand at an ambitious rate. Although the mill sector has been allowed to install 18,000 automatic looms, the concession is severely qualified by the reservation that output resulting from auto looms will be exported and in case it is sold at home a penal excise duty will be levied.

The Government, of course, is anxious to export more cloth to earn some valuable foreign exchange. Recently it introduced a Bill in Parliament which levies an additional duty ranging from six naye paise to 12 naye paise per square yard on export quota diverted to the internal market. The Bill has been passed by the Lok Sabha but it is to be doubted whether the measure would be able to achieve the desired objective as exports would depend on the competitive strength of the Indian cloth in the world market. On the other hand it is feared that the excise levy on the mill made cloth would hit the domestic consumer or create difficulties in the disposal of stocks.

The main factor in the textile problem is that cloth should be produced at reduced cost and this can only be possible by modernising and rationalising the industry and the textile machinery. The drive for more exports can only be secured when there is more cloth for export on competitive and attractive terms. That is possible when there is installation of more productive equipment. Why Japan has been able to capture more markets, because she has the textile industry equipped with the latest machinery. In the interests of the industry both at home and abroad, it is essential that an adequate foreign allocation be made for the import of machinery and spare parts. It is, however, to be recognised that rationalisation ought not to be forced at a pace which will cause a serious disturbance in employment.

NO EXPORT OF GROUNDNUT OIL

MR. MORARJI DESAI'S flat refusal to accede to any request for lifting the ban on export of groundnut oil, the other day at Madras, may seem surprising to many, especially to those engaged in the groundnut oil business. 'Prima facie', when no stone is being left unturned to augment our earnings of foreign exchange as much as possible to meet the requirements of the Plan, the Union Commerce Minister's refusal to allow exports of this product, which is known to earn every year considerable amount of foreign exchange, may even appear to be a wrong policy. But Mr. Desai had his reasons for the refusal, reasons which cannot be easily challenged. Thus, he said that, for crores of people in India, particularly for the poor, groundnut oil was the only source of fat. He even went to the extent of saying that, when the Southern India Hides and Skins Merchants' Association (which felt that, if the export of groundnut was allowed, the acreage under that crop would increase and the country also would get a lot of foreign exchange) referred to it, they "did not think in terms of India", but only "in terms of the good of Madras State". In other words, he mildly scolded them as being parochial. They would certainly be parochial if they were thinking in terms of exporting groundnut from only the South. There is,

however, no evidence that this was what the Association was aiming at.

STALEMATE OVER AUTO LOOMS

THERE ARE nine textile mills in India which have completely taken to automatic looms. The number of textile mills having both automatic and ordinary looms is 53 while the number of mills using only ordinary looms is 231. Many of the mills which were permitted to instal the automatic looms are stated to have made no progress at all. The reason for not installing the automatic looms are varied and manifold. In the first instance, the representative of the mills point out that there should be no obligation that the mills must instal 24 automatic looms produced in India as the efficiency of the indigenous products is not equal to that of the foreign made looms. It may be recalled last year the Government had announced that the industry be permitted to instal 18,000 automatic looms to produce an extra quantity of 350 million yards of cloth for export. But not much progress seems to have been made in this direction. The industry also does not appear to be very enthusiastic over immediate installation of auto looms, because it is not certain if all the cloth produced would be exported particularly when competition is increasing and because of its having to bear the penal levy of additional excise if stocks are sold in the home market. The penal levy is of 2 annas per yard. Added to it is the steep rise in the excise duty which have adversely affected the profits of the industry.

Government seems inclined to take the view that licences already issued should be cancelled if concrete steps are not taken to utilise them and to go ahead with the programme of installing auto looms as already fixed. This would be a drastic course to take before the entire problem of the virtual stalemate in the programme is fully and sympathetically examined. Further it would hardly lead the industry nearer to the target. It is advisable that different aspects of this question should be reconsidered in order to evolve a via media to see how the mill industry will be partially rationalised if only to strengthen its competitive position in the export market. This is precisely what the industry and Government desire. The question bristles with difficulties and does not admit of short cuts or simple solutions.

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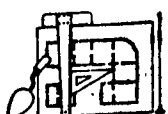
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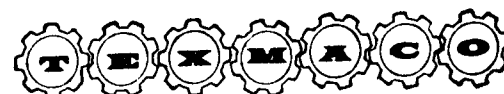
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Taxila

What looks like an oil pipeline is, in fact, part of a 9" earthenware pipe laid in Taxila sometime in the 2nd century B.C. It was originally encased in stone and appears to have been used for sewage disposal. The work of the unknown tubemakers of Taxila has withstood the ravages of time for over twenty centuries.

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Economic Report from the U. S.

ECONOMIC TRENDS

(By GUY SIMS FITCH)

WASHINGTON, Sept. 11.—This is the time of year when the experts take another look at United States' economic trends, for just about now, the fall upswing should be getting underway, replacing the summer lull. The consensus of those willing to draw conclusions during this still somewhat mixed and uncertain period is that the economy will follow its normal course this year. They expect a moderate advance during the last quarter, and would be distinctly surprised by either a downturn or a spectacular rise.

In making this assessment, economists are taking account of several major factors. One is the impact of tight money. There is evidence that the scarcity of funds in relation to the demand, reinforced by the government's generally restrictive monetary policies, may finally be having its traditionally restraining effect on business activity. There is reason to believe, moreover, that the government's money managers will soon over, that the government's money managers will soon be easing their stand to any significant degree. They still hold that the economy has enough bounce to resume an inflationary upsurge if the reins are relaxed too much too soon.

There is some evidence that tight money is affecting business spending on new plant and equipment, as companies find it somewhat more difficult to borrow all the funds they want for expansion and modernization. There are also signs of over-capacity in some industries. This points to a possible slowdown in the current record rate of plant and equipment expenditure in the months to come. But if it actually materializes, any such slowdown will not be on the sensational side. Industry will continue expanding and modernizing on a vast scale, in the knowledge that new and improved facilities will be needed over the years to meet the requirements of a growing economy. Then there is the impact of reduced US government spending. The Administration's request for new funds for the 1958 fiscal year ending next June 30, have been cut sharply by Congress. The net effect on actual spending will not be nearly as large, but the budget cuts will be a restraining influence, nevertheless. To this must be added the Administration's own plans to cut expenditures. For instance, while an increase in defence expenditures is entirely possible next year, an attempt is being made to hold down these outlays this year. An official force, however, are state and local government outlays. These will continue to rise as the need for schools, hospitals, highways and other public facilities continues to grow. In total, governmental spending at all levels will be somewhat higher this year than last.

The largest element in the economy remains, of course, consumer spending for goods and services. The consensus is that consumer expenditures, even if a little less buoyant than last year, will hold at record rates, supported by continued high levels of income and employment. As of now, therefore, the economy presents a rather placid picture, it appears headed for its usual seasonal rise, with—at worst—only a few minor adjustments in the offing. And if this adds up to a "breathing spell" for the next few months, there are many economists in and out of government who

would welcome it as a timely development, to take the edge off inflationary pressures and maintain a balance between economic growth and stability.

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- The branches of the State Bank of India within the State of Bombay except at places mentioned in (c) below.
- The branches and treasury pay offices of the State Bank of Hyderabad within the State of Bombay.
- The Government treasuries and sub-treasuries in the State of Bombay at places where there is no branch or treasury pay office of the aforesaid banks.
- Applications will also be collected by the State Bank of Saurashtra at Bhavnagar and its Branches within the Saurashtra area of Bombay State and forward to the nearest receiving office.

Full particulars can be obtained at any of the offices of the Reserve Bank of India, Branches of the State Bank of India, branches of the State Bank of Hyderabad within the State of Bombay, branches of the State of Saurashtra within the Saurashtra area of the Bombay State and the Treasuries and sub-treasuries in the State of Bombay.

COMPANY AFFAIRS

HINDUSTAN MACHINE TOOLS (PRIVATE) LTD.

The Fourth Annual Report on the business and operations of the Company and the Financial Accounts for the year ended March 31, 1957 can be read with special interest because the year witnessed the production and sale of the first series of H-22 high speed precision Lathes. The original production programme of the Company drawn up in consultation with Messrs. Oerlikons in 1955 and early in 1956, was to reach a production of 400 machines per annum by 1960-61. A number of steps since undertaken during the latter part of 1956, such as the introduction of multiple shifts, emergency recruitment of additional personnel and the provision of increased training facilities, emergency provisioning of stores and raw material to the extent required, and increased supervision and efficiency, have resulted in the production of 135 machines against the original target of 57 Lathes for 1956-57, showing an increase to 237 per cent of the target.

The profit of the Company for the year, after providing interest of Rs. 4,02,282 (including Rs. 3,91,746 for 4½ per cent interest on advances from Government of India), amounted to Rs. 17,02,464. From this amount Rs. 13,02,770 were separated for the provision for depreciation. From the balance Rs. 3,38,237 have been recommended to be utilised to write down the development and commissioning expenditure and the balance of Rs. 61,457 have to be carried forward.

During the year, expenditure on training of workmen and supervisory staff for the initial manning of the factory, amounting to Rs. 17,33,190 has been charged to Development and Commissioning expenditure. Including the amount of Rs. 57,05,047 brought forward from the previous year, the total Development and Commissioning expenditure stands at Rs. 74,38,237 as on March 31, 1957.

During the year the Company has received from the Government of India Rs. 125 lakhs as advance, and including Rs. 50 lakhs drawn during 1955-56, the total amount received as advance from Government is Rs. 175 lakhs as on March 31, 1957. Provision has been made in accounts for the year for a sum of Rs. 3,91,746 towards interest at the rate of 4½ per cent on this advance. The government has been requested, to treat this advance as interest-free or alternatively as addition to share capital and the decision of the Government in the matter is awaited.

THE RUNGLEE RUNGLIOT TEA CO., LTD.

The audited Accounts of the Company for the year ended December 31, 1956, disclose a profit of Rs. 1,00,045. On transfer of this sum to Profit and Loss Account and after sundry adjustments, including a transfer of Rs. 10,500 from Provision for Taxation, being a reserve no longer required, there is a balance at credit of the Profit and Loss Account amounting to Rs. 1,04,355, of which we have transferred Rs. 15,000 to Hail Reserve, and Rs. 20,000 to Revenue Reserve. The Directors have recommended that dividend of 35 per cent be declared leaving Rs. 20,355 to be carried forward.

The average selling price of tea realized was Rs. 3-1 per lb. as against Rs. 2-9-4 per lb. in the previous year.

KILLCOTT TEA CO., LTD.

The audited Accounts of the Company for the year ended December 31, 1956, disclose a profit of Rs. 6,12,052. On transfer of this sum to Profit and Loss Account and after sundry adjustments, there is a balance at credit of that account amounting to Rs. 4,46,058 of

which Rs. 1,50,000 have been transferred to Revenue Reserve and Rs. 50,000 to Buildings and Machinery Reserve.

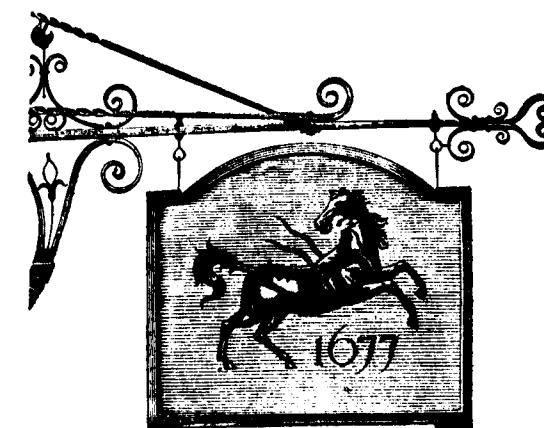
The Directors have recommended a dividend of 20 per cent to be declared at the Annual General Meeting, leaving Rs. 66,058 to be carried forward. The average selling price of tea realized was Rs. 2-2 per lb. as against Rs. 1-14-10 per lb. in the previous year.

OKAYTI TEA CO., LTD.

The Audited Accounts of the Company for the year ended December 31, 1956, disclose trading profit of Rs. 1,269 which will be absorbed in meeting labourers' bonus and hence this sum has been provided for and the profit is thereby reduced to nil. On transfer of the sum of Rs. 8,000 to Profit and Loss Account, representing a part of the reserve for taxation no longer required, and after sundry adjustments, there is a balance at credit of that account amounting to Rs. 13,844.

The Directors have recommended that a dividend of 7 per cent on the Preference Shares for season 1955 be declared at the Annual General Meeting, leaving Rs. 10,344 to be carried forward.

The average selling price of tea was Rs. 3-1 per lb. as against Rs. 2-6-4 per lb. in the previous year.



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(2) Government of Mysore Rs. 300 lakhs Issue price Rs. 98.75 per cent.

Both the State Governments reserve the right to retain subscriptions up to ten per cent in excess of the notified amount.

The above loans will be repaid at par on 16th September, 1969.

THE LOANS WILL OPEN FOR SUBSCRIPTION ON 16TH SEPTEMBER, 1957 AND CLOSE ON 18TH SEPTEMBER, 1957 OR EARLIER WITHOUT NOTICE AS SOON AS SUBSCRIPTIONS APPROXIMATE TO THE AMOUNT OF EACH ISSUE.

The loans will bear interest from 16th September, 1957.

Subscriptions may be in the form of cash/cheque in respect of both the loans.

3% MYSORE GOVERNMENT LOAN 1958 will be accepted at Rs. 99.75 per Rs. 100 nominal for conversion into the new loan of that Government; interest on the securities of the loan tendered for conversion will be paid up to and including 15th September, 1957.

APPLICATIONS FOR BOTH THE LOANS WILL BE RECEIVED AT THE OFFICES OF THE RESERVE BANK OF INDIA AT BANGALORE, BOMBAY, CALCUTTA, MADRAS AND NEW DELHI.

APPLICATIONS will also be received at PLACES WITHIN THE RESPECTIVE STATES as follows:

(i) At the office of the Reserve Bank of India at Nagpur, branches of the State Bank of India, branches and Treasury Pay Offices of the State Bank of Hyderabad and the Government treasuries and sub-treasuries in the case of Bombay loan.

(ii) At the branches of the Bank of Mysore Ltd., State Bank of India, State Bank of Hyderabad and at Government Taluk treasuries in the case of Mysore Loan.

Copies of Notifications and Application Forms may be obtained at any receiving Office.

COMMODITY NEWS AND NOTES

INCREASE IN SUGARCANE AREA

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India first estimate of sugarcane, 1957-58, puts the current year's area at 5,022,000 acres as against the corresponding adjusted estimate of 4,723,000 acres for 1956-57. This shows an increase of 299,000 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 reported by almost all the sugarcane-growing States. The increase has been marked in the case of U.P. and has been attributed partly to high prices of 'gur' at the time of sowing and partly to better irrigational facilities and seasonal conditions during the current year, as compared to last year. However, some decrease in area has occurred in Andhra Pradesh and West Bengal States. This estimate generally covers the period up to the middle of June 1957. Till then, the condition of the crop was reported to be generally satisfactory.

This estimate does not cover the entire area sown to sugarcane crop during 1957-58. Past experience has shown that the area at the first estimate stage forms roughly 94 per cent of the area of the crop finally reported.

INCREASED PRODUCTION OF COPPER ORE IN INDIA

The production of copper ore in India increased to 99,066 tons during the quarter ending June, 1957, according to the Indian Bureau of Mines. The output represented an increase of 4,064 tons compared to that of the corresponding quarter of 1956. The entire output of copper ore is from the Singhbhum district of Bihar State. The production of fire refined copper from the ores was higher at 2,080 tons in the quarter ending June 1957 as compared with 1,781 tons in the preceding quarter.

NO CHANGE IN EXPORT DUTY ON TEA

The Government of India have issued a notification fixing the price of tea, for the purpose of determining the export duty at Rs. 2.74 per pound as against Rs. 2.55 per pound in force from August 1, 1957. There is no change in the existing rate of duty of 38 Naye Paise per pound.

PRODUCTION OF INDIGENOUS SUGAR

The production of indigenous sugar amounted to 20.20 lakh tons up to August 15, 1957, in the current season as against 18.54 lakh tons in the corresponding period last year. The total off-take including quantities despatched for exports was 16.86 lakh tons. The stocks with factories on August 15, 1957, stood at 8.64 lakh tons.

SUPPLY OF PIG-IRON TO MADRAS

There was no discrimination against Madras in the allocation of pig-iron, said Sardar Swaran Singh, Union Minister for Steel, Mines and Fuel, in reply to a joint question by Sarvashri Subbiah Ambalam and Thanu Pillai in the Lok Sabha. The Minister further stated that the entire demand could not be met owing to the general shortage of pig-iron in the country. The allotment in 1956-57 represented about 59 per cent of the demand as against 42 per cent of the demand in 1955-56.

IMPORT OF STEEL IN 1958-59

Two bulk contracts placed in 1955 and 1956 included 80,000 tons of steel from a firm in West Germany and 15,525 tons from a firm in the UK for delivery in 1958, said Sardar Swaran Singh, Union Minister for Steel, Mines and Fuel, in Reply to a question by Shri M. Valiulla in the Rajya Sabha.

SULPHUR DEPOSITS IN NORTH GARHWAL

The Geological Survey of India was investigating the information given by a Lucknow University teacher

about the discovery of a promising deposit of sulphur in the North Garhwal of U.P., revealed Shri K. D. Malaviya, Union Minister for Mines and Oil, in the Lok Sabha. The Minister added that no sulphur deposits of economic value had been discovered in that area. It was understood that Shri B. S. Tiwari of the Lucknow University claimed to have discovered a promising deposit of sulphur from Piti Udiar in the valley of Rup-ganga in the neighbourhood of Bhanela Forest plantation about 30 miles east of Nandprayag.

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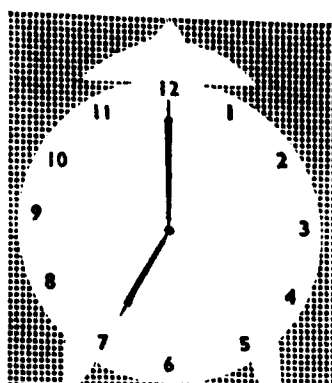
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COMPOSITION OF INDIA'S FOREIGN TRADE

(Imports—by Sea, Air and Land during 1955 and 1956)

(Value in lakhs of Rs.)

Items	Unit	1955		1956	
		Qty.	Value	Qty.	Value
1. Food and drink—					
(i) Wheat	Value	..	1572	..	272
(ii) Rice not in the husk	..	..	1878	..	70
(iii) Eggs	'000' doz.	11619	109	11164	106
(iv) Fruits and Veg.	..	..	1297	..	1509
(v) Milk Cond. or preserved '000' Cwt.	'000' cwt.	817	604	941	651
(iv) Provisions and Oilmans stores excld. milk condensed or preserved	'000' cwt.	..	567	..	830
(vii) Spices	..	878	562	1310	812
2. Cotton, raw	.. tons	109	5350	111	5359
3. Jute, raw	.. tons	284	1742	132	1382
4. Machinery of all kinds	..	..	10964	..	15051
5. Instrument and appliances	..	..	2637	..	3473
6. Kerosene oil	Lakh galls.	2643	2247	2743	2197
7. Mineral oil other than Kerosene oil	..	3163	3227	9954	4641
8. Metals (excl. ores)	'000' tons	789	7593	1753	15949
9. Chemicals excl. manures	..	..	1074	..	2448
10. Drugs and medicines	..	..	1387	..	1646
11. Motor cars and motor-omnibuses	'Nos'	18272	1291	18420	1342
12. Artificial silk yarn	'000' lbs.	46950	1432	59855	1740
13. Wool raw and tops	..	16941	889	19093	904
14. Newsprint paper	..	1472	618	1431	619
15. Paper (excl. Newsprint)	.. cwt.	1183	719	1316	831
16. Dyeing and tanning subs.	..	..	1641	..	1458
17. Paints and Painters material	..	..	238	..	268
18. Hardware	..	..	661	..	780
19. Seeds	'000' tons	81	757	90	843
20. Wood and timber	..	..	269	..	355
21. Staple fibre and yarn	.. lbs.	7136	96	46743	574
22. Cycle and cycle parts	..	..	320	..	400
23. Cotton manufactures	'000' tons.	..	342	..	580
24. Manures	..	109	217	154	371
25. Veg. non-essential oils	.. galls.	8201	635	8949	485
26. Woollen yarn and Mfrs.	..	..	300	..	275
27. Others	..	..	10772	..	12563
Total	..	..	64907	..	80874

(Exports—by Sea, Air and Land during 1955-1956)

(Value in lakhs of Rs.)

Commodities	Units	1955		1956	
		Qty.	Value	Qty.	Value
Food Drink and Tobacco					
Tea	Mil. lbs.	367	11355	525	14316
Cashew Kernels	'000' cwt.	657	1166	647	1527
Other fruits and vegetables	..	..	245	..	307
Pepper	'000' cwt.	248	483	252	357
Other Spices	Value	..	573	..	599
Tobacco	Mil. lbs.	102	1136	109	1551

(Exports--by Sea, Air and Land during 1955 and 1956)

(Value in lakhs of Rs.)

Commodities	Units	1955		1956	
		Qty.	Value	Qty.	Value
Raw Materials					
Cotton Raw	'000' tons	94	2417	72	1755
Cotton Waste	.. cwt.	1239	1050	1060	766
Wool Raw	Mil. lbs.	28	810	35	1065
Lac	'000' cwt.	591	1254	538	973
Mica	..	436	805	489	878
Coal	.. Tons	1496	429	1786	514
Manganese ore	..	1233	1437	1396	2275
Iron ore	..	1288	562	1766	919
Hides and Skins Raw	.. cwt.	277	673	237	607
Processed articles					
Groundnut Oil	'000' cwt.	3418	2073	551	406
Linseed Oil	..	1333	762	908	744
Caster Oil	..	862	434	817	610
Hides and Skins Tanned	..	441	2256	482	2306
Manufactures					
Cotton piecegoods	Mil. yds.	753	5778	746	5732
Other Cotton Mfrs.	..	..	601	..	557
Jute yarn and Mfrs.	'000' tons	879	12358	863	11249
Wollen Carpets and Mfrs.	Mil. lbs.	10	405	10	404
Coir yarn and Mfrs.	'000' cwt.	1478	903	1643	861
Other Miscellaneous Items	Value	..	10091	..	9288
Total	Value	..	60255	..	60666
Re-exports	Value	..	562	..	849
Grand Total	Value	..	60817	..	61515

* Figures obtained from Custom Houses through Export Trade Controllers.

DIRECTION OF TRADE

(Sea, Air and Land during 1955 and 1956)

(Value in lakhs of Rs.)

Countries	Exports		Imports	
	1955	1956	1955	1956
U.K.	16824	18699	16026	20788
U.S.A.	9242	8980	8876	9421
Germany (W)	1581	1503	5378	8182
Australia	2606	2228	1848	1165
Egypt	973	1113	1844	1552
Canada	1555	1572	664	703
Italy	712	824	1627	2612
Pakistan	872	809	2508	2093
Burma	1357	1018	2236	571
Kenya Colony	628	580	2100	1932
Bahrain Islands	247	223	1109	656
Singapore	787	764	1394	1455
Saudi Arabia	530	532	887	2150
Japan	2624	3071	3110	4327
Netherlands	1779	1197	1358	1416
France	697	577	1663	1954
Ceylon	2008	2150	885	856
U.S.S.R.	247	1219	304	1491
China	680	379	259	835
Belgium	(a)	(a)	917	2345
Switzerland	(a)	(a)	1099	1626
Sweden	(a)	(a)	689	1111
Other Countries	14868	13103	8146	12633
Total	60817	60545	64907	80874

(a) Included in 'Other Countries'. Source: Ministry of Commerce and Industry Report—1956-57.

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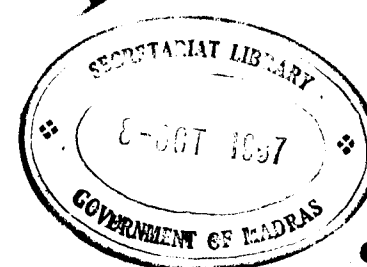
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NEW DELHI: SEPTEMBER 20, 1957.

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Challenge and Response

EVENTS this week have underlined the challenge which India's Plan and, through it, the people of India have now to face. It is obvious that we have reached one of those critical challenges which will determine, for many years to come, the path of this nation. It may be in the spacious Toynbeeian metaphor, one of those critical challenges of Indian civilisation. Again, in the Toynbeeian sense, this challenge must call for its appropriate response if the civilisation which it challenges is to survive. There may be there almost certainly is — a continuing character in the present crisis. If it is developed over the next ten years as a perpetual limitation on Indian economic development, it may decide the next decade the future course of Indian political life. It is right that one should recognise this, both for India and for the Free World, there tremendous stakes involved in this challenge and its coming response. If the response is feeble and inadequate to the great challenge which has been thrown before us, the democratic way of life in India may well suffer a permanent eclipse.

Because of the great stakes which are involved, it is necessary that we should bear ourselves as much with knowledge as with dignity which, in times of stress, marks out strong nations from the weak. There should be no attempt to hide the realities of the situation from the Indian people or from our friends or enemies

abroad. We have, indeed, nothing to hide. We have made serious mistakes in the estimate of the original foreign exchange resources required for the Plan, and an almost equally great mistake in the expenditure of something like Rs. 200 crores of foreign exchange in the first eighteen months which could conceivably have been deferred. To admit this error is not to correct it, and nothing could be so foolish as to spend much time in re-primination instead of considering how best our current difficulties can be remedied. In a sense the urgency with which the Finance Minister has recently spoken and the resilience which the Central Government seems to have shown in the brief which has been given to him in order that he should adequately recognise the need for some accommodation in our policies, seem to augur well for the future. The past is dead; let the dead bury the dead. The present is critical; let us be flexible to its demands. The future is ours to make or to mar.

Stripped of all its complications, the problem stated by the Finance Minister on the eve of his departure is simple enough. It is to obtain Rs. 700 crores in foreign exchange to finance the Plan over the next three and a half years. Events this week have again underlined the point that much the greater part of this amount must come from the United States. The rise of the British Bank Rate to 7 per cent — an all-time peak —

indicates the tremendous pressure to which sterling is now subject. It is almost certain that any accommodation which might conceivably have been given by the U.K. Treasury or by the City of London will, at any rate for the short period, be completely shut off. Again, it is obvious that the extent to which we can draw on our sterling balances is limited by the condition that while the sterling crisis persists our expenditure outside the sterling area will be restricted because of the burden it might impose on gold and dollar reserves which are nearing their lower critical limit. It is not believed that this crisis will last for very long, but since devaluation of the pound is not a means out of this dilemma and the strengthening of the gold and dollar reserves will take a considerable time, we may well be on short commons for a period which may extend to twelve months. There is thus added to our own need for foreign exchange a new factor the dimensions of which are uncertain, but the existence of which aggravates our burdens, whether in the price of deferred payments, or in the volume of foreign exchange which can be currently spent.

Equally, though this is not yet recognised in India, undue optimism should not be displayed in regard to West Germany which the Finance Minister is likely to visit on his return from the United States. Although West Germany is in a position, because of its vast foreign currency reserves, to assist in foreign investment, this investment is not written into current thinking at Bonn or at the great centres of German private financial investment, Düsseldorf and Frankfurt. A great deal of explanation has to be undertaken in West Germany before foreign capital which undoubtedly exists in that country is channelled in a reasonable flow to this country. There is no likelihood of any substantial loan of the order of between Rs. 50 and 100 crores from West Germany within the next twelve months.

Even if we assume — and this is by no means likely — that India could obtain over the next three years foreign credits from European countries including the USSR, of Rs. 200 crores additional, there would be left another Rs. 500 crores which will need to be covered by the United States. Here it must be remembered that a new PL 480 loan can make little contribution, as it contains no free foreign exchange. Again, new foreign private investment outside the Plan is a meagre remedy. Since most of the foreign exchange which it invests will be required for new projects, it may assist internal employment, but is not a means of finance of the hard core within the public sector. By the same token, private foreign investment which sets out new projects outside the Plan will be an additional burden on the supply of some scarce factors, particularly steel and transport, and thus may, in the short period, even imply a new domestic pressure on the Plan. It is quite obvious, therefore, that to look on private foreign investment — however welcome it is for other reasons — as a solution of the problem of finding finance for the hard core of the Plan is an error. It is obvious that foreign aid, and foreign aid only, can surmount our basic difficulties here.

This is by no means to underestimate the need for creative, by wise modification of existing rules on deposits of companies and excessive taxation of foreign companies — a more suitable climate for foreign

capital as a major instrument in the general problem of economic development in India. The agreement that has been signed this week guaranteeing remittances of capital read with the guarantees given by the United States to foreign private investors is all good so far as it goes. Nothing that has been said about limitations on private foreign investment as an instrument in the financing of the hard core detracts from the welcome recognition that private foreign investment must be encouraged by every means possible.

In the last analysis, it should be clear that, since aid must come from the Congress of the United States, there needs to be recognition in India that a request for the loan which the Finance Minister is currently making in Washington must be read against the minds of those leaders of Congress who determine the attitude to foreign lending. It would be difficult to be too sanguine about the result, and all that can be said here is that what is being tested is their imagination and our flexibility in determining whether, for the purpose of financing the Plan we will accept some limitations on the recklessness of our utterances on many matters, which may have quick financial implications.

There is no doubt that there are specific implications in respect of foreign policy statements. It may have been unwise for the Finance Minister to have given a suggestion, in an interview to the *New York Times* last week, that our defence policy is even distantly related to the possibility of an attack by the Soviet Union or the People's Republic of China on the democratic principles of the Indian people. But while the Finance Minister may have exceeded his immediate brief in this utterance, it is none the less true that the background of India's current challenge is against the struggle between the democratic and totalitarian ways of life. It may not be that the Union of the Soviet Socialist Republics or the People's Republic of China desire a Communist Government in India, though it would be plainly logical for them to applaud one, if and when, one, by great misfortune, should arrive in this country. The Finance Minister is right to insist that this country should be prepared for all contingencies. It is also likely that our heavy defence expenditure will be more rapidly appreciated in terms of our long-period responsibilities than in respect of our immediate needs of security as a result of arms aid to Pakistan. Whether he has erred or not, the Finance Minister should receive in the United States, where he is fighting a lone fight to save the Plan, the full support of the Central Government and the Indian people. This involves no decline of our independence or of dynamic neutrality.

The challenge today is thus to all of us. We must suspend our criticism of the Finance Minister for the duration. He is today the emissary of India in a foreign land. He must receive the warm support of the Indian nation, that is, the support of all shades of political or economic belief. For it is the future of the whole country that is at stake, and India's needs rank high above our personal needs and prejudices, or above political and party passions. As the plenipotentiary of India, we must ensure that he speaks with the voice of a united nation. He carries the nation's confidence; he cannot carry more. From our hearts we must wish his mission well; and with our minds we must support him without reserve.

The Verdict in Germany

DR. Konrad Adenauer's victory in the general elections held last Sunday has been sweeping. His party, the Christian Democratic Union, has been reconfirmed in power for the third time by an absolute majority of 43 in the Bundestag (Lower House) compared with a slender one of 13 in the last House. The present victory is, indeed, even greater than these figures would indicate. Without the German Party, Dr. Adenauer's coalition partner in the outgoing House, his party's majority consisted of but one vote.

The elections have been yet another landmark on Germany's road back to independence and power. The Federal Republic is eight years old; it began life as a makeshift arrangement, the West's answer to the breakdown of the Potsdam agreement in the wake of the Berlin blockade; the first Bundestag sat in the shadow of occupying Powers. The Bundestag will now be meeting as an assembly of an unfettered sovereign State. Although Dr. Adenauer's victory was never in doubt, his party's increased majority has unquestionably been a matter of surprise to friends and foes alike.

Nevertheless, it will be wrong to overstate the achievement and claims of the Christian Democrats. The main source of the accession of strength to them has been the near-elimination of minor groups, whose only difference from them in either economic or political theory for the most part lay in the accentuated inclination to the Right. Moreover, the Social Democrats too have more than held their own; indeed, they seem to have gained almost exactly what the German Party, a coalition partner of the Christian Democrats in the old House, lost — 16 seats. Superficially, this would seem to indicate in Germany a move towards a two-party system as known and practised in the firmer parliamentary democracies of the West. In the first post-war elections in 1949, there were as many as 58 parties in the field. As an indication of stability this would be welcome to all who are keen to see the heart of Europe regain firmness and vigour. The subversion of Weimar Constitution was made possible by the multiplicity of political parties then in existence. Dr. Adenauer is by no means a person inclined to or capable of becoming a dictator. Moreover, the Social Democrats are so placed as to block any constitutional amendment of a far-reaching character. None the less this seeming stabilization of position in Germany may well be the harbinger of one-party rule. The German by temperament likes order usually associated with a strong rule under one power-constellation. And therein lies the danger to parliamentary democracy as we know it.

The results of the elections signify that the West German people are satisfied with the present Government's home and foreign policies. For the average German voter, it is Dr. Adenauer and his Christian Democrats who have ushered in an era of unprecedented prosperity, regained sovereignty and forged an alliance with the Western Powers which ensures national security at the minimum cost. Under his administration the Mark, in contrast to the Franc — and even the Pound — has been exceptionally strong. Unemployment has

been reduced to a bare 2 per cent of the population. Moreover, under the much-maligned system of free enterprise half a million houses have been built every year since 1949 and Britain has been ousted as the world's third largest producer of steel. German capital has once again begun to flow abroad and replenish investments lost through post-war confiscations. In spite of the expanding economy, prices have been held remarkably steady, with indices moving up incomparably more slowly than in all other European countries. Against such incontrovertible and delectable facts of an era of economic prosperity unparalleled in Germany since 1914, it was natural that the German people should have been in no mood to experiment with political elements. Further, Dr. Adenauer's Government had announced that it hoped to reduce taxation after the elections, while it has produced a whole string of tax, bounty and pension concessions — biggest in Europe. These have been surely more effective as vote catchers than the promises of the Social Democrats of "fair shares" and better things to come.

The real reason for the failure of the Social Democrats was, however, their inability to formulate an adequate alternative programme. Failing to find a rallying point in the present situation, they spoke to the voter, who could see prosperity all around him, of possible unemployment in the future. They could not use nationalization of heavy industries as a useful plank, for private enterprise has manifestly been so successful a participant in the nation's rapid recovery. On foreign policy, too, the Social Democrats failed to make much impression. Just as they were not willing to meddle with the existing economic system, they kept the issue of German forces in the background. Their slogan of a "neutral unified Germany" ceased to have much value, once the Russians made it plain that they were not disposed to give up their position in East Germany on honourable terms. The room for manoeuvring thus restricted, even the idea of detaching West Germany from the North Atlantic Treaty Organization and moving it into an ill-defined state of neutrality lost its attraction. The continuous stream of refugees from East Germany and other satellites, the Soviet aggression in Hungary, the failure of the disarmament talks and Mr. Khrushchev's recent diatribe against West Germany in traditional Stalinist fashion appeared to confirm that Social Democrats were dupes of wishful thinking. In politics it is not enough merely to have good motives.

While Dr. Adenauer's victory will surely be gratifying to the free world, Russia too need not feel wholly disappointed. The Russian rulers may even be glad to have now an extended slogan as an answer to the question of re-unification of Germany: they may, while concealing their real motives, find it plausible to say that there was not much use in discussing the problem with a confirmed NATO partner. They can now also plead the alleged German rearmament as their reason for unwillingness to let Germany reunite. Adenauer's success may, therefore, be, in equally good for Russians so long as they hold on to their empire in Eastern Europe.

A Floating Pound?

THE weakness of sterling over the past months is part of the general uncertainty of the pattern of exchange rates of European currencies. A great deal of speculation has been going around about the possible, or rather inevitable, realignment of exchange rates. The approaching meeting of the I.M.F. has accentuated this speculation. New par values, of course, will not be discussed at the Fund's meeting starting on Monday next week. Nevertheless, informal discussions will undoubtedly be held and they are expected to promote better appreciation of the overall problem and an understanding approach to its solution. However pressing might be this problem in the immediate context of E.P.U. settlements, it cannot be ignored, as will be shown presently, that the disease is rooted in the world's recurring dollar shortage on normal trade and capital account. An attack on this disease will clear the climate for healthy exchange transactions. But this is a long-range problem and a long-range operation. In the meantime there can be no escape from the immediate issue. The feasibility of flexible rates needs to be considered as the possible solution. Prof. Robins' dictum that "when the general financial position is strong, free rates are usually unnecessary and when it is weak they are apt to be a source of appalling danger" undoubtedly stands as sound policy. But when a weak financial position assumes dimensions which press for an immediate solution that may possibly be sought in free rates, the danger in respect of which he utters a warning ought to be jealously guarded against.

Actually for some time past the D-Mark is selling at higher forward premiums than the U.S. dollar. This appreciation is to be interpreted in the immediate context of the devaluation of the French franc which has set in motion a fresh bout of speculative activity in anticipation of a readjustment of exchange values. This expectation has dominated the exchange market for several months now and is the outcome of the continuous payments surplus Germany has built up with the rest of the E.P.U. community. The surplus largely flows from Germany's remarkable achievement in recovery and development of her industry. The gains so acquired are being consolidated. Meanwhile, the drain which the chronic surplus inflicts on the gold reserves of the other members of the community has accentuated the demand for revaluation of the D-Mark. At the same time there is recognition on their part of the necessity of an interim realignment of their own currencies. While Germany is prepared to concede the fact of undervaluation of the D-Mark in relation to the European currencies, her plain contention regarding irrelevance of this appreciation in the context of the U.S. dollar is hard to refute. This weighty factor has influenced her decision not to take premature action in upvaluing the mark.

The way out of this impasse apparently lies in relaxation of the rigid official margin of one per cent from the par values of currencies in exchange transactions. Realignment of rates based on wider margins would undoubtedly ease the severity of the strain on the reserves of the member countries of E.P.U. Margins extending to ten per cent are freely advocated as an immediate remedy. Currencies permitted to float between the margins would tend to find their relative

rational levels which would minimise the area of speculation. This contingency, however, depends absolutely on the ability of the countries to adopt firm policies in dealing with inflationary forces in their internal economies. Failure in this respect would invite strong pressures for further enlargement of the margins and in effect floating currencies would be on the road to gradual devaluation. Once this risk is clearly recognized and fully safeguarded against co-operative action has reasonable potentiality of making a success of the transitional arrangement until the participants are able to rehabilitate their payments position. Dr Adenauer's return to power with greatly added strength reinforces the hope for giving shape to this proposal to which his government was not totally averse before the general elections.

A floating pound moving down to a margin of \$2.70 would be much less vulnerable to speculative onslaughts than it is at the present time. It is true that Britain has accepted by choice onerous obligations of a welfare state and made commitments of heavy investment programmes when industrial reserves are slender and industrial capacity is not fully adequate. But these are difficulties which beset the long-term perspective and will need to be tackled by independent instruments of policy. The short-term problem of rectifying the persisting disequilibrium and injecting strength in the sterling, however, cannot be put off. Britain's position on current account is by no means weak. Her latest drastic action in raising her Bank Rate steeply by 2 per cent to 7 per cent signifies her determination to defend the sterling by a frontal attack on inflation. Germany's reduction in the Bank Rate by 1 per cent, too, should further assist the process of discouraging speculative pressures on the sterling.

In the long-term global context the heart of the problem of exchange disequilibria is to be located in the recurring emergence of the world's dollar gap. Such recovery as was staged in recent years has proved to be short-lived and the world is now up against a dollar gap. American export surplus is the major disturbing factor. During 1956 the effect of the increase of \$1.8 billion over the previous year in American Government expenditure abroad and net outflow of private capital was wiped out by an equivalent increase in the trade surplus. The dollar deficit of the rest of the world recurred in the last quarter of 1956 with a gap of \$39 million and shot up to \$450 million in the first quarter of 1957. The correction of this baffling trend alone would pave the way for a stable structure of exchange rates. This is a long-term function. The remedies suggested are a restraint on dollar imports and reducing world's dependence on the dollar as a medium of international payment. An alternative arrangement for this second corrective is still to be found.

Floating currencies based on wide margins can operate successfully only by action in concert. The alternative to concerted action is continuance of morbid conditions in foreign exchange markets until they become no longer tolerable or improvement is brought about in external payments. On the whole, however, it is good to remember a currency can remain overvalued for surprisingly long periods, particularly with payments assistance from the I.M.F. It would be wrong to assume that the devaluation of the pound is near.

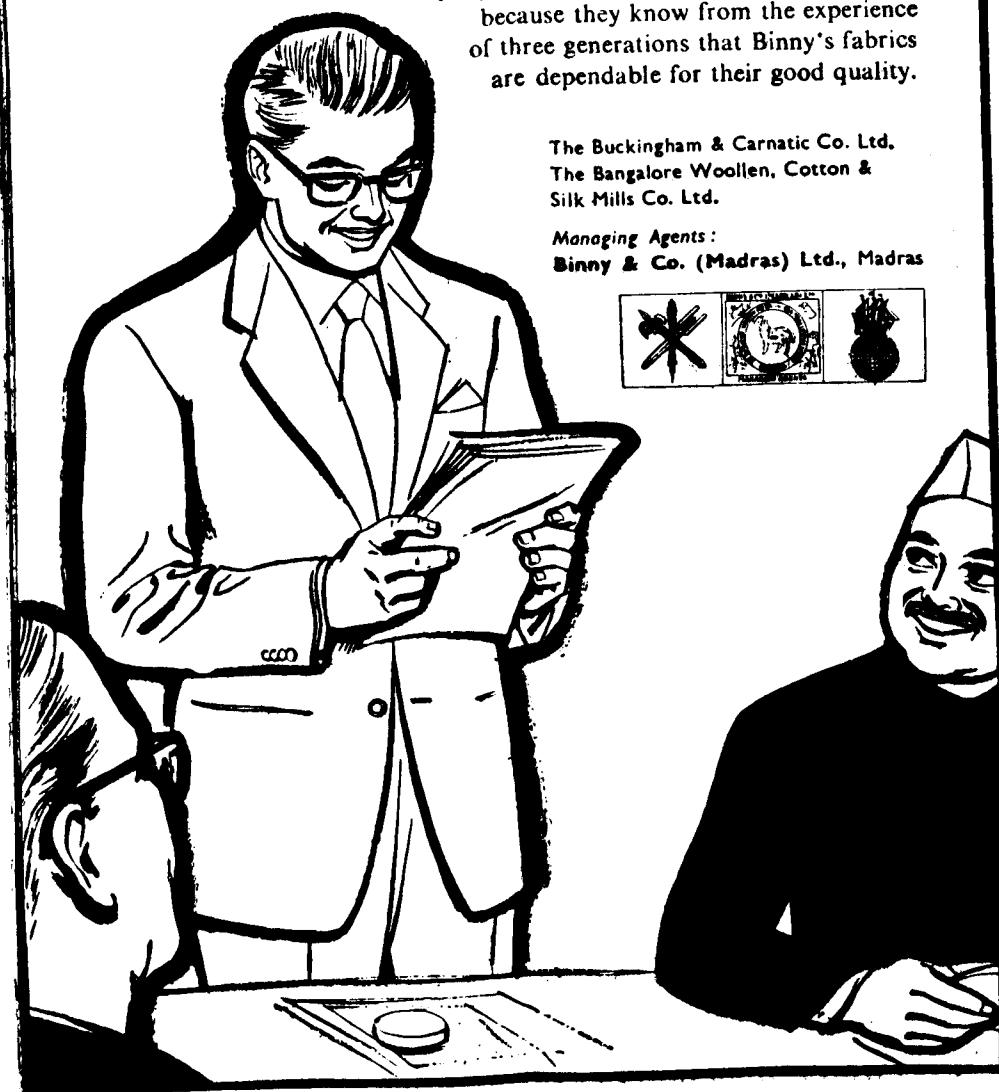
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THE WEEK'S NOTES

FALSE FOREBODINGS

INDIAN OPINION is easily exercised by the very mention of Goa. Of late it has been considerably inflamed by reports that a move was afoot for converting Goa into a base for North Atlantic Treaty Organisation. Even Mr. Nehru, in the course of his review of the international situation in the Rajya Sabha last week, while referring to these reports, emphatically declared that any such move would be treated by India as an "hostile" act. In a subsequent clarification Mr. Nehru, however, observed that the Government did not have any definite information that Goa had been converted into a NATO base. There was no definite information about any proposal on this score either. The only possible source on which the Prime Minister presumably relied upon was a news item published in the Russian Press, and broadcast by Moscow Radio, which was picked up by 'Reuter' and circulated in India. A similar news item was circulated about two years ago. It too had its origin in Moscow. On investigation it was, however, found incorrect. India had on that occasion approached the countries concerned for clarification, and the replies received were, as Mr. Nehru put it, "more or less satisfactory." The replies were to the effect that Portuguese colonies did not come directly within the scope of North Atlantic Treaty Organisation, though under the Treaty the subject could be discussed.

Accustomed to seeing in every Western move an effort to maintain, perpetuate, or expand imperialism most Indians are, therefore, suspicious of the possibility of "the subject being discussed". The assumption is that the Western Powers are probably not worried about the loss of India's friendship and goodwill; acquisition of a base in Goa would more than counter-balance the loss. Superficially, this is a plausible assumption. But there are factors, both military and political, often overlooked out of anti-Western bias, which make the assumption untenable. Every NATO Power, especially the United States, knows too well that any such move will be tantamount to writing off India completely from the non-Communist world. Strategically, too, Goa is of little value to the free world. Being surrounded by Indian territory and cut off from the main NATO lifelines by thousands of miles, Goa is not ideally situated for any military build-up. Moreover, Pakistan, already a member of the Baghdad Pact and South-East Asia Treaty Organisation, provides a much better base.

The timing as well as the origin of the report is, however, significant. The news emanated from Russia and was circulated on the eve of the United Nations General Assembly's discussion on the Special Committee's Report on Hungary.

EXPERIMENTAL CO-OPERATIVE FARMING

THE STANDING Committee of the National Development Council has recommended that just 3,000 experimental co-operative farming societies be organised throughout the country in the last three years of the second Plan. What is gratifying in this decision is that the proposed number is far less than the 10,000 'demonstration co-operatives' recommended for the remaining part of the Plan period by the Patil Delegation to China on co-operative farming. What is still more gratifying is that the launching of even the proposed 3,000 experiments would be subject to further consultation with States. As some of the bigger States like Uttar Pradesh and Madhya Pradesh have no pronounced enthusiasm for co-operative farming, it is just likely that not more than 1,500 experiments will have been launched in the next three years. Even this

trivial number of societies will be organised on a purely voluntary basis and keeping intact the right of a member to opt out.

This decision of the Standing Committee is as wise as it is cautious for obvious reasons. Even Mr. Nehru, with his theoretical attachment to co-operative farming, has conceded in a way the force of arguments against the pooling of lands in joint farms. This welcome, though slight change in the attitude of the Prime Minister should be widely appreciated — especially by the Indian Press which made possible a well-informed country-wise debate on co-operative farming in the last ten months or so. One has only to recall the following words of the Prime Minister uttered in November last year to know how he has quietly climbed down from his previous dogmatic heights: "I have heard it said that co-operatives do not suit the temperament of the Indian farmer. Probably it does not suit the temperament of the person who puts forward this agreement." Perhaps Mr. Nehru has now realised that it is just not sufficient if co-operative farming suits his temperament alone. As the demonstration value of the couple of thousands of experimental societies is not likely to be great in view of the inherent difficulty of keeping their members together in the absence of coercion and compulsion of some kind or other, one can reasonably look forward to the end of the second Plan when co-operative farming may cease to be a hobby-horse or a bogey.

ON THE HORNS OF A DILEMMA

MR FRANK ANTHONY recently said Hindi was increasingly becoming a "symbol of disunity." He referred in this connection to the trouble in the Punjab. He argued for the retention of English, on the grounds that besides being the mother-tongue of a recognized and sizable community, it was the "last remaining bond of emotional integrity." He also contended that the regional languages like Bengali and Tamil would tend to fall into disuse if the study of Hindi was made compulsory. While the last assertion may seem somewhat remote, it cannot be denied that the value of English as an "emotionally" integrating factor is very real. Hindi has, of course, gone some way towards integrating the greater part of North India. But it is mainly those parts where some dialectal variations of the language was already spoken, such as Madhya Pradesh, Rajasthan, Uttar Pradesh and Bihar. Mr Anthony's words are significant when read in conjunction with the happenings in the Punjab. In that State Hindi enthusiasts have been involved in a regrettable exhibition of fanaticism. The fact that some Hindi writers have pleaded for tolerance and urged that those interested in the cause of Hindi should not create any dispute does not absolve the "Save Hindi" agitators.

Apart from these considerations, it would be folly to discard English, because, as Mr Anthony put it, it has immense value in the field of education. India is one of the very few countries in the world where people doubt their ability to learn more than one language thoroughly. Given the proper training, there seems no reason why school children cannot be made proficient in Hindi, English and a regional language. It is admittedly a difficult task in a country with few teachers and schools. But with patience and tolerance much can be accomplished. Tolerance, because Hindi enthusiasts must realize that others value their language as much; very often, as in the case of Bengali, Tamil, etc., the language is older and richer than Hindi, with a considerably wider literature. And patience is necessary, because time is needed by the vast majority to absorb Hindi. It would be wiser perhaps to implement

the "Three-Language Formula" evolved at the last meeting of the State education Ministers. If this not done, Indians will seek unity and prosperity in vain, like the builders of the Tower of Babel.

GOVERNOR FAUBUS'S INTRANSIGENCE

A RATHER distasteful situation, which is likely to have international repercussions, has developed in the United States due to the "apartheid" policy of the Governor of Arkansas, Mr. Ovral E. Faubus. In defiance of the decision of the Federal District Court for de-segregation in respect of educational institutions, he has decided not to allow Negro children to enroll themselves in White schools. To achieve his object, he recently called out the National Guard (State militia) to prevent them forcibly from joining the Little Rock Central High School. The armed soldiers had, of course, little difficulty in turning back the nine Negro children who had come to seek admission. Not quite satisfied, the Governor carried his intransigence further. He revealed at a press conference that he had informed President Eisenhower that he would continue to defy both the Federal Government and the Supreme Court. Numerous dynamite explosions in the Southern State followed on the heels of his statement. Windscreens of several cars carrying Negroes past schools were smashed, and a Negro clergyman, the Rev. F. L. Schuttlerworth, and his 12-year old daughter were manhandled.

There will therefore be widespread relief at President Eisenhower's prompt action. He has bluntly informed Governor Faubus that "the Federal Constitution will be upheld by me by every legal means at my command", and asked him not to thwart the law. The President has, at the same time, instructed the United States Attorney-General to file a petition with the Federal District Court at Little Rock, Arkansas, for an injunction restraining the State Governor for using the National Guard to prevent eligible Negro students from entering White schools. Washington, it appears, is taking recourse to a court of law in the belief that if the Governor continues his defiant attitude, the Federal Government would move to get him cited for contempt of court and mobilize public opinion against him for gross violation of the rule of law. How this lengthy process is going to help the Negro children immediately is open to question. A more decisive action was needed to save the basic issue of racial inequality from being sidetracked into a court case or into a contest between Federal Rights and State Rights. For instance, President Eisenhower could have assumed command of the National Guard and ordered its withdrawal. This was all the more necessary because it would be no exaggeration to say that the entire course of de-segregation in public schools in the Southern States hangs on the outcome of the present crisis. At present, out of the 9,000-school districts in all the 17 Southern States, only a third are bi-racial; the rest are either all-White or all-Negro. The four States of the deep South — Alabama, Mississippi, South Carolina and Georgia — have declared that they do not intend to de-segregate the schools.

Racial discrimination has become an international problem; no nation can wriggle out of its embarrassment by dubbing questions raised in respect of it as "interference in internal affairs", as South Africa has been doing. Moreover, its practice by a section of the people of the leading democracy provides a God-sent opportunity to the Communists to win the favour of the peoples of newly-liberated countries, colonies and backward regions. It is necessary for American statesmen and intelligentsia to see that racial segregation is given a decent and early burial.

VAGRANTS IN RUSSIA

THE RUSSIAN FEDERATION, the biggest constituent unit of the Soviet Union, has drafted a Bill providing

banishment or compulsory labour for able-bodied people leading "anti-social and parasitic life". The Bill will be placed before the Supreme Soviet during the next session. In the Preamble of the Bill, it is stated that in spite of the fact that in Soviet society exploitation of man by man has been abolished and the "social reasons" for the parasitic existence eliminated, some people prefer to engage in vagrancy and begging and often commit crimes or live on unearned incomes.

The Bill is revealing. It accepts for the first time, though this has been widely known in the non-Communist world, that in spite of the claim of the Russian Communists and their Comrades abroad, equality has not been achieved in the Soviet Union. Instead, the two classes of the bourgeoisie and the proletariat have been supplanted by the two classes of the commissars and the workers, with the meanest content in the term. Like all "class-ridden" societies, society in Communist Russia too has its beggars, vagrants and parasites. It is interesting to remember that Karl Marx described these categories of people "as the outer expression of the inner rottenness of society divided into irreconcilable classes". It was the condition of existence, he observed in his characteristic self-righteous way, that determined one's being. He would turn in his grave if he knew all that is perpetrated in his name in the Communist world. The Soviets have admitted that some people live on unearned incomes. This implies that there are differences of income between the different classes of Russian people and that the Russian boast that Communism has been achieved in the country is hollow—which is, of course, true to Soviet tradition.

Incidentally, the proposed Soviet legislation unwittingly brings to mind the vigorous administration of the Poor Laws in eighteenth century England. During that period the good intentions of these laws gave way to the desire to revive villeinage. Vagrants, beggars and touting scholars, who were in the Tudor period regarded as an unbearable burden by the parishes and were meted out barbaric treatment, now became assets. The reason for this change was not that the British had had a change of heart, but that the rise in the price of corn had made it profitable for landlords to plough more land. These former "parasites" proved handy. Perhaps Mr. Khrushchev, in order to realize his dream of beating the United States in the production of milk and butter, has decided to "discipline" the vagrants, parasites and those who enjoy unearned income for "socially useful work." The virgin land of Siberia is there to provide them with work.

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A Window on the World

THE ANTAGONISM OF EAST AND WEST

By
ODYSSEUS

THE ANTAGONISMS between East and West are formidable, and, unless ways can be found to diminish them, the outlook for the individual is dim throughout the East and West and the prospect for bureaucratic despotism is bright.

If we go back far enough in History, we find no East-West antagonism. Contacts between East and West began around 1,000 to 500 B.C. when civilization (as opposed to local cultures) of a persistent and recognizable kind were spreading in China, India, Mesopotamia, and Egypt, and began to reach out towards each other and towards the peoples of the Mediterranean.

In the course of time the communications between the Mediterranean peoples and the East were broken by the nomads from the Steppes and by the Mongol invasions. Later, the Arabs completed the barrier between East and West by land, and when, at the end of the fifteenth century, the Portuguese opened the sea route round the Cape to the Far East, Europeans and Asians had forgotten each other's existence. In the meantime forces had been at work in both that were ultimately to erect barriers of the mind almost as impenetrable as the physical barriers enforced by the intervening Mongol-Arab strip.

In a remarkable little book of 82 pages, entitled "The Interplay of East and West" (just published by Allen and Unwin at 10 sh. 6d.), which I exhort you to add to your list of permanent acquisitions, Miss Barbara Ward argues that we can unravel today's East-West relations by comparing the kind of contact that occurred before this long gap between the last of the East-West land caravan-traders around the seventh century A.D. and the first of the East-West sea-traders 700 years later. During those centuries the Asian civilizations—despite the rise and fall of dynasties—remained unchanged in their basic social and economic institutions. Before the gap, broadly, like contacted like in East and West. But after the fifteenth century, changes were occurring in Europe which made the two continents steadily more dissimilar in institutions and outlook.

After 500 B.C., in the thousand years before contacts between East and West were broken, the civilization of both had reached a similar stage. In place of many gods, the idea of a single source of being or moral order had been attained. The idea of rituals and propitiation was giving way in the minds of original thinkers to the idea of a religion of the spirit. In place of a blind acceptance of a mysterious universe, there began to emerge the idea of man rising above material things to share in the Divine Being. With varying emphasis, Miss Ward says, these three concepts were the basis of the spiritual revolution wrought by the Vedas, Buddha and Confucius in Asia, and by the Greek philosophers and Jewish prophets in the West, so that it is hard to say whether the Indian thinkers influenced the Greeks more or the Greeks the Indians, because (and this seems to me the significant point) the contact was between people with a similar approach or a similar quest.

BOUND TO THE WHEEL

Yet even then the embryos of subsequent differences were discernible. "In spite of the spiritual revolution in Hindu, Buddhist and Confucian thought, one archaic concept retained its influence—the idea of a material reality bound to a recurring wheel of change. For Indian thought, this reality was illusion and one escaped from it into the limitless ocean of Being. In China, the material order was the real substance of man's life and could be restored to harmony by obedience to the moral law. It would then revolve in orderly fashion, unchanged in the perfect pattern established millennia before by the Yellow Emperor. Both attitudes limited the range of man's thinking about material reality—the Hindus by rejecting its importance, the Chinese by innate conservatism."

But, in the West, the Jews did not regard the pageant of material things as largely meaningless or as already fixed by a standard of perfection achieved in the past. They believed in the progressive revelation of God's purpose over the centuries and that they had a role in that purpose. Here are the seeds that developed into personal freedom, belief in progress, and concern with the material things of this world—all of which, Miss Ward points out, are dominant ideas in the development of Western civilization. The contribution of the Greeks was their insatiable curiosity about all things human, and their belief that man could find in Nature things of intrinsic interest and at the same time evidence of a Divine order. Reason was the Greek tool.

In government, East and West started from the same point of departure. During the principal period of contact between the West, India, and China, neither Alexander the Great, nor the Roman nor Byzantine emperors differed from Eastern rulers. The empires of East and West were run by bureaucrats drawing their authority from the divine or semi-divine personality of the emperor, whether Roman in the West or Mauryan or Han in the East.

The point, as I see it, is not that there were no conflicts between East and West, not that Alexander did not invade India, nor Xerxes employ Indian troops in his attack on Greece, but that these struggles did not present themselves as conflicts between East and West, between civilizations of fundamentally opposed aims. Those were the days of wars between dynasties. They might spread misery and destruction but there was no persisting rancour or bitterness—the creation of the post-fifteenth century nationalism which sprang up in Europe and then, from the nineteenth century on, spread to Asia.

The Renaissance in Europe is the watershed between East and West. Before it, the world was a more or less homogenous whole. After it, a transformed West, shot explosively ahead, while in the East, religious, political, and economic development ambled along.

Christianity developed Europe away from the once universal belief that this world is an illusion, or bound

to an unbreakable wheel of destiny. Christians saw the world as a testing ground, a creative area. From the Jews came the idea of the progressive revelation of God's purpose. Time was not therefore an illusion. It was important. From the Jews also came the un-Asian concept of Progress. The Greek idea of a citizen with rights mingled with the Jewish idea of the sinner with personal responsibility: hence the embryo of individual freedom and of equality (for women as well as men). And in the sphere of politics, these embryos led to the idea of constitutional government—in which all are equal under the law.

Miss Ward, in some acutely reasoned passages, concludes that these concepts gave support to the up-thrusting groups of merchants and entrepreneurs who did not find themselves, as in a static and closed hierarchic society, working against every preconceived idea held by their fellow-citizens.

PURITANS, PALACES, AND ZENANAS

The enterprising middle classes were also aided by the unique Western development of separate religious and secular powers. They avoided the political form, prevalent until the last few decades in the East, of a single religiously dominated social order. Society was loosened up, the individual set free to seek outlets for his intellectual curiosity, his sense of adventure, all his creative energies. The Puritan tradition combined the idea of religious vocation with hard work which allowed men to see virtue in accumulating vast fortunes and then not spending them on worldly temptations. In Asia, capital has traditionally been for enjoyment in palaces and zenanas. In Europe, it set in motion the cycle of saving and development.

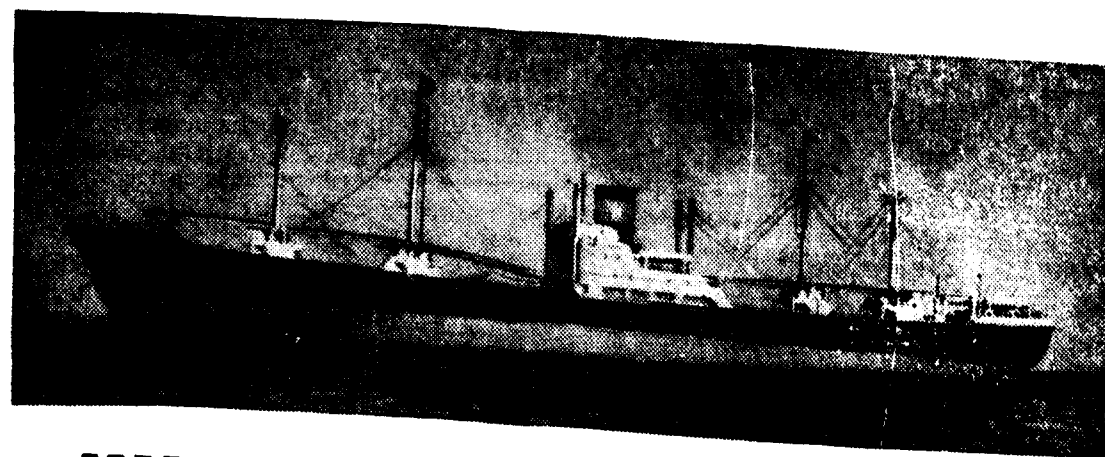
Individual freedom, constitutional government, the spirit of free enquiry and of humanist idealism, the application of science to raw materials in industry, and the possibility of freeing the masses from the wheel of poverty, these are the credit entries in the Western balance sheet.

In the forefront of the debits, Miss Ward sets nationalism. In mediaeval Europe, as in Asia until the nineteenth century, peasants and artisans had no part in government and little in fighting. Wars and dynasties came and went. The peasant and townsmen carried on, minding their own affairs. Nationalism could not emerge in such conditions.

In the West, nationalism developed as the effort was made to associate more and more strata of the population with civic responsibilities and government. At best, this effort generates creative patriotism; at worst, the aggressive and narrow nationalism which started two world wars. Another Western weakness arises because while scientific enquiry has swept away much paralysing superstition, it has also undermined spiritual values. "It has," says Miss Ward in a striking phrase, "left either an unthinking materialism or a vacuum of faith which, more recently, has been invaded by an organized and philosophic materialism, in the shape of Communism coming in to fill the void."

Under pressure of the same ideas, the West has produced two opposed versions of industrial society. The sovereignty of the people—responsible participation by citizens, and government in their interests—is the aim of Western constitutional government. But Marxism has twisted the sovereignty of the people to mean the divine right of the majority—the working masses—to establish a dictatorship and give all power to the Party which is held to represent the will of the people. Marxism has revived the forms of ancient despotism—the concentration of power, the imposition of a single philosophy of life, the subordination of the individual.

Next week, we will consider the impact on the East of these mighty forces generated in the West in the last 500 years, note the antagonisms created, and search for means of East-West co-operation in hopes of preserving for the individual the best that each world has to offer.



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ITALY IN THE MIDDLE EAST

(From Our Special West European Correspondent)

PARIS, September 14.

THIS week, while the President of Italy, Signor Gronchi, was in Iran as the guest of the Shah, the Government in Rome received for important discussions the King of Arabia, the Industry Minister of Egypt and the Economic Minister of Iraq. The coincidence highlighted Italy's present activity throughout the Middle East and in fact touched off a political storm in Rome, where the liberal (pro-American) politicians are accusing Signor Gronchi of again exceeding his presidential powers and of seeking to lead Italy into the dangerous adventure of sabotaging Western policies in the Middle East. We might be excused for wondering whether there exists any coherent "Western policy" in the Middle East for Italy to undermine, and even if there were whether what Italy is doing is really so dangerous to the interests of the Atlantic alliance. But there can be no doubt that what she is doing is exceedingly dangerous for the Western oil companies, and it is for this reason that Rome has been under considerable American pressure in recent months.

The state visit to Iran has been the centre of the controversy. At the level of protocol this is just a return visit for the Shah's various sojourns in Italy, where he took refuge when in exile. But President Gronchi rarely restricts himself to mere protocol; he is accused in Italy of attempting to play a directly political role, especially in international affairs, and there has already been a keen controversy earlier this year when President Gronchi replied to a diplomatic note from President Eisenhower without taking the permission of his government. Signor Gronchi indeed would probably like to transform the Italian President's symbolic office into something nearer the active role of the American President, and he has his own very definite ideas on what part Italy should play in world politics, especially in the Middle East.

So his visit to Iran would have aroused suspicion among a section of Italian opinion in any case. But Signor Gronchi is reported to have the intention of making a similar visit later in the year to Syria, and it is plain that the Americans would regard this project with an even more jaundiced eye than the Iranian, tour. Signor Gronchi made clear that he does not see these exchanges with the Islamic countries as mere courtesy calls by saying a few days ago: "We Italians must free ourselves from certain complexes which have restrained us hitherto, and in the first place from the anxiety not to offend anybody. We cannot stand by as idle spectators of the events that are occurring today." And in his speeches at receptions in Teheran this week he has gone well beyond presidential banalities and held up Italy's relations with the Middle East countries as a model for the rest of the Western world. Encouraged by his frankness, the Shah spoke out too and said it was incredible that Italy's efforts to put Arab-European relations on a new and non-imperialist footing should have made Rome the subject of intolerable pressures from some of her allies.

But if Signor Gronchi is in himself a controversial figure, the real cause of the furore is that he did not go to Teheran alone. He took with him the Italian Foreign Minister, Signor Pella, but that was presumably

just to keep himself covered from allegations of pursuing a foreign policy independent of his ministry's. He also took with him Signor Enrico Mattei—and wherever Signor Mattei goes, there is bound to be trouble. Signor Mattei is the most brilliant and dynamic figure post-war Italy has produced. He is the head of the E.N.I. (Ente Nazionale dei Idrocarburi), the State corporation that has a monopoly of all Italian oil interests, and is known as the "petrol dictator." He is the target of constant criticism at home and abroad, but does not seem to care; for the Americans he is the best-hated Italian of the present regime. Assured of the support of President Gronchi, surrounded by the leaders of the anti-fascist resistance in which he played a major role himself, controlling personally a section of the Italian Press, Signor Mattei follows his own audacious policies without regard for Cabinet Ministers or foreign governments.

It was Signor Mattei who concluded the pact with Colonel Nasser, long kept secret, that guaranteed his State oil monopoly the right to prospect for oil in the Sinai peninsula, and it was this agreement that determined Italy's frigid reaction to the Anglo-French Suez war, to the chagrin of London and Paris. He has just returned from Morocco where he has signed a prospecting agreement with the King of Morocco, which the French fear might compromise their claim to parts of the Sahara. But above all it is Signor Mattei who has carried through the agreement with the Iranian Government for Italian exploitation of Persian oil on a basis that leaves Iran 75 per cent of net profits. This agreement, signed this week in Teheran under the patronage of the Shah and President Gronchi, has aroused the furious hostility of the seven giants of the world oil cartel because it threatens the 50-50 pacts they now have with governments and principalities throughout the world. It took years of struggle for the oil-producing countries to get the 50-50 deal with the oil companies, but once that stage was reached the oil firms felt that there would be no further demands. After all, 50-50 has a fair and equitable ring, and it would take a lot of impertinence to ask for more. Signor Mattei has undone all that, and the oil companies fear that he has started something that could spread like a chain reaction throughout the Middle East.

It is this brazen Italian irruption into the close preserve of the Middle East oil empires that has brought Rome under pressure from abroad, and especially from Washington. The 'New York Times' in a vigorous article wrote lately that the State Department "is following the activities of the E.N.I. in Iran with great care," and Italian papers claim that this great care takes the form of diplomatic pressure on the Roman Government to put a stop to the "dangerous ambitions" of Signor Mattei.

How can Signor Mattei afford to do what the oil companies cannot? Very easily. His organization is a State monopoly and he feels that if it makes any sort of profit after providing for re-investment and expansion, then it has done well enough. His main aim to ensure Italy a sure supply of oil payable in Italian currency. It is the foreign exchange that must be paid for oil that concerns the national economy, not the profits of the oil monopoly. The present agreement with Iran

promises to provide Italy with independence in oil supplies, whether or not she builds her own pipeline. (This pipeline project could have something to do with Signor Gronchi's reported intention to visit Syria).

Petrol is not the only Italian interest in Iran. The Italians have built near the Caspian Sea two textile factories that have cost 11 million dollars and will be the biggest and most modern in the Middle East. They will increase Iranian textile supplies by 20 per cent. During the talks in Teheran this week more extensive forms of economic co-operation between the two countries have been projected. Similar investments and technical aid schemes were discussed with the Egyptian and Iraqi ministers who visited Rome this week, and Italy has close connections with both Morocco and Tunisia which she hopes will lead soon to firm agreements on economic co-operation. Worse, Italy has been taking too independent an interest in Algeria, and Signor Folchi, Under-Secretary of State for Foreign Affairs who passes for one of Signor Gronchi's mouthpieces, has just criticized "excessive French nationalism" in Algeria and declared that present French policies are contrary to the spirit of the European treaties.

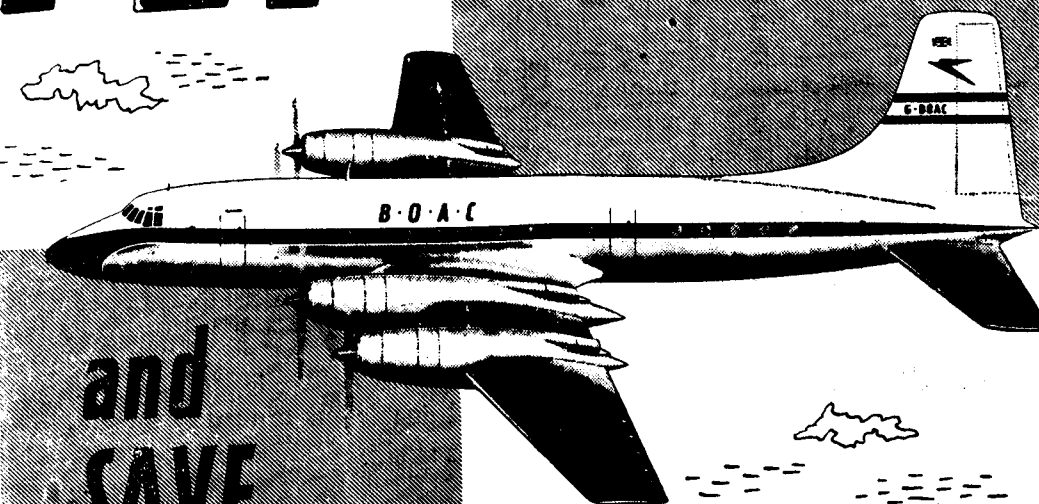
These various activities in the Islamic world irritate Italy's Atlantic allies, especially when Signor Gronchi presents them, as he did this week in Teheran, as a model to be followed by the misguided imperialists who are seeking to perpetuate outdated forms of con-

nection with Arab nationalism. They cause anxiety in Italy itself where it is felt that the President is taking too much into his own hands and that his disregard for Italy's allies' sensibilities will damage the Atlantic alliance which necessarily must remain the basis of the country's foreign policy. It can be no comfort to the President that the most enthusiastic support for his policy comes from the Communists and other Italian Leftist parties, whose hostility to the Atlantic alliance is greater than their love of Arab nationalism. The Right-wing political leaders have called for a full discussion of Italy's foreign policy as soon as Signor Pella returns from Iran, and the line they will take was indicated by one of them this week when he said that the Middle East was too dangerous a region for Italy to go pursuing a lone wolf foreign policy and added: "Italy's loyalty to the Western cause must remain clear and without reserve."

Signor Gronchi and his supporters reply to this that Italy is not seeking to set up a "third force" between the great power blocs in the Middle East and she is not hoping to exploit to her own advantage the discomfiture of the former dominant powers in this region. They claim that, on the contrary, the sort of peaceful co-operation Italy is establishing with the Arab world must benefit the Western cause in general. It must be admitted that, once one is free of the anxiety not to do anything that might cause offence in Washington, Paris or London, the Italians have a good case.

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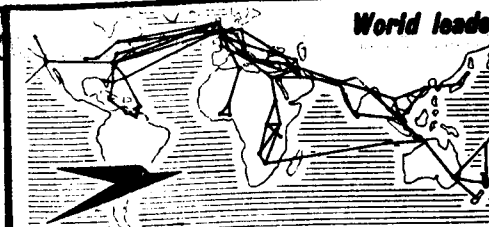
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WORLDGRAM

AGRICULTURE

Cotton Institute opened in Holland: On September 6, the Netherlands Cotton Institute was opened in the city of Arnhem by Mr. A. J. Blydenstein, well-known cotton industrialist. This new institute, established by a group of the cotton industry in Holland and with the assistance of the Cotton Council International in Paris (France) endeavours to stimulate the use of cotton by giving all sorts of information to consumers and to the cotton industry. The first activity of the Cotton Institute is an educative exposition, which will be circulating through a large number of schools in the Netherlands.

Research on Weed Control: In a written reply to a question in the Rajya Sabha, the Union Minister for Food and Agriculture, Shri Ajit Prasad Jain, stated that a co-ordinated weed control scheme was in progress in Andhra, Assam, Bombay, Madhya Pradesh, Punjab and West Bengal. A centre had also been sanctioned recently in Rajasthan. The scheme, financed by the Government of India since 1952, is likely to continue during the second Plan period.

Milk Products Factories Under Second Five-Year Plan: Seven milk products factories, two each in the Punjab, U.P. and Andhra and one in Bihar, would be established under the second Five-Year Plan in "milk pockets" capable of supplying a minimum of 500 maunds of milk per day. Each factory was estimated to cost Rs. 20 lakhs, he added. These factories would manufacture butter, ghee, casein and milk powder, each one manufacturing about 470 tons of ghee or 500 tons of butter and 600 tons of skimmed milk powder, annually.

Soil Conservation in Saurashtra: The Government of India has approved a scheme for demonstration of soil conservation methods in the Saurashtra region of Bombay in 1957-58. The demonstration will include contour-bunding after systematic surveys on an area of 1,800 acres. The Central assistance to the Bombay Government for this scheme amounts to Rs. 44,778 — Rs. 22,158 as subsidy and Rs. 22,620 as loan — in 1957-58.

INDUSTRY

Industrial Production in Japan: The Ministry of International Trade and Industry has reported that industrial output in Japan during the first half of 1957 was about 23 per cent more than in the same period of 1956. However, the rate of growth slowed down in June 1957 as a result of the tight money policy adopted in early May. The production of machinery in the first half of 1957 was 58 per cent higher than a year earlier and that of ships, 51 per cent; other sharp production gains were in railway rolling stock (37 per cent), petroleum products (29 per cent), iron and steel products (22 per cent) and textiles (21 per cent). According to the Ministry, this rapid growth of production affected the domestic price situation and the balance of payments position. Wholesale prices, which had risen during 1956, remained steady at a high level in the first half of 1957; the index for June was 4.2 per cent higher than a year earlier. Imports of industrial raw materials increased, and larger quantities of manufactured goods were purchased abroad in order to lower domestic prices. As a result, total imports in the first half of 1957 were 56 per cent more than in the first half of 1956. Despite the high level of exports, the foreign payments position deteriorated markedly.

Licences for Roller Flour Mills: Owners or persons in charge of roller flour mills used in the manufacture

of wheat products such as maida, atta, suji, rawa, resultant atta and bran will have to obtain licences in future according to an Order published in the Gazette of India Extraordinary on September 9. Entitled the Wheat Roller Flour Mills (Licensing Control) Order 1957, and issued in exercise of Government's powers under the Essential Commodities Act, it extends to the whole of India, except the State of Jammu and Kashmir.

Draft Standard for Reagent Bottles: The Indian Standards Institution has issued a draft Indian standard specification for reagent bottles for eliciting comments. This draft standard prescribes the requirements and methods of test for reagent bottles used for storing and stocking of pure chemicals. The draft standard deals with two types of reagent bottles, narrow-mouthed and wide-mouthed with any of the stoppers of the three types, namely, flat, dustproof and upright grip. It also lays down requirements in respect of capacity, material, pattern, dimensions, workmanship, finish, etc.

Development of Coir Industry: A proposal from the Coir Board for the establishment of licensed warehouses to handle coir yarn is being examined by the Government of India. A scheme submitted by the Kerala Government for the development of the coir industry in the Neyyattinkara Pilot Intensive Development Project area was under examination. The State had requested for financial assistance for implementing the scheme. The Coir Board is examining a proposal to conduct a market survey for coir goods in Central and East Africa. Details of areas to be covered and the cost of survey and similar matters have not yet been worked out. Reports about fall in the prices of coir yarn have been received. The Kerala Government has taken steps to purchase and stock coir yarn up to Rs. 10 lakhs for disposal when the markets are favourable. The Coir Board is examining the question of production cost of an improved model of coir spinning machine and the possibility of improving the mechanism and efficiency of the machine.

TRADE

Trade Arrangements With Democratic People's Republic of Korea: The Minister for Commerce, Shri Nityanand Kanungo, stated in the Rajya Sabha recently that letters had been exchanged between the leader of the Trade Delegation from the Democratic People's Republic of Korea and the Managing Director of the State Trading Corporation of India outlining the arrangements for trade between India and the Democratic People's Republic of Korea. The list of goods to be exported from India to the Democratic People's Republic of Korea include jute goods, tea, shellac, coffee, ores, vegetable oils, cotton and woollen textiles, coir and coir manufactures, soaps, machine tools, sewing machines and linoleum. The list of goods to be exported from the Democratic People's Republic of Korea to India include cement, glass sheets and plates, electrolytic zinc, steels, caustic soda and other chemicals.

Textile Export to Jordan: There is little scope for marketing Indian coarse in Jordan and other neighbouring countries, according to a report received from the Indian Trade Representative in Baghdad. Syria, which has a number of well-organized industries, will cater to the needs of the Jordan market for cotton textiles, hosiery goods, silk and vegetable ghee. Syria is at present manufacturing grey long cloth, bleached long cloth, drills and tobranco. India is, therefore, likely to have a limited market for the varieties of cotton textiles manufactured by that country. Further, the Indian textile trade is at present facing competition

from East European countries such as Czechoslovakia, Hungary, Yugoslavia and Bulgaria. These countries have offered grey sheeting at a price most competitive to Indian textiles and large imports have taken place. Some of the textile importers in Jordan previously used to import from India, have now diverted their purchases to these countries. Meanwhile exports of cotton piece-goods from Bombay port during July, 1957, improved slightly to 54.77 million yards from 50.54 million yards in the preceding month, according to figures released by the Textile Commissioner. While exports of grey cottons last month improved to 30.76 million yards from 23.13 million yards in June those of white cotton piece-goods rose to 13.39 million yards from 9.5 million yards. In the case of coloured piecegoods, however, exports declined to 10.62 million yards during the month under review from 11.91 million yards in June. Export earnings of mill-made cotton piecegoods also rose fractionally to Rs. 3.87 crores last month from Rs. 3.53 crores in the previous year. The value of apparel and other textiles exported last month also increased to Rs. 85 lakhs from Rs. 60 lakhs in June.

Yugoslavia's Foreign Trade: Following a considerable increase during the first quarter of 1957, Yugoslavia's exports decreased slightly in each month of the second quarter. At 8.67 billion dinars in June, they were 7 per cent higher than in June 1956 (1956 monthly average: 8.04 billion). Imports continued to rise, reaching 19.76 billion dinars in June, an increase of 16 per cent over June 1956 (1956 average: 11.8 billion). The trade deficit increased from 9.8 billion dinars in May to 11.1 billion dinars in June (1956 average: 3.8 billion). During the first half of 1957, exports amounted to 52.0 billion dinars, an increase of 8.5 billion dinars over the comparable period in 1956. Since exports during the second half of the year are usually higher than during the first half, the planned export value of 100 billion dinars may be surpassed. In the first half of 1957, imports were 100.4 billion dinars, compared with 73.4 billion during the first half of 1956. The trade deficit thus increased from about 30 billion dinars to about 48 billion.

U.K. Trade: The value of U.K. exports f.o.b. in July was £281.4 million, £5.5 million more than in June, and equal to the monthly average in the first six months; imports c.i.f. amounted to £359.6 million, £36 million more than the low June figure and 3 per cent more than the monthly average in the first half year; and re-exports f.o.b. were £9.4 million, 19 per cent less than the half-year monthly average. Thus, the excess of imports over total exports in July was £68.8 million, £31 million more than in June and £12 million more than the monthly average in the first half of the year. Most of the increase in exports was due to increased shipments to North America. Exports to the United States were 7½ per cent, and exports to Canada 13 per cent more than in the first half year.

FINANCE

Customs and Excise Revenue Collected in Indian Union for June 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 June 1957, amounted to Rs. 14.14 lakhs as compared with Rs. 12.95 lakhs in the corresponding month of the previous year. The comparison in the subsequent paras 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. 12.49 lakhs as against Rs. 10.91 lakhs, export duties for Rs. 132 lakhs as against Rs. 177 lakhs and land customs and miscellaneous for Rs. 33 lakhs as against Rs. 27 lakhs. The total gross collection

of Union excise duties amounted to Rs. 19.96 lakhs as compared with Rs. 15.27 lakhs. During the three months, April to June, 1957 the grand total of gross customs and Union excise revenue realised was Rs. 104.63 lakhs as compared with Rs. 80.83 lakhs during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 40.54 lakhs as against Rs. 32.85 lakhs, export duties for Rs. 395 lakhs as against Rs. 559 lakhs, land customs and miscellaneous for Rs. 101 lakhs as against Rs. 70 lakhs and Union Excise duties for Rs. 59.13 lakhs as against Rs. 41.69 lakhs.

Sudan Joins Fund and Bank: The Sudan became a member of the International Monetary Fund and the International Bank for Reconstruction and Development when the Article of Agreement of these institutions were signed in Washington on behalf of the Government of the Sudan by His Excellency Dr. Ibrahim Anis, Ambassador for the Sudan in Washington. The quota of the Sudan in the International Monetary Fund is \$10 million and its subscription to the capital stock of the Bank is 100 shares with a total par value of \$10 million. Sixty-three nations are now members of the Fund and Bank. Admission of the Sudan brought the total of members' quotas in the Fund to \$8,991,000,000. The total subscribed capital of the Bank is now \$9,318,400,000.

GENERAL

Mechanisation of Country Boats: A provision of Rs. 40 lakhs has been included in the second Five-Year Plan for the mechanisation of about two hundred sailing vessels. No detailed scheme for the grant of financial assistance to the owners of sailing vessels who were desirous of mechanising their vessels had, however, been drawn up yet, pending the enactment of legislation for giving necessary powers to Government to control the sailing vessels industry. It was proposed, to incorporate suitable provisions to cover the sailing vessels industry in the consolidated Indian Merchant Shipping (Amendment) Bill, which was expected to be ready shortly for introduction in Parliament.

Increase in Number of Foreign Tourists: India drew twice the number of foreign tourists in 1956 than in the previous year, according to statistics compiled by the Tourist Division, Government of India. The number of foreign tourists, other than Pakistanis, who visited India during 1956, was 68,880 as against 33,269 in 1955. Country-wise, the largest number of these came from the United States (15,111), followed by the United Kingdom with 13,411. The corresponding figures for 1955 are USA, 11,028 and the U.K. 8,681. Other countries from where larger numbers of tourists came during 1956 are: Ceylon 12,179; Burma, 5,060; Germany, 2,171; France, 1,716; Afghanistan, 1,549; China, 1,528; Japan, 1,426; Canada, 1,158; and Russia, 1,047. During the last four years, two Government of India Tourist Offices have been opened in the United States of America — New York and San Francisco — and one each in the United Kingdom, France, Germany, Ceylon and Australia.

Supply of Metallurgical Coal: About 1.99 million tons of metallurgical coal were supplied to Railways during the period January to April, 1957 said Sardar Swaran Singh, Union Minister of Steel, Mines and Fuel, in the Lok Sabha. The Minister, who was replying to Shri Vittal Rao, further stated that the second Five-Year Plan provided for the progressive replacement of coking coals by non-coking coals for use in locomotives. Production of non-coking coal of higher grades was being increased suitably. A systematic replacement was expected to commence from the middle of 1958.

NEWS IN BRIEF

INDIAN

The Government of India have set up a 7-Member Committee, with the Textile Commissioner, Shri V. Nanjappa, as Chairman to inquire into the quality, production and delivery of indigenous automatic looms.

A total area of 3,000 acres in the catchment region of the Ganga and Jamuna rivers in Meerut and Bulandshahr districts of Uttar Pradesh will be treated for soil conservation work in 1957-58.

Adequate stocks of National Plan Savings Certificates have now been printed and supplied to post offices authorised for Savings Bank work. Intending investors who had been issued preliminary receipts in lieu of certificates can now have these exchanged for the certificates themselves.

The Steel Purchasing Mission of the Indian Railways, which went abroad recently for the purchase of steel and pig iron, has placed orders for 5.22 lakh tons of track steel and pig iron.

In furtherance of the Family Planning Programme, grants amounting to Rs. 1,70,104 were sanctioned by the Ministry of Health during the period ending August 21, 1957.

There are now more than 1,100 information and community centres functioning at the headquarters of the Community Development and National Extension Service Blocks.

A lump sum allocation of Rs. 5 crores has been made in the second Five-Year Plan for special schemes for the educated unemployed.

It is reported a sum of Rs. 3,20,000 as loan had been sanctioned during 1956-57 to Rajasthan, Bhopal, Himachal Pradesh and Pondichery in order to enable these States to grant loans to agriculturists for the purchase of agricultural implements.

It is proposed to send a technical mission abroad for making purchases of cranes, cargo-handling and other mechanical equipment for the major ports.

Four hundred and thirty three students were studying or undergoing training in West Germany and 168 in Canada on 1-1-56.

The Government of India have further amended the Mineral Concession Rules for providing quicker disposal of applications for prospecting licenses and mining leases.

Under the craftsmen training scheme, 11,091 persons were undergoing training in technical and vocational trades in various training institutes and centres in the country at the end of June, 1957.

FOREIGN

The U.S. International Co-operation Administration announces that it has agreed to lend Indonesia \$2 million (£700,000) to buy a 2,200 ton cargo and passenger vessel from Finland.

Coal available in the European Coal and Steel pool area during the fourth quarter this year will be nearly 750,000 tons more than in the third quarter.

Following the directive from the Central Bank on Conserving foreign exchange, the Ceylon Commercial banks have increased interest rates on money lent for the import of luxury or non-essential goods, increased the margin for opening letters of credit for importing these goods and reduced the limits of accommodation in regard to some items of goods very drastically.

Egypt and East Germany signed a trade pact recently providing for an annual exchange of goods worth £E9 million each way.

Pakistan signed recently a trade agreement with Japan for one year after two months of hard bargaining. Under the agreement Pakistan will sell Japan cotton, jute, salt, chrome ore, cotton linters, hides and skins and a number of other raw materials.

Degussa, of Frankfurt, will soon set up Germany's first Uranium production plant in Hesse. The Uranium will be produced by vacuum melting.

The release of foreign exchange for investment in shares of Ceylon sterling companies registered in the U.K. is suspended for one year under new Government regulations to conserve foreign assets.

First official estimate of the area sown for wheat for harvesting in November-December next is 5.3 hectares. This is 11 per cent lower than last years area and one of the lowest recorded figures in recent years.

South Africa's gold and foreign assets in the week ended August 30, totalled £112 million as compared with £112,936,000 a week earlier.

A British cotton-exporting concern has sold £1 million worth of Uganda cotton to China. The deal, negotiated in Hong Kong, involved 17,600 bales of long staple Uganda cotton, which would be shipped to Shanghai soon.

Higher sales and net income are reported by the Royal Dutch-Shell Group for the second quarter of this year. Sale proceeds and other become totalled £66.3 million against £559.7 million for the corresponding three months of 1956, making £1,307.4 million for the half year, an increase of £212.2 million.

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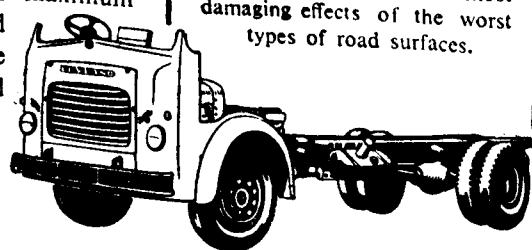
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Special Articles

QUERY OF FOOD STATISTICS: 1956-57

THE figures of food production in 1956-57 released by the Ministry of Food and Agriculture show that there has been a rise of 3.7 million tons or roughly 5.6 per cent over the previous year. In percentage terms, the food output of 1956-57 stands about 27 per cent above 1949-50 — the base year for the targets set in the first Five-Year Plan. These figures of production are, no doubt, heartening but they have created some unbelief because instead of depressing prices, the increased output has been accompanied by rising prices. Table I below shows the magnitude of rise in wholesale prices in respect of cereals, pulses and food articles during the last two years. The over-all index for food articles shows a rise of more than 10 per cent in June 1957 as compared with June 1956. During the last three months also, the index has shown an upward trend.

1955-56, in absolute terms, the increase in output of food grains has been to the tune of 20 per cent, whereas the index shows an improvement of only 11.5 per cent. Happily, this index takes into account the non-reporting areas in the later years and, since it is based on chain-base method, it tends to make figures comparable. This index, however, does not correct the error introduced by the new technique of crop cutting surveys.

TABLE II

PRODUCTION OF FOOD GRAINS IN THE INDIAN UNION

			(Base: Crop year ending June 1950 = 100)	
			(Million tons)	
TABLE I				
WHOLESALE PRICES				
(Base: 1952-53 = 100)				
	June 1955	June 1956	June 1957	
(1) Cereals	69	95	104	1949-50 54.0 100.0
(2) Pulses	50	75	86	1950-51 50.0 90.5
(3) Food Articles	83.7	99.0	109.3	1951-52 51.2 91.1
				1952-53 58.3 101.1
				1953-54 68.7 119.1
				1954-55 66.6 114.4 (a)
				1955-56 64.9 111.5 (a)
				1956-57 68.6 115.7 (a)

(a) Provisional

The paradoxical situation created by rising production and rising prices cries out a critical examination of the figures of output of food grains. The increase of nearly 14 million tons of food grains between 1949-50 and 1956-57, if it were real, should have resisted the inflationary spell through which the Indian economy has been passing during the last twenty months, especially because the tempo of imports has also been accelerated during the last year. There is 'prima facie' evidence that the figures of output released by the Ministry of Food and Agriculture for the eight years are not strictly comparable. The error arises from two sources. In the first place, there are certain areas in the country which were non-reporting areas before 1949-50. Every year more and more of such areas have contributed their share of output to the figures of India's total production of food. In the second place, the new technique of crop cutting surveys has tended to impart an upward bias in the estimates of crops. It seems that both these causes are at the root of the inflated figures.

An additional proof of the fact that the figures in the latter years have been inflated by the inclusion of non-reporting areas is offered by Table III on the next page which compares the rates of rise in the output of various crops in two groups of States. The group 'A' consists of all those States which before November 1, 1956, were known as Part 'A' States. The group 'B' on the other hand, consists of all the States which formed Part 'B' and 'C' States before reorganisation. It is clear that the faster rate of growth shown by group 'B' States is mainly due to the inclusion of non-reporting areas.

The thesis that the absolute figures of food grains production during the last eight years are not comparable is supported by the official index of agricultural production computed by the Ministry of Food and Agriculture. In Table II alongside the index of total food grains output and the figures of absolute output are set side by side. It will be seen that the index numbers do not show the same rise as shown by the figures of absolute production. Between 1949-50 and

If corrections are made for both these factors, it will be found that the domestic availability of food grains in per capita terms has not increased substantially during the last eight years during which period the population of the country has also increased by nearly 10 per cent. This conclusion suggests that the internal price line, in regard to food grains prices especially, can be held only by more imports of food grains. Since foreign exchange is not available, this implies greater utilisation of PL 480 loans from the United States.

TABLE III
FOOD GRAINS PRODUCTION

Commodity:	1950-51		1955-56*		(In '000 tons)	
	Group A	Group B	Group A	Group B	Percentage Change	
					Group A	Group B
Rice	18,577	1,674	22,762	2,712		
Jowar	3,817	1,591	4,433	2,507	+22.5	+ 62.0
Bajra	1,866	688	2,119	1,281	+ 16.1	+ 57.6
Maize	1,300	402	1,548	971	+13.6	+ 86.2
Ragi	971	436	1,168	736	+19.1	+141.5
Small Millets	1,442	280	1,716	387	+14.1	+ 68.8
Wheat	4,961	1,399	5,812	2,536	+19.0	+ 38.2
Barley	1,953	387	1,904	817	+17.2	+ 81.3
					- 2.5	+111.1
Total Cereals	34,387	6,857	41,402	11,947	+18.7	+ 74.2
Tur	1,509	183	1,601	213		
Gram	2,638	955	3,349	1,516	+ 6.1	+ 16.4
Other Pulses	2,358	635	2,701	807	+27.0	+ 58.7
					+14.5	+ 27.1
Total Pulses	6,505	1,773	7,651	2,536	+17.6	+ 43.0
Total Food Grains	41,392	8,630	49,053	14,483	+18.5	+ 67.8
States in Group "A": Audhra, Assam, Bihar, Bombay, Madhya Pradesh, Madras, Orissa, Punjab, Uttar Pradesh and West Bengal.						
States in Group "B": Hyderabad, Jammu and Kashmir, Madhya Bharat, Mysore, PEPSU, Rajasthan, Saurashtra, Travancore-Cochin etc. etc.						

* Final Estimates and not partially revised ones.

A SALES-TAX AMBIGUITY

By
C. V. NARAHARI RAO

A FIRM of cotton dealers has, to cite an actual example, different offices within the same State and also in several other places in other States. A branch office of this firm in Coimbatore, say, makes a contract for the sale of cotton, which is "declared goods," to a mill in Coimbatore. The cotton is to be transported by rail or lorry from a place X in another State, say Andhra. The selling firm hands over a delivery note and a debit note to the purchasing mill for the value after the goods are received at the mill's premises. Or it may be that the railway receipt is handed over and payment demanded in cash instead of the value being drawn through a bank by "a transfer of documents of title to the goods." Is the sale in question an intra-State sale or an inter-State sale? If it is the latter, which is the "appropriate State," which is entitled to collect the inter-State sales-tax and also demand the "Declaration Forms," if such forms are to be filed with the Return to the assessing authority, in relation to the seller?

Now according to Section 3 of the Central Sales-Tax Act, 1956, "a sale or purchase of goods shall be deemed to take place in the course of inter-State trade or commerce if the sale or purchase

- occasions the movement of goods from one State to another; or
- is effected by a transfer of documents of title to the goods during their movement from one State to another."

Clearly this sale has occasioned movement of the goods from the place X which is in another State to Coimbatore (place C, let us call it) and therefore the

sale should come under sub-clause (a) above. By virtue of Explanation (i) to Section 2(a) of the Central Act, the "place of business" in the case of goods in the course of inter-State trade or commerce falling within clause (a) of Section 3 is "the place from which the goods have been moved by reason of such sale." X must therefore be deemed to be the place of business for this dealer for this transaction. And Section 2 (a) (ii) states that "appropriate State" means in relation to a dealer who has one or more places of business situate in different States, every such State with respect to the place or places of business situate within its territory. As X is to be regarded as the "place of business," the "appropriate States" in this case is Andhra wherein X is situated and not Madras State wherein place C is situated. In that case the rate of tax that will be leviable on this inter-State sale of "declared goods" to a manufacturer and not to another dealer for re-sale will be according to the sales-tax law of this "appropriate State," namely Andhra and not Madras State, and not necessarily the one per cent Central Sales-tax. If (for example and argument's sake) the appropriate State's sales-tax law prescribes a two per cent tax for this class of goods, then this higher rate will govern this transaction. Anyway, the appropriate State being Andhra, the place of business being taken to be there, the Central sales-tax will have to be paid to that State.

Now, on the facts stated, the transaction seems to fall also under clause (b) of Section 3, stated above, because the sale is effected by a transfer of documents of title to the goods during their movement from one

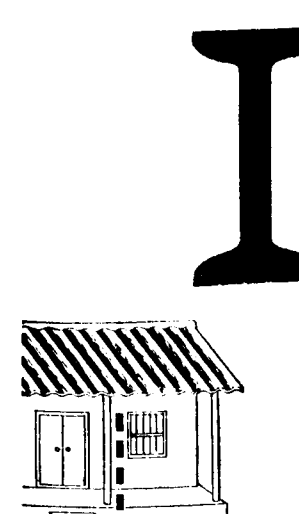
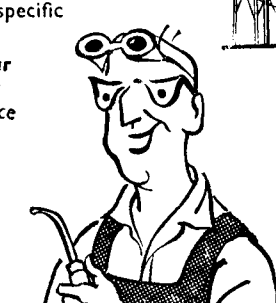
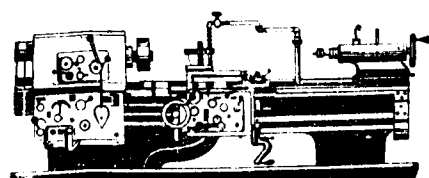
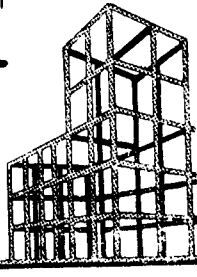
State to another. Arguing on the same lines as in the first instance, we find that according to Explanation (ii) to Section 2(a) in the case of a sale falling within this clause, "the place of sale is the place where the sale is effected." C in Madras State must therefore be deemed to be the "place of business" for this dealer for this transaction. Section 2 (a) (i) states in this connection that "appropriate State" means, in relation to a dealer who has one or more places of business situate in the same State, that State. Therefore, Madras is the appropriate State. If so, since Section 8(1) states that "Every dealer who, in the course of inter-State trade or commerce sells to a registered dealer goods of the description referred to in sub-section (3) shall be liable to pay tax under this Act, which shall be one per cent of his turnover," the seller has to pay one per cent tax for this sale of cotton to the Madras State. If the sales-tax for cotton is less than one-per cent (supposing) the seller need pay only that tax and if it is 2 per cent as for declared goods he should pay only that rate.

Anyway, if Madras State is regarded as the appropriate State a curious feature results thereby. Let us look at sub-section (4) of Section 8 now. It states that "the provisions of sub-section (1) shall not apply to any sale in the course of inter-State trade or commerce unless the dealer selling the goods furnishes to the prescribed authority in the prescribed manner a declaration duly filled and signed by the registered dealer to whom the goods are sold, containing the prescribed particulars on a prescribed form obtained from the prescribed authority." Here, therefore, we have a curious spectacle of one registered dealer, who is in the same State as the registered seller-dealer, having to furnish the Declaration Forms to be submitted by the seller, of course, to the self-same authority which issued those Forms to the buyer. This is unlike the first example explained above, where, the Andhra State being the appropriate State, that State was entitled to receive the Declaration Forms from the Madras dealer (seller) who was having his "place of business" in Andhra, though the forms have to be furnished by the Coimbatore mill.

Or again, let us suppose that the dealer in question, instead of sending the documents of title through a

bank delivered the cotton himself to the mill in Coimbatore by arranging lorry transport from X to C and obtained cash payment from the mill. Here, if the transaction is regarded as one involving movement of goods from one State to another the inter-State sale will come under clause (a) of Section 3 of the Act, but will not satisfy clause (b) because there is no transfer of documents. However, Explanation I which follows this clause (b) states, "where goods are delivered to a carrier or other bailee for transmission, the movement of the goods shall, for the purposes of clause (b), be deemed to commence at the time of such delivery and terminate at the time when delivery is taken from such carrier or bailee." Here the 'time' of commencement of movement is defined but not the 'place' of commencement of movement, which might perhaps be regarded as obvious. It cannot at any rate be so obvious as in the present instance where both the seller and the purchaser are in the same State and delivery actually takes place in the same State where both are and the buyer has had no responsibility for the movement or for its duration until the goods were delivered at C. Compare for instance what Explanation II to Section 3 says. The gist of it is that where the movement commences in a State and terminates in the same State, then there will be no inter-State sale although the goods in transit might have actually passed through an intermediate State. But this need not be taken as an absolute comparison.

This sale seems, therefore, to have all the elements of an inter-State trade, except that the seller being in the same State nevertheless arranged to get the goods from another branch office or elsewhere but actually delivered the goods to a purchaser in his own State. Section 4 (2) (b) of the Central Sales-Tax Act may also be usefully looked into in this connection. It states, "A sale or purchase of goods shall be deemed to take place inside a State if the goods are within the State, in the case of unascertained or future goods, at the time of their appropriation to the contract of sale by the seller or the buyer, whether assent of the other party is prior or subsequent to such appropriation." It may well be argued in this instance that the appropriation to the contract was made by the buyer when the goods were brought by the seller to the mill's premises in the Madras State.

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BOOK REVIEWS

LAND REFORM

The Land Problem of Reorganised Bombay State: By G. D. Patel: Publishers Messrs. N. M. Tripathi (Private) Ltd., Bombay 2: Pp. 466: Price Rs. 12.50.

Perhaps at no other comparable period of time were so many measures of land reform undertaken in such quick succession as during the last decade. In almost all the States, there has been, in fact, a plethora of these land reform measures with the twin objectives, no doubt, of establishing an egalitarian society and increasing agricultural production. Though the first objective of our neo-socialists may seem to be materialising as a result of these measures, serious doubts exist as to the achievements of the second objective—the stepping up of agricultural production, directly stemming from these reforms. The author of the publication under review, Mr. G. D. Patel, though very competent to deal with the “rationale” of these reforms, has not done it in the way he might have done to be of use to critical students of agricultural policy. On the other hand, he seems to have contented himself with indicating just what the Government's approach is. Perhaps this inhibition is what all Government officials suffer from.

Mr. Patel begins by saying that “the economic policy and institutional changes have to be planned in accordance with these democratic and egalitarian ideals” (page 40). This is all right for a responsible Government official to say, although it may not impress everybody. But, as he himself admits in the Preface, “in evaluating this book, the fact that the writer is a Government official having limitations under the service rules should not be forgotten”. Nevertheless after stating the approach to the problem thus, he has discussed, in a detailed and lucid style, the entire labyrinth of land legislation and reforms of the State of Bombay, which is, as Mr. Chavan says in his foreword to the publication, “leading other States in several respects”.

With the formation of the bilingual State of Bombay, the land problem, complicated even as it was before, has become doubly so. For, there is a lot of diversity in the respective land problems of the constituent units. Mr. Patel's attempt to present a more or less complete picture of “the land system, survey and settlement, the land revenue legislation, the systems of revenue accounts, the land tenure reforms, the tenancy reforms, the ‘Bhoodan’ and its role, the prevention of fragmentation, the consolidation of holdings, co-operative farming and co-operative management, land census, land reforms and rural credit, etc.” of all these units of the bigger bilingual Bombay State in a single publication, with appropriate statistics and documentation, besides being commendable, should be very useful to all those interested in land problems in general and those appearing for the Revenue Qualifying and the Revenue Lower and Higher Standard Examinations of the State Government in particular.

MARXIST MISSILE ON “MUTINY”

Rebellion — 1857 — A Symposium: People's Publishing House Private Ltd., New Delhi: Price; Library Edition Rs. 12, Popular Edition Rs. 8.

Indian Marxists try hard these days to dig roots into our country's resistant soil. All the more reason, therefore, that the centenary of 1857 uprising should be seized upon by them with avidity. For here they find blood and thunder, the comprehensible atrocities of popular rage or cool hate, “the people” in arms. This, surely, could be proclaimed as India's tradition as much as revulsion at Kalinga.

The editor of the symposium under review Mr. P. C. Joshi, a former general secretary of the Communist Party of India, has fully taken advantage of this situation. With a mass of quotations (mainly from secondary sources) he has built up a formidable case, as much against as Dr. S. N. Sen's sedate study as against the “Firanghi's Raj”, though the shower of invectives and the passion of the style does come a little too close to self-flagellation. Among the other contributors, Talmiz Khaldun makes an original contribution when he describes the political organization of the rebels. He is to be commended for having delved into original Persian and Urdu manuscripts, simultaneously with other better known books. But he hesitates to call the 1857 uprising a war of independence, is rather severe on the “feudal” leadership, and asserts that it was a “peasant war” as much against indigenous landlordism as foreign imperialism. However, not enough is done to back this up with factual data. Incidentally, it is interesting to find Mr. Joshi rapping Mr. Khaldun's knuckles for “leftism” — a battle of the Marxist flowers?

These are the two main contributions to the symposium and with all their weaknesses they make the volume a powerful challenge to traditional analysts. Dr. Sen and Dr. R. C. Majumdar are cardboard defences against the ballistic missile of this partisan scholarship. Dr. K. M. Ashraf on the Wahabi's and Mr. Benoy Ghosh's apologetics — more Manheimian than Marxian — for the standoffishness of the Bengali intelligentsia are not rich fare. There is a literary section which is remarkable in conception but rather dismal in the actual execution — from Mr. Gopal Halder's mere cataloguing of the names of Bengali writers and literatures to Mr. Ehtesham Hussain's feeble survey of Urdu. Mr. Joshi's paper on folk songs is, however, excellent.

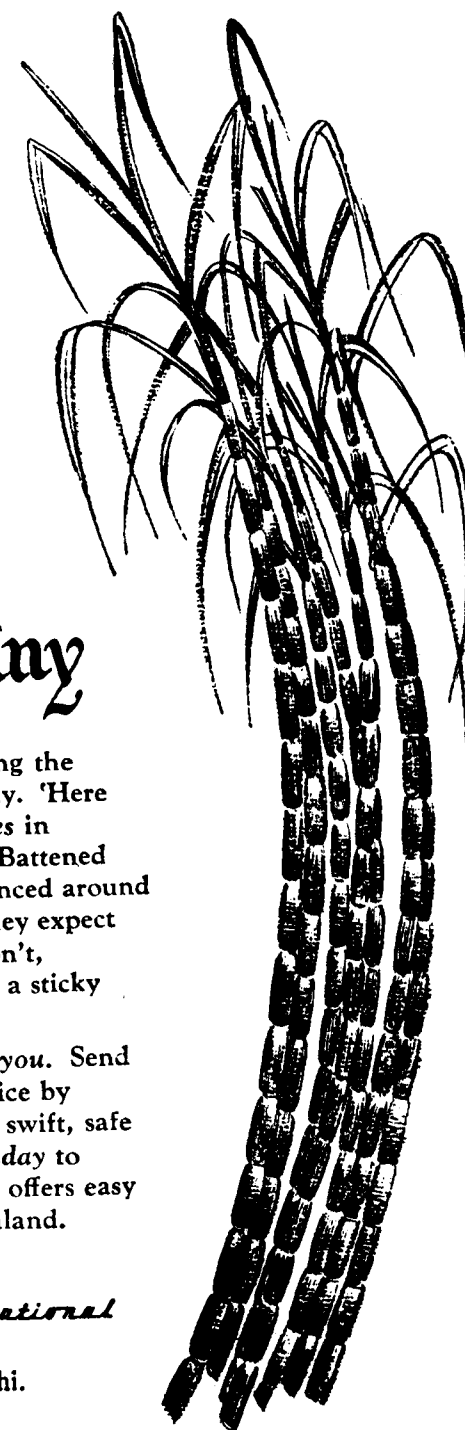
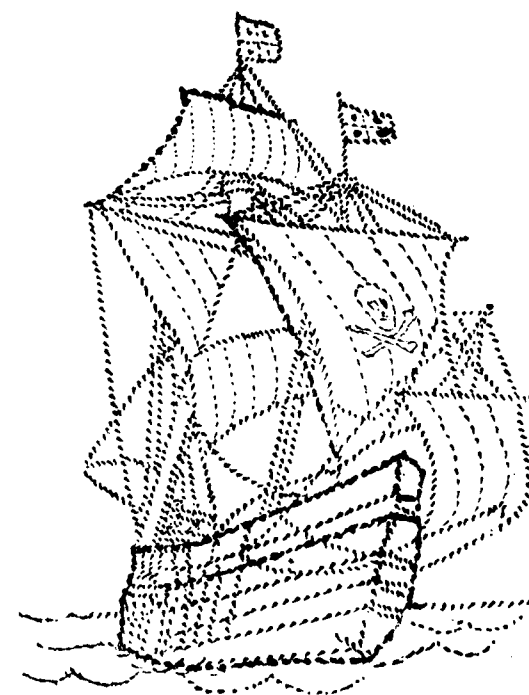
The final section of the symposium comprises contemporary reactions to 1857 in Britain, France, China, Italy and Russia. Outstanding here — indeed, by any standards — is James Bryne on British reactions. The other papers in this section are a shade too contrived. However, ‘Rebellion, 1857’, is to be welcomed, if only as a change from “objectivity”.

USSR STATISTICS

National Economy of the USSR (Statistical Returns): Issued by the Central Statistical Board of the USSR Council of Ministers: Published by the Foreign Languages Publishing House, Moscow.

The statistical information in regard to the USSR has not been made available to the free world for a long time. With the publication of this volume of nearly 230 pages, packed with statistics, the curtain on the secrecy of USSR production data is now lifted. The book brings home the great strides that the USSR economy has taken during the last four decades. It shows how the pattern of industrialisation has taken a wide swing in favour of producer goods. As against the share of producer goods at one-third of the total industrial output in 1913, the production of producer goods was as high as 70.6 per cent in 1955. There is no doubt that this amounts to an extraordinary reversal in the pattern of industrial growth.

The book deals not only with the growth in population and national income of the USSR, but it also traces, in statistical terms, the progress in industry, agriculture, capital construction, transport and communication, employment, culture and public health. Students of the socialist systems, will find a fund of useful information for study and analysis.



The cane mutiny

‘RISE and fall, rise and fall. I'm getting the bends,’ muttered the sugar-cane furiously. ‘Here I am, destined for the choicest confitures in Sydney — and how do they treat me? Battered down in this hot hold, jounced and bounced around for weeks on this endless ocean. And they expect me to stay sweet. I won't stand it, I won't, I won't, I won't!’ And it dissolved into a sticky pool of self-pitying tears.

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The Business World

DESIGN BEHIND TELCO DEBATE

By
CROESUS

IT is a great pity that, even in the avowedly most well-informed quarters, there should be so little appreciation of the machinations of our Communist friends. To start mischief and say "Mischief thou art afoot. Take what course thou wilt" is a game at which the Communists are admittedly adept. For all that they want is to create confusion, so that they may fish in troubled waters. And, I must say, they have eminently succeeded in this special game of theirs in respect of the 'Telco' episode enacted in the Lok Sabha recently. Failing to take note of the unseen hand of the Communists in this affair, some unthinking allegations have been made by responsible persons against disgruntled high officials, rival industrialists, and protagonists of the public sector. But those who have made these allegations may be excused for their innocence and inability to discern the deep game of the Communists. I feel convinced, however, that, whatever may be the truth or otherwise about the hand of others in this so-called premeditated and motivated attack against the Tatas, it is the Communists who successfully engineered the enactment of this episode in the Lok Sabha. My reasons for this conclusion are as follows:

First the Communists wanted to hit back at the Tatas for the public condemnation of the growing Communist menace in Jamshedpur by Mr. J. R. D. Tata at the last annual meeting of the Telco (Tata Locomotive and Engineering Co., Ltd.) held on August 12, 1957. It will be remembered that Mr. Tata stated, as a post-script to his Chairman's address on that occasion: "Since this speech was written, the labour situation at Jamshedpur has, I regret to say, taken a serious turn. On the 5th of August, a minor matter concerning the temporary transfer, many weeks earlier, of three men, without loss of pay from one section of the Auto Division to another in accordance with established practice, was made the excuse for an illegal lightning strike which had obviously been well planned in advance, accompanied by violent behaviour towards German supervisors on the part of the ring leaders." Continuing, Mr. Tata said, "A serious aspect of the situation is that the trouble is clearly not an ordinary trade dispute, which could be settled in the normal way by negotiation with the Union concerned, but a deliberate attempt on the part of Communist leadership to disrupt operations at the Telco Works. There is evidence that this incident is part of a larger plan to disrupt the working of the whole of the industrial complex of Jamshedpur." This was apparently too much for the Communists to swallow.

Secondly, the Communists wanted to create a further split between not only the Government and the private sector but as between different groups in the private sector itself. They seem to have almost succeeded in this.

Thirdly, on the eve of the Union Finance Minister's visit to the U.S.A. to explore the prospects of foreign aid on a fairly large scale, nothing could be more effective than repeated cries of nationalization of this industry and that to scare away the American investors. This explains why it was not only the nationalization of Telco that was demanded but the nationalization of the sugar industry and of the banks as well. Thanks to the considered replies of Mr. Jagjivan Ram the Communists probably thought Mr. Jagjivan Ram would

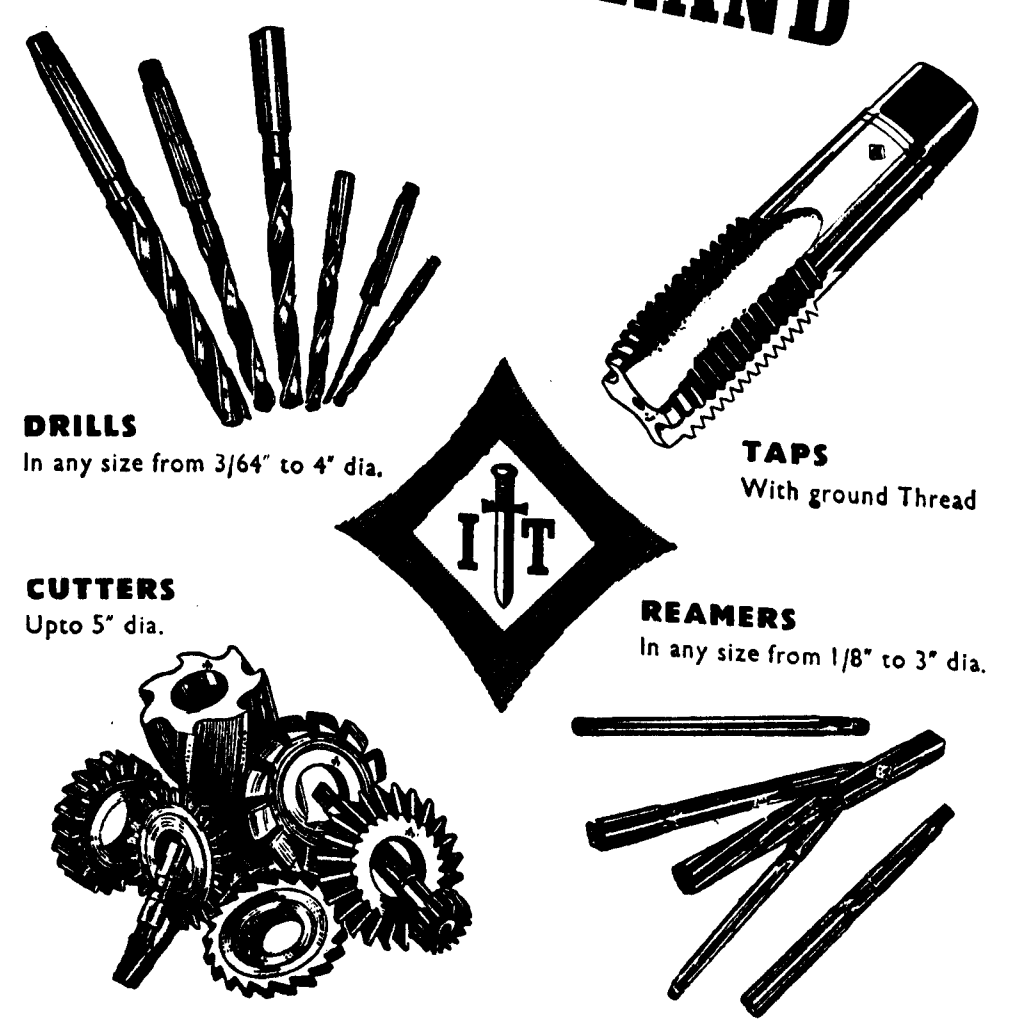
readily consent to nationalizing Telco as he has been responsible for nationalizing the railways, not reckoning, however, that Mr. Jagjivan Ram has probably been having second thoughts on the wisdom of that hasty move of his) and Mr. A. P. Jain, the game of the Communists was foiled. However, the Lok Sabha discussions on 'Telco' have not failed in their purpose of producing a sort of a chain reaction in the minds of foreign investors. But the Communists knew that any talk of nationalization would do great harm—and they were doubtless intent on seeing this happen—to the country's economy at the present juncture. What pains one is that, as if this damage is not sufficient, we should also be having at the present juncture well-meaning elders counselling against foreign loans albeit for good reasons, and impetuous adults comparing any aid that may be extended to India now to the U.S. aid given to the Chiang Kai-shek regime in China.

That some Congressmen also should so unsuspectingly allow themselves to be fed by the Communist hand and appear in the role of misguided champions of the poor tax payer passes one's understanding. I am not out here to hold the brief for Telco, but being a scrupulous respecter of our laws and conventions, I feel strongly for the way in which the Tariff Commission, a statutory body comprising persons of high calibre and integrity, has been made to appear as being rather partial. If the 'bona fides' of even such persons serving on statutory bodies are suspected, I am afraid, no honourable person worth his salt would be forthcoming to serve on these bodies in future.

Now, much was made in the Lok Sabha of the clause on which, according to the terms of reference, the Tariff Commission was required to base its award. A large part of what was said in this connection was quite wide of the mark. It seemed that no one cared to take note of the existence of a written agreement between the Government and the Telco. Surely it cannot be suggested that the Tariff Commission should have disregarded this agreement, even assuming that the agreement was unfortunate in some details. No responsible independent body would, even in such circumstances, suggest an abrogation of the agreement. For if agreements entered into between a Government and any industrial venture are abrogated, even when they are found to be inconvenient to conform to, as would appear to have been the case in this instance, that would result in undermining the confidence of investors to such an extent that a feeling of insecurity would develop both within the country and outside.

It seems to be a part of the agreement between the Government and the Telco — as it is a feature of all agreements — that there should be arbitration in the event of a dispute between the parties to the agreement. Let us assume, for argument's sake, that the dispute in question had been referred to an arbitrator. In that event, the arbitrator's award would have been final, without any appeal thereon. But, in the case in question, despite the existence of such a provision, it was decided to refer the dispute (regarding prices payable for Locomotives and Boilers delivered at different periods as stipulated) to the Tariff Commission, of course after Telco consented to it. This meant that the Telco people actually conceded a point in favour of the

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Government, inasmuch as the Tariff Commission's findings were not final, as would an arbitrator's award have been, but subject to the Government approving of them. There was thus an opportunity for the Government, even after reference of the dispute to the Tariff Commission, to disapprove of the findings of the Tariff Commission, and if the Government thought it fit and right not to do so, but to accept the recommendations of the Tariff Commission, the presumption is that it must have fully convinced itself about the correctness and the objectivity of that body's findings.

Nor could it be otherwise. For the Tariff Commission not only heard the two parties directly involved, namely the Railway Board and the Telco management, but also had the benefit of the expert opinions of a tried Cost Accountant and a well-known Technical Adviser — Mr. D. W. Hadfield — who is regarded as a world authority on locomotive manufacture. It is only in the fitness of things that the Tariff Commission have acknowledged the great help to it of Mr. Hadfield's wide knowledge of the problems of the locomotive industry in carrying out its investigations. This is what the Commission says of Mr. Hadfield: "He has subjected every single problem referred to him to a searching inquiry and has given us an illuminating report. We have drawn upon his analysis in the preparation of the technical sections of our report."

It could not be that a Tariff Commission, consisting of an I.C.S. officer and three distinguished members of the Commission, two of whom are regarded as eminent economists, and having the assistance of two experts, one of whom is known to be an outstanding authority in the locomotive industry, would have missed any of the points raised in the Lok Sabha debate. And, yet, if it has come to the conclusions it has arrived at, the least decency that one would expect is that the 'bona fides' of such a body are not questioned.

A reference was made in the Lok Sabha to the question of depreciation. As far as one can make out, I don't think the Tariff Commission has displayed any mental reservations on this subject. Its report clearly states that, under the agreement, any special or additional depreciation or other allowances or rebate allowed at any time during the pendency of the agreement for tax purposes should be treated as part of the cost of production of boilers and locomotives and so, irrespective of the rightness or otherwise of such a stipulation — for which the persons who drafted the agreement are alone to blame — the Tariff Commission had to accept the Telco's demand and rule out the Railway Board's contention.

Then, as regards the allegation that Telco was paid more than it asked for, it seems clear that the blame or responsibility cannot be laid at the doors of either the Tariff Commission or the Telco people. For the Commission's report ('vide' para 15.2) says that it was at the instance of the Railway Board that depreciation at income-tax rates was charged as and when it fell due, instead of being spread over the remaining period of the agreement. Indeed, the latter course was actually suggested by Telco, it would seem, and the Tariff Commission also has mentioned in its report ('vide' p. 46) that the prices payable to Telco would have been lower than those recommended by it (Tariff Commission), had the Railway Board accepted the principle of evenly spreading out depreciation, as suggested by Telco. Not only has the Tariff Commission pointed out what would have been beneficial to the Railway Board thus, but it has, whilst scrutinising the costs in detail, negatived quite a few of Telco demands. Apropos the principle of depreciation allowance adopted, it may not be out of place at this point to mention that the prices paid so far to Telco are only due to the loading of certain

elements in the earlier years and that what would be payable in future, when there would be no occasion for such loading, would be progressively lower.

There seems to be an impression — or shall I say "lurking suspicion"? — that the loco division of Telco is being loaded with the overheads of the whole Telco show — that is both the locomotive and the automobile divisions. Enquiries reveal that, apart from there being no such loading of overheads at the expense of the loco division so far, the prospects are that, in future, the auto division itself would absorb a sizeable portion of the overheads of the loco division.

Finally, a word about the demand for nationalization. I repeat that this demand could never have been instigated by rivals in the field, although that might occur to one readily and even seem plausible. Such a charge, in my opinion, amounts to underrating the capacity for proper understanding of the implications of nationalizing Telco. It should be noted here that, if at all the Government is driven to adopt such a course by political pressure, it can only be the locomotive division of Telco and not the whole of Telco. Should this eventuate, the auto division of Telco would be not less able but more able, as it could then concentrate on one thing only, to compete with its rivals in the automobile manufacturing field. Surely the rivals of Telco in the auto field are not so short-sighted as to precipitate this day. Even otherwise, the demand for nationalization of Telco (or, for that matter, any other industrial unit in the private sector today) is without any substance. By developing the manufacture of diesel trucks, this Company has contributed greatly to the mitigating of the problem of inadequate road transport in India and, if this is conceded, it follows that Telco has served to meet the road transport needs of the second Five-Year Plan. The Government's help to Telco—even if it may appear excessive to some—has but strengthened the heavy engineering industry of our country. We have the disinterested assurance of the Tariff Commission that capital has only been ploughed back and there has been no dissipation of resources.

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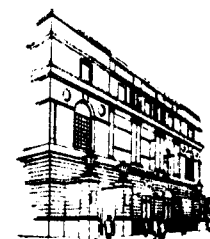
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BUSINESS NOTES

SUGAR NATIONALISATION

THE RESOLUTION for the nationalisation of the sugar industry, sponsored by the Praja Socialist Party, was rightly rejected by the Lok Sabha by a substantial majority. It is curious that, while so much hard and realistic rethinking is taking place in Britain on nationalisation as an essential instrument for the achievement of socialism and economic equality and preponderating opinion is veering away from it, socialists in India should still persist in thinking in the old rut. The case for the nationalisation of the sugar industry is not tenable on any reasonable ground. This is one of the industries which have made rapid strides in recent years and promise even a better performance. The cane grower has been assured fair prices and the worker has received a square deal. The State is vested with powers of regulation which provide a safeguard that the grower and the worker can always rest assured of equitable treatment and that mismanagement can be effectively dealt with. One major reason advanced for nationalisation is that the industry's profits can be put to the use of the public sector. To describe these profits as "colossal" and to argue that they can provide a fruitful source for investment in the Plan is to betray lack of knowledge of the real situation. Moreover, far from assisting the resources position of the Plan, nationalisation will drain away scarce resources to the extent of Rs. 150 crores by way of compensation. Who with any sense of responsibility can be a party to this uncalled for drain?

Mr. A. P. Jain vigorously expressed Government's opposition to the resolution on its merits as also on the score of Government's Industrial Policy Statement. This Statement reserves future expansion of the sugar industry in the private sector. Nothing has happened since then to justify deviation from this policy. But Mr. Jain's assertion that future expansion of the industry should be directed on the lines of co-operative organisation cannot be sustained. It is true that 38 out of 55 sanctions for new units in the sugar industry have been awarded to co-operative enterprises. Nevertheless, it is also true that co-operative units are leaning heavily through government mediation on the Industrial Finance Corporation of India. The Corporation has undertaken to advance loans to them on an unusual scale. During the accounting year ended June 1956, more than one-third of the Corporation's loans were granted to sugar co-operatives. A noteworthy feature of these loans was that they were granted solely on the guarantee of the Central and State Governments on a basis of fifty-fifty. The consequences of this liability undertaken by these governments will have to be watched with attention. More important than this, the working of sugar co-operatives will need to be followed with care to assess their efficiency in operational and financial management. The experience of co-operatives — and of industrial co-operatives which is scanty — does not speak for their reputation on this count. Mr. Jain's bias and enthusiasm for co-operatives notwithstanding, Government must keep an open mind on the question of the future pattern of the expansion of the sugar industry — whether expansion should be entrusted to co-operative enterprise or to private enterprise — and come to a policy decision on the evidence of proved capacity.

REPORT ON MYSORE LAND REFORMS

THE MYSORE Tenancy and Agricultural Land Laws Committee, in its report submitted to the Government of Mysore last week, has suggested "the elimination of the landlord-tenant relationship and redistribution of land to satisfy the aspiration of the landless." A ten-

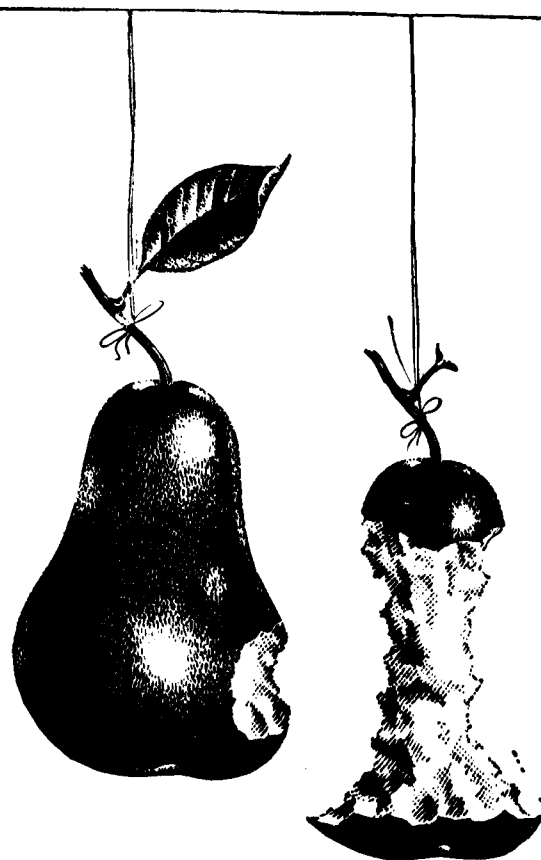
member Committee, under the Chairmanship of Mr. B. D. Jatti, a former member of the Bombay Ministry, this Committee has, by reason of its monumental work, paved the way for a comprehensive land legislation in the enlarged State of Mysore. After an analysis of the range of size of holdings and the percentage of land leased out in each group of holdings, it is noteworthy, the Committee has come to the conclusion that the agricultural economy of the State "largely approaches the ideal of peasant-proprietorship." It further adds that only 28 per cent of the people working on the land are landless and 'owner-cultivators are more 13 times than the rentier class' (emphasis ours). The total number comprising the rentier class and persons with large holdings is only 3.4 per cent of the population and the tenant class number 9.3 per cent of the total population. According to the Committee, nearly a quarter of the land is under tenancy. Another important point which the Committee has drawn attention to is that as much as 99.44 per cent of the holdings comprising 89.80 per cent of the area do not exceed 100 acres. The Mysore Government should bear this broad picture of the agricultural economy of the State in view before embarking upon any drastic land legislations; ill-conceived and hasty measures, however potentially vote-catching they may be, may do more harm than good to the State's economy.

Among the major suggestions of the Committee, mention may be made of its suggestion for the constitution of what it calls a "Land Commission" to act as the agency to implement the tenancy law proposed by it. With regard to the quantum of rent, the Committee considers that the limits laid down in the first Five-Year Plan were fair and suggests its adoption. The Jatti Committee recommends that the maximum rent might be a fourth of the produce in the case of land having assured irrigation facilities and a fifth of the produce in other cases. As regards ceilings, it recommends that those on existing holdings under personal cultivation may be 4½ family holdings (Rs. 5,400 in terms of agricultural income), as against three family holdings for future acquisition. The ceiling is, however, double this where the family consists of more than five members. Finally, the Committee recommends payment of compensation for the surplus over the ceiling to vest with the Government at 15 times the average net annual income derived by the owner from the land. It recommends that the Land Tribunal is to allot surplus land on a system of priorities.

It is interesting to note here that the existing coffee estates as on January 1, 1957 and also tea estates as on the same date are exempted from the operation of the ceiling. As regards sugar cane farms, while co-operative sugar factories which take land from members on lease are exempted, no single sugar factory is allowed to own more than a sixth of the area required to feed it, by the Committee. One would like to know the basis on which the Committee has arrived at this figure and one would also like to know if this rule is to apply even to sugar factories in which the State is the major shareholder. In any case, before hastening with any such rule-of-the-thumb principle, the Government should see that the growth of the sugar industry in the State is not adversely affected. The problem today is not reforms and legislation but more production and that economically.

THE COST OF STEEL

SIR BIREN MUKERJEE has done well to draw pointed attention to the economics of the three Government steel plants at the annual general meeting of the shareholders of IISCO. He pointed out that it has been conceded even by Government spokesmen that after the two-



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major plants in the private sector reach their planned extension of output and the three Government plants start working at their rated capacity there will be some exportable surplus. It is here that Sir Biren casts serious doubt: Would it be possible for the Government to export steel at C.I.F. price which is acceptable in the world market?

The available estimates of the production cost with the Government have now become out of date. The prices of all the raw materials, labour and ancillary services have since increased. The erection of Government plants will make a competing demand upon the already scarce supplies of electric power, coking coal, lime stone, etc. pushing their prices still further. Besides the availability of adequate transport facilities trained manpower will be another factor. As against this the entire steel industry, particularly in Europe, including the Soviet Bloc is fast expanding. And they may be competing in the export market after meeting their domestic requirements. Unlike India, the iron and steel industry in Europe has not to spend large sums in importing plant. Possibilities of exports of Indian steel to South-East Asian countries are also very bleak. In the first place they will like to purchase goods at competitive costs. And, secondly they may not afford to import iron and steel unless they are able to pay the price by the export of their own products. In the circumstances it is doubtful that the Government will be able to earn this foreign exchange.

DEBATE ON TEA

IN A recent debate in the Rajya Sabha on the recommendations of the Plantation Enquiry Commission on Tea, it was urged that the Government should reconsider its decisions already announced and accept the recommendations of the Commission regarding the replanting fund, ware-housing and conducting of tea auctions in Calcutta and Cochin. In this context, it needs to be pointed out that while it was essential to have a replanting fund, it did not necessarily mean that the problem of keeping the tea plantations in good condition would be solved. No rigid limit of average life of plants can be assumed as life varies by wide margins from 25 years to 80 years. There was, therefore, no point in laying down that the Government must insist on replanting after 50 years. The main factor is that the plantations be kept in good health. Mr. Nityanand Kanungo has explained that while the Government is not inclined to accept the Commission's recommendations in this issue straightaway, it is considering how a suitable formula can be evolved to ensure funds for replanting.

As regards the sales of tea at Cochin and Calcutta, the fear that the Government control may lead to monopoly is not baseless. The main criticism during the debate was that the tea industry was still largely controlled by British interests. While it is true that the production, distribution and auctions are in the hands of British managements which have made investments and taken risks in this industry over several decades, the fact cannot be ignored that during the last ten years Indian interests were getting more and more control over the tea plantations and distribution of tea. The tea industry was pioneered and owned by British enterprise.

The urgent problem was that the tea industry be nursed in such a manner that not only its competitive position regarding quality and price be maintained in the international market but also other markets found to expand its exports as Indonesia is coming back on the scene rapidly. So far as the high cost of tea was concerned, it was pointed out by the Minister for Commerce, Mr. Nityanand Kanungo that the Government was considering the question of setting up a directorate of production to collect data regarding production costs of tea and production practices in tea plantations.

SILK STRIVES FOR BETTER QUALITY

THE VERY existence of any industry, let alone its continued prosperity, depends, to a very large extent, in these days, "when intelligence and technique have a priority over numbers and strength," upon the maintenance of quality. This is particularly so in the case of our exports. In the export markets, where competition is very keen, only those products, which are up-to-date in design, are of good quality and are economic in prices, attract customers. Now, the maintenance of high quality calls for the translating of the results of scientific research into practice. This is the gist of what Mr. D. N. Shroff, President of the Silk and Art Silk Mills' Research Association said, at the seventh annual general meeting of that body held recently in Bombay.

Turning to the activities of the Association, Mr. Shroff said, that in collaboration with the Indian Standards Institution, the Association has been engaged actively in setting up standards for various kinds of rayon fabrics, such as Taffeta or Shioze, plain sari cloth, rayon half-crepe, rayon crepe, Ninons and Chiffons and linen, Jacquards and Sharkskins, etc. Mr. Shroff also revealed that the modern testing laboratory which is a part of their research organization has already planned to undertake testing of raw materials as well as finished products. This has come none too soon, as consumers have become quality-conscious, if not quality-critical. Gone are the days when they were content to judge the quality of the products in a rather empirical way, by using their senses of sight, smell or touch. It is gratifying to note in this connection that the Association is planning to publish, apart from providing full-time day courses for young men who want to specialize in its industry and evening courses for the existing technical personnel, already employed in the industry, a technical Journal devoted to silk and man-made textiles with special reference to the Indian Silk and Rayon Industry.

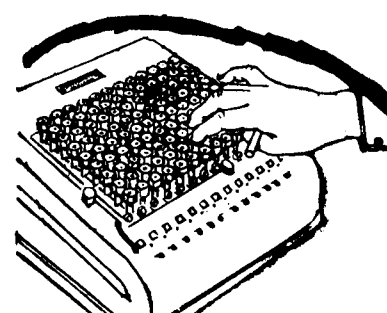
THE ESSENTIAL COMMODITIES ACT

THE AMENDMENT of the Essential Commodities Act recently passed by the Lok Sabha is to be welcomed, as it would remove all doubts being agitated in Courts of law regarding Government's power to requisition stocks of food and other essential commodities. It makes it clear that the Government's power under the Essential Commodities Act to compel stockists of essential commodities to sell their stock to "such person or class of persons" specified in the order, covers sale to the Government itself or one of its officers or agents. The object of the Essential Commodities Act is primarily to empower the Government to deal with the situation arising from an acute shortage of essential commodities. The Act when applied recently in the case of seizure of stocks of rice in West Bengal had indicated certain loopholes. The Calcutta High Court had upheld the objection that the Government's action in requisitioning of stocks of rice and paddy was not in accordance with the law. To remove the doubts and to plug the loopholes, it was essential that an amendment be brought forward and the whole position clarified beyond doubt. Certainly, hardships cannot be allowed to be imposed on people in the matter of essential necessities while nice issues of interpretation are being discussed in time consuming litigation.

In no way does the amendment to the Essentials Commodities Act seek to bypass the authority of the Court of Law if the spirit and intention behind it are properly appreciated. As stated by Mr. Asoke K. Sen, the Law Minister, the amendment only seeks to make the provisions of the Act clear beyond doubt. In times of crisis when there is shortage of production of essential commodities like food, it is absolutely necessary that Government be vested with the power to distribute stocks of essential commodities.

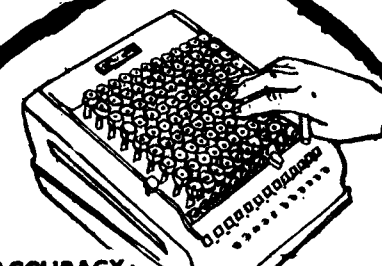
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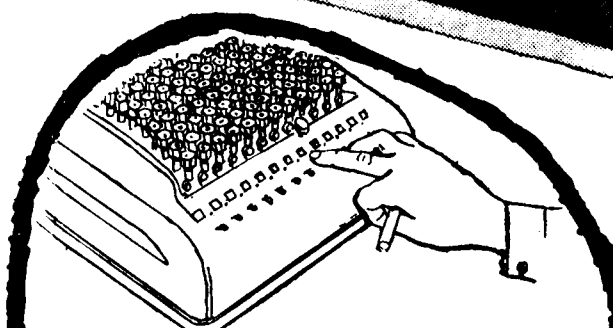
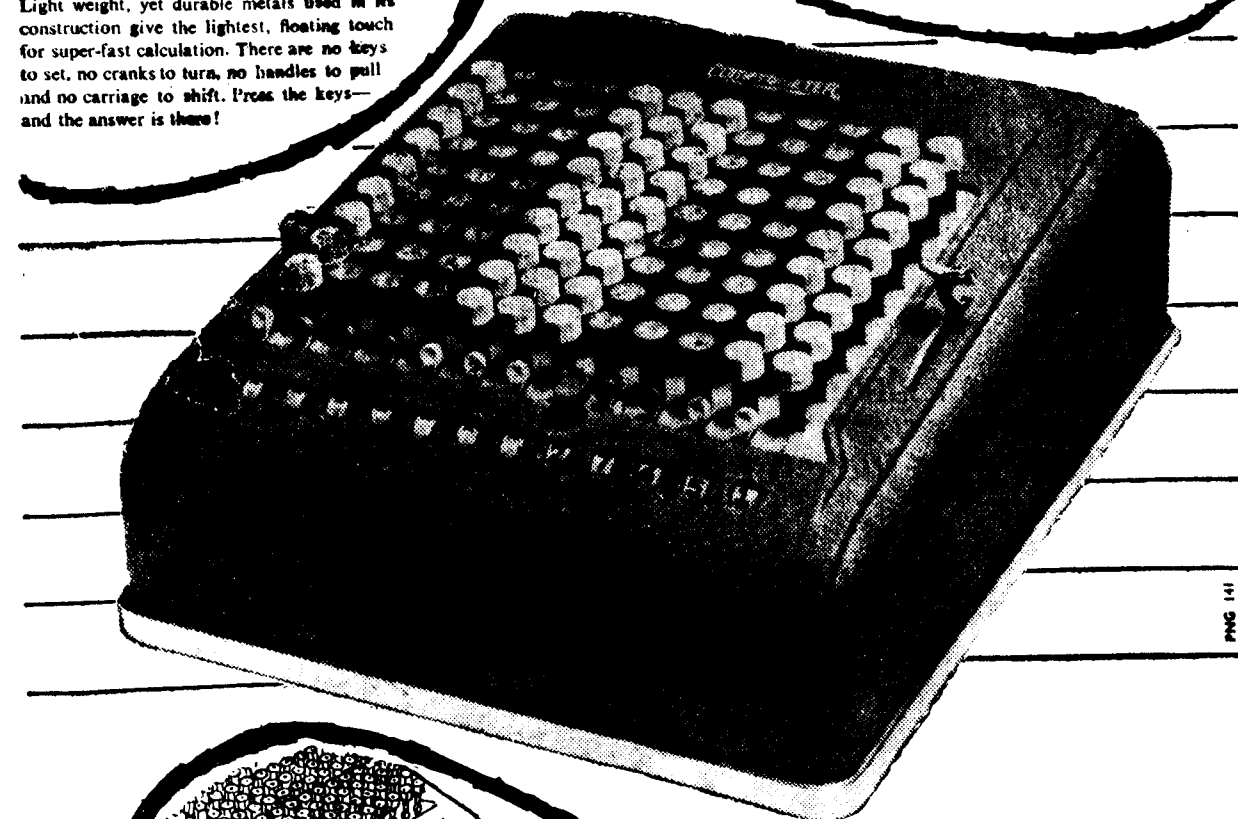
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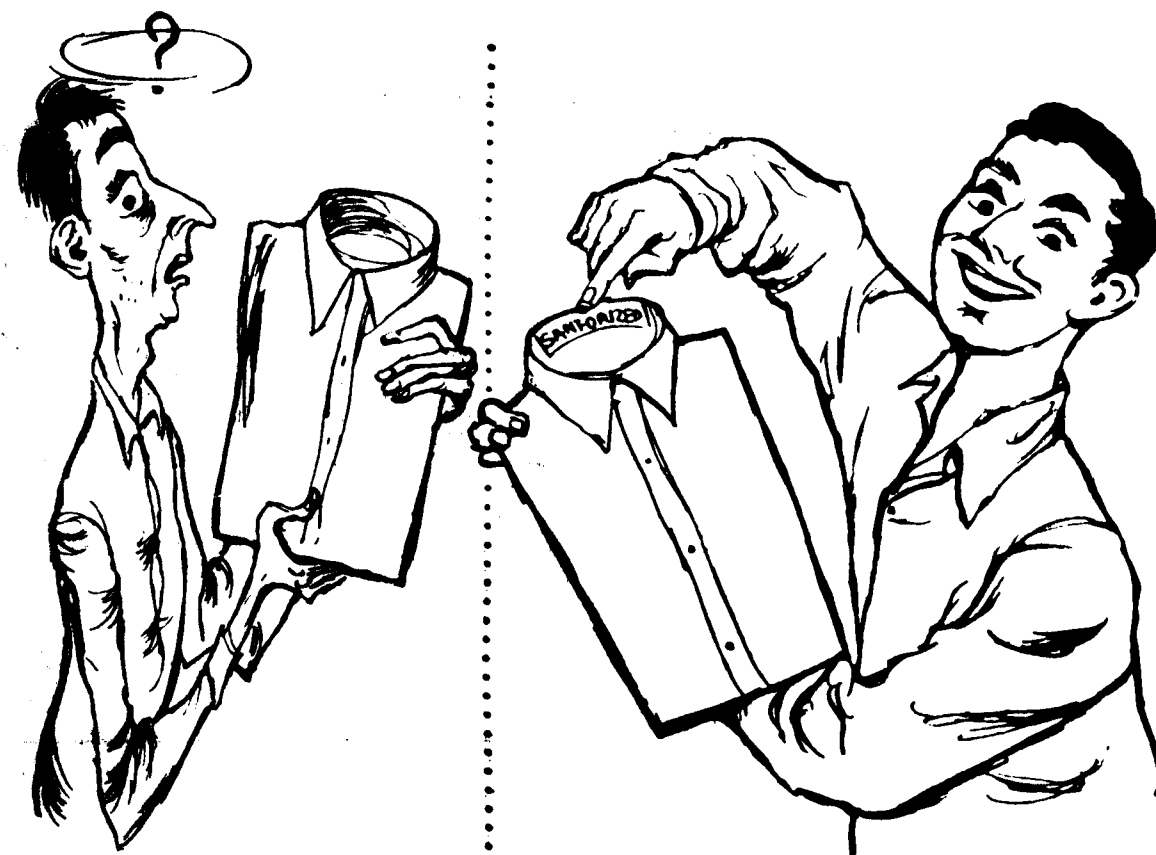
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Economic Report from the U.S.

IMPORT TRADE

(By GUY SIMS FITCH)

WASHINGTON, Sept. 17.—Two little-noted reports testify to the sustained vigour of United States import trade. Last week, the U.S. Department of Commerce estimated July imports at an unprecedented \$1,137 million. Since this is only a preliminary figure, the Department is not yet heralding it as a new monthly record. But if it holds up in the final tabulation, it will exceed the previous monthly high of \$1,131 million achieved this last March.

Assuming no significant change in the preliminary July figure, U.S. imports for the first seven months of 1957 come to the remarkable total of about \$7,650 million. This exceeds the total for the corresponding period of 1956, the present record import year, by some 3.5 per cent. Thus, the import gain so far is even a little larger than was generally expected earlier this year, when most experts were forecasting that U.S. purchases of goods from other countries would exceed the 1956 high by about 3 per cent. This trend seems to be corroborated by the second of the two reports. In it, the U.S. Treasury Department noted briefly that customs receipts for dutiable goods entering the United States during August totalled nearly \$66.9 million. This was about 2.7 per cent above receipts in July, and about 4 per cent above receipts in August, 1956. Customs receipts are, not necessarily precise indicators of import totals, of course. There are bound to be some month-to-month differences in the kinds and quantities, and hence in the duty assessments, of goods entering the country. Also, normally about half of all goods entering the United States are subject to duty at all.

Nevertheless, customs receipts have proved to be fairly reliable barometers of import trends. On this basis, it is fair to assume that imports in August were noticeably higher than the \$1,055 million of August 1956. Whether they equalled or exceeded the July 1956 total remains to be seen. In any case, it is virtually certain that U.S. imports for 1957 as a whole will be exceeding those of 1956. It would take a highly unlikely setback of some magnitude to change that picture now. This is not to say that some leveling-off is not possible. But on the basis of figures now available, most of the experts—even those given to conservative estimates—foresee U.S. import total in the neighbourhood of \$13,000 million this year, compared with last year's \$12,600 million.

The Commerce Department is not citing any such exact figures as yet. But it does offer the prediction that U.S. foreign trade, both exports and imports, will continue at a "high rate" during the latter part of the year. Just this week, the Department came up with an analysis of trade trends for 1957, based on results during the first five months. It indicates that imports are flourishing in a broad scale, with a great variety of

goods — from raw materials to finished products — entering the United States from all parts of the world. Showing significant gains, for instance, are imports from Latin America and Western Europe. Trade with Africa and Australia also is on the rise, while purchases from the Far East are maintaining their 1956 pace. Only in the case of the Near Eastern area has there been a decline in U.S. imports, and even there, such lands as Iran, Kuwait, and Saudi Arabia are enjoying high levels of trade with the United States, and appear headed for record foreign-exchange earnings.



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COMPANY AFFAIRS

JOST'S ENGINEERING COMPANY, LTD.

The results of working of Jost's Engineering Company, Ltd. for the year ended March 31, 1957, which, incidentally, marks the completion of fifty years by the Company, make satisfactory reading. There was, during the year, an increase in turnover, the Company having had record sales and orders for electrical instruments. For the current year also, the Company has on hand substantial orders for electrical equipment, especially from colleges and technical institutions, but the directors state: "owing to the foreign exchange position and the curtailment of import licences, a considerable number of orders have had to be cancelled". And this, they add, "cannot but have an adverse effect on the trading position for next year" (1957-58). Even during the year under report, it is stated, the profits were not considered quite adequate to pay to the General Manager of the Company the full amount due to him under the terms of his agreement with the Company. Nevertheless, the Directors have not denied the shareholders the benefit of the year's good results, such as these have been. Thus, the dividend proposed has been raised from 8 per cent for the previous year to 10 per cent. Incidentally, since 1908, Jost's Engineering Co. has not passed even one year without paying a dividend, although the rate of dividend has varied from a low of 5 per cent (in 1935 and 1948) to as high as 60 per cent (in 1921 and 1922). This is, indeed, a unique record. During this 50-year period the Company's issued and paid-up capital has increased three-fold, that is from Rs. 2 lakhs to Rs. 6 lakhs.

NEW CENTRAL JUTE MILLS CO., LTD.

Notwithstanding difficult trading conditions in Jute Industry, the Company achieved satisfactory results. The audited accounts for the year ended December 31, 1956 show a surplus of Rs. 43,31,103 after crediting Rs. 3,11,553 to Capital Reserve on realisation of investments. Depreciation on fixed capital expenditure has been provided to the extent of Rs. 10,25,112 and provision for taxation, Rs. 325,000. The sale proceeds from gunny were to the extent of Rs. 7.21 crores against Rs. 4.54 crores during the previous year.

The Directors have recommended a dividend (without deduction of income-tax) on 33,000 7 per cent cumulative preference shares of Rs. 100 each at the rate of Rs. 7 per share, which absorbs Rs. 2,31,000. Final dividend has been recommended to be on 8,55,000 ordinary shares of Rs. 10 each at the rate of 75 nP per share (making a total of Rs. 1.50 nP per share i.e. 15 per cent for the year) absorbing Rs. 6,41,250. A balance of Rs. 3,36,601 has been decided to be carried forward to the next year.

The Company has received wide loom plant machineries which are in the course of commission. About half of the plant is now in operation. The Indian Jute Mills Association has now agreed to exclude production of carpet backing cloth that would be manufactured on these looms from the operation of Working Time Agreement with effect from July 29, 1957. Production of this plant would, therefore, now be additional to the normal output of your Company's jute mills.

The Company is establishing a new industrial undertaking under the style of 'Sahu Chemicals' near Varanasi (U.P.) for manufacture of 40,000 tons each of Soda Ash and Ammonium Chloride per annum. A long term loan of Rs. 1.45 crores has been received by the Company from the Government of U.P. to finance this project. The total capital cost is estimated to be of the order of Rs. 3.5 crores. Shipments of machineries have already started and installation of the plant is expected to be completed by the end of 1958. Import licence for a portion of the machineries, particularly

boilers for power plant is yet awaited from the Government of India.

THE HOOGHLY DOCKING AND ENGINEERING CO. LTD.

The audited accounts for the year ended December 31, 1956, show that the value of work billed during the year amounted to Rs. 1,24,94,195 against Rs. 68,57,049 in the previous year, an increase of about Rs. 56.3 lakhs. The increase was mostly due to the completion during the year of the construction of three new river tugs. The gross profits for the year, after taking credit for sale of scrap, amounted to Rs. 11,16,507 representing 8.9 per cent of the total sales, compared to 7 per cent for the previous year in which the gross profit earned was Rs. 4,83,373. The net profit for the year was Rs. 2,68,176 against Rs. 1,12,120 for the previous year.

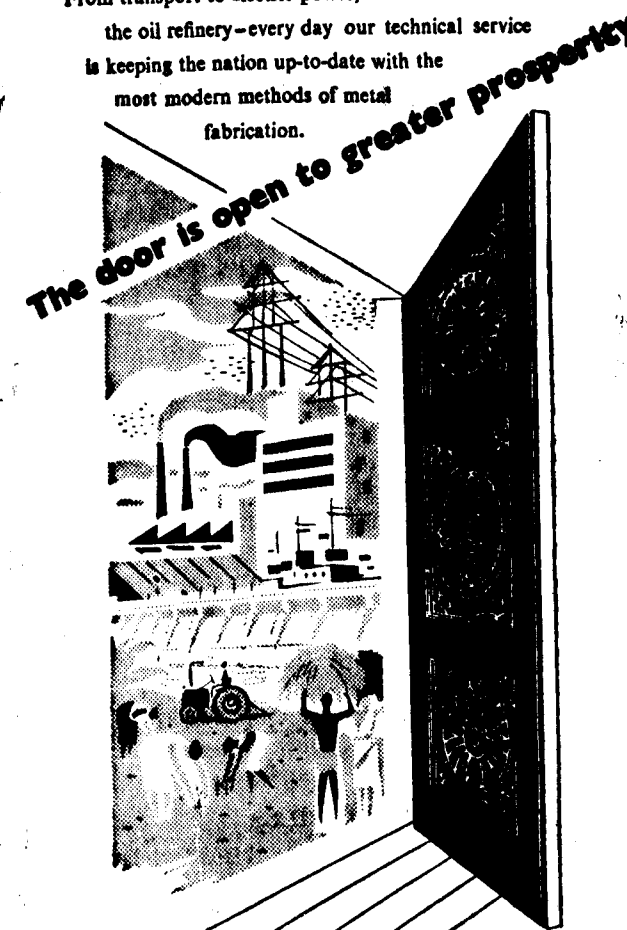
After charging all expenses including depreciation and writing off Rs. 33,230 as bad debts the profit for the year amounted to Rs. 4,98,176. To this has been added the balanced of Rs. 2,037 brought forward from the previous year. Out of this a sum of Rs. 2,30,000 has been provided for taxation, leaving a balance of Rs. 2,70,213 available for distribution of Dividends.

The Directors recommended the payment of a dividend of 12½ per cent free of tax absorbing Rs. 1,56,250. A sum of Rs. 1,00,000 has been transferred to Development Reserve and Rs. 13,963 have been carried forward to next year.

INDIAN OXYGEN is playing

a vital role in building a more powerful and self-sufficient India in the Second Five-Year Plan.

From transport to electric power, from the steel works to the oil refinery—every day our technical service is keeping the nation up-to-date with the most modern methods of metal fabrication.



THE INDIAN OXYGEN & ACETYLENE CO.
 PRIVATE LTD.

COMMODITY NEWS AND NOTES

INCREASING PRODUCTION OF NATURAL RUBBER

The implementation of the ten-year Rubber Re-planting Scheme for increasing the production of natural rubber in India has begun. Against the target of 7,000 acres to be replanted in 1957, the Rubber Board, under the Ministry of Commerce and Industry, has already sanctioned subsidy for 6,185 acres. Under the Scheme, expected to cost about Rs. 2 crores, 70,000 acres of worn-out rubber lands are to be replanted with high yielding strains over a period of 10 years. Subsidy ranging from Rs. 250 to Rs. 400 per acre is being paid to the growers to encourage replanting. The higher rate of subsidy is for the small growers. The production of rubber in India in 1956 was about 23,450 tons while the production has been steadily increasing,—from about 17,150 tons in 1951 to 23,450 tons in 1956—consumption has also been rising. In 1956 over 6,500 tons of rubber had to be imported to meet the internal demand. The Replanting Scheme is expected to meet the rising demand in the coming years to a considerable extent. Applications for the grant of subsidy for 1958 and 1959 have also been invited by the Rubber Board so that subsidy could be granted well ahead of the period of replanting. Of 359 applications received for 1958, subsidy permits have been issued to 29 small growers and three large growers. Against 90 applications for 1959, subsidy permits have already been issued in a few cases.

PRODUCTION OF WHITE SUGAR

A target of 22.5 lakh tons has been fixed for the annual production of white sugar during the second Five-Year Plan period, stated Shri Ajit Prasad Jain, Union Minister for Food and Agriculture, in a written reply to a question in the Rajya Sabha. This target is expected to be achieved in the 1958-59 season. Production during the 1956-57 season was 20.4 lakh tons.

COFFEE GROWING IN ANDAMAN ISLANDS

The Andaman and Nicobar Islands have been found suitable for coffee cultivation by a Team of Experts of the Coffee Board which has recently completed a survey of the Islands. According to the report of the Team, humidity, temperature soil and other conditions on the Islands are not unfavourable for the cultivation of coffee. Blossom sowers, necessary for growing coffee are practically assured by the rains which occur in April and thereafter showers are regular. The Team has estimated that an area of 15,000 acres on the Islands is suitable for coffee growing; about two-thirds of this will be suitable for cultivation of robusta and the rest for the arabica variety of coffee. The Team has recommended that before launching on large-scale planting, exploratory trials with selected varieties of arabica and robusta should be conducted. It has also recommended six representative centres on the Islands where the different varieties can be grown on an experimental basis. The six centres selected represent the six zones with rainfall varying from 80 to 120 inches and different soil conditions. It is estimated that for a period of 5 years, the expenditure on this trial cultivation would be about Rs. 2.3 lakhs. Large-scale planting may be taken up after watching the results of these trials which would also help in drawing up a calendar of operations suited for the Islands.

COAL DEPOSITS IN GARO HILLS

Sardar Swaran Singh, Union Minister for Steel, Mines and Fuel, recently detailed the steps taken by the Government of India to exploit the coal deposits of Garo Hills in Assam.

The Minister said that drilling operations had been started by the Geological Survey of India to find out the potentialities of those coal deposits. The manner

and method of exploitation would be determined by the drilling data, which would be compiled and analysed as soon as drilling operations were completed.

MICA EXPORTS IMPROVE

Mica exports during the first half of 1957 rose to 281,900 cwt from 224,650 cwt in the corresponding period of last year. Export earnings from this mineral during the period under review at Rs. 4.87 crores showed only a nominal increase of Rs. 57 lakhs, because the bulk of the increase took place in exports of scrap mica, which fetches a low price in the world market. Exports of scrap mica, which totalled 127,337 cwt in the first half of 1956 rose sharply to 180,197 cwt during the period under review. Shipments of splittings also rose by 7,002 cwt to 79,735 cwt, but those of block mica, which commands a higher price in the world market, declined from 21,074 cwt to 19,808 cwt. Mica of mixed descriptions also showed a fall in exports from 3,506 cwt in the half year ended June, 1956, to 2,250 cwt in the first half of the current year.

The U.S.A. maintained its position of leading buyer of Indian mica, with an offtake of 86,879 cwt valued at Rs. 1.82 crores. The U.K. was the second largest customer, importing 90,639 cwt of mica worth Rs. 85.5 lakhs. Germany and Japan, the two other important buyers, lifted mica worth Rs. 54 lakhs and Rs. 62 lakhs respectively.

RISE IN IRON ORE EXPORTS

Exports of iron ore in the first half of the current year were higher at 589,805 tons, compared with 483,820 tons in the corresponding period of 1956, according to trade sources.

Export earnings from iron ore during the period under review were placed at Rs. 3.16 crores. Japan maintained the position of the leading buyer; and lifted 273,884 tons of iron ore valued at Rs. 1.45 crores. Poland occupied the second place with an offtake of 97,738 tons worth Rs. 51 lakhs. Exports to Germany, which were placed at 63,567 tons, were worth Rs. 33 lakhs and those to Italy at 55,006 tons worth Rs. 33 lakhs. Czechoslovakia took 51,091 tons of iron ore valued at Rs. 27 lakhs during the period under review. France, Holland, Yugoslavia, Norway and Hong Kong were other important buyers of Indian ores. Further improvement in iron ore exports is foreseen because Japan the main buyer, has contracted to import from India 1.45 million tons in 1957-58, compared with 1.2 million tons taken by her in the previous year.

RUBBER OUTPUT IN JULY

Production of indigenous rubber in India which fell to 750 tons in June last from 1,645 tons in May, has again gained ground in July by yielding 1,499 tons, according to the monthly issued by the Rubber Board. It was further disclosed that 2,820 tons of rubber were consumed by manufacturers during last month. Stocks of raw rubber with estates and dealers and with manufacturers as on July 31, 1957, together amounted to 5,315 tons, besides 1,090 tons of synthetic rubber. There were no exports of rubber, but 1,068 tons of rubber of all grades were imported during the month.

PRODUCTION OF INDIGENOUS SUGAR

The production of indigenous sugar amounted to 20.21 lakh tons up to August 31, 1957, in the current season, as against 18.56 lakh tons in the corresponding period of the last year. The total off-take including quantities despatched for exports, was 18.00 lakh tons. The stocks with the factories on August 31, 1957, stood at 7.54 lakh tons.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debt-tures	Preference	V. D. L.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	381.4	467.7	359.2	367.4	686.6	397.6	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	90.5	100.1	82.9	121.2
January 1957	..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80.4	113.6
February	..	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.8
March	..	402.7	518.1	403.3	384.1	569.8	421.3	89.9	98.9	79.8	111.5
April	..	408.3	514.73	400.0	384.3	567.8	422.1	89.9	99.0	78.7	106.8
May	..	419.3*	536.3	406.5	387.7*	572.3	431.2	89.4	99.1	78.4	104.1
June	..	433.2*	541.4*	413.0	392.4	578.0	439.2	89.5	99.0	77.6	102.6
July	..	439.8	544.4	413.3	392.3	621.8	443.1	89.2	98.8	76.6	105.2
13-7-1957	..	440.8	545.3	412.0	392.1	618.6	443.1	89.2	98.8	76.8	105.3
20-7-1957	..	441.5	541.3	415.3	392.3	622.4	443.5	89.2	98.7	76.6	105.6
27-7-1957	..	440.7	547.6	415.7	392.1	638.3	444.6	89.1	98.6	76.5	105.6
3-8-1957	..	445.9	541.3	413.7	391.8	641.5	445.0	89.1	98.8	76.1	104.4
10-8-1957	..	443.5	533.4	413.0	392.2	643.3	443.1	89.0	98.8	75.9	104.0
17-8-1957	..	442.1	524.3	410.8	393.1	644.0	441.2	88.9	98.8	75.6	102.4
24-8-1957	..	437.0	526.4	409.3	392.9	643.7	439.6	88.9	98.8	75.4	102.3

* Average of weeks.

Revised*

†Economic Adviser's Series.

††Reserve Bank Series.

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	184
1949	292	307	248	132	348	478	377	151	323	164	138	189
1950	298	313	257	132	349	434	372	153	325	165	145	190
1951	314	330	261	142	370	451	391	168	334	167	160	194
1952	321	337	250	143	351	441	380	150	330	151	154	191
1953	346	363	275	140	349	453	387	151	351	147	156	195
1954	342	359	244	138	327	408	373	139	341	148	140	188
1955	322	338	218	130	321	371	364	133	321	134	135	182
1956	336	352	244	142	347	424	397	151	356	152	146	195
1956 October	342	358	261	152	364	448	407	153	362	153	153	199
November	340	356	261	154	361	446	407	154	369	157	153	192
December	340	356	259	151	356	436	407	156	370	157	149	190
1957 January	339	355	252	150	354	436	411	156	372	157	144	199
February	341	357	253	150	350	438	411	158	369	157	148	198
March	340	356	254	150	348	433	415	158	367	158	148	198
April	340	356	256	148	345	427	415	162	369	161	152	198
May	347	363	257	151	352	441	—	—	369	—	—	190
June	354	370	—	152	371	446	—	—	373	—	—	193
July	—	—	—	152	371	459	—	—	375	—	—	195
August	—	—	—	155	—	468	—	—	—	—	—	—

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

		WEEK ENDED											
		6-9-1957			30-8-1957			23-8-1957			16-8-1957		
		High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	..	108.84	107.37	108.08	108.62	107.81	108.29	108.19	107.37	107.93	108.75	108.31	108.46
Silver (per 100 fine tolas)	..	182.50	180.87	181.75	181.94	180.75	181.61	182.62	180.62	181.72	183.19	181.50	182.42

SCHEDULED BANKS

Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5 + 6) as percent- age of (4)	Advan- ces	Bills Discount- ed	(8 + 9) as per- centage of (4)	Invest- ments in Govt. Securities in India
	Demand	Time	Total (2 + 3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.30	111.34	460	51.05	—
1948-49	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	—
1949-50	597.70	272.59	870.28	34.47	65.85	11.53	424.74	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	303.45
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	84.06	60.68	339.74
1955-56	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.71
1956-57	651.34	453.92	1,105.26	36.94	50.23	7.96	626.08	155.56	71.39	359.35
Average of Fridays										
January 1957	659.71	464.95	1,124.67	36.01	49.32	7.58	647.60	165.94†	73.29	362.67
February	683.02	466.94	1,149.96	36.27	50.29	8.64	687.52	166.33†	74.97	357.27
March	705.11	491.75	1,196.86	39.31	51.79	7.97	708.67	168.45†	75.55	348.75
April	724.23	455.05	1,179.28	38.15	65.12	7.99	710.66	183.45†	74.69	345.68
May	721.73	516.39	1,238.12	39.26	59.74	8.08	744.48	188.14†	76.10	343.32
June	715.22	547.21	1,262.43	41.39	67.44	8.72	744.73	181.73†	74.24	335.02
July	721.80	562.69	1,284.49	39.62	80.44	9.47	720.06	179.44†	70.97	332.44
Week Ending										
29-7-1957	715.22	563.73	1,278.95	37.53	90.52	9.94	708.84	176.27†	68.70	332.56
2-8-1957	728.80	578.94	1,307.74	36.59	107.04	11.19	708.62	176.98†	68.83	332.42
9-8-1957	704.61	577.22	1,281.83	40.19	83.90	9.82	705.96	176.03†	69.83	338.10
16-8-1957	702.55	579.10	1,281.65	39.87	74.38	9.01	700.34	174.92†	69.30	339.83
23-8-1957	711.32	580.94	1,292.26	38.94	74.69	8.94	687.91	174.20†	67.74	370.52

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabi- lities of banks	Other deposits with Reserve Bank†	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53	1,764.71	1,199.25	565.46	548.95	16.51	-39.08
1953-54	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1954-55	2,184.32	1,505.09	679.23	667.22	12.01	+263.69
1955-56	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
July 1956	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	2,220.47	1,509.90	711.57	700.80	10.77	+42.82
February	2,264.55	1,528.31	736.24	724.46	11.78	+43.08
March	2,312.89	1,556.50	756.39	744.74	11.65	+48.34
April	2,362.37	1,586.44	775.93	763.43	12.51	+49.48
May	2,382.15*	1,596.43*	785.71*	762.17*	23.55	+19.78*
June	2,342.97*	1,563.27*	770.70*	757.06*	22.64	+39.16*
July	2,309.69*	1,521.87*	787.74*	785.85*	21.89	-33.85*

* Provisional.

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

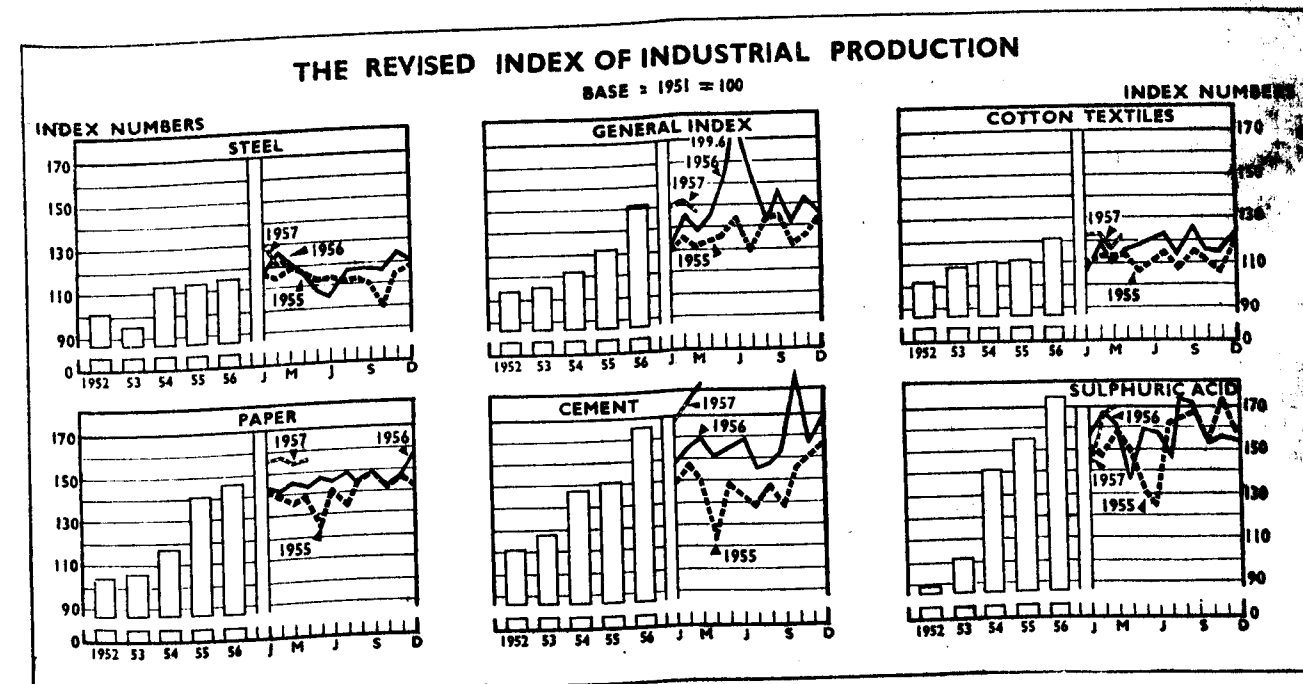
Source: Monthly Bulletin of Reserve Bank.

REVISED INDEX OF INDUSTRIAL PRODUCTION

(1951 = 100)

Year and month	General Index	Coal 2	Cotton Textiles			Jute 6	Chem- icals 7	Cement 8	Iron and Steel 9	Gen.* Engi- neering 10	Paper 11	Sugar 12	Tea 13	Elec- tricity 14
			Total 3	Yarn 4	Cloth 5									
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
1956	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
November 1955	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	146.5	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	188.1	117.4	220.0	143.4	231.7	104.8	165.9
November	142.1	118.2	115.1	122.5	111.5	120.4	175.9	157.3	124.6	240.7	148.0	369.9	95.4	168.4
December	136.1	126.6	122.4	130.7	118.2	118.7	177.1	169.6	120.9	239.3	157.3	191.6	58.1	177.2
January 1957	140.0	124.4	122.4	130.8	118.2	123.8	181.9	169.0	129.3	247.7	156.0	135.6	131.5	174.1
February	142.6	133.6	122.7	133.1	117.5	123.5	185.7	174.4	121.1	257.6	157.7	128.0	139.3	180.0
March	138.1	125.3	116.0	126.8	110.6	117.3	180.1	181.0	122.1	259.7	154.2	169.7	123.6	175.3
April	147.7	132.1	122.2	133.4	116.6	124.0	184.0	173.7	120.2	271.8	159.5	326.8	92.8	186.7
May	155.9	130.1	114.6	126.4	108.7	121.1	171.2	165.1	115.6	248.1	154.1	692.7	87.8	186.6

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



CENSUS OF MANUFACTURING INDUSTRIES — 1954

DISTRIBUTION OF FACTORIES ACCORDING TO SIZE AND TYPE OF OWNERSHIP FOR THE YEAR 1954

No. of Persons Employed	Individual Proprietors	Partnership Firms	Private Limited Companies	Public Limited Companies	Others	Total
Below — 20	548	569	213	91	22	1,443
20 — 49	555	1,125	501	161	62	2,404
50 — 99	198	528	312	139	52	1,229
100 — 249	58	168	177	175	35	613
250 — 499	8	31	71	136	11	257
500 — 999	1	8	41	172	14	236
1,000 — 1,999	1	5	16	201	6	229
2,000 — 4,999	—	2	9	180	2	193
5,000 and above	—	1	2	29	1	33
TOTAL	1,369	2,437	1,342	1,284	205	6,637

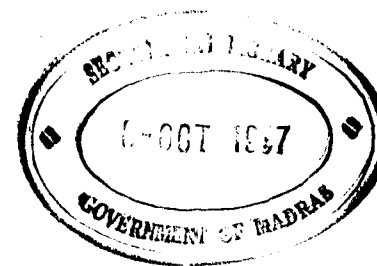
CAPITAL EMPLOYMENT AND OUTPUT ACCORDING TO TYPE OF OWNERSHIP OF COMPANIES

Type of Ownership	Persons Employed	Total Salaries Wages and other Benefits (Rs. '000)	Gross Output (Rs. '000)	Material Consumed† (Rs. '000)	Value added by Manufacture
Individual Proprietor	50,623	3,20,15	39,08,39	34,77,77	4,30,62
Partnership firms	139,394	10,10,50	147,16,06	130,90,53	16,25,53
Limited Companies					
Private	179,857	22,23,84	187,53,87	143,77,66	43,76,21
Public	1,297,935	178,02,13	893,36,95	590,65,09	302,71,06
Total	1,477,792	200,25,97	1,080,90,82	734,40,00	346,47,27
	46,861	4,99,10	20,39,44	14,51,10	5,88,34
Total	1,714,790	218,55,72	1,287,54,71	914,62,95	372,91,76

† Includes the work done for factory by other concerns and depreciation.

Source: Dept. of Commercial Intelligence and Statistics, Calcutta, Ministry of Commerce and Industry.

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That is What?

HAVE not come here" said Mr. Peter Thorneycroft, Britain's Chancellor of the Exchequer, to the Governors of the International Monetary Fund on September 24, "even to discuss the change rate parity of the pound. It stays at 80; nor shall we allow the margins to widen. I stated this before I left London. I repeat it now. The German Government has been equally emphatic that the existing exchange rate of the mark will be held where it now is. Thus the policy on the exchange rate of Germany and the U.K. is definitely determined and that is that." These decisive and, apparently final, words of certainty on the exchange rates of the pound and mark would appear to have been dispelled. It is, indeed, no small gain to be recorded; for the devaluation of the pound, which was greatly feared, would have raised serious problems for us, in particular increasing the burden of our foreign payments, and further depleting the volume of our purchases outside the sterling area. Apart from that it would have thrown a rather sinister shadow over our works, necessitating re-estimation of cost elements in hundreds of projects included in the Plan. In this sense, therefore, the British decision to stay put and even to stand firm is of substantial benefit to this country though it does not, except in marginal

cases, change the basic structure of India's economic problems.

It would be a mistake, however, to see in Mr. Peter Thorneycroft's determination a final answer to the problem of the weakness of sterling in recent years. Part, but only a very small part, of the trouble is in the United Kingdom itself. It is wrong—because it is erroneous in fact—to claim, as many Indian observers have recently done, that the weakness of sterling is the result of a perennial deficit of payments in the U.K.'s domestic account. These critics have ignored the point that Britain has recently balanced her payments and, indeed, except for the Suez period, her own individual account has shown a strong and even a bullish character. While, undoubtedly, the British Welfare State and the absence of wage restraint in that country put pressure upon the pound, that pressure has not in recent years been the main reason for the continuing weakness of sterling. It is undoubtedly because the rest of the sterling area, at one time the builder of balances, has now turned spender; it would be unfair to assume that heavy drawing by India has not played a substantial part in the weakness of sterling against the dollar and the mark.

Blind Justice?

This is not to argue that these drawings are in any way unjustified in principle, as distinguished from incorrect phasing of withdrawals. The economic development of India—as, indeed, of other under-developed countries—cannot be postponed. It is no argument to present to under-developed countries to assert that, because they are part of a currency area, they must necessarily exercise perpetual restraint. There are serious political consequences, as Mr. Krishnamachari has pointed out this week in Washington, of the failure to develop at all. Advanced Western countries which do not face the political perils of violent instability can afford to build balances by curtailment of imports. This is not substantially the case with India, Pakistan and Ceylon at the present time. While, therefore, it is true that these countries are all instruments in the weakening of sterling, their predominant political problems make it inevitable that they should act, more or less, as they have done in the last two years. It is this factor and not the absence of restraint in Britain which reduces the degree of finality which Mr. Thorneycroft has sought to present in Washington. The character of both political and economic pressures in the under-developed countries (inside and outside the sterling area) implies that these countries are likely to run adverse balances of trade for many years to come. If these adverse balances of trade are not made good by grants or payments from other sources, including private foreign investment, there will have necessarily to be a withdrawal of capital balances wherever they exist. So far as India and Pakistan are concerned, it seems extremely likely that within the next five years they will run their sterling balances down substantially. This is not a matter of choice if the foreign lending of the world does not permit of current imports being paid for outside our sterling account.

How far will the pattern of exchange rates at the present time withstand this weakening of sterling which it seems must continue over the next few years? Thus Mr. Thorneycroft's assurance is surrounded by a substantial margin of speculation. The fact that sterling has stood withdrawals so well in the last eighteen months is not conclusive. During the last eighteen months, India's heavy drawings were, in substantial part, compensated by Australia's accumulation. It does not appear as though, in the very short period, Australia's performance in the current year will permit of an equally substantial offset of India's and Pakistan's withdrawals. Unless, arranged are substantial credits which Britain has additional strain placed upon the sterling area, the maintenance of the \$2.80 parity for the pound may prove more difficult than in 1956-57 even in the absence of speculative moves which, presumably, will exert less pressure now that the pound-parity has been settled and the bank rate is to stay at seven per cent in Britain "for the duration." The question of the future behaviour of sterling is a problem compounded of the Commonwealth's total dollar-mark deficit and the capacity of Britain to keep hot money in London for a substantial period. All that can now be said is that the first round has been won. The second and the third rounds may well prove arduous.

What is also to be said about the rupee as distinct from sterling? The Finance Minister in Washington has been wise to reiterate that no devaluation of the rupee is under consideration.

Serious strain on the rupee is not likely to be felt until the sterling balances are substantially below the £200 million mark, when it is conceivable that bearish movements against the rupee and in favour of the pound might lead to a substantial discount of the pound-rupee rate in free markets. It is not, however, the free market which is of consequence provided India can meet all her commitments. In order, however, to complete the Plan, a further foreign exchange adverse balance of trade of Rs. 700 crores will have to be incurred by 1961. It is clear that without substantial foreign lending we cannot continue to maintain payments when orders exceed the volume of our balances. This underlines the point that the future strength of the rupee is as much in the hands of the United States and Germany who seem to be in the strongest position to lend as it is in our own. The Minister for Finance has stated India's case admirably; it is only necessary to underline the implications of a refusal of the United States and Germany to recognise the international imbalance to which their prosperity has contributed. Germany has shown in recent months the capacity to under-stand her international obligations, both by an advance payment of £75 million to Britain in respect of war reparations and a loan from Germany's Central Bank to the World Bank of another £75 million. There is no reason why this latter loan should not be channelled in part to the under-developed countries to whom the World Bank owes a special responsibility. Again, to the extent that the sterling area by German reparations payments can permit of heavier overseas investment, surely the under-developed countries have the first claim to use these resources. Surely we can argue that our investment plans—the minimum required for the maintenance of stability—should be allowed to proceed without undue checks by the rich on the desperately poor.

In the last analysis, while it is obvious that investment in the world as a whole has proceeded ahead of what might be called a "normal" payments position and investment in some countries will need to be cut back, the answer is not to cut back investment in all countries proportionately. This would merely widen the gap between developed and under-developed countries, and in the end produce the dangerous political instability which economic development has been designed to restrain. While accepting the general proposition that investment is proceeding too fast in the world, we should maintain that the answer must be found in regulating investment so that we do not widen the gap between the developed and the under-developed countries. This can only mean that the rate of investment in the under-developed countries in terms of national income generated must be considerably faster than the rates in developed countries. Since the developed countries have the capital while the under-developed have none, it follows as a logical principle in the regulation of investment that the developed countries will need to cut back their investment substantially more than the inflationary potential which excessive investment has created; this is in order to export more capital to the under-developed countries whose economic progress cannot, otherwise, be adequate to sustain a firm political base on which the world's true prosperity can be built. This is asking for imagination as well as unselfishness on a big scale. Perhaps the real trouble with the world is that it is sadly deficient in both.

WHILE inaugurating the first conference of the State Law Ministers recently in New Delhi, Mr. Nehru criticised both India's judicial system and its judiciary. Had such scathing criticism come from any other leader, it would undoubtedly have shocked enlightened public opinion which, trained in British ways of justice, correctly regards an independent judiciary as the best protector of individual liberty. He characterized the country's judicial system as "belonging to a more leisurely, bygone age"; its real "purpose", he said, was not merely individual justice but keeping "pace with social and economic structure of the society and of the nation". He even went a step further, and condemned unequivocally the judges for "living in an ivory tower, unconnected with social developments and getting isolated from the facts of life". He accused them of "casual" and "perfectly scandalous" behaviour. These remarks were not only uncalled for, but also unfounded.

Encouraged by Mr. Nehru's unkind remarks, the conference decided that a high-power committee should be appointed in each State and at the Centre to review pending cases and all writ applications, and decide whether their perusal by the High Courts was at all necessary. Such a step, it was hoped, would reduce arrears in courts. Whether the proposed procedure was within the purview of the Constitution, no one seems to have given thought to—either because of unnecessary haste or over-enthusiasm.

The anxiety of the Prime Minister, and the Conference, to eliminate the law's delays and to reduce the volume of litigation in the country is, to be sure, understandable. The fact that there should be at present no less than 164,000 cases pending in the various High Courts is regrettable. But Mr. Nehru's attributing the accumulation of this staggering number of cases to "a large number of people, who by some processes in the law courts hold up the working of our laws," is a classic example of over-simplification.

The total impression of Mr. Nehru's speech is, however, rather unhappy. Both the assumptions on which he proceeded to criticise the judiciary are unrelated to facts. The judiciary in India is undoubtedly slow-moving. But speed is not a particular ingredient of justice. Moreover, the large number of writ petitions is surely caused by the large flow of legislation from Parliament and the State legislatures, and the detailed and elaborate nature of the Indian Constitution. In the past one year Parliament alone has passed no fewer than 105 Bills. Legislation at such a pace has necessarily to be hurried, leaving many loopholes for the lawyer. Conflicts between individuals and the State are also bound to arise in these conditions. If the Prime Minister had cared to analyse the pending cases, he would have found that a large number of them originated in either inadequately considered executive decisions or hasty legislation. In such disputes neither the Government policy nor its objectives as they are sanctioned by the legislature are in question. What are in question are the laws, and these are for the judiciary to interpret, not the executive. It is a matter of satisfaction that our judiciary has consistently interpreted the law and the Constitution, and not trespassed into the

ground of policy-making. Mr. Nehru's exhortation to the judiciary to have "a more flexible approach to the laws enacted by Parliament" could easily be construed as a plea to the judiciary to accept *prima facie* the case of the Attorney-General and the Public Prosecutor.

To hold up in this connection the example of the American Supreme Court was also unwarranted. The two Supreme Courts, American and Indian, have had historically to face very different situations and perform different tasks, in practice. The Founding Fathers of America gave a written but very sketchy Constitution. For the Supreme Court this meant, in later years, not merely interpreting Federal and State laws in accordance with the Constitution, but also filling the lacunae in its various Articles. The Supreme Court's "liberalism" was thus, in a way, forced upon it by its historic role, since otherwise the Constitution might have proved exceedingly difficult to work. By contrast, the framers of the Constitution in India have made it extraordinarily detailed. Moreover, while elaborating on Fundamental Rights, they made Constitutional change comparatively easy. Within seven years the Indian Constitution has been amended seven times, some of the amendments drastically curtailing the Fundamental Rights. In these circumstances, it is natural that there should be a spate of writ petitions and that the judges should scrupulously interpret these laws in accordance with the provisions of the Constitution.

Mr. Nehru's recipe for the malady is the creation of administrative tribunals for settling industrial disputes which demand an early settlement to avoid adverse effects on the country's economy. He insinuated that such consideration seldom weighed with "the high judicial authority which sits with dignity, regardless of the crisis in the social fabric". But to seek to constitute such tribunals, outside the jurisdiction of the Supreme Court would be dangerous for the nascent Indian democracy. This bias for administrative tribunals might very well lead in the long run to the supremacy of the bureaucracy and the executive over the rule of law. Moreover, as Professor Sylvester Petro points out in a recent study about their working in America: "Administrative tribunals have only added substantially to the law's delays and instead of liberal expertise they have given us a wooden, pettifogging kind of mechanical jurisprudence." The Franks Committee, in Britain, too was "convinced that an intimate control in matters of law should be exercised by the traditional courts." Adherence to this principle is more, not less, necessary in this country where authoritarian rule and popular dependence on authority are a tradition.

Inexpensive and speedy justice is of course desirable. But the alternative suggested, it seems, would merely undermine individual freedom. Justice should not only be done; it is socially advisable that justice should also appear to have been done. The changes contemplated in the judiciary do not seem to do either. The establishment of administrative tribunals and high-power committees may well lead to cockeyed justice, development ominous and dangerous to democracy.

The Nationalisation of Text Books

ONE of the items on the agenda at the conference held in Delhi this week of State Education Ministers related to the nationalisation of text books. It is difficult to determine from the character of the discussion what action will follow. But it is opportune nevertheless to draw attention to the extraordinary inopportune-ness of the discussion of an item like this at a time when the country is facing a many-sided crisis, of which at least one thing is certain that the country has no resources either in money or in organisation to waste on untried things. The fact that an issue like the further nationalisation of text books could be raised at a time like this for reasons quite unconvincing suggests that the whole environment in which discussion of economic affairs is proceeding is violently ideological, unrelated not merely to the particular problem of education in the country with which this meeting was concerned, but also to the hard economic facts in which education must live and move and have its being.

The argument against nationalisation at the present time of every line of economic activity applies in particular to text books. It is that, when resources are scarce and they already exist in the private sector, it is sheer cussedness to duplicate them in the public sector, creating an additional pressure on resources for the Plan and additional unemployment, the removal of which should be the prime purpose of public policy. Every single case of nationalisation advocated should be judged by the test that it should not create any further difficulty for the Plan and any additional unemployment in the country as a whole. It will be impossible to contend in the particular case of nationalisation of text books that this is the case. Quite apart from these major considerations, there is the issue of the capacity of the public sector to deal in a line of business which is highly specialised, and in which its record at the present time has been dismal and disappointing. Not, indeed, that the whole of the private sector in this respect is good. There are deplorably bad private publishers as well as deplorable public ones. But on the whole, the number of good publishers in the private sector is large enough to encourage the belief that with some imaginative assistance and a little additional finance, they could meet the country's needs over the next five years, at least with relative satisfaction to the country and the education authorities in particular.

Many publishers are also booksellers so that the only way of tackling the problem would be to regard publishing as an instrument in establishing a sound book trade. Comparison with the highly organised book trades abroad shows that where the Indian book trade is lacking is in organisational and financial resources. The immediate need is to help in reorganisation of the existing book trade in India, a process which would involve the Government in little more than bringing the leading publishers together, giving them close contact with and advice of the educational needs of the country, pointing out to them, and helping them to overcome, difficulties in distribution and, finally, in rigidly suppressing the insidious growth of factors such as corruption and nepotism which, much to the distaste of the best in publishing, are being allowed, over

and over again, to put bad publishers in business instead of driving them ruthlessly out. Gresham's law certainly applies in the book trade; bad publishers are tending now to drive out good. Corruption is often the instrument of this evil deed.

The cry everywhere is for cheaper and cheaper text books while costs are rising. Costs are aggravated by Government action such as increases in excise duties on paper in successive years, the highest bookpost rate in the world, and steep railway freight charges. The acute shortage of production of paper in this country is the result of severe restriction and excessive taxation on imported paper. A publisher is unable to obtain newsprint for cheap publications which is so badly needed; only newspapers can get it. The import duty brings up the price of both imported and Indian produced paper to a level higher by about 20 per cent than in Britain and America. The State Governments still want to charge sales tax on all books including some States' text books.

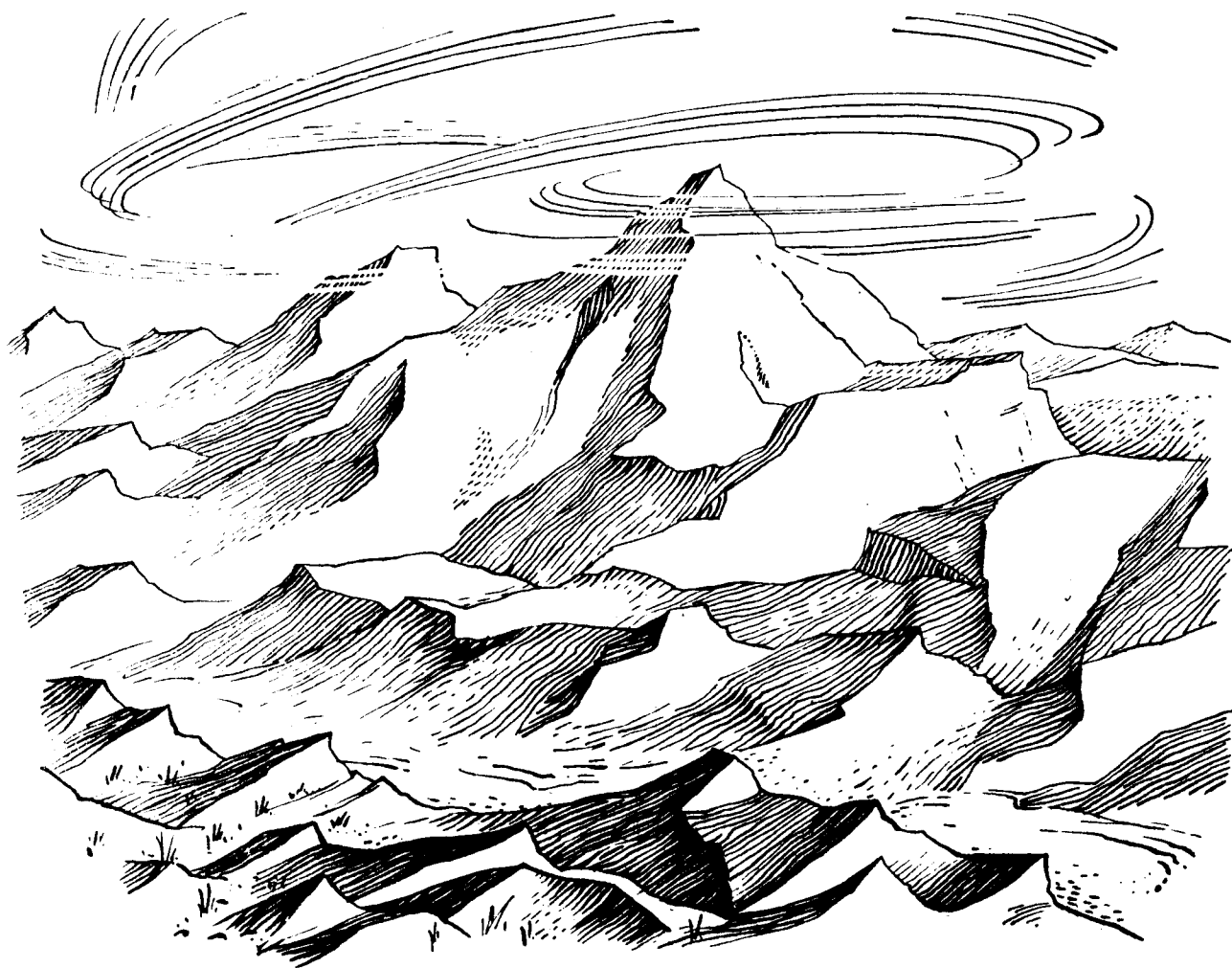
Thus, while the cry for ever cheaper text books exists, everything is being done to make them more expensive. Unless more can be spent on production, they cannot possibly be better and the result of the money squeeze is to produce a drab uniformity at a low, and falling, level. In most countries abroad, a wide range of choice is given to the teacher so that he may choose the best money's worth as well as the best educational value for his students. Teachers of slow pupils can choose a book with a different approach from more difficult books intended for brighter pupils. In India he is pinned down to a choice made by a committee which frequently selects and prescribes books irrespective of their real merit.

The only way to bring the Indian book trade to a state of reasonable good health will be to do away with the present system of complete and crippling monopolies, and introduce instead a system reasonably competitive. Instead of prescribing one book for one State in one class, any reasonable number of books, provided they come up to the standards required, should be approved. Where large projects involve investment of sums of money beyond the resources of any one private publisher, the Government should provide a sympathetic and helpful response.

The right kind of conference, so much needed at present, is one of publishers and booksellers either individually or through their associations, with supporting delegations from Central and State Education Departments. A start has been made in South India with the formation of the Southern Languages Book Trust. It is to be hoped that the National Book Trust will follow the Southern example, but if the National Book Trust is to be the nucleus of a State publishing organisation on totalitarian lines, the country should be made aware at once of the danger of cruel regimentation that is sought to be imposed on the nation's youth. The problem of State monopoly obviously goes far outside the text book trade. State monopoly of text books is a bar to freedom of thought and, therefore, of a fundamental liberty of the Indian people. It is necessary that we should be on our guard; eternal vigilance is the price of liberty.

September 27, 1957

The Story of Oil--1



As old as time

As industries go, the world's petroleum industry is quite new. Yet even the youngest deposits of crude oil originate from long before the dawn of Man. Scientists say our oldest reserves are more than 50,000,000 years old.

In prehistoric times much of what we now know as dry land was covered by warm seas. Giant trees and jungle plants and countless millions of tiny marine creatures flourished on the edges of the swampy, shallow waters. Their remains, when they died, fell to the bottom of the sea and were buried in layers of sediment.

As age upon age went by the original sea floors were folded or broken by tremendous movements of the earth's crust. Mountain ranges were pushed up. Parts of the earth cracked and slipped down

to become valleys and basins. Tidal waves invaded the land to form new seas. Old seabeds emerged as new continents.

These conditions—massive sedimentary deposits, decaying organic matter and gigantic earth movements—produced the crude oil we know today. The locations of the old seabeds are now fairly well known. They occur in almost every region of the world.

Parts of the continent of India have these marine sedimentary rocks beneath them. The waves [of ancient seas once rolled over Assam, and here, close to the growing Himalayan and Naga ranges, the oil-pools of Digboi and Nahorkatiya began forming many millions of years ago.



Assam Oil

A full-scale petroleum industry

This is one of a series of informative advertisements about the petroleum industry.



Plan for Progress

People's Prosperity

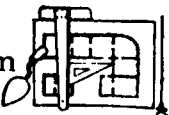
Fields swaying  with golden corn, tall chimneys



spouting smoke, flowing waters generating power, and a network of

roads, railways and airways linking  remote distances are

today creating new opportunities for a richer and fuller life for the

Indian people. By the end of the Second Five Year Plan 

the total national income will have risen by 25% and the per

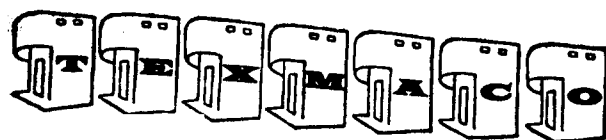
capita income, by 18%  Textile Machinery Corporation

Limited is proud to play its part in this mighty adventure of

bringing plenty, prosperity and happiness  to the people.

A pioneer in many fields of engineering, it supplies industry,

railways and river valley projects with a wide range of equipment.



geared to our better tomorrow

TXC-14

THE WEEK'S NOTES

THE CALCUTTA BANK STRIKE

AN ANOMALOUS situation has arisen owing to the action of the Calcutta bank employees in going on strike from September 18. This situation has now taken a critical turn because of legal technicalities. In view of the great hardship which the strike is imposing on the community in that city it is expedient that all efforts must be made to restore normal working of banks.

The Bengal Provincial Bank Employees Association has made a demand that in view of the large increase in the prices of food grains and other essential commodities in Calcutta city an ad hoc increase of 25 per cent in pay should be made by way of allowance. Bank employees maintain that the additional allowance is in the nature of a compensatory allowance. The present position about the increase or decrease in the allowance payable to bank employees is governed by the Gajendragadkar Award. This Award provides that in case the All-India average consumer price index for the working class for the half-yearly period ending on June 30 or December 31 rose by 10 per cent above 144 (base 1944=100) the allowance should be raised in the prescribed ratios in the subsequent half year. The same rate of reduction in the allowance would be applicable in case of a decrease in the consumer price index on the same basis. To make the position sure, the Government of India referred for opinion to Mr. Salim M. Merchant, a member of the Labour Appellate Tribunal, the question whether compensatory allowance is covered by the Gajendragadkar Award. If it is covered, the Bank employees have no case for an increase because the consumer price index for the relevant period has not increased by 10 per cent. If the interpretation is that compensatory allowance is not covered by this Award, then it is open to bank employees to agitate the point. It then becomes a point of dispute and in the ordinary course the first step to be taken should be reference of the dispute for adjudication.

The Indian Banks Association, Calcutta, and the Calcutta Exchange Banks Association approached the Regional Labour Commissioner, after their attempts for settlement failed, with a request to refer the matter to a labour tribunal or court of enquiry. What is embarrassing, however, is that the Regional Labour Commissioner declined to grant the request on the ground that a reference was pending before Mr. Merchant for his opinion. On a technical objection raised on behalf of the employees, the reference before Mr. Merchant has been postponed until October 16. The reasons why it is postponed until this date are not clear, but surely it is an inordinately long postponement considering the urgency of immediate restoration of normal working of banks. Technically, Mr Merchant's pronouncement will not amount to a decision of the Appellate Tribunal. Whichever party is aggrieved by his expression of opinion will be competent to take up the dispute in the proper forum. In these circumstances it was really anomalous that the request of the two Banks' Associations should have been turned down. Feverish efforts at the ministerial level are being made to bring about a settlement. It is to be trusted that they will bear fruit, failing which reference of the dispute for enquiry will be the only course left open and that will put an end to the stoppage of work. As we go to Press the Government has referred the dispute for adjudication which makes the strike illegal.

THE ECONOMY DRIVE

THE GOVERNMENT of India has become or is stated to have become "economy-conscious" of late. This, to some, may seem too good to be believed. It is true

an 'Efficiency Committee' has been functioning for some time to examine the quantum of work with different government officials, and an 'economy drive' has been initiated recently to effect all possible savings in expenditure on administration. The results to date do not, however, appear to be heartening. According to the latest statement of the Prime Minister in the Lok Sabha, the measures taken by the Central Government are likely to result in a saving of Rs 21 crores only during the current financial year. The measures include postponement or abandonment of certain projects, the abolition or keeping in abeyance of certain posts and curtailment of other expenditure.

A break-down of this saving shows that as much as Rs. 8.7 crores is accounted for by the postponement of orders for electric coaches for the Calcutta suburban sections while the saving resulting from the postponement of construction of office buildings for different railways and of the oil drilling programme for 1957-58 is Rs 2.2 crores. It is not known how much can be saved by abolishing some posts and by not creating some others. Any tangible economy in this direction would be very difficult to achieve in the face of the administrative bureaucracy's innate propensity to expand and of its proved disinclination to contract. The scope for economy in civil services may be theoretically enormous and the Prime Minister's remark that 50 per cent of the junior staff could be retrenched without impairing efficiency need not, therefore, be disputed.

But what is theoretically possible cannot be easily achieved in practice. For instance, can the Prime Minister carry through a major process of retrenchment without creating a political storm? As so much of the expansion in civil administration is indulgently looked upon as a partial solution to the problem of educated unemployment, any talk of economy here is so much wishful thinking. On the other hand, when the 'economy drive' begins to slow down, as it must sooner or later, the bureaucracy's irrepressible urge to expand may well re-assert itself. One wonders if the Prime Minister seriously believes he can change the attitude of civil servants by drawing their attention to the Parkinson's Law governing the multiplication of jobs in public services—a law according to which "an official wants to multiply subordinates, not rivals and officials make work for each other."

INDIAN EDUCATION: AN APPRAISAL

MAULANA AZAD put before the State Education Ministers' Conference lucidly and succinctly the salient problem of education in our country. He emphasized the divorce between general education and training for professions that existed in the minds of the people, and pleaded for the adoption of Basic Education, which was formulated by Mahatma Gandhi as a practical and effective solution to this and other allied problems. Doubtless, so much lip service has been paid to this type of education that it has almost become a fetish. Yet in seven years nothing has been done practically. The Union Education Minister admitted that most of the plans for educational reforms were still "paper schemes." This delay can be much more harmful in this field than in almost any other. During these formative years Basic Education is the only answer in a country such as ours, for as Maulana Azad defines it, "the real meaning of Basic Education is that the craft itself is the medium of their education for life."

The implementation of Basic Education will mean that young men and women will be ready to work without having to go through the University for a degree. This process of differentiation will in turn mean that colleges are no longer flooded with disinterested seek-

ers after a piece of paper certifying their status as graduates.

To achieve this higher standard Maulana Azad considers that the new three-year degree course is necessary. While there is merit in the fact that students will have more time to study deeply, it seems unconscionable to spend Rs 25 crores which is the estimated cost of the change-over from the present four-year degree course. This precious money would be better utilized, and it is surely possible to achieve a high standard with the present university system where the evils to be associated are many. But pouring money into changing a four-year degree course to a three-year one will not help. What will help is the giving of greater powers to the Central Government which by stricter planning and co-ordination can erect for the whole country an edifice of worthwhile and useful education. Maulana Azad pointed out that while the Central Government had only advisory, the State Governments possessed full executive, powers. This, he said, led inevitably to delays and non-implementation of schemes.

INDONESIA OUT OF THE WOODS

FOLLOWING A five-day meeting of delegations from outlying islands in revolt against the Central Government since January last, President Sukarno and the former Vice-President, Dr. Mohammed Hatta, have pledged to work together for the unity and prosperity of Indonesia. Prefacing this had come a proclamation incorporating the unanimous recommendations of the conference which made several major changes in Dr. Sukarno's plan of "guided democracy". Elucidated in February last, soon after Dr. Sukarno's visit to Russia and China, and with a view to removing "the political instability in the country," the plan had since its inception been described by Dr. Hatta and others as "undemocratic and totalitarian". The proclamation substantially amends that controversial plan. The National Council set up by Dr. Sukarno will not be a super-Cabinet neither responsible to nor removable by the elected Parliament. It will now be analogous to the Upper House common to democracies of republican and federal types, comprising representatives of the provinces. This should enable the provinces, which have been the main source of Indonesian troubles, to ventilate their grievances at the highest level without resorting to armed revolts. Dr. Hatta would be the chairman of the National Council.

Yet another concession to the provinces is the conference's decision to accelerate the grant of regional autonomy to them. Other demands of the provinces, like a fairer share in export proceeds and changes in the central administration in Jakarta, are now expected to be implemented.

These are steps in the right direction. Much of the trouble in Indonesia arose because the people of the outlying provinces feared that the Government with its headquarters in the island of Java was out to impose its will on them and exploit their economy for the benefit of the Javanese. Last year, the people of Java, for instance, received 75 per cent of the imports, though they had contributed 17 per cent of the country's exports. As against this, the people of Sumatra provided 71 per cent of the value of Indonesia's exports and received only 10 per cent of the imports. Recent attempts to introduce settlers from over-crowded Java to other islands were also bitterly resented by the local inhabitants. These regional feelings not unexpectedly sparked the revolts of the officers of the army which has in its ranks a large number of former guerilla fighters.

The fact that despite a series of revolts in various parts of the country and despite a considerable degree

of confusion in Jakarta itself, there is yet desire to work together shows an underlying sense of nationhood. This is perhaps Indonesia's major source of strength and resilience at present. By associating Dr. Hatta, who is respected universally for his integrity, with the National Council and by enlarging it to include more representatives from the outlying provinces, Jakarta may be able, in some degree, to win over the dissidents and separatists. It is, however, obvious that these are as yet stop-gap arrangements. They may not lead to national unity unless a plan is evolved aiming at unity of purpose. A national plan for reconstruction and an uncompromising campaign against corruption and maladministration are clearly Indonesia's immediate needs.

NEMESIS IN THAILAND

FIELD MARSHAL SARIT THANARAT'S armed coup will not have come as a surprise to any one acquainted with the politics of present-day Thailand. Coups in that country are normal enough. Field Marshal Pibul Songgram, the latest victim, himself rose to power as the result of a coup d'etat in 1932 when, as a young army officer, he assisted the liberal elements in the administration to frustrate the efforts of the princes to overthrow the constitution which had come into force a year earlier. By 1938, however, he had himself accomplished what the princes had failed to carry out. Once in office, Marshal Songgram managed to remain there till the present successful coup. But it would be well to bear in mind that Marshal Songgram could not have remained in power all this time without establishing vested interests in his rule. It would be rash to conclude finally that he is out for good.

Though the reasons for the present coup are still obscure, there seems to be little doubt that trouble started with Marshal Songgram's very half-hearted measures to give the country democracy. However, in 1955, after a visit to Washington and London, he restored free speech in Thailand and contemplated the introduction of democratic institutions. The newly emancipated Press immediately uncovered a number of scandals involving high officials and Ministers. This intensified general discontent.

In the "rigged" elections of February last, Marshal Songgram's party, Seri Manangisila, won 85 out of 160 elected seats. Since nearly half of the seats are nominated, he was in no danger of losing power. But after the elections, Marshal Songgram depended for his survival on the strength of nominated members, mostly army officers. In the present crisis, ironically, these very members deserted him. His position became precarious, and increasingly dependent upon the army. This prepared the way for Marshal Sarit Thanarat's coup d'etat. On top of all this, the Bangkok crowds, always politically articulate and lately restive, started vociferous demonstrations against corrupt Ministers. The end had come. Thailand's erstwhile dictator had made the mistake of not yielding to public demand after he had ushered in democratic institutions. The tide would not now be turned back.

It is doubtful, however, if the changes at the apex of the power pyramid will be felt by the mass of the people in Thailand. The personalities are, no doubt, different, but there is no reason to believe that either domestic or foreign policy will be changed. The struggle for power had little to do with political principles or social ideologies. Like the deposed dictator, Field Marshal Sarit Thanarat is also pro-West. It is significant that the first thing he did after capturing power was to emphasize Thailand's adherence to the South East Asia Treaty Organization.

A Window on the World

EASTERN RESENTMENTS AGAINST THE WEST

By
ODYSSEUS

IN INDIA, British rule introduced Western ideas of progress, administration, communications, and industry. These long-run benefits were achieved at the cost of the old Indian economic and social structure. In this, there lay the seeds of conflict, for, on the one hand, Western values, humanistic ideals, and rationalism, streamed in, while on the other, the Western onslaught on Indian traditions aroused defensive reactions which clothed themselves in the West's worst gift to India: nationalism. Every system has the defects of its virtues. And while, at best, democracy's ideal of abolishing government as the monopoly of a royal court, and associating it with all strata of the population, evokes creative patriotism, at worst it generates the aggressive nationalism which let loose two World Wars and from which Europe is at last struggling to free itself in such supranational institutions as the European common market, etc.

Although no Western power imposed its rule on China, the impact of the West undermined the basis of traditional Chinese society. The integrated empire of the Manchus gave way to Western republican forms of government and the economy was disrupted by Western imports. Barbara Ward makes the point in her admirable 82 page booklet—"The Interplay of East and West," Allen and Unwin, 10s. 6d.—that China underwent a worse ordeal than India because India gained a century of orderly administration and in 1947 inherited a functioning state and civil service, whereas "China was left to drift like a sailless junk, its old equipment destroyed by the West but no new machinery installed" from 1840. Japan accomplished an astonishing feat on the principle of "If you can't beat them, join them." She transformed her static despotism into the semblance of a Western democracy and went out to join the Europeans in aggressive nationalist wars and trade.

THE TWO PROBLEMS TO BE SOLVED

Eggs can never be unscrambled. The East cannot go back to its old static economies and social systems. The first problem that therefore arises is that there are two Western techniques from which to choose—the genuine democracy of the free world and the distorted democracy of the Communists. The second is: Having absorbed the nineteenth century Westernism with which it came into direct contact, is the East going to wallow in the nineteenth century rut or follow the West's present strivings to bring nationalism under control? If Europe's efforts succeed, and if the East does follow suit, the possibility arises of another explosive drive forward by a united Europe with a lagging East, weakened by the suspicions of nationalism that beset Asia. That would increase present antagonism between East and West. These are the two problems round which our whole discussion revolves.

The East must achieve modernisation because Western influence has uprooted the old economic system and has vastly increased the birth-rate by its hygiene.

There are two ways of speeding up the Industrial Revolution. Either (1) through a totalitarian state, with

the emphasis on compulsion and production to enhance the might of the State rather than the freedom and the consumption to the individual, or (2) through a mixed economy of democratic economic controls and free enterprise, with the emphasis on persuasion and a balanced production in which the needs of the individual are respected.

All non-totalitarian Western economies in free enterprises the U.S.A. and Germany, as in Welfare Britain, and Socialist Scandinavia, are moving towards a permanently mixed economy, in which the State assumes the responsibility for attempting to set the economic climate. But, as Barbara Ward points out, political freedom ceases if all power—political and economic—is in the hands of the State. There is, therefore, a point beyond which State planning and control jeopardises a healthy limitation of power. This is the choice for Asia—not crudely between Capitalism and Communism, but between a mixed economy compatible, and a totalitarian economy incompatible, with political freedom.

This distinction is blurred because the average Easterner is dazzled, on the one hand, by the alleged economic advantages of the totalitarian State and forgets its terrible political disadvantages and, on the other, he identifies the mixed economies of the West with Capitalism; he overlooks their mixture and takes for granted their outstanding virtue of freedom and respect for the individual.

The reasons for this attitude hardly need explaining to any Eastern reader, though it is hard for many Western to grasp it in this post-August 15, 1947 era. In the East, Colonialism is seen as a direct consequence of capitalism and free enterprise.

CAUSES OF ASIAN SUSPICIONS

We glanced last week at the reasons why an entrepreneurial middle class failed to find a congenial social climate in the East. On the other hand, the tradition of the civil servant, the loyal servant of the State, is ancient in China and India, so that the East has a bias in favour of the bureaucrat and against the enterprising individual.

To these age-old biases, Barbara Ward adds two events of recent history: (1) the type of Western education received by many of Asia's leaders and (2) the Soviet revolution. So many of Asia's leaders, having spent the formative years of their education in Europe or the U.S.A. in the 1930's, returned to the East steeped in the atmosphere of the West's great economic depression. Because the economists of the period took time to discover the remedy, people thought that the system itself must be wrong. It would have been just as logical to assert that Western medicine was useless because penicillin had not been discovered at that date. But whereas the West is realising, through bitter experience, that nationalisation adds

greater burdens to national economies by saddling them with industries for which the citizens must pay the upkeep for all eternity, the East is dominated by men who have not had to live through these chastening decades and who still think that "production for use, not for profit" means something other than raising extra taxation to meet the losses of nationalised industries.

Moreover, as I observed on June 21, all over the East most people identify poverty with holiness. This was also the attitude in Europe before the Industrial Revolution when the impact of poverty, plus the belief that it was an eternal feature of the landscape, made for a revulsion against riches. But the techniques that caused the Industrial Revolution, by enabling mass production to multiply goods, created an appreciation of worldly possessions that spread ever wider as the living standards of the masses rose. The East, unlike the West, has not yet experienced a long separation of the spiritual and the material and the Easterner is apt to assume that economic activities should conform to a spiritual pattern. This explains why private profit is axiomatically condemned in the East as immoral and Socialism seen as an idealised form of industrial community.

"By a paradox," says Barbara Ward, "this anti-materialist outlook in Asia has been reinforced by the experience of an economy which in theory is entirely devoted to materialism." The Soviet experiment has propagated the idea that State control is the quick way to modernisation. By suppressing the fact that there was any industry in U.S.S.R. before 1914 and that any Western aid was available for the first Five Year Plan, the Communists have built up a picture of the U.S.S.R.'s "stupendous leap" from primitive economy to industrial might. The idea that the U.S.S.R. has pulled itself by its own boot-straps has been one of the U.S.S.R.'s most persuasive points. The East's experience at the hands of Western "capitalists," the traditions of Eastern administration and religious outlook, and the propaganda impact of Soviet expansion, all promoted suspicion of Western free enterprise.

Must one conclude, then, that the East will inevitably go Communist? No, first, because there is a vast area for mutually profitable East-free-West co-operation, which many Easterners and Westerners are anxious to develop. Secondly, because the West has no monopoly of intelligence and the East can profit by the lessons of Western post-World War II economic experience—if it wishes to.

To many Easterners, the big argument in favour of democracy against Communism is that over the 39 years since the bolshevik revolution, an increasing number of Asians have visited the U.S.S.R. and seen for themselves that, far from achieving brotherhood, Communism denies freedom and promotes tyranny. Typical of many Eastern observers is Mr Braj-kishore Sastry, a prominent member of the Praja-Socialist Party who, after a conducted tour of Communist China, began his report (reproduced here on July 16 and 23, 1954) by saying that his visit "did nothing to substantiate the exhilarating picture that we had formed of China in the enchanting distance of our motherland." And delegates to the U.S.S.R. have returned as disillusioned. Many educated Easterners, who constitute Asia's natural leaders, have learned the attractiveness of personal freedom and of the rule of law in Europe and the U.S.A. Is it not probable that one reason for China's acquiescence in Communism is that China, unlike India under the British and Japan under the

American occupation, has never had first hand experience of the mechanics of political freedom?

There is hope for East-West co-operation in the reflection that freedom is infectious, slavery is not. If you doubt this, ask yourself why Communist countries prevent their citizens from travelling freely abroad.

(This is the second in a series of articles entitled "The Antagonism Between East and West.")



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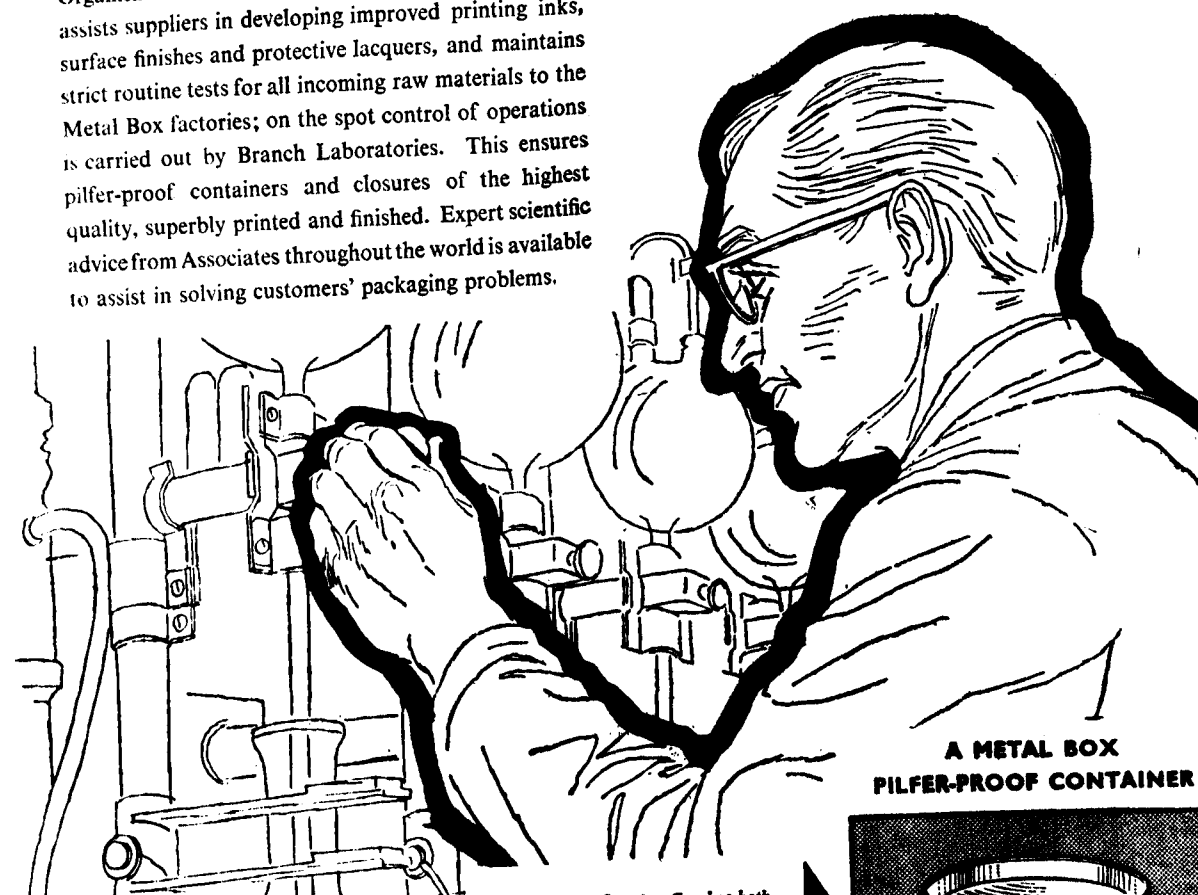
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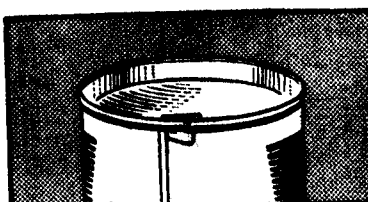
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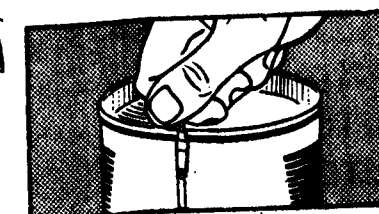


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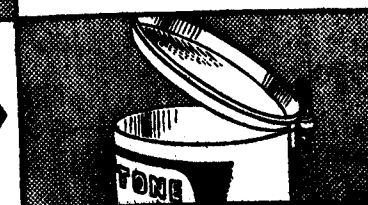
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CO-OPERATION IN THE SAHARA

(From Our Special West European Correspondent)

PARIS, September 22.

AFTER playing with the idea of "going it alone" in the Sahara, the French have decided (or rather have been forced by the facts) to accept a large measure of international co-operation in the exploitation of this substantial oil reservoir. This decision has been received with an ill grace by those who had dreams of France opening up the desert in splendid isolation and keeping to herself every profit to be derived from this magnificent opportunity. But, although co-operation may raise political complications later, it will hasten development of the territory and is certainly in France's own interest. Paris has so far consented to take assistance only from American and British enterprise, which has experience of oil production elsewhere and has capital to supply for the urgent work of prospecting and drilling, but the spirit of co-operation may shortly extend to include the adjoining States, Morocco and Tunisia.

The occasion for associating foreign oil companies with the development of the Sahara came this month when prospecting permits issued several years ago fell due for renewal. The Anglo-Dutch combine, Royal Dutch Shell, already had an interest in this work for it held 65 per cent of the shares in the Algerian Petrol Company and a 35 per cent interest on the Sahara Petrol Research and Exploitation Company. But the main dispute in France was about allowing the Americans any share in the field. The American oil cartels usually get a bad Press in France as in most other countries, and when U.S.-French relations were in a poor state last year after the Suez crisis, loud vows were taken that never, never would they set foot in French Africa. They are popularly believed (on no worthwhile evidence) to be financing the Algerian rebellion with a view to monopolising the Sahara oil; and Britain's recent difficulties in Oman recalled the dangers of getting too close to a big American oil concern.

But by the middle of this year, it was evident that an appeal to American capital would be inevitable. French resources in oil development are strained to the limit and there is no prospect of expanding them fast enough to keep up with the work in the Sahara: technicians and material had to be imported quickly. French preference went to the "independent" American oil companies. These are the firms that dominate the domestic U.S. industry but have been kept out of the Middle East until lately by the "giants" (Standard, Socony, Gulf Oil, etc.). The approaching exhaustion of native American deposits makes it important for them to get a footing abroad and they are, therefore, willing to offer better terms than the giants. It was these independent companies, grouped in the combine Amerada, that obtained the concession for the neutral zone between Kuwait and Saudi Arabia by offering till then unheard of rates of return to the local authorities. Further, they have already entered the Sahara from the Libyan side; the government in Tripoli has granted them an immense prospecting region which is bounded on three sides by areas of the French Sahara where French companies are now prospecting.

This month some of these firms have combined with French to form new units: one such groups two French oil firms, the bank of Lazard Brothers and two U.S. firms, Sinclair Petroleum and Newmont Mining Corporation. Similar combines have been formed by French firms with British Petroleum. It is to such combines that

the new licences are being issued. French predominance is generally being preserved, the terms on which licences are given are strict; altogether the French, who sometimes seem to imagine that the whole world is conspiring to steal the Sahara from them, are satisfied that inevitable assistance is being taken on safe terms. In any case, within the French firms concerned, the major shareholder is often the French Government. Though fresh capital is urgently needed, the Government is not willing to surrender this major ownership, and it is trying the interesting experiment of selling to the French public vouchers which entitle the holder to the full return on a share but do not carry any legal ownership or voting power. The response from the public to all appeals for capital for the oil industry has been excellent.

Another reason why reluctance to admit foreign co-operation in the Sahara was overcome was that Paris hopes to involve her allies in her African empire and thus obtain their support in its defence. Experience shows that the State Department, which is apt to find dozens of glorious George Washingtons in other countries' colonies, becomes much less sensitive to progressive forces once an American oil company makes investments there. Thus the French calculation is probably a shrewd one. More generally, by bringing nearer the day when the Sahara will supply the bulk of European oil requirements, France can secure the co-operation of her Western allies in the task of maintaining her position in Algeria. As long as the Sahara oil was a mirage, and moreover a mirage whose dimensions were minimised by such American oil companies as could not obtain licences to inspect it closely, foreign capitals were inclined to regard the French bait of soft currency oil supplies as a desperate gamble. But with the present rate of feverish and determined activity, Sahara oil is no longer a mirage or a bait but a very near reality, and thus a concern for the political stability of North Africa is growing abroad.

The suspicion that Paris was overestimating the importance of the desert oil deposits has now vanished. It is definitely confirmed, for example, that at Hassi Messaoud there is a reserve of 100 million tons; and other regions are no less promising. Reserves of this order make it well worth while to face the considerable difficulties of extracting oil from these God-forsaken regions. Not only that, but the search for oil has revealed that there is water under the Sahara and that its use, although extremely expensive, will be perfectly possible if undertaken along with the extraction of oil. There is thus the hope of establishing an oasis agriculture large enough not only to support the oil industry but to provide exports of cereals and dates to the surrounding countries. An oil boom, and the beginnings of cultivation in the desert will make easier the exploitation of mineral deposits, such as the iron ore mines at Tindouf. Therefore, the Sahara scheme is not simply a gamble on oil but a general development programme.

The fructification of the Sahara will require that the French consent to co-operate not only with the British and American (and later possibly German) suppliers of capital, but also with the coastal States, and especially the former protectorates of Morocco and Tunisia. It is these countries that must allow access to the desert, because not all of it is most conveniently approached through Algeria; and they can supply manpower and some capital, as well as offering markets for such agriculture and industry as is established there.

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Rabat and Tunis have sometimes suspected that Paris was seeking to exclude them from the Sahara venture, but in fact the view has always prevailed here that the task must be undertaken jointly and that it offers the basis for genuine new co-operation between the metropolitan power and the former protectorates. The illusion that France could go it alone without the least help from the littoral States was only entertained by the anxious nationalists who imagined that no recourse need even be had to British and American capital. However, it is believed here that the beginning of this co-operation, which could solve the economic dilemma of the poor North African countries, must be made conditional on Morocco and Tunisia being more accommodating, or at least less hostile, about Algeria. Plans for a joint effort in the Sahara are ready but will not be produced until Morocco and more particularly Tunisia cease to provide such active support to the Algerian rebellion.

After many years of hesitation, French interest in the possibilities of the Sahara is now acute. It is typical of the fumbling and procrastination of European imperialism that the really difficult work of associating colonial people in the ambitious task of development has been left till it is almost too late. Undertaken in time and on terms as generous as are now envisaged, this could have avoided most of the political and economic misery of the French North African empire. As it is, the job has to be tackled in the midst of a bloody war, when relations between the parties that must co-operate in it have been deteriorated by years of political strife, when the freedom of movement of the metropolitan power is reduced to a minimum by international impatience with her outdated imperialism, and when her own human and material resources have been reduced by decades of war and inflation. Quite apart from the reluctance of the North Africans to believe, after so many betrayals, in the genuine French readiness to share the gains of developing the Sahara, a major obstacle has been the weariness of the French people themselves; the history of the last two decades has brought most Frenchmen to regard any association with backward territories as a source of trouble, sacrifice, war and disappointment. It

is to a nation in this mood that the French Government has now to appeal for capital and labour to open up the Sahara, in fair co-operation with the North Africans. It is a tribute both to the French and to their former and present colonials in North Africa that it is still possible to hope that this great chance will not be lost.

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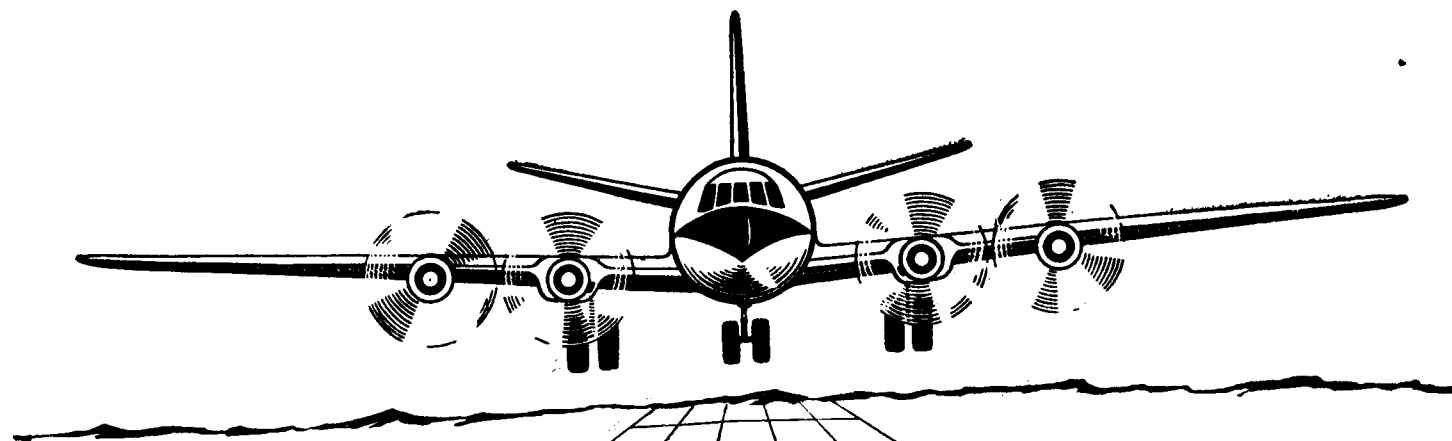
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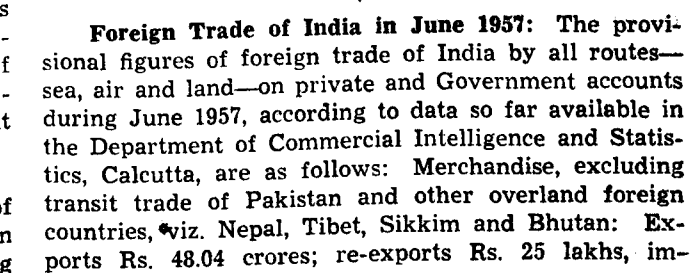
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ports Rs. 85.60 crores; total trade Rs. 133.89 crores. **Treasure:** Exports (including re-exports) of currency notes Rs. 7 lakhs, others negligible. Imports of gold Rs. 1 lakh, currency notes Rs. 4.32 crores, others nil. **Balance of trade:** The merchandise import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency in import figures, the total value of exports (including re-exports) of merchandise and gold fell short of imports by Rs. 37.32 crores.

Cement Imports: Through the efforts of the State Trading Corporation of India, which has been entrusted by the Government with the work of import and distribution of cement, about 2.58 lakh tons of cement were imported by the end of August 1957. The imports would have been larger but for the closure of the Suez Canal. Owing to foreign exchange difficulties the scope for entering into fresh contracts for import is considerably reduced. Against current contracts, however, it is expected that further quantity of about 1.5 lakh tons will be imported by the end of the year.

FINANCE

India, US Announce Convertibility Accord: India and the United States have signed an agreement on currency convertibility guaranties to encourage private US investments in India. Under the agreement, the US Government will provide guaranties that Indian currency receipts (rupees) from new or expanded private American investments in India can be converted into dollars.

Per Capita National Income: In a written reply to a question by Shri Nagi Reddy, in the Lok Sabha, the Prime Minister gave the following estimates of the per capita income of India during the first Five-Year Plan period, year by year:

Year	Per capita national income at 1948-49 prices
(April-March)	Rs.
1951-52	250.1
1952-53	256.6
1953-54	268.7
1954-55	271.9
1955-56	272.1

Occupation-wise break-up of these estimates was not available, the Prime Minister added. The source of information, he further disclosed, was 'Estimates of National Income, 1948-49 to 1955-56' issued by the Central Statistical Organisation.

Central Loan: The Finance Minister, Shri T. T. Krishnamachari said in the Lok Sabha that a sum of Rs. 105.97 crores was subscribed to the Rs. 100 crores loan floated by Government. Of this, subscription by conversion of the old loans amounted to Rs. 44.99 crores (3 per cent Victory Loan 1957 Rs. 9.80 crores and 3 per cent Loan 1958 Rs. 35.19 crores). Government considered that the results were not unsatisfactory.

Staple Fibre Yarn Exempted from Excise Duty: With a view to encouraging the production and consumption of staple fibre, the Government of India have decided to exempt staple fibre yarn from the whole of the duty leviable under the Central Excises and Salt Act, 1944, with effect from September 16, 1957.

Subsidised Industrial Housing Scheme Grants: Loans and subsidies totalling Rs. 8,82,900 were sanctioned by the Government of India during June and July, 1957, for the construction of 414 one-room tenements under the Subsidised Industrial Housing Scheme. The Government of Mysore will be given Rs. 67,500 as loan and an equal amount as subsidy for putting up 50

tenements at Hubli. The Government of Assam will get Rs. 1,02,600 (half as loan and half as subsidy) for constructing 38 tenements at Kharghuli, Gauhati, and a loan of Rs. 48,600 and an equal amount as subsidy for building 36 tenements at Tinsuka. The Punjab Government has been sanctioned Rs. 1,56,600 for putting up 58 tenements at Batala. Half of the amount will be loan and half subsidy. The total amount of loans and subsidies sanctioned to various States and organisations up to July, 1957, for the construction of 89,212 tenements since the inception of the scheme in September, 1952, is Rs. 25,19,52,277.

Invisible Earnings: According to preliminary estimates, the net total invisible earnings of the country in 1956-57 amounted to 147 crores i.e., Rs. 75 crores on Government account and Rs. 72 crores on private account. This represented an increase of about Rs. 21 crores compared with the figures for 1955-56.

Foreign Investments: According to preliminary figures available, the total foreign business investment in India on December 31, 1955, was Rs. 477.97 crores compared with Rs. 415.73 crores (Revised figures) on December 31, 1953 and Rs. 287.57 crores at the end of June 1948.

GENERAL

Community Development in India: The Community Development Programme will complete five years on October 2, 1957. The National Extension Service will cover the whole country by 1961, while Community Development blocks will cover about 40 per cent by the end of the period. The Community Development and National Extension Service programmes have identical aims but the National Extension Service movement is somewhat less intensive in character than the Community Development. The first 55 Community Projects were launched on October 2, 1952. There were 2,120 Community Development, National Extension Service and Post Intensive Phase blocks in operation on August 31, 1957, throughout the country, covering 272,756 villages and a population of nearly 15 crores. Each National Extension block covers one hundred villages with a population of approximately 66,000. The Gram Sevak looks after 6,000 to 7,000 people living in 10 villages under his charge in a Development block.

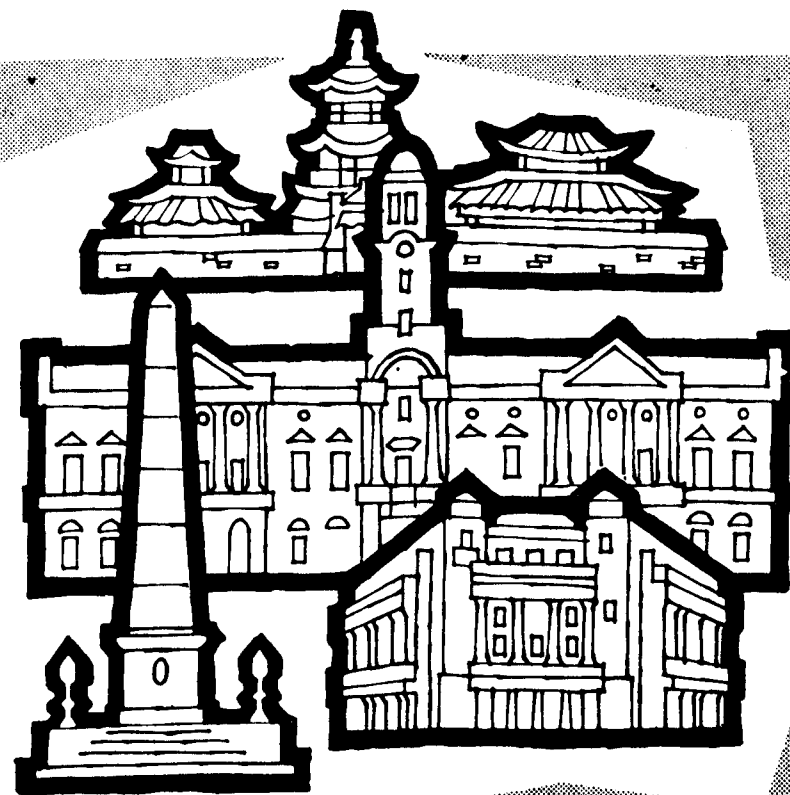
Employees Provident Fund Extended to Two More Industries: The Government of India have decided to extend the benefits of compulsory contributory provident fund under the Employees' Provident Fund Act, 1952, to workers in the Power and Industrial Alcohol and Asbestos Cement Sheets Industries. A Gazette Notification requiring the recovery of provident fund contributions from wages for and after the month of December, 1957, is being issued by the Ministry of Labour and Employment. The Act would now apply to 26 industries, five classes of plantations, and 4 categories of mines and newspaper establishments, giving the benefit of contributory provident fund to about 24 lakhs workers.

Electricity Output: During April, 1957, 770 public electricity supply undertakings generated 899.4 million kilowatt hours (kwh.), of which 734.5 million kwh. were sold to ultimate consumers. These figures show an increase in output of 26.7 million kwh. over that in March, 1957. The generating undertaking at Suratgarh in Rajasthan was the new addition during the month. The figures of output and sale of power for April, 1956, are 779.4 million kwh. and 643.7 million kwh. and for April, 1955, 704.7 million kwh. and 172.0 kwh. respectively.

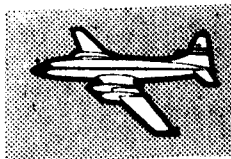
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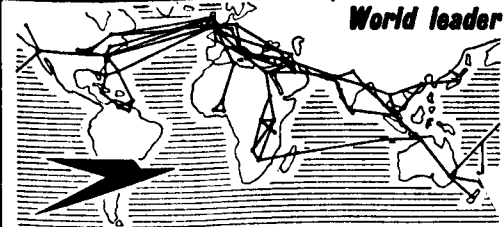


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NEWS IN BRIEF

INDIAN

The Indian Institute of Public Opinion, New Delhi was elected a Gallup affiliate—the first in Asia—at the recent meeting in Helsinki of the International Association of Public Opinion Research Institutes.

*

Subscriptions to the 4½ per cent Bombay and Mysore State Development loans amounted to approximately Rs. 742 lakhs and Rs. 503 lakhs respectively.

*

India is likely to export steel by 1961. The construction of the three public sector steel plants is progressing satisfactorily.

*

The Planning Commission has estimated that the second Plan provision of Rs. 524 crores for industrial development in the public sector will fall short of requirements by Rs. 180 crores.

*

The Punjab Government has decided to launch a concerted drive to promote industrial development in the State.

*

A scheme for strengthening Agricultural Research Institutes in Rajasthan in 1957-58 has been approved by the Government of India. The cost of the scheme amounts to Rs. 3.2 lakhs of which Rs. 2.4 lakhs have been sanctioned by the Government of India.

*

A new simple process for producing papain from papaya milk has been perfected at the Fruit Research Station at Saharanpur. Under the process, it is claimed papain of a very high quality can be produced.

*

A draft Indian standard specification for leather picking bands for looms has been circulated by the Indian Standards Institution for eliciting comments.

*

Three more housing colonies for handloom weavers, two in Orissa and one in Madras, are to be constructed under schemes approved by the Government of India. With these, 18 housing colonies for handloom weavers have been sanctioned in Andhra Pradesh, Mysore, Kerala, Bombay, Uttar Pradesh and Orissa.

*

Eight industrial estates, of which one will be on a smaller scale, than the rest will be set up in Kerala State.

*

A provision of Rs. 2 crores has been made during 1957-58 for the grant of scholarships to students belonging to scheduled castes. This amount is nearly Rs. 14 lakhs more than the expenditure incurred in 1956-57 for this purpose.

*

The Government of India has issued an order controlling the price of rice and paddy in Andhra Pradesh.

*

A sum of Rs. 5 lakhs has been sanctioned by Government of India for road development works in Assam, Himachal Pradesh and Tripura.

FOREIGN

The British Government has raised the bank rate by 2 per cent to 7 per cent in a drastic bid to halt rising prices and defend the £ against speculation abroad.

*

The Federal Bank of West Germany has lowered the bank rate from 4½ to 4 per cent.

*

The Greek balance of payments for the first six months of 1957 showed a deficit of \$121 million, 9 per cent more than in the same period of 1956.

*

Thailand's rice production in the crop year 1957-58 is expected to be between 7.5 million and 8 million metric tons of rough rice according to a preliminary official forecast.

*

The gross national product of Guatemala has risen at an average rate of \$51 million a year since July 1954, and in 1956 it reached the record high figure of \$688 million.

*

Details of loans totalling \$40 million to be raised in the US by the South African Government have been announced. The South African authorities plan to raise \$15 million on the open market and \$25 million in various currencies from the World Bank.

*

The Netherlands Government has concluded an agreement with the International Monetary Fund whereby Holland can levy foreign exchange—totalling \$137.5 million—from the I.M.F. against amount of Dutch treasury bills in guilders.

*

After a continuous fall since November 1, 1956, the external assets of Ceylon showed a slight increase in July. At the end of July, they stood at Rs. 979.2 million showing an increase of Rs. 1.2 million over the previous month.

*

Steel production in the UK is continuing to rise rapidly. Output last month, at an annual rate of 19.42 million tons was 9.8 per cent higher than in August last year.

*

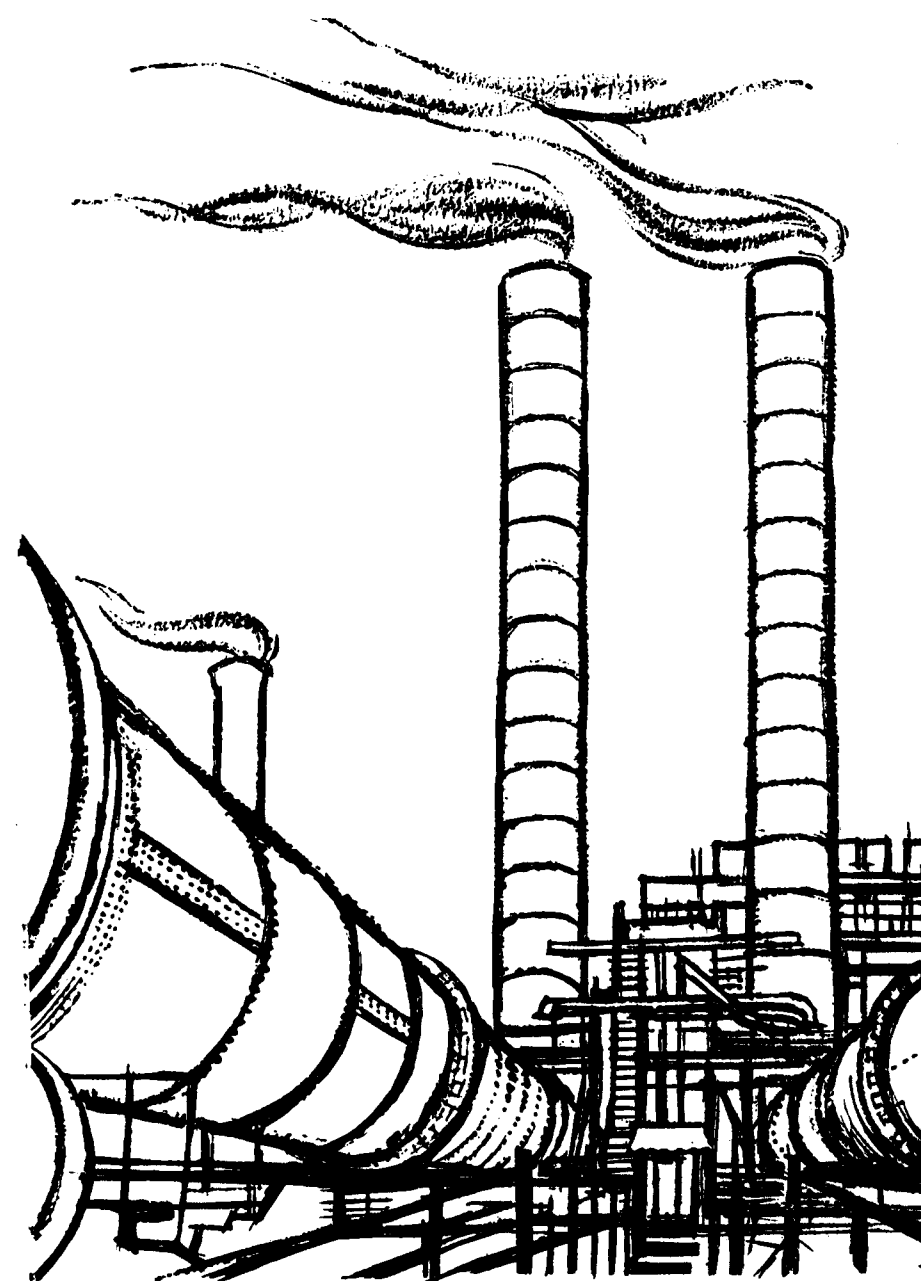
A financial survey team from New Zealand has recommended the establishment of a bank in Western Samoa, to be owned by the Samoan Government and the Bank of New Zealand in the proportions of 45 and 55 per cent.

*

Ordered in June 1955 from William Simons and Co., Ltd., (Scotland) at a cost of £1 million, the 4,500 ton dredger being built for the Calcutta Port Commissioners is due to be launched towards the end of this month.

*

It is reported the Pakistan Government would set up an Agriculture Commission to study the problem of land reforms. The terms of reference and personnel are under consideration and would be finalized shortly.



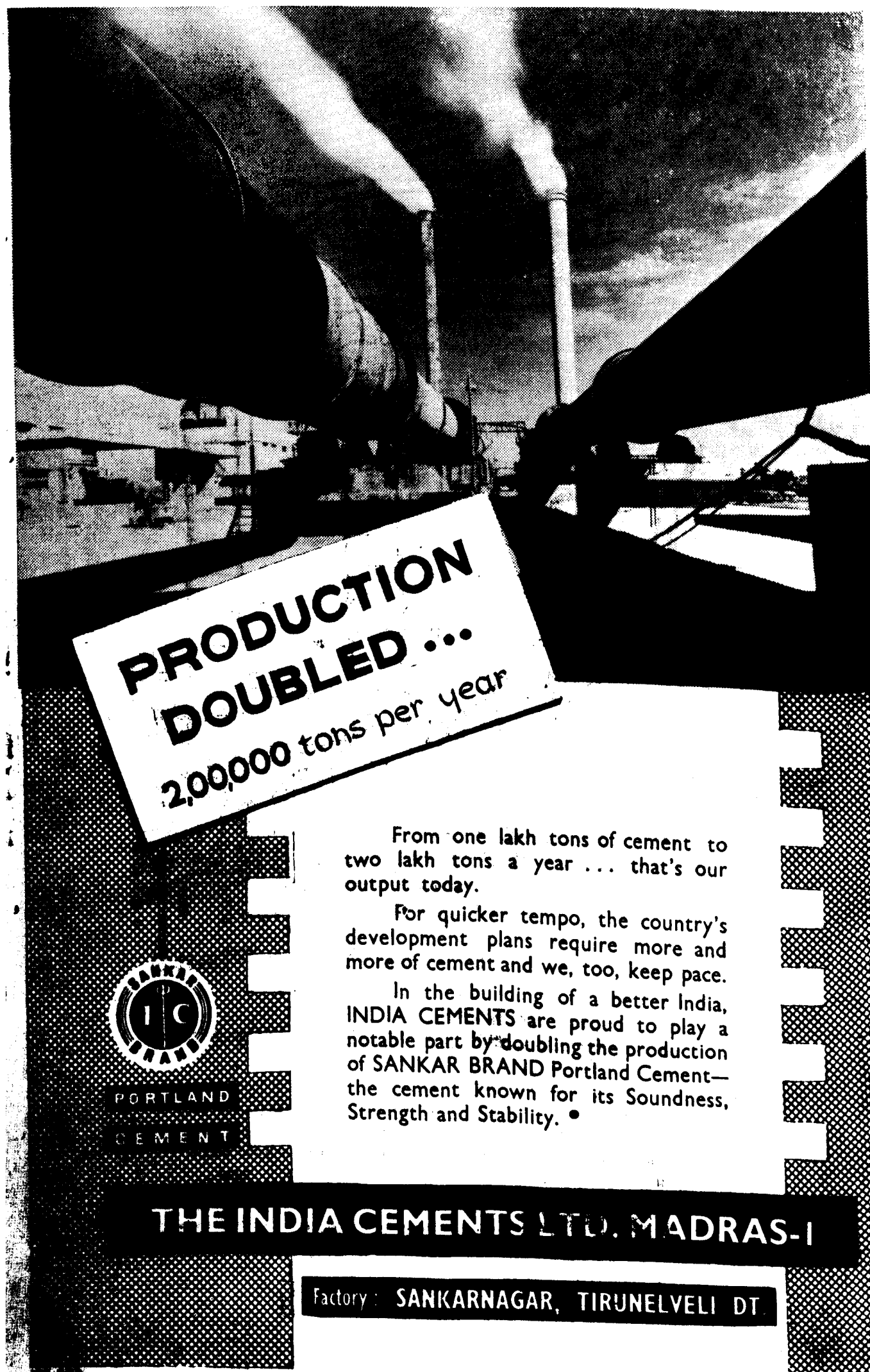
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The Business World

THE TELCO DISPUTE: A BALANCED VIEW

THE controversy over the price of Telco locomotives has become a hardy annual. The debate which took place on this subject in the Lok Sabha at the fag-end of its last session was, however, something out of the ordinary, both because of the force of Mr. Feroze Gandhi's attack, and the skill with which his facts were marshalled. In fairness to the company it must be stated that the position in which it was placed was unenviable. It amounted to its indictment in absentia. Since then Sir Homi Mody and two other directors of the company have explained their case at a press conference. Mr. Feroze Gandhi has in turn issued his rejoinder. Now that both sides have argued their case a balanced view of the dispute can be taken.

It is undoubtedly true that the agreement between the Government and the Telco which was executed in August 1947, but given retrospective effect two years earlier, was very loosely worded. Much of the controversy arises from ambiguities which were patent in this agreement. One fact which ought to be remembered, however, is that the Railway Board was anxious for reasons which are not difficult to understand to transfer the Singhbhum workshops to Tatas with the express purpose of developing it into a full-fledged locomotive factory. Tatas, in entering the deal, seem to have been influenced by special factors other than those of taking up a commercial undertaking. The whole tenor of the progress of Telco in the initial period shows that the programme of the production of boilers in the first instance and after that also of locomotives was not carried out according to the agreed schedule. Reference was made in the Lok Sabha debate to the financial assistance and financial concessions made by the Government to Telco. It is possible to argue that the Government erred overmuch in showing this sort of accommodation. Angry questions were asked in the debate why an ex gratia profit of Rs. 7 lakhs was allowed to be earned by the company and why the penalty clause was not enforced when repeated defaults were committed in the matter of deliveries.

The entire issue has been discussed in great detail by the Tariff Commission with the assistance of a foreign expert. The impartial enquiry conducted by this statutory organisation and the considered verdict which it gave are entitled to ungrudging acceptance. The Tariff Commission has recorded its view that delay in completion of the works and manufacture of products arose from causes which were not to a great extent within the control of the company. The question of production costs and pricing of locomotives has also been decided by the Tariff Commission after a minute weighing of evidence. Although it could be possible to express divergence on minor questions, the overall verdict given by the Tariff Commission deserves to be respected. A comparison of the prices of Telco locomotives with Chittaranjan locomotives clearly shows that there is considerable room for improvement in the economy and efficiency in the operations of Telco, which could be, and is now being, reflected in lower costs. But major aspects of distinction should not be overlooked. Telco has to function with the high cost structure of a small-scale unit and the necessity to manufacture two types of locomotives as against only one which is the case with Chittaranjan are circumstances which explain the cost disadvantage under which Telco labours. Similarly, the declaration of Chittaranjan as a protected area and the upsurge of acute Communist-inspired labour trouble

at Telco is another contrast which needs to be taken into account.

These handicaps deserve to be given the fullest allowance in assessing the level of cost at which the Railway Board is purchasing Telco locomotives. One point that needs to be noted relates to the composite character of Telco. The locomotive division and the automobile division of the company constitute water-tight compartments and the Tariff Commission which examined the financial position of both, in so far as it was relevant to the price enquiry, has come to the conclusion that the automobile division is not being sustained on the finances intended for the locomotive division. The presence of a Government-nominated director on the company's Board and of the Railway Board's representative in the accounts section of the automobile division constitutes an adequate safeguard against any diversion of finances or of interlocking of capital. Still another point which may be conceded in favour of Telco is the effect of accelerated depreciation in the initial years at double the normal rate. This acceleration was introduced in the cost structure of Telco on the insistence of the Railway Board and despite the company's unwillingness to consent to it. The result of squeezing depreciation in the earlier period has been to raise the cost of locomotives. But since the Railway Board will be the monopoly purchaser of Telco's locomotives, it can be reasonably expected that the effect of lower depreciation allowances in the subsequent period will be translated in lower prices.

Finally comes the question whether prices of Telco locomotives are not high. The latest price quoted by Telco to the Railway Board is Rs. 4.42 lakhs per unit. This is a substantial improvement upon the earlier high prices charged at Rs. 6.90 lakhs in 1954-55 and Rs. 6.37 lakhs in 1955-56. The relevant question is whether the current quotation of Rs. 4.42 lakhs is adequate or high. It has been contended by Sir Homi Mody on behalf of Telco that this price compares favourably with the duty-paid landed cost of a British locomotive at Rs. 4.87 lakhs on the basis of an offer about a year and a half ago. One element in this cost of the British locomotive is that it is the price quoted for negotiations. As proved experience shows the actual contract price would have been lower. In the next place, for a real comparison between Telco prices and imported prices, a deduction of 25 per cent ought to be made in the latter on account of freight, insurance, customs and similar incidental charges. The comparable price of the British locomotive then comes to Rs. 3.65 lakhs.

Telco's technical associate, Krauss Maffei, it appears, have quoted a price of Rs. 3.5 lakhs for 1956-57. In arguing preference for the British locomotive price as a comparable price and in rejecting the German or any East European locomotive price, it is emphasised by the company that the German and East European prices contain an element of subsidy and hence they are unacceptable. The extent of subsidy must, of course, remain a matter for surmise. Even so, it is questionable whether the subsidy in the case of the Krauss Maffei locomotive would be as high as 28 per cent (on the basis of the British price without subsidy) in a seller's market. All in all, it is not a bad thing that the fierce light of publicity should be thrown on operations in the private sector which have a public counterpart.

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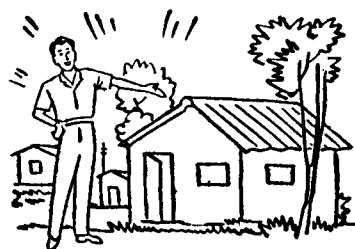
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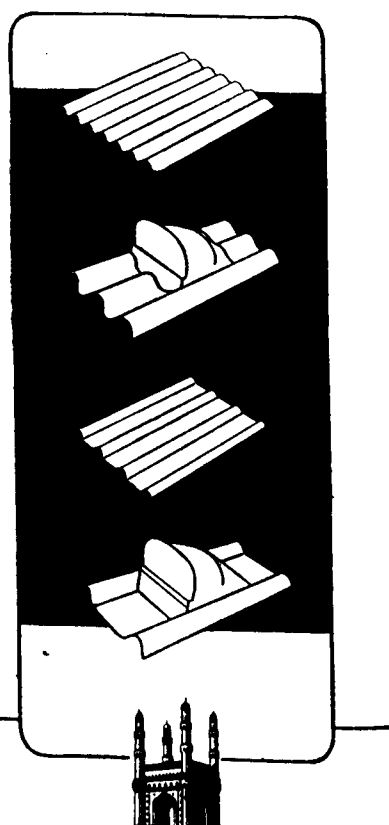
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BUSINESS NOTES

LIBERAL LENDING BY THE I.M.F.

GREAT INTEREST attaches to the current annual meetings of the International Monetary Fund and the World Bank at Washington, although it would be too optimistic to expect spectacular results immediately. The principal financial problem of today, in the world context, is the disturbing re-emergence of the dollar deficit. While American exports to nearly all parts of the world have been increasing rapidly over the past nine months, her imports are on the decline. What causes further anxiety is that there are no indications of a possibility of arresting this trend in the foreseeable future. This contains the potentiality of a more serious problem of payments disequilibrium for most countries. If it has not already occurred, it is due, in no small measure, to the recent activities of the IMF. During the last year, the Fund made available dollar advances to member countries, including the UK, France, India and Holland on an unprecedented scale. The outflow over the past twelve months was as much as \$1,500 million, much larger than ever before in the Fund's existence of over a decade. Since the replenishment of dollar reserves by repayments constituted only a fraction of the huge outflow, the Fund's gold and convertible currencies suffered a sharp drop from nearly \$4,000 million to about \$2,650 million. If commitments of standby credits are taken into account, this figure would decline further by another \$800 million. One unpalatable accompaniment of the Fund's liberal lending is the concern over the critical position of its largely depleted resources. Genuine anxiety has been caused all round by the fear that the IMF may be compelled substantially to curtail its lending after only a single year's extensive operations.

It is obvious that so far as the IMF is concerned, the solution of the problem does not lie in slashing credits at this crucial juncture. If anything, such a course cannot fail to deteriorate the position and adversely affect world trade. In most cases, the brisk borrowing has been put to no purpose other than to be utilised on productive projects. The real solution lies in augmenting the resources of the Fund, which, in turn, lies in the power of the United States. However, if current conditions are any guide, a real danger exists even of reduced American aid. This is a particularly unhappy position at the present time when what is needed on the part of America is the same broad vision as was exhibited through Marshall aid.

Another threat that faces the world, though in different degrees in different countries, is inflation. As stressed by President Eisenhower in his opening address at the World Bank and the Fund's meetings, inflation is a "world-wide phenomenon today" which needs to be attacked before it unleashes "all the evil consequences," including those of a depression in course of time. The IMF has an important and significant role to play. One possibility of its continuing to be useful, even in the absence of adequate dollar reserves, is to utilise other currencies like the German Mark, wherever possible. Increased subscriptions from member countries are a remote possibility though because of the rising prices and thereby falling value of money this seems necessary. India is particularly interested in the growing role of the IMF which has come to her help by a loan and standby credit in her critical balance of payments a few months back.

THE BRITISH BANK RATE

FOR QUITE sometime cheap money policy has been under revision everywhere. But the latest move of the Bank of England to raise the Bank rate from 5 to 7 per cent is a dramatic decision designed to give a shock to the economy, particularly to those who indulg-

ed in foreign exchange speculation. Like all shock treatments the effect of it would be expected soon if it is not to be quite effective, or gradually if it is not to be fully effective. In his statement announcing the rise in the Bank rate the Chancellor of Exchequer said that "the Government is determined to maintain the internal and external value of the pound." Putting up of the Bank rate is not an isolated measure. It is to be coupled with restrictions on investment both in the public and private sectors. The idea is to have a general credit squeeze to curb inflation. The speculative pressure on sterling related particularly to the D Mark has been quite a problem to the country. The increased Bank rate is expected to relax this pressure greatly. How far the move will succeed in its objectives is a matter of speculation. Immediately at least it is in the nature of psychological treatment. The fundamental difficulties arising out of the recurrence of the dollar gap with its threatening consequences will still pose a problem which would require a long-term remedy. The risk that the British Government has run through raising of the Bank rate and the all round restriction of investments is great. Such a course will obviously have its effect on small and medium sized business in the country. There is also a danger of unemployment arising from this decision. The British TUC, already in a militant mood, will not tolerate such a situation. In the circumstances the duration for which the hiked up Bank rate and accompanying reduced investment measures persist might be a matter of great political importance. The interest of India is naturally focussed on the likely repercussions the raising of the Bank rate will have on her economy. Besides being a member of the sterling area, India has her special problems of foreign exchange gap to meet her developmental needs. Dear money in the U.K. will directly impinge upon the cost of loans likely to be raised in the London market. Our deferred payment arrangements in that country will also be affected. The difficulties of importers will be increased due to the higher cost of supplier's credit. In the circumstances hopes of large capital, institutional or private, from the U.K. will be wilted. It has already become clear for some time past that the U.K. had its own limitations in exporting capital to India.

There is little chance of any adjustment in the Bank rate of the Reserve Bank of India in the near future. The one sure effect that the new Bank rate will produce is to add to the already tight money conditions in this country. In the busy season ahead exchange banks in India, deprived of easy credit facilities abroad, will compete more vigorously with Indian Scheduled Banks for funds in the money market. This will all happen at a time when restrictions on credit are being prescribed by the Reserve Bank to hold inflationary pressure during the forthcoming busy season. Any developments in this regard will be closely watched.

IISCO DIVIDEND PROSPECTS

HOW SIR BIREN MOOKERJEE viewed with dismay the likely export prospects of Indian steel was discussed in the last issue of this journal. In his survey of the production trends and profits of the IISCO the general effect left by his address was none to buoyant. Sir Biren pointed out that the profits at Rs. 2,19,97,532, although a little lower than in 1955-56, showed only a return to "a more normal level." The financial position of the Company has been strengthened. However, the shareholders are still restricted from getting their due share of the prosperity of the company. The Chairman pointed out that the matter has more than once been brought to the notice of the Government. "It is a matter of great regret to your directors that the Government

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have been unable to accept the view of the Board," he continued. The possible reason for this might be the feeling that any increase in the dividend distribution would "prejudice the finance of the cost of the expansion programme or the due repayment of the indebtedness that is being incurred." A ray of hope emerges from a letter to the Company dated the 29th July, 1957, wherein likely relaxation on dividends has been indicated on the completion of the expansion programme. Sir Biren cheered investors by disclosing that since the 1953 extensions are expected to be completed next year and one of the two batteries of coke ovens and one of the two blast furnaces will be ready for commissioning this year, prospects for higher dividends were bright.

Without questioning Government's policy in restrictions of dividends such as in the case of IISCO, one would hope its fiscal policies are so framed as not to corrode incentives to private investors. For quite some time a feeling is growing among private investors that Government policies are made without reference to the risks taken in an enterprise. The shareholders of IISCO have patiently waited for long, and a helpful turn in Government's attitude toward their profit margin is only called for.

PRODUCTIVITY MOVEMENT

IN RESPONSE to the demand by various experts drawn from labour, employer and management organisations that a national movement for productivity was highly essential in a country like India, a National Productivity Council is to be set up. The Indian Productivity Mission which visited Japan last year had also pleaded for the establishment of a National Productivity Council to inculcate productivity consciousness in the country. On the Council will be represented the organisations of employers, workers and Government nominees in equal proportion. Representatives of associations of technicians, professional consultants, research workers as well as other interests like small industries would be co-opted on the Council. The Council will work to improve continually the ratio of output to input at various levels of production in an industrial unit.

It is rightly recognised that the productivity drive should aim at increased production by improved techniques, proper utilisation of various resources, raising the standard of living of the people and improving the working conditions of labour. This would not only expand employment but would also improve the country's economy by stimulating expansion of industry. It must be emphasized here that co-operation between management and labour is, of course, indispensable for the success of productivity as a lapse on the part of any party could wreck the whole movement. The heartening feature of the scheme is that local productivity councils would also be formed in industrial centres to promote productivity consciousness at the local level. There is also the suggestion that local councils could have special committees for different industries. All these are no doubt steps towards the promotion of industrial democracy, but the success of it would depend on the spirit and outlook in which these Committees and Councils conduct themselves.

The annual reports of the Estimates Committee in regard to individual industries and the Parliamentary debates have pointed out that efficiency in the public sector industries is very low and there is a great room for improvement. From the Press reports it is not clear whether these industries would be covered by the productivity drive; although the presumption is that they would be. There is a strong case, no doubt, for productivity movement to be launched in the public sector industries which are likely to expand progressively in view of the goal of the socialist pattern accepted by the Government.

OPERATIONS OF THE LIFE INSURANCE CORPORATION

IT IS a matter of some satisfaction to know from Mr. G. R. Kamat, Chairman of the Life Insurance Corporation of India that its nearly all new business offices are now working normally. Much of the time of its brief existence has been taken by the transformation of numerous units into a single nationalised concern. While this difficulty should be appreciated, it explains only partly the drop in business that has occurred. Again, the figures of new business during the months of July and August are encouraging, but real progress will have been achieved only when similar and further progress is recorded over a longer period. As it is, the first six months of the current year show a lower business than for the corresponding period in 1956.

For expanding the field of life insurance operations, it is necessary to create confidence in the general public. Confidence can be the result as much of the status of the institution from which a policy is purchased as of the efficiency with which business and claims are settled. As a nationalised concern, the Life Insurance Corporation is completely assured of the former. But efficiency and good organisation can be effectively proved only by performance in future. It is gratifying that the Corporation realizes the scope for improvement in these directions. In this connection an improvement already introduced in the Southern Zone is the expeditious disposal of proposals under "express service". Efforts must be made to make the new service a success so that it may commend itself for introduction in all parts of the country. With nationalisation, life insurance has ceased to be purely a business. It is also a public service which must no longer be confined to certain limited sections of the community concentrated mainly in urban areas. For its healthy growth and usefulness, both for the insurer and the insured, life insurance will need to be extended far beyond the present boundaries on attractive terms. This is what is primarily expected of the nationalised Life Insurance Corporation of India and it is encouraging to know that it is now preparing itself for the task of spreading the insurance habit in the rural areas.



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PST 181

A Letter to the Editor

"REDUCTIO AD ABSURDUM": DIRECTORS' REMUNERATION

Sir,

Recently I re-read your leading editorial entitled "Reductio ad Absurdum" in "The Eastern Economist" dated October 19, 1956, in which you have commented that the interpretation of Section 348 of the Companies Act, 1956 by the Bombay High Court in *Ramabehn A. Thanawala Vs. Messrs Jyoti Limited* (59 Bom. L.R. 67) will hamper the development of private enterprise in the country. In this case Mr. A., who was one of the partners of the managing agency firm wanted to draw a salary of Rs 3,000 per month in his capacity as a technical adviser of his company, over and above his share in the 10 per cent maximum remuneration allowed under the Act for the managing agents as a whole under Section 348. The relevant points in the judgment are (1) that there was no objection to the drawing of any salary as technical adviser, (2) that, however, the amount so drawn will have to be subject to the maximum limit of 10 per cent, which should be deemed to include remuneration received not only as director but for services in any other capacity, like, say, a technical adviser, and (3) that, nevertheless, this salary as technical adviser will not attract the overall limit of 11 per cent under Section 198, which, unlike Section 348, does not include salaries payable for services 'in any other capacity' but comprises only remuneration paid to the directors as directors.

As the Sections 198 and 348 stand at present, the reasoning of Their Lordships of the Bombay High Court seems unassailable. It is pointed out that there will be many anomalous results. (1) External employees as technicians can draw fabulous salaries, while managing agents must be content with far less total remuneration, especially when the profits are little because the latter's remuneration is linked with net profits at an overall 11 per cent; (2). If a company should make loss in any one year, the technicians can nevertheless draw their salary, while the directors can have between all of them only a maximum of Rs. 50,000 if a provision in this behalf is contained in the articles of association of the company or the company had passed a special resolution sanctioning the same; (3) Where foreign technicians are employed, the disparities will be even greater because for three years these persons can receive tax-free income, while even the share out of the maximum Rs. 50,000 of a director's remuneration is not exempt from tax; and (4) That even the public sector would be affected because the law is the same for a civil servant acting as managing director of a public sector corporation. The remedy you have suggested is an amendment of Section 348 by raising the ceiling percentage. I would like to suggest further that the words most responsible for this state of affairs, in Section 348 ("or in any other capacity") be deleted to make this Section fall in line with the kindred Section 198, where there are no such world. This is one side of the picture.

It is apparent that if the amendment is made as desired and there is no mention of the capacity in which the services are rendered, it will still be a moot question whether or not the overall limit of 11 per cent will, or will not, apply to the salaries earned by the managing agents as technical advisers and not as managing agents. In other words if the limit of 10 per cent under Section 348 has to be enhanced, the limit of 11 per cent in Section 198 will also need revision, because there will be a conflict between them, unless it is also categorically mentioned (if further litigation is to be avoided) that any remuneration received in the capacity of technical advisers will be exempted from the limits prescribed therein. But, if really such exemptions are to be statutorily mentioned there will be no need at

all to increase the ceiling percentages already contained.

Now let us look at the other side of the picture. If ceilings are to be increased without providing for exemptions as indicated, what should be the new limits. Can any upper limit at all solve the difficulties apprehended? Incidentally, the provision regarding a minimum (maximum) remuneration of Rs. 50,000 for managing personnel in the event of loss or inadequate profits will still have to be there, unless it is also deleted or raised correspondingly. Still, even with an overall limit of 20 per cent it may happen that in some cases the managing director's remuneration will fall short of highly paid extraneous, and/or foreign technician's emoluments. This does not seem to be an effective way of solving the anomalies. And if no ceilings are at all prescribed, then the whole framework of the new Companies Act will have to be altered and many Sections of the Act will either have to be omitted or completely recast. There will then be no necessity for Sections 349, 350 and 351, for example, which give the mode of calculation of net profits for purposes of remuneration.

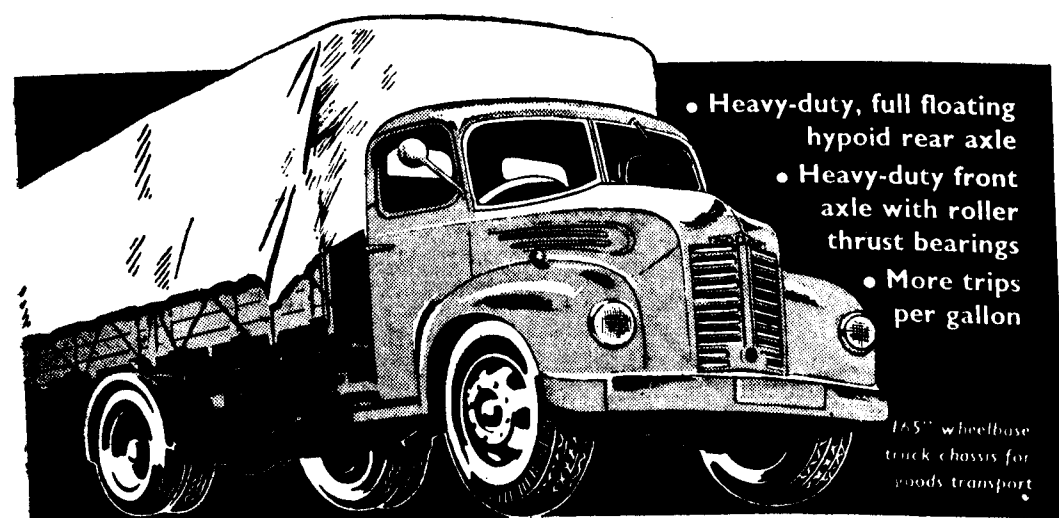
If, on the other hand, the salaries of technical advisers cum managing agents are exempted altogether, what would be the consequences? The practice will come to be more generally or more liberally adopted. Suppose a company makes a profit of only Rs. 3 lakhs in a year. It may be that if there are two managing agents employed as technical men on a salary of Rs. 2,000 per month each, their annual salary alone will amount to Rs. 48,000, while their combined remuneration as managing agents will be Rs. 30,000, as 10 per cent of the net profits. Whereas, to get this amount by way of remuneration as managing agents the company would have had to make about Rs. 5 lakhs as net profits which means even more as gross profits. The lesser the profit the greater will be the disparity, depending upon the quantum of salaries. Whether the company makes less or more profits the technical managing agents are assured of their regular salaries and thus there will be less incentive to make greater profits, which implies that there will be less care taken or industry bestowed to working the concern successfully. If their entire remuneration is dependent only on the net profits, surely the incentive to achieve better results and show better profits will be present. That will undoubtedly be more beneficial to the large body of shareholders, both from the long-range point of view as well as immediately in the payment of dividends.

It must be conceded, however, that there must be enough incentive provided for managements to work enthusiastically, human nature being what it is. But it appears to me on balance that there should be some ceilings on the remuneration earned by the managing personnel (not in the total sum, but in the percentage basis) and also in other ways according to the intentions of the Legislature in enacting the new Company Law. If perhaps a reasonable ceiling percentage is prescribed for remuneration earned in the capacity of technical adviser, just as there is a 10 per cent limit for managerial remuneration and some rules of inter-relationship between the two remunerations are also established, that may be a workable solution. Anyway, if the trend towards appointing managing personnel also as technical advisers on a monthly salary is interpreted as a growing dissatisfaction with the ceiling of 10 per cent or 11 per cent, because such remuneration is inadequate, then there is some justification for a revision of the policy.

Yours faithfully,
C. V. NARAHARI RAO, M.A., B.L.

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BOOK REVIEWS

THE DUKE OF EDINBURGH'S STUDY CONFERENCE

His Royal Highness the Duke of Edinburgh's Study Conference on Human Problems of Industrial Communities within the Commonwealth and Empire 9 — July, 27, 1956. Vol. I: Report and Proceedings. Vol. II Background Papers, Appendixes and Index: Oxford University Press, London: Price 42s. Net (2 Volumes).

By R. P. Aiyar

In the wake of the Industrial Revolution, the little island of Britain paved the way for progress in technology, and although the giant across the Atlantic and the colossus very near to the East have spurt forward to achieve industrial supremacy, the enquiring spirit in Britain still continues to nurture progress in the economic field. The lead of Britain in harnessing nuclear energy for peaceful purposes is but one facet of this restless spirit. It was, therefore, in the fitness of things that Britain should plan, organise and "host" a conference "to conduct a practical study of the human aspects of industrialisation, and in particular those factors which make for satisfaction, efficiency and understanding, both inside industrial organisations and in everyday relation between industry and the community around it." The proceedings of the Conference, since published, give an indication of the extent of the success of this direction.

The personnel of this Conference with age limits of 25-45 years sought to ensure a reasonable amount of youthful enthusiasm and resiliency, fortunately resulting in a tolerance of outlook while speaking with sincerity and conviction. This resulted in a "willing suspension of disbelief" leading to an intensive programme being profitably tackled by 300 strangers in three weeks. The addresses to the Conference delivered by eminent personalities disperse a wealth of thought, the main theme being to create deliberately a constructive relationship between the leaders and the led, making all concerned to feel a purpose and a responsibility.

The perennial problems incidental to industrialisation whether in the technically more advanced West or in the aspiring East cannot lend themselves to any text book solutions and the orations in the Addresses while discussing diverse problems arising out of ambivalent attitudes on the part of the workers rightly saw that without improvement in material standards further progress in cultural and moral fields would be difficult.

The technologists, Sir Harold Hartley, in an outstanding address, has spoken of the need to develop a creative spirit in the adolescent mind and to quicken the intelligence and imagination by an inspiring picture of the changing world. As behoves a scientist he has spoken of the limitations of human perception in that "the further we penetrate nature's secrets the more we see ever receding frontiers of knowledge." His address conjures up the picture of a traveller approaching continually without arriving.

The collective experience stimulated by the background papers, the addresses, and the visits to industrial establishments in U.K. is well recorded in the oral reports appended to Vol. I of the Conference report. The central theme in all these reports has been that "human affections cannot be bought by flower beds and other material schemes nor with paraphernalia of personal wealth. These are the rewards arising out of a 'spirit of inquiry' at every level seeking change and improvement without waiting for pressure or discontent."

Industry is the means whereby man converts or transforms the fruits of nature to his needs. Education

and training — a continuous process — are necessary adjuncts to the industrial process. In other words, industry can grow and develop much faster than the educational system. The present stage of human affairs is such that the human problems of industrial communities need close and intensive study. It was this which the Conference mainly sought to promote — a venture successfully concluded by people coming from diverse background, but all having a quality suited for the job.

Early industrialisation can be described as a move from a subsistence economy with its (often illusory) security based on production from a plot of land to the richer exchange economy where security must be socially planned. The Duke of Edinburgh's Study Conference has been a landmark in this development, and the commemorative volumes are worthy records of a job well done.

INDIAN STUDENT IN RUSSIA

In The Shadow of the Kremlin: By Satya Dev Sharma: Published by Siddhartha Publications (Private) Limited, 35, Faiz Bazar, Delhi: Price Rs. 2.50.

Travelers to the Soviet Union fall broadly into two categories: first, those of the Faith who are on pilgrimage to the Socialist Fatherland; second, starry-eyed fellow-travellers of the Faith who gush impartially over everything they see. The objective traveller who does not belong to either of these categories and who has his eyes and ears about him and is not easily deluded by the sales talk of the Commissars is all too rare. Such a one is Mr. Satya Dev Sharma, the author of this absorbing travelogue.

A student leader, who has for a while been Chairman of the United Nations Students' Association, Mr. Sharma made the trip to the Soviet Union in the autumn of 1954 as a member of the Indian Students' and Teachers' Delegation to that country. The delegation was given the usual red-carpet treatment accorded especially to delegations from uncommitted countries of Asia; and was hustled breathlessly on the customary rounds in the company of attractive interpreters. The crowded itinerary allowed hardly any time for intensive observation of the various aspects of Soviet life or for introspection on whatever was seen. That despite these handicaps Mr. Sharma did manage to have a really deep look around is a measure of his shrewd curiosity.

A student himself, Mr. Sharma was naturally interested in knowing all about Soviet education. He spent the better part of whatever leisure was available between travelling and toasting to a study of the many aspects of Soviet education. His conclusion, arrived at after a painstaking study, is that every aspect of education in that country had a strong ideological slant; that Soviet education, in general, is far too much preoccupied with problems of the ideology of the rulers; that it is merely a device to drill into the consciousness of Soviet youth the ideological infallibility of the party that rules that country at present.

The author makes a number of penetrating observations on a variety of other subjects too that would be of interest to students of Soviet Union. But these observations notwithstanding, the book is primarily an account of the journey into different parts of the Soviet Union. Engagingly written, the book will certainly help fill the gaps in the ordinary reader's knowledge of the Soviet Union.

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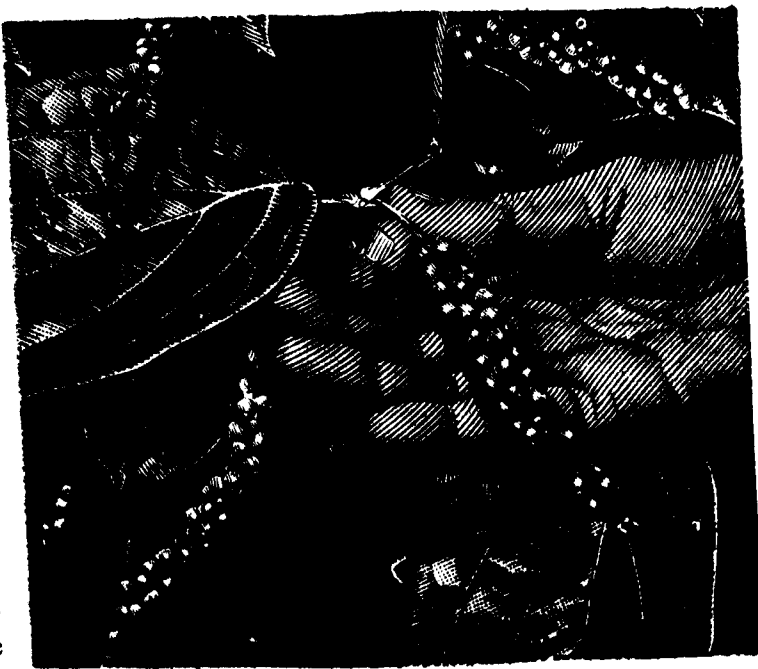
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Company Meeting

THE INDIAN IRON & STEEL CO., LTD.

Speech of the Chairman, Sir Biren Mookerjee

The following is the speech delivered by Sir Biren Mookerjee, Chairman of The Indian Iron & Steel Company Ltd. at the Annual General Meeting of the shareholders, held on 11th September, 1957 dealing with the year ended March 31, 1957.

Gentlemen,

It is my privilege to address you this year as Chairman of the Board of Directors in the absence on very well-earned leave of Mr Leslie Martin. It is, however, the intention of the Managing Agents that on his return to India, Mr Martin should resume his former position as Chairman, and to this end I commend to you the resolution that will be proposed at a later stage of this Meeting to provide for his reappointment.

PRODUCTION AND DESPATCHES

The total production of iron at 695,156 tons showed a decrease of 11,830 tons from that of the previous year due to the reduced output of the Blast Furnaces at Kulti. These Furnaces with their ancillary plant are now very old and uneconomical and subject to frequent shut-downs for repairs. Under the 1953 Extensions Programme it had originally been the intention that heavy capital expenditure should be incurred in effecting their complete modernisation and rehabilitation, but on a later examination of the position in connection with the Company's 1955 Extensions Programme and the overall second Five-Year Plan of Government, the conclusion was reached with the concurrence both of Government and the World Bank that such expenditure would not now be warranted having regard (a) to the surplus pig iron that would be available from the new Blast Furnaces at Burnpur and from the other new or expanded plants, and (b) to the inevitable higher cost of production at Kulti owing to inherent operational difficulties. It was accordingly decided that the Kulti iron plant should be closed down when the new Blast Furnaces at Burnpur came into operation.

In consequence of this decision, Government withdrew as from the 1st January 1956 the special depreciation element of Rs. 6-8-0 per ton included in the sale retention price of iron to the Company despite protest that the resultant price was quite uneconomical. Possibly in view of feared delay in the bringing into operation of the new plants, Government have recently requested that the Company should examine the possibility of the Kulti Blast Furnaces being maintained in production for a period of about four years. This position would be capable of achievement only by the incurring of considerable expenditure on the plant and our Consulting Engineers are now examining the matter. In the meantime it has been indicated to Government that the Company would expect all such emergent expenditure to be met by Government and the retention price of iron to be adjusted in relation to the actual cost of production.

Production of the Burnpur Blast Furnaces was 476,336 tons against 473,172 tons for the previous year, the slight increase being due to the fact that the relining of No. 1 Furnace during 1956-57 was effected in a

still shorter period than that of No. 2 Furnace in 1955-56, thus constituting a fresh record for the Company.

As regards the out-turn and despatches of steel, you will have realised from the particulars given in your Directors' Report that a number of special factors operated to inflate the position for the year 1955-56. These factors did not recur during the year under review which accounts for the decrease shown.

PROFIT

In view of the reduction of 31,114 tons in the despatches of steel there is naturally a fall to a more normal level in the gross profit earned for the year under review and the effect on net profits of this fall has been greatly accentuated by the severe increase in the rates of corporate taxation imposed under the Finance Act 1957. The severity of this increase will be realised when I tell you that had the Reserve for Taxation been calculated at the rates previously prevailing, the charge would have amounted to Rs. 269 lakhs as compared with the sum of Rs. 319 lakhs that has had to be provided to cover liability at the new rates. The incidence of the increase of taxation on the profits of the year under review accordingly amounts to no less a sum than Rs. 50 lakhs.

In face of this position it was decided that the time had now come to commence adjustment of the large balance standing on the Reserve for Taxation Contingencies and an initial write back to Profit & Loss Account of a sum of Rs. 47 lakhs has accordingly been made in the Accounts now before you. The Reserve in question is maintained to offset the increased incidence of taxation in subsequent years as a result of the special depreciation allowances granted in earlier years in the case of plant and buildings. The major part of the Reserve is attributable to the initial depreciation granted in previous years which has the effect of cutting off any further depreciation allowance for taxation purposes once the value of the asset has been written down to a certain level, and write back from the Reserve on this account will, in consequence, operate only as and when that level is reached. In addition, further special depreciation is allowable on plant and buildings during the first five years of their life which has the effect of reducing the allowance for each subsequent year with a consequent increase in the liability for taxation. It is to offset the position in this latter respect that the write back of Rs. 47 lakhs, which is not an arbitrary figure, but a calculated amount covering the position up to the 31st March 1957, has now been made. It is the intention periodically to examine the position so that the balance of the Reserve may gradually be adjusted.

Initial depreciation now no longer applies having been replaced in the case of plant and machinery by the grant of Development Rebate giving an outright

exemption from taxation of 25 per cent of the cost of new plant and machinery installed. The approximate tax saving on this account for the year under review amounts to Rs. 9,50,000 which sum has accordingly been transferred to General Development Reserve raising the balance of this Reserve to Rs. 16,50,000. As and when the major items of the extensions plant are commissioned the Development Rebate and the consequent saving in taxation will be substantial and, as was explained last year, we count to a large extent on the continuance of the Rebate for finance of the 1953 and 1955 Extensions Programmes, which apart from the pure capital cost of the added plant will involve a very considerable increase in the working capital requirements of the Company for the finance of rolls, spare parts, stores, raw materials stocks and the generally increased financial requirements of the expanded undertaking.

DIVIDEND

The fullest representation was again made to Government for admission of the Ordinary share-holders to some added participation for the year under review in the continuing prosperity of the Company, it being urged that with the limitation of dividend imposed in the past, the financial position of the Company had been strengthened to such an extent that the stage had now been passed where it could be validly contended that a small increase in the dividend distribution would in any way prejudice the finance of the cost of the Expansion Programmes or the due repayment of the indebtedness that is being incurred. It is a matter of regret to your Directors that Government have been unable to accept the views of the Board in this matter and in their letter dated the 29th July, 1957, a copy of which has been appended to the Directors' Report, have notified that restriction of the dividend must continue until the Expansion Programmes have been completed. This reply is a slight improvement on the earlier attitude of the Government. As the 1953 Extensions are expected to be completed next year, whilst one of the two batteries of coke ovens and one of the two blast furnaces will be ready for commissioning this year, I trust it may be possible for the Government to relax their control in the near future. In the meanwhile, your Directors would again point out that the decision of Government cannot be challenged without serious detriment to the interests of the Company and would urge that the position be accepted with good grace in the hope and expectation that the justness of the claim of the shareholders to a reasonable participation in the improved and continuing prosperity of the Company must ultimately be recognised.

FUTURE PROSPECTS

I should perhaps sound a note of warning as regards the present year. We are now feeling the full effect of the disruption of current operations that is inescapable when a plant is being expanded and constructional and operational work has to go on side by side. In these circumstances there has inevitably been a drop in production and whether this can be made up will depend entirely upon the date when it will be possible to bring into operation the first of the new blast furnaces at Burnpur, a matter with which I will deal in more detail at a later stage.

As to the future in general, I have no hesitation in saying that if it depended entirely on the efficiency, diligence and enthusiasm of all of us alone, your prospects would appear to be bright. However, in the day to day changing moods of the workers, not only in the industries but in all those departments whether in the Government or outside, who have to make their contribution towards the national effort, nothing can be

said even with reasonable certainty as to what we may expect in future. Extreme lack of discipline has manifested itself particularly during the last few months amongst all classes of workers, in many essential Government or other services, the Ports, etc., accompanied by actual or threatened strikes and by violence. Political agitation, sometimes accompanied by violence, has also played its part in interrupting industrial production and disturbing the public peace. This state of affairs may, if it continues, entirely upset not only our own expectations as regards the future operations of our plants, but the entire economy of the country. I would, therefore, with all the emphasis I can command, urge upon Government the vital necessity that violence be severely dealt with and punishment meted out with promptitude not only to those by whom the overt act is committed but also to those to whose subversive background activities this violence is directly attributable.

In our own works, in spite of an almost continuous improvement during the last few years in the conditions of service and emoluments, to which I shall refer later, it is regrettable that the workers allow themselves to be influenced by a minority affiliated to a certain political party and activated by the motive of supplanting the recognised Labour Union. This unfortunate position has been evidenced during the year by sporadic illegal strikes of short duration in the essential services sections, which have been particularly serious in the case of the Gua Ore Mines where even murder has been resorted to in an endeavour to terrorise workers belonging to the recognised Union and to disrupt normal operations. I cannot too strongly condemn this manifestation of an influence which for the gaining of its own party ends can contemplate with equanimity the disruption of all planned progress towards the achievement of the country's social advancement and industrial self-sufficiency. As you must have noticed, similar troubles have been reported also from Jamshedpur in the speeches of the Chairman of the Tata Locomotive and Engineering Co. Ltd., and the Tata Iron & Steel Co. Ltd., at their recent annual meetings.

Mere condemnation, however, is of little use unless it is coupled with some suggestion as to how the position may be met. My personal opinion, based on a study of similar situations in other industrial countries, is that the evil can best be countered by the building up of really strong and representative labour unions having the full support of the workers and capable of restraining the subversive influence of those few who for their own ends attempt to cause disruption to the detriment of the general welfare and that no other unions should merit Government's recognition. I would in fact go further and say that what affects one section of an industry must have repercussions upon the whole of that industry and therefore the ultimate solution may lie in the building up on an industry-wise or craft-wise basis, of unions under the leadership of responsible bodies of men who have the interest of the country and the workers genuinely at heart and who are not swayed by political influences or the desire for self-aggrandisement.

We have progressed a long way since the days when an employer could contemplate with equanimity, as reducing the bargaining power of the workers, dissension within a single union or the formation of a number of rival unions. It is now the desire, I am inclined to believe, of all enlightened employers that they should be able to deal with one strong labour union enjoying the support and truly representing the interest of its members. Given such strong and representative unions, employers and workers could readily resolve the difficulties that must from time to time arise between them and could act together in full co-operation

tion and mutual trust, thereby enabling the country to advance to new fields of prosperity and social security.

There are, however, other difficulties which will discourage any prudent man from trying to peep into the future. The solution of these difficulties almost exclusively depends upon the success of the more than Herculean tasks to be performed by the Government according to schedule for the implementation of what has been lately described as the "hard core" of the second Five-Year Plan, particularly in respect of the supply of good quality coking coal and the transpost of this and all other raw materials and ultimately the finished products. This "core" consists of the development of iron and steel, coal, transport and ancillary power and necessarily includes the two major units in the private sector of the steel industry. I shall try and explain to you briefly how the success or the failure of the Government's efforts in this respect is likely to affect the operations of our extensions with which your future is naturally linked up.

EXPANSION SCHEMES

In your Directors' Report and in the report by our Consulting Engineers that was issued therewith, a full description has been given of the stage which the schemes have already reached. We have, as you are aware, two programmes of expansion in hand, the earlier of which is described as the 1953 Extensions and the later one as the 1955 Extensions. The latter scheme was undertaken by us at the request of Government to form part of the second Five-Year Plan. It is intended to enable us to produce more finished and expensive products by reducing the excessive output of the semi-finished ones and of the saleable pig iron contemplated in the 1953 extensions. The total production after the completion of the 1955 scheme will be 1,000,000 tons of ingot steel or 800,000 tons of saleable steel instead of 700,000 tons of saleable steel as planned under the 1953 Extensions.

The 1953 Extensions, which you may remember suffered an initial delay of nineteen months, are expected to be completed by the end of 1958 if no unforeseen difficulties arise in the meanwhile, in which case we shall have made up seven months of the delay. Towards the end of the current year we expect to bring into operation one of the two batteries of coke ovens and one of the two blast furnaces included in the scheme, and the conversion of the old 600 ton active mixer into a 300 ton steel-making furnace, whilst the second coke oven battery and blast furnace are expected to be completed and function towards the end of 1958 along with the completion of the new Open Hearth melting shop.

In order to work the first battery of coke ovens we shall require an extra 54,000 tons of coking coal per month. This will bring the total monthly requirements of coking coal for Burnpur to 146,000 tons and we have been advised, and very rightly, by our Consulting Engineers and by the plant manufacturers that the new coke oven battery should not be lighted unless we have built up and can expect to maintain a stock of at least 100,000 tons in our works.

At the moment I can only say that the attainment of this stock position by the time the new coke oven battery is ready appears to be remote and in fact even the maintenance of supplies of coal for existing operations causes no little concern. As an indication of the seriousness of the position I would say that during the current year we have literally been living from hand to mouth and that recently orders had to be given to reduce the throughput of the coke ovens owing to the dangerously low level of the coal stocks which in turn has meant a reduction in the production of steel. The fullest representation has all along

been made in official quarters and it has been somewhat disheartening to be referred from one department to another, each in turn refusing to acknowledge responsibility for this sad state of affairs. I am hopeful, however, that as a result of intervention at ministerial level lately, the position may improve.

Similarly, we shall require a further 60,000 tons of iron ore per month to work the first new blast furnace. Owing to the late delivery of mining plant and machinery, caused by the strikes in America and the closing of the Suez Canal, the full mechanisation of our Gua Ore Mines will be delayed by about five to six months. For this reason, we have been advised by our Consultants to stock pile about 225,000 tons of iron ore at Burnpur. Although the target has not been reached yet, we have every hope that this position will be achieved by the end of November next.

Each of the new blast furnaces is designed to produce about 1,200 tons of pig iron per day which can be converted into about 1,000 tons of steel. Taking the present average import price of foreign steel at Rs. 700 per ton, which is perhaps Rs. 150 per ton lower than the price at which steel is being imported at present, the bringing into operation of the first blast furnace will mean a saving in foreign exchange to the country of more than Rs. 2 crores per month. The completion of the second blast furnace will double this advantage.

The second battery of coke ovens and the second blast furnace will also need about 54,000 tons more of coking coal and about 60,000 tons more of iron ore per month. Our total requirements including our present consumption will, when the 1953 Extensions are completed, be about 200,000 tons of coking coal and about 185,000 tons of iron ore per month, which means the transport of more than 4 million tons per annum in addition to considerable quantities of limestone, stores and other essential materials of our Burnpur Works equal to another one and a half million tons. In addition there will be 800,000 tons of saleable steel per annum to be moved. Allowing only four days turn round for the wagons, the Railways will have to provide for us carrying capacity for about 24 million tons or so per annum, about one third of which will have to consist of specially built hopper wagons for iron ore. These, I would emphasise, are the transport requirements for Burnpur only and take no account of the requirements of your Kulti Works.

In this connection it may not be out of place for me to observe that when the three Government plants and the extensions of the Tata Iron and Steel Co. Ltd., come into operation, the problem of transport may prove to be very difficult as most of the steel works will have to draw their principal raw materials from more or less the same area or neighbourhood which will cause a considerable amount of congestion on the railway lines and consequential delay. In such circumstances it is natural on the part of the private sector to apprehend that in the distribution of the transport facilities some discrimination may be made between it and the public sector. We are quite certain that at the ministerial level any discrimination between the private and the public sectors is unthinkable. We cannot, however, be certain that unless strict control is observed at the ministerial level or by some other high authorities, the administrative staff in charge of the transport or supply of the raw materials, particularly coking coal, may not exercise some discrimination between the two sectors. They may naturally imagine that their primary duty is to enable the Government projects to function before those in the private sector. Some public assurance, therefore, that continuous priority will be given in respect of this matter to meet regularly the requirements of the private sector, both for stocking piling and normal use, is highly desirable

if the two producers in the private sector are to meet punctually their obligations in respect of the heavy foreign loans contracted by them to finance their extensions.

EMPLOYEES WELFARE AND EMOLUMENTS

In previous years we did not think it necessary to give an account of the wages and other emoluments of our employees and of the many amenities provided by us. But all those employed in industries in whatever capacity have in recent years attained what is now described as the status of partners in the fortunes of the industry concerned. It is desirable, therefore, that I should place before you briefly what we have so far done and plan to do in the future, as well as give you some idea of their wages and other emoluments and the amenities provided for them.

From past experience and statistics it is found that whenever an increase in wages has been given, the prices of food and other commodities have moved up almost simultaneously to the extent of 80 per cent of the rise and in order to combat this evil we firmly believe in providing permanent benefit by increasing amenities for employees. It will perhaps be of interest if I give an indication of the lines on which we are progressing. We have always taken pride in the medical facilities that are made available free of cost to our entire staff and workers and to their families. These facilities are now being enlarged by the considerable extensions that are being made to the hospitals at Burnpur and Gua where an augmented staff of medical specialists and general practitioners are equipped to give the fullest and most careful attention to all cases that may arise.

With the expansion of the Gua Ore Mines we have been able to plan on up-to-date and enlightened lines a model township which will provide an improved standard of living accommodation for all classes of workers. This position applies equally in the case of Burnpur where a large area of land adjacent to the steel works has been acquired for construction of a new township of the most modern design to provide more accommodation and amenities for our workers.

At Burnpur also, enlarged training facilities are being provided which will include four hostels for the accommodaition of those undergoing instruction for their future positions as artisans and supervisors; a new cinema has been built to provide film shows at concessional rates and plans have been drawn up for the construction of a building to form the headquarters of a social and welfare centre called the Mahila Mangal Sabha for all the womenfolk of the station. We are now building a large and modern canteen in the works for the workers in place of the older ones and at Kulti have a large construction programme for additional housing for the workers, of which much has already been completed.

We have up to March 1957 already spent large sums on the town including housing and the provision of many amenities. Our present programme which I have just explained involves an immediate expenditure in the region of one and a half crores of rupees and will be followed by further developments and expenditure in accordance with our plans for the progressive improvement of the standard of living of all employees. This is a matter to which I personally attach great importance. In order that shareholders may have knowledge of what is being done, I have had a small booklet prepared showing the designs of some of the amenities for issue to shareholders with the print of this speech.

EMOLUMENTS

We have given a great deal of thought to building up the structure of the wages and other emoluments of our employees on lines which on the whole have been generally acceptable to them. The total emoluments take the form of monthly cash payments or deferred payments and the provision of various kinds of amenities. The principal items constituting the total earnings or emoluments include a basic daily or monthly wage, a dearness allowance, free housing or grant of rent allowance in lieu thereof, a production or incentive bonus, a profit sharing bonus, Provident Fund benefits, leave allowances of various kinds, free medical service for all employees and their families and free or aided educational and training facilities.

It is not possible for me in a speech such as this to enter into any great detail, and I must therefore restrict myself to giving you in outline the position for the year 1956-57 in regard to remuneration as it concerns our entire Burnpur staff who are members of the Labour Union. Our First Staff, who form but a small percentage of the total number of employees and occupy the higher technical managerial and administrative jobs, are not members of the Labour Union and therefore nothing that I say now will have any application to them.

The target proportion of our employees are unskilled or semi-skilled workers on daily wages as distinct from the monthly paid workers who are mostly skilled men employed in the productive departments. The wages rates in both cases vary from department to department according to the nature of the work done and the ability of the worker. The semi-skilled and skilled workers naturally get higher wages and have higher earnings than the unskilled. The minimum daily wage varies between Rs. 1.00 and Rs. 1.94 per day according to the department concerned. At the former figure the total earnings, comprising basic wages, dearness allowance, quarters allowance and production bonus only, ranged between Rs. 73 and Rs. 90 per month again according to the department concerned. At the latter figure of Rs. 1.94 per day, the total earnings were Rs. 132 per month. The maximum departmental daily wage varies between Rs. 2.87 and Rs. 7.27 per day, the total monthly earnings aggregating Rs. 176 and Rs. 463 respectively, which latter amount was the maximum a daily rated worker in the Melting Shop earned.

In the case of the monthly paid workers the basic salaries vary similarly from department to department. The minimum basic salary is Rs. 60 per month, the total earnings in such case ranging between Rs. 144 and Rs. 183 per month, while the maximum basic salary is Rs. 460 per month resulting in total earnings of Rs. 1,042 per month.

In the case of most of the employees in question there is provision for the granting of annual increments.

Taking all the factors into account, I think you will agree that we are giving our employees emoluments, amenities and opportunities for advancement that compare favourably with other similar major organisations. Under the guidance of honest and competent Labour Union leaders powerful enough to eliminate those who, having infiltrated themselves into the Union or otherwise, are bent on causing disruption by fermenting sporadic strikes or go slow methods, the Company as well as the employees can ensure for themselves a better and more stable future.

DOMESTIC DEMAND AND EXPORT

Before concluding I would like to give you my views on the form the operation of the iron and steel industry may take after all the three Government plants and the Extensions of the two major producers have

not only begun to function, but reached their rated productive capacity. For this purpose an important assumption will have to be made to the effect that this event will happen as scheduled by 1959-1960. To my mind this is an optimistic assumption as regards the three Government plants, though no one will be happier than I myself if it proves to be well-founded. Grave delay in the election of the plants is likely to be caused by the admitted shortage of domestic civil engineering capacity.

The operation of the plants at their rated capacity implies not only their complete construction, but also the availability of ample traffic facilities, supply of electric power and of all the principal raw materials of good quality, particularly coking coal and limestone, and such auxiliary materials as refractories, ferro-alloys etc., without prejudicing in any way the provision of similar advantages for the private sector. It has also to be assumed that the necessary technical, skilled, semi-skilled and administrative personnel will have been trained and made available to meet their own requirements as well as those of the three Government townships.

Taking only the present demand into account, the output of the two major producers after their extensions have come into full operation may just be adequate, if the steel is carefully used, for domestic consumers including the Government. But as the Government plants begin to operate, there may be some exportable surplus. I am not prepared to make any forecasts as to what this surplus may be or when it may arise. But if the output up to the rated capacity does not materialise until 1959-1960, most of what may be produced may be required for the complete implementation of the re-phased second Five-Year Plan particularly relating to the projects for the manufacture of heavy castings, machinery, etc.

I am, however, prepared to assume that some surplus iron and steel may be available for export. The next question that requires consideration is the C.I.F. duty paid price at which it can be supplied to the export markets. In this connection it must be borne in mind that the entire iron and steel industry, particularly in Europe, including the Soviet block, may be competing in the same markets, for they are fast expanding the industry for this very purpose, as well as for domestic use.

As regards the selling price, we have to take into account first of all the works costs, of which no accurate estimate can be made. The estimates previously made must have already gone out of date for the reason that the prices of all the raw materials and of labour and the cost of transport have considerably increased since they were made. To the uncertain works costs will have to be added the overheads, including depreciation, interest on capital including provision for repayment, of borrowed money and perhaps a return on investment and such taxation as the Hindustan Steel Company may be subjected to. On these points we have no reliable information.

In the first place we are not told, and I am rather inclined to think that the Government themselves do not know, what the ultimate capital costs not only of the erection of the plants, but of the ancillary services which I have mentioned earlier, would amount to. We have been told from time to time that the capital costs have increased, but no reliable final figure has been or can be ascertained yet. But this I would say, that in view of the persistent rise in foreign and domestic prices and wages of labour, the capital costs and the overheads would in every case be very much higher than those, not only of the two major producers, but of the foreign competing producers who build their own plants,

and competition thereby may be made much more difficult than people seem to believe at present.

I do not propose to go into the theoretical economic aspect of the matter, but to a layman like me it seems that it may not be possible for the countries in the East, who may be our principal customers, to afford to import iron and steel unless they are able to pay the price by the export of their own products. The foreign exchange that we need is mainly from the sterling or hard currency areas where it is doubtful whether they would require the imports of our iron or steel at a price which would prove to be remunerative for us.

Finally, there is one more point in connection with this matter which has received less attention than it has deserved on its merits. The manning lists of the three Government plants in so far as they have been made available to the public, have assumed the employment of far fewer men than have to be employed by the two major producers for historical reasons. It is not beyond the bounds of probability that the employees under any labour union which may be established in the Government plants may compel the Government, which has promised to create more jobs through industrialisation, to employ a higher number of men than necessary and to bring them into the line with those almost compulsorily employed by the present major producers. Also, hundreds of Indians have been sent abroad for training, but from our own experience we know it is possible that when they return they may not be satisfied with the scale of wages that are prevalent for similar jobs, and Government may be compelled to accept their claims for higher wages. Then again, scores of foreign technical personnel are being imported at very high salaries and with many amenities and enjoying exemption from Indian income tax. This is bound to have its repercussions on the permanent employees in the private sector. It is plain that as a result of the operation of all these factors, the labour costs may rise to so high a level, as indeed they have been already doing throughout our economy, that our C.I.F. duty paid export prices may not be below the domestic prices prevalent in the competing countries and our own domestic prices may get beyond the means of our consumers.

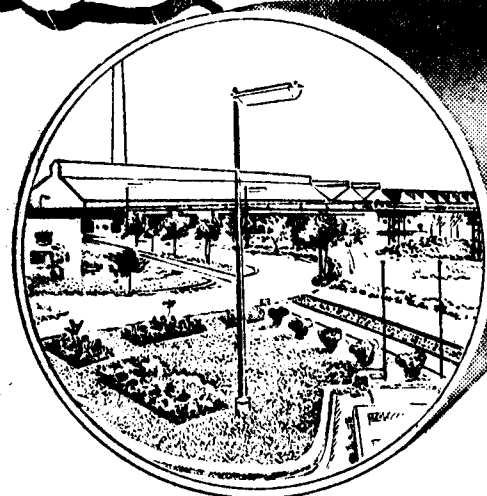
ACKNOWLEDGEMENTS

In conclusion, I should like to express on behalf of all of us our appreciation of the services rendered by the General Manager, Mr. McCracken, and his staff throughout the year. Conditions are not easy when production and construction works have to proceed together and the fact that until such a late stage of the construction period the disruption of normal production has been held at such a low level speaks very highly for the careful and painstaking planning of Mr. S. L. Bengtson the head of our Consulting Engineers, the International Construction Company Limited, and for the spirit of mutual co-operation that exists on all sides. I would particularly mention the staff of the Gua Ore Mines who, in the circumstances I have earlier described, have most loyally carried out their duties under difficult conditions and at times even under threat of personal violence.

I should also like to express my great appreciation of the consideration shown by the World Bank during the recent negotiations in connection with the further loan of \$20,000,000 for finance of the foreign expenditure on the 1955 Extensions which enabled the negotiations to be concluded in such a short period and the loan consequently to be made available at a very favourable rate of interest.

NOTE: This does not purport to be a report of the proceedings of the Annual General Meeting, which will be sent to shareholders in due course.

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Company Meeting

LIFE INSURANCE CORPORATION OF INDIA

Speech delivered by Sir G. R. Kamat (Chairman)
at the 11th Meeting of the Corporation on September 1, 1957
BOMBAY

Four weeks ago we submitted an Interim Report to Government giving a detailed account of our activities and achievement during the first ten months. This Report has been placed before Parliament and has been published. As indicated in the report, we devoted the greater part of our efforts during these months towards bringing about a smooth transformation of the life insurance industry. Even now the change-over is by no means complete in all respects. Nevertheless, almost all our new business offices are now working normally and after a brief initial shortfall, our new business, both as to proposals received and policies issued, has shown a progressive increase each month. Aggregate new business during the first six months of 1957, though somewhat lower than that for the corresponding period of 1956, compares favourably with the business underwritten by private companies during the first half of 1955. In the month of June, our new business offices in India surpassed the output of the earlier months by receiving insurance proposals of Rs. 21.64 crores and by underwriting new business of Rs. 21.68 crores, in terms of the sum assured.

This rate of progress has been maintained during the months of July and August. In July, the business introduced in India was as much as Rs. 24.5 crores and the complete business was Rs. 19.5 crores. Although up-to-date figures for the month of August are not yet available, the performance during the first three weeks indicates that the output for the month of August should be similar to that in July.

July and August are often regarded as lean months for insurance business. This record for the months of July and August further confirms that our divisional and branch offices are working efficiently. We can now look forward with added confidence to their rising to greater heights during the forthcoming busy season and to their justifying our expectation that we shall close the year with a high level of new business.

The publication of our Interim Report has been followed by various comments. Generally speaking, these comments have shown appreciation of our achievements and of our difficulties. Nevertheless, in some places there has been a tendency to draw pointed attention to the short-fall in our new business during the first new months, and to insist that since nationalisation, the standard of policy servicing has deteriorated.

Persons who continued to criticise us in this way, have not appreciated what a revolutionary change this nationalisation has brought about in the structure of the life insurance industry. It is not as if a going concern has been taken over by Government. Before the appointed day, some 243 autonomous organisations had been functioning in the life insurance industry. Over years and decades, these organisations had evolved certain procedures and methods of work. Most of these were competing amongst themselves for a greater share of the insurance business within limited sectors of the population. Their procedures and methods were adapted to suit the particular

needs of canvassing business in a highly competitive market, but within a narrow sphere. Frequently, the mismanagement and inefficiency of even a few units of the industry, affected the confidence of the common people in life insurance and placed further handicaps to the efforts of the well-managed concerns to expand their field of operation.

CHANGING PATTERN OF ORGANIZATION

It is the main objective of the nationalised life insurance industry to promote this confidence and to expand its business into those sectors of the population which the privately managed industry could not reach. Inevitably, the nationalisation of the insurance industry involved a transformation of the entire organisational structure. In place of so many units of the industry operating vertically, a single organisation was, therefore, brought into existence, dividing its work between Zones, Divisions and Branches on a territorial basis, so that eventually we reach all sectors of the population throughout the country. The relative responsibilities of each of these offices had to be carefully defined and the offices themselves had to be equipped with suitable personnel and equipment taken over from the private companies. New and uniform procedures had to be evolved for the effective discharge of the functions of these offices.

Considering the nature and magnitude of this structural transformation and of the accompanying readjustments, it is not surprising that at the outset there was some moderate dislocation in our business and some of the offices have taken time to reach an adequate level of efficiency.

Indeed the fact that such an organisation has been brought into existence and is now functioning effectively within a short period of time, with relatively small inconvenience to policyholders and to persons seeking life insurance protection is a tribute to the ingenuity and the resourcefulness of those who planned out this major operation.

The credit for this successful organisation of the life insurance industry is due to Shri H. M. Patel our first Chairman (of the Life Insurance Corporation) whose untiring zeal was matched only by the loyal support that he received from all my associates.

NEW BUSINESS ENCOURAGING

You will have observed that so far as the level of new business is concerned the statistical figures of our growing business themselves answer any criticism of our work. Regarding the alleged inadequacies and inefficiency of our policy serving offices, it has not been equally easy to provide a statistical measurement of their efficiency. However, certain broad facts may be stated to provide a right perspective. Our policy servicing offices continue to follow the same procedure that had been followed hitherto by the respective private companies. If any changes are made, those are

merely to further simplify their existing procedures. Again, these offices are staffed with persons who have been discharging similar functions in the past, frequently in respect of the same types of insurance policies that they had been handling before. Therefore there is no prima facie reason why, in the matter of efficient servicing of existing policies, our personnel in those offices should not maintain the same standards that prevailed in the private companies.

If the number of complaints in respect of indifferent work that are received in the Central Office is any criterion, this number is relatively very small, as compared to the aggregate number of servicing transactions that are carried out in these offices in respect of some 50 lakhs of outstanding policies; and, of course, those who are satisfied with our service hardly care to write to us. Furthermore, the declining number of these complaints, the rare and occasional praise that we do receive for prompt service as well as the reports received from various sources lead me to believe that even in this respect there has been a gradual improvement and that the improvement continues.

That is not to say that I do not accept the need for better and greater service in regard to settlement of claims, issue of premium receipts, grant of loans and payment of agents' remuneration. On my part, I consider that much of this criticism proceeds from a very legitimate expectation that, as a public institution, our performance should be not only as good as that of the private companies, but it should be actually better than the best of those companies.

"EXPRESS SERVICE"

As an illustration of the procedural improvements, let me refer to the recent instructions that we have sent to our Divisional Offices for the introductions in those offices of an expeditious way of dealing with new insurance proposals, known as "Express Service". This procedure has been tried with considerable success by some Divisional Offices in the Southern Zone, and all the other Divisional Offices have not been asked to adopt it without delay. This procedure applies to all proposals for life insurance below a certain amount which are received complete in all respects along with the payment of first premium and where medical examiner's report and other particulars indicate that the proposal requires no reference to any other office and can be accepted at standard rates. Such proposals would be dealt with expressly in the Divisional Offices and policies would be issued against these proposals within a period of not more than three working days. Some of the Divisions, in fact, might do better than this and issue risk note on the date of the receipt of the proposal and the policy on the next working day.

BUSINESS EXPECTATION

The level of new business that we reach in 1957 is only a starting point for further expansion. As I have stated the main objective of the nationalisation of the life insurance industry is to bring these insurance facilities within the easy reach of large sectors of the population. It is our aim to expand our business as rapidly as possible and amongst all sectors of the population and to offer insurance facilities to all those who stand in need of the insurance protection. We have a vast field open before us and it has been estimated by some persons that, even under present conditions, and without taking into account the rising income brought about by the progress of economic

development, the life insurance business could expand to something like Rs. 2,000 crores in terms of sums assured.

Keeping this aim and vast potential in view, it is now necessary that we should prepare ourselves for the orderly expansion of insurance facilities from 1958 onwards. The experience of the last twelve months provides a useful guide as to the nature and magnitude of the problems in this process of continued expansion. We may have to plan for opening more Branches and for employing more canvassers and organisers of the right kind. We have to impart sound training to these new personnel, as well as some of our existing personnel. We have to devise various measures and provide machinery for canvassing the large untapped potential amongst industrial employees, as well as amongst sectors of population in similar towns and prosperous villages.

Amongst the many changes that have come about in the life insurance industry, there is one kind of change that I should like to mention. More particularly after nationalisation, life insurance is now become both a business as well as public service. For success in this new venture, it is essential that all of us working in the cause of life insurance demonstrate this new spirit and strive in every way to achieve this high ideal of public service.

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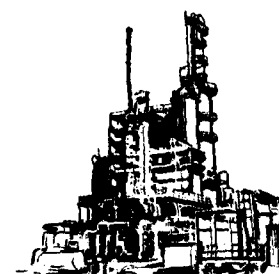
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(A catalyst is a substance which promotes chemical changes in other materials without undergoing change itself)

By this process of cat cracking, a higher yield of several products is possible. My final stage of processing includes "treating" and "sweetening" which removes corrosive and odorous impurities from me; in other words I am "refined". Keep watching these columns for what is to happen to me.



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NEW DELHI: OCTOBER 4, 1957.

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Water is Not Enough

THE inauguration, last Friday, of the Maithon Dam, the Damodar Valley Corporation's third dam, by the Prime Minister marks another stage in the progress of India's great multi-purpose projects. It is right that this stage should be hailed as a substantial landmark on our new journey. There have, it is true, been many lapses from the original estimates and no one need be complacent about the rising costs of every single project. Nevertheless, it would be a mistake to allow these lapses to detract anything from the determination to complete the works already sanctioned. It is an equally great mistake to distract officers, who have arduous responsibilities for the completion of these works, by petty recrimination on some of the mistakes which have been made. No one need contend that the Damodar Valley Corporation is free from error. No one need contend that some of these errors have not been costly; but a substantial price for error is a necessary condition of any great undertaking. In the total context in which we set out, with very insufficient knowledge of detail and the monumental organisation required, the price cannot be deemed excessive. It would be an error of the first magnitude, particularly as these works are nearing com-

pletion and a heavy responsibility is still being discharged, to concentrate on the mistakes and on their cost instead of concentrating on the extent of achievement and its overall success. At this moment a tribute needs to be paid to all those who have contributed to the success of the multi-purpose projects; there should be—at any rate—for the duration of their responsibility—the fullest support of the officers who have made possible the completion of major undertakings in the past.

While there should be no criticism on persons or on partisan lines, there is everything to be said for a careful scrutiny of the return on these undertakings in the total economic picture which now prevails. It is obvious that India is being pressed for both foreign exchange and rupee resources. It would be unwise, at this moment, to spend our resources either on new undertakings which yield less than the current rate of interest or on undertakings which take so long to complete that they impound capital and output in a manner which must be strongly inflationary in the current situation. In the case of our multi-purpose projects, it would appear that, after the current revision of estimates, the return will be fairly

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three per cent even though the return to the nation will be substantially higher. Secondly, there is much to be said for concentrating on short-period measures to grow more food than to concentrate on the long-period attempt to increase irrigation in the grand manner symbolised by these projects. Not the least of the reasons for this change in emphasis arises from the depressing account now available of the utilisation of water already provided.

One of the serious proximate causes for dismay has been the recent report of the Central Water and Power Commission over the gradual decline in the use of irrigated water through the Bhakra canal system. The matter has been deemed important enough to be raised with the highest priority at the North Zonal Council Meeting to begin at Srinagar this week. Since the inauguration of the Bhakra canal system it would appear that the shortfall from the target has been progressively increasing, and up to 1955-56 total distribution had not reached half the target anticipated. Again, while five years ago the total distribution of irrigated water through Bhakra canals was 74.4 per cent, in 1955-56 it had dropped to 53.4 per cent. In other words, the provision of new irrigation is being offset to a very substantial degree by poor utilisation of water already on tap.

This depressing factor in water utilisation, apparent both in the Punjab and the Demodar Valley area, calls for far greater scrutiny of public policy than it has received. One of the naive assumptions of the Plan has been that the multi-purpose projects were giving rise to a net increase in irrigation actually utilised equal to the volume of new water impounded. This has by no means been the case, and it is now becoming clear that more attention needs to be given to the use of water in canals than to the building of mighty dams which have tended to attract more attention, both at Delhi and at the dam headquarters, than is appropriate in existing circumstances. Water is not an end in itself. It is a means to greater life upon the land, and can only be judged by its ultimate fruit in increased agricultural production. As far as can be determined at the present time, the increased fruit has been in no way commensurate with the vast expenditure which has already been incurred. It is obvious that India has not enough engineers to administer and operate water from every sluice, and nothing could be more erroneous than to suppose that the great loss which is incurred by non-utilisation of water is primarily the responsibility of irrigation officers. The utilisation of water is basically a revenue responsibility which means that, in view of the tremendous range of responsibility of revenue district officers, it is a matter of inculcating leadership of the right kind. It is by remote control only that the Revenue District Officer can get this job done.

Herein lies the rub. The process by which the Congress Party has concentrated more and more upon dramatic and spectacular undertakings has inevitably led to a change in emphasis from powerful local leadership to a concentration on central politics, so that the State Governments could be expected to bear upon the Centre their claims for larger and larger allocations of projects of the same kind. The sorry spectacle presented by the Assam Government at present, by which, having aside the prospects of agriculture, it has been wholly absorbed in the location of an oil refinery is merely one unhappy illustration of a

tendency which continues to grow elsewhere. The Congress Party as a whole is more and more absorbed in industrial projects and less and less interested in the problems of raising agricultural production by utilisation of resources already there. Yet, the most elementary calculation of the benefits of wise water utilisation will show that the profits to the country as well as to the individual State are likely to be much greater from agriculture than from the new large industrial projects which the Centre and the States could finance with equivalent effort either in money or in organisation.

This calls for a new assessment of the place of local leadership in the Congress organisation. It may be that other parties have equal opportunities to inculcate democratic leadership, but it is very doubtful whether they can have the capacity to organise local action as has the Congress Party. Therefore, today, the primary responsibility rests undoubtedly with the ruling party to see that the fruits of expenditure incurred both by the Centre and the States are, in fact, obtained. This means a campaign of ceaseless persuasion, so that village officers, on whom local leadership must be concentrated, do in fact utilise the benefits of the water which has been carried to their door.

This does not necessarily imply that existing policy or rates must be accepted without modification. Almost certainly, one of the factors which has operated to make water redundant in certain areas is the high charge which has been levied for its use, whether from large canals or from tubewells. At the present time in the area around Meerut it has been the experience of many tubewell-owning authorities that water available is rejected because the power authorities are inflexible to the point of foregoing all their revenue rather than create an inconvenient precedent on price. This, at a time when agricultural production is a matter of life and death to the Plan, must be ranked as a major absurdity, which calls for immediate intervention by the Central planning authorities. The problem of water utilisation is linked inevitably with the cost of power. Surely, the price of power must be responsive to the laws of supply and demand. It is not reasonable to withhold water because the power authorities are rigid. The test that is to be applied is not full utilisation of power alone, but the full utilisation of power and water together.

There are issues other than those of the appropriate water rates and power rates involved. Almost certainly, the problem has been accentuated by the disorder which has been introduced in local administration by the extreme pressure placed upon district officers to attend to a variety of duties connected with ministerial movements and even on lesser things. The responsibility for agricultural production is now enforced by almost nobody, and the Ministry of Food and Agriculture has reached a nadir in its fortunes, in no way remedied by the impressive figures for agricultural production which it purports to have achieved. A serious agricultural crisis is written into the current situation, which affords additional proof that the area shown as irrigated in the Agricultural Ministry's figures is theoretical and not real. The Congress Party needs to awaken to the current challenge. It is as much in its own interest that it should respond to this challenge, as it is in the interest of the country and of the land, which is now, more than ever, truly the mother of us all.

The Naga Settlement

THE agreement arrived at between the Prime Minister and the Naga delegation led by Dr. Imkongliba Ao is an event of more than passing significance for India. It envisages justice to the Nagas without prejudice to the unity of this country. The Naga demand for the constitution of the Naga Hills District in Assam State and the Teunsang Frontier Division of the North-East Frontier Agency, into a separate unit has been accepted by the Government of India. The proposed unit would be administered by the Governor of Assam on behalf of the President. The implementation of the proposal involves amendment of the Constitution, which would obviously be no insurmountable barrier to it. It is expected the next session of Parliament will accord the necessary sanction for this amendment and the agreement would from then on have the force of law behind it. It is a measure of the foresight and community of aims that general amnesty is proposed in respect of all offences, committed against the State in the past. At the same time it was but prudent to make the amnesty no blanket pardon for offences in the future. The Naga demand for the de-grouping of the villages has also been accepted. It will be progressively given effect to in areas where Government are satisfied that peace and order have been restored. Meanwhile further re-grouping of Naga villages has been stopped.

Since the Naga delegation did not claim to represent the hostiles led by Mr. A. Z. Phizo, it may be over-optimistic to expect an immediate end of violence in the Nagaland. But there is little doubt that the total and unqualified acceptance of the demands of the Kohima Convention should make it difficult even for the hostiles to evoke that enthusiasm for their activities and demands which have hitherto been their chief source of strength. The moderate leaders have now something concrete to offer to the Naga people and it should not be difficult to convince them that nothing would be gained by terrorist methods which the Government is in any case determined to put down. Moreover, there must now at least be people among the Nagas who would wonder if they have not all along been misled by Mr. Phizo and his confederates. After all the essence of the hostiles' demand at its best has been met. What has not been conceded is anybody's whim and ambition to shoot his way to power at the expense of the country as a whole.

What really causes uncertainty and doubt is, however, not the aim or activity of Mr. Phizo but the bureaucratic ways of our own officials. These officials may through procrastination and dilatoriness set at naught the very beneficent forces that the agreement promises. Continuation of repressive policy on one side and impatience on the other may turn out to be the grave of all hopes of peaceful evolution in the Nagaland. It is no secret that bureaucracy has hitherto looked upon the essentially political problem of the Nagas as merely one of law and order. To recapitulate the story would be unwise; bygones must now be treated as bygones by all concerned.

The purpose of the Government—though not expressly admitted—since 1952 has been to prevent a repetition of India's debacle in Tibet which the Chinese occupied in that year. The

Indo-Tibetan border being ill-defined, Indian authorities tried to push their military outposts up to the internationally recognized MacMahon Line agreed upon between the representatives of British India and Tibet in 1914. Doubtless, during the British occupation Nagaland was treated as an "excluded area". The British could afford to seal off the areas because they occupied India on one side of Nagaland, and Burma on the other. Tibet was then politically harmless. Moreover, Chinese maps have always shown the border as running much further south, and the Chinese Communists, despite their protestations of friendship for India, have shown no signs of changing these maps. But India's best security in Nagaland, as elsewhere, lies in popular contentment and co-operation with authority. It is obvious that strong-arm methods, cannot yield such a result. On the contrary they may create an atmosphere in which Chinese Communism may appear to be the only alternative to the Nagas. Such a development would be disastrous not only to the security of India but to the future of the Nagas themselves.

There is no doubt that a little more tact, sympathy and restraint on the part of the Government of India, with a view to winning confidence rather than commanding obedience, will have won the Nagas. The Kohima Convention and its leaders who visited Delhi are by no means individuals; they represent the collective experience and aspiration of the Nagas. Obviously the first essential is to give the Nagas a sense of being masters in their own house so that they may feel that the political dispensation they have got is in essence indistinguishable from the independence they dreamt of and for which some of them are still fighting. The distraction caused by Mr. Phizo and his supporters should not be allowed to interfere with the smooth and speedy and ungrudging implementation of the New Delhi agreement. Nor also should petty but irritating objections likely to be raised by vested interests of Assam be heeded. If the Assamese are nervous of middle class Bengalis, the Nagas entertain, perhaps more justifiably, similar feelings towards the Assamese themselves.

In this context, it is essential to readjust policies in the interest of harmony. It is necessary to prohibit alienation of land from Nagas to non-Nagas, to exclude merchants from the plains from operations in the Nagaland, and to suspend the sale of machine made cloth. It is these "innovations" which are being interpreted—and not unreasonably—by the Nagas as a "grave danger to their freedom, way of life and livelihood." On the positive side, it is also necessary to give generous economic aid to the Nagas. The Nagas, no doubt, have unsatisfactory and wasteful methods of farming—Jhoomar or shifting cultivation. The rice they produce is not sufficient for their needs. It will be desirable therefore, to subsidize supplies of rice. But that can only be an argument for generosity to them and for forbearance in regard to their primitive ways of earning their livelihood. The Government can gainfully make use of the kilonsers—traditional village Councils of Naga Elders—for popularizing consumers' and producers' co-operatives, now that we have adopted them as a matter of national policy. But success of the new experiment depends on the administrative officers in the area as much as on the Nagas.

Guest Editorial

The City of Tomorrow

A German Experiment

By JANE DREW

[In view of the challenge that "the new architecture" presents to modern town-planners, it is believed that an assessment of the German experiment by a leading architect, who helped to build Chandigarh, will be of special interest to 'The Eastern Economist' readers.—Ed.]

THE "INTERBAU" exhibition in Western Berlin is a great housing scheme, a new neighbourhood in the Hansa quarter of Berlin and the best architects from all over the Western World have been coaxed in to bring it into being. It is the work of sixty-three well-known architects and includes the exhibition 'City of Tomorrow', in which seventeen nations are taking part. All buildings have had to comply with the "Soziale Wohnungsbau", which limits the size and cost of both houses and flats.

The difficulties which forced Western Germany in starting this great enterprise were great. They were a people faced with a spectacle of desolation and who had lost a war; they lacked building materials other than brick rubble of which there was plenty. I do not know how much of Berlin was destroyed, since each guide gave a different figure varying between forty and fifty per cent; the only measure one could make it by was the state of Eastern Berlin, which was a desolate spectacle of ruins and brick rubble, among which some buildings stand and people live where they can, which is, I suppose, very much the state in which Western Berlin must have been. The Tiergarten area, where the "Interbau" exhibition is taking place, is an area in which the rich middle classes of Berlin lived and which was almost completely destroyed by bombing.

West Berlin used to be a fairly congested city and had a population of 1.8 millions immediately after the war which has now increased to 2.2 millions. 310,000 apartments were lost during the war and these are being replaced at the rate of 10,000 dwellings per annum. There is only one natural open space near the city, the Grunwald Forest, otherwise there is nowhere readily and cheaply available for the population for recreation.

This is the background, though it must be added that West Berlin is now so prosperous that it is possible for the Senate to lend money at low interest rates and act as trustee for new housing schemes until these are taken over by private companies.

Today, the visitor sees what is virtually a large park area in which are many blocks of flats designed by some of the best architects in the world, and it is a most impressive and splendid achievement. The flats themselves are universally good, though some, Pierre Vago's, of France, and Fritz Joaneche and Sten Samuelsson's, of Sweden's block are outstanding. The general planting and gardening is superb; the only criticism is that the layout is not satisfactory, because, although the blocks are well related in some cases as blocks, they are so different in character from each other that the total effect is not coherent.

There are, in addition to the housing, two churches — the one, the Roman Catholic Church, which is unsatisfactory externally, has a beautiful interior. The architect is Professor Kreuer and he has used his fellow artists in the interior

in the most original way. The story of the "Stations of the Cross", the history of the end of Christ's life is beautifully done by coloured mosaics set on one side of the fine asymmetrical interior. This medium of coloured mosaics is one most suitable for India.

In addition to the exhibition of housing, there is a pavilion on Town Planning of the future, where all kinds of experts, sociologists, psychologists, housewives and so on have contributed to create a most beautifully presented exhibition but, it must be confessed one without any very new message for the already well informed.

We went over to East Berlin. I can think of no greater contrast than the lively Kurfurstendamm of Western Berlin which now, together with the Champs Elysees in Paris and Piccadilly in London must rank as one of the important streets of Europe and the drab Stalin Allee, with its appallingly boring 1910 false pompous architecture.

It is the only large area of rebuilding in East Berlin and it is certainly a unity and peaceful to the point of boredom, being real axial academic architecture. It made one realise that neither the solution of East nor West Berlin was ideal; that the West was much the best, but what was needed was another solution where a "strong" but enlightened man guided the work of his fellow architects, so that there was more unity than in West Berlin and less boredom than in the East.

I have not mentioned the individual buildings of outstanding merit in West Berlin. — the New Berlin Congress Hall and the new Concert Hall and Corbusier's "Unity".

The former by Hugh Stubbins of America, is an extremely interesting building — a semi-suspended Congress Hall with a form like a squashed top hat. It is individualistic and, it must be confessed, rather coarse in detail, especially externally where it has an unsolved slightly tipsy appearance. Inside, it is much better.

The new Concert Hall is quite another thing, beautifully restrained and elegant and it lacked, in spite of its careful detailing, any expression. However, as with the Festival Hall in London, it has some beautiful ambient spaces and in these, the foyer, in particular individual works of art, give the necessary punctuation and focal points of interest to the generally interesting space.

The Corbusier "Unity" has been badly Prussianised on a splendid site and with splendid technique — the best concrete and quickest building Corbusier has ever had. It is nevertheless a partial failure, the Berlin law about the 8' 2" ceiling height has wrecked the proportions of the whole building, which now looks like a Frenchman unhappily dressed in a German uniform.

It remains, of course, very fine and is of enormous interest; but is not a great work of art and speaking personally, where this is not achieved, all is lost, for beauty of spirit and form is one and I think the image-making in India a splendid example of the right expression for the spirit.

THE RIOTS IN SOUTH INDIA

NO PART of India could be said to be entirely free from the disease of caste antagonism. However, in South India, especially in Madras, it recently appeared in its worst form. Caste riots between Maravars and Harijans raged in some of its districts for nearly a fortnight. From such accounts as have appeared in the Press, the Harijans seem to have been the victims of deliberate, brutal and armed attacks by the caste Hindus. The full story of the degrading riots has yet to be told. But on the authority of the Home Minister of Madras it can be stated that during the riots fifty villages were razed to the ground, and hundreds of villagers, mostly Harijans, fled their ancestral homes. The riots have left a bitter trail of death, destruction, hatred and fear.

The immediate cause of the caste riots was the murder of a political worker in the course of the election campaign early this year. But this would have been of little consequence had there been no estrangement and hostility (even though suppressed) between the caste Hindus and the Harijans. The Chief Minister of Madras Mr. Kamraj Nadar, admitted that the "feud" was two decades old and that it had been kindled during the general elections in February this year, and a by-election in July. The Harijans it has been suggested by the official Congress quarters, voted for the Congress in the last elections and the anti-Congress elements organised riots to wreak vengeance on them. This explanation is hardly adequate. In the by-election it was the Forward Bloc candidate who won, defeating the Congress nominee. If we do accept the explanation a question has to be answered: Was it not the duty of the ruling Congress Party to provide protection to its supporters? The official explanation does not touch on the apparently complete abdication of authority by the Government and the masterly inactivity of the Madras police during most of the crisis. Admittedly, the trouble had been brewing for some time. It is difficult to believe, then, that officials were taken completely unawares. One may ask pertinently why no action was taken to prevent such a situation from developing. The inactivity of the police is the more surprising because the Congress Governments have not given much evidence before this of suffering from qualms of conscience while resorting to police firing. Even the Minister for Harijan Welfare—the only one in the country and a source of pride to the State—and the Commissioner for Scheduled Tribes and Castes, whose function it is to look after their interest and work for their wellbeing, did not think it proper or important to visit the scene of devastation. Almost all the leaders of the State contented themselves with issuing stereotyped "peace appeals" from Madras. The political parties seemed to have disbanded themselves after the elections; there was no protest to talk of. In plain language, the way in which the situation has been handled by the Madras administration is disgraceful. An inquiry not merely into the rioting but also into its causes is necessary. The use of police force is not enough to solve problems which originate in the social and political life of the community.

The holocaust of Ramanathapuram is, incidentally, a grim warning that the problem of "integration" is neither simple nor responsive to haste. In a way, what has happened in Madras is comparable to the sort of thing that has recently been reported from the Southern States of the United States of America, where anti-Negro feelings have been stirred by the Supreme Court's desegregation order. Anti-Negro feelings still survive in the Southern States in spite of the Civil War; and separatist feeling based on caste still seem to be the

guiding force in South India. In the situation, it would be unrealistic to think of withdrawing the special privileges granted to the backward sections of the Indian people so long as the social and economic handicaps they suffer from have not been eradicated.

A DREAM COME TRUE

THE FORMAL opening of the Maithon Dam by Mr. Nehru last week was truly an event of national importance. Of the four dams planned to be constructed to tame the wild and wilful Damodar river, three have now been completed and work on the fourth has already begun, at Panchet Hill. If all goes well, the fourth dam will be ready by the end of next year. The reservoir created by the Maithon Dam will have an area of over forty-one square miles and the new underground power plant—unique in Asia—will have an installed capacity of 60,000 Kwh. The Dam has cost Rs. 2.19 crores which works out at 18.98 per cent of the total cost of the project.

It is too early to claim that the Damodar and its tributaries have been completely harnessed. Only last year there were disastrous floods affecting an area of about 10,000 square miles. More than 150,000 houses were damaged, and road and railway communications were interrupted for days. Nearby collieries were also flooded.

But in spite of this large-scale damage it has been claimed that the unfinished dam at Maithon was responsible for minimising damage. With the dam completed, it may be possible to more effectively control floods in the future. Besides, flood control, the Damodar Valley Project has three other objectives: power generation, irrigation facilities and navigation. Power has already reached Gaya, Patna and Calcutta, though the supply, it must be confessed, is yet neither cheap nor quite trouble-free. Expansion of irrigation is one of the main objects of the DVC, but progress in this respect also could have been more satisfactory than it is. Feeder canals, for instance, are yet to be constructed. Thirdly, the proposed navigation canal, which will connect the Damodar Valley with Calcutta Port continues to be stuff that dreams are made on.

These unexecuted parts of the scheme may well render nugatory the advantages which are expected to accrue immediately from the taming of the "river of sorrow". This unbalanced development will cause irritation by delaying the transformation of Bihar, Orissa and Bengal into the "Ruhr of India", to use Mr. Nehru's phrase. But there is no doubt that India is approaching fast that era of advancement which the advent of independence promised. And though little irritations mar the dreams that the mind spins out, contemplating a landscape of happiness and plenty, sense of pride and exhilaration is irrepressible. Dreams precede achievements.

RURAL DEVELOPMENT ABROAD: A STUDY

PROFESSOR D. G. Karve's "Rural Development" (published recently by the Agricultural Credit Department of the Reserve Bank of India) is of absorbing interest today, inasmuch as agrarian reforms happen to be the subject of current discussion all over the country. When the thinking of the powers-that-be, with regard to this problem is still highly idealistic, if not "utopian" in character, any dispassionate and objective study of the land problem, particularly vis-a-vis co-operation, should be welcomed. The present publication throws considerable light on these issues, containing, as they do, Prof. Karve's observations from an extensive for-

eign tour undertaken by him between March-June, 1956. The report shows how these problems are being tackled in the countries he visited — both well-developed and not-so-well-developed. The important problems covered include co-operation, rural finance, agricultural economics, land reform, extension and planning, among others, all of which are also exercising the peoples' attention in this country.

The publication deals at considerable length with the problem of "co-operation", a subject which has engaged the attention of the author for years now. His description of the co-operator's approach to land problems in India is accordingly as important as it is interesting. Says he: "Not only in the sphere of rural development, but also over the whole field of economic and social planning, we here are trying to adopt the principles of mutual service, as contrasted with employment of hired or profiteering middlemen, to the greatest possible extent. This is quite a different aspect of co-operative organisation, to be distinguished from the purely defensive or relief organisations of the under-privileged sections of the community which, during the day before the war, passed for the "co-operative movement". In short, there is to be found here a revolutionary reorientation, which has made it necessary to think of the various ways in which forms of co-operation may be adapted to the new context of planned development.

After this, the learned apostle of co-operation points out what co-operation should be like. To him, "co-operation is good business, for those who are engaged in it, and for the community as a whole". This, we are told, is the position in advanced countries, where the merit of co-operation consists in its being "a form of business organisation". He does not say, although he perhaps implies it, that co-operation in this country is anything but a business organisation. It is, however, time that this aspect of the problem received more emphasis.

In the section which deals with "planning and decentralisation", it is interesting to note that he has shown how the countries, which have not adopted public enterprise as the basic principle of their economic organisation, have made tremendous progress in rural development. The secret of their success seems to lie in what he describes as Extension Work. Dealing with the different features of this work, the Professor has underlined the importance of technical improvement of agriculture through organised extension programmes, especially in relatively under-developed countries like ours.

THE RESTRICTION ON DR. DEDIJER

WHEN MARSHAL TITO defied Stalin, he was hailed by many as a liberalist, and hopes were widely expressed of a new era of freedom dawning in Yugoslavia. However, the significance of Marshal Tito's break with Russia has continued to be limited to the fact that he is the only one of the satellite rulers who defied Stalin, using the Great Dictator's own language for his accusation and counter-accusation. This is in itself no mean achievement, though it must not be forgotten that Yugoslavia is strategically well-placed, being on the Adriatic, and could afford to exercise choice to some extent—unlike, for instance, the no less freedom-seeking Poland, which is surrounded by three "People's Democracies" and must keep the rulers of Russia in good humour. Beyond this Yugoslavia seems to have retained the totalitarian mould which is common to countries under Communist rule. A fresh reminder of this is the report that Belgrade has refused to grant Dr. Dedijer a passport to go to Manchester University. The lack of elementary individual freedom in Marshal Tito's Yugoslavia is emphasized when this report is considered against the background of Mr. Milovan Djilas's continued incarceration, and persistent rumours that preparations are being made to try him again.

Dr. Dedijer, it may be remembered, was Marshal Tito's official biographer. His well-known "Tito Speaks" was translated into many languages. His fault has been his friendship with Mr. Djilas and adherence to his views. In 1954 he was expelled from the Central Committee of Yugoslavia's League of Communists, and in 1955 awarded a suspended jail sentence of six months for making "hostile propaganda." It may be true that Yugoslavia's innovations in production relations and management—for example, the Workers' Councils—are extremely valuable contributions, and that its role as dynamic neutral in the cold war shows a practical approach in the search for world peace. But it is difficult for his admirers to view with equanimity and without embarrassment the traditionally totalitarian measures of Marshal Tito's Government. Would it be wrong to wonder, seeing the way critics of his Government are treated, whether the Marshal is absolutely confident of his people's support for him?

MR. HAMMARSKJOELD'S RE-ELECTION

THE UNITED NATIONS deserves congratulations for unanimously re-electing Mr. Dag Hammarskjöld as its Secretary-General. That none of the 82 members of the General Assembly occupying different political positions thought of another candidate is a high tribute to Mr. Hammarskjöld and a tacit admission that none was better fitted to fill the post. His election was also one of those few occasions when the members of the two Power blocs were in agreement and acted in unison. By his single-minded devotion to the principles of the United Nations Charter and consistent refusal to act as an agent of any nation or group of nations, Mr. Hammarskjöld has won universal esteem.

Succeeding the United Nations' first Secretary General, Mr. Trygve Lie, in 1953, Mr. Hammarskjöld has kept a watchful eye on actual and potential trouble-spots in various regions. He has never wavered in his championship of the law that helps the weak, the oppressed, and the helpless. Early in 1955, he visited Peking to negotiate the release of American airmen who had been detained by Communist China on the charge of spying. And it was due to Mr. Hammarskjöld's vigilance and tireless effort that the United Nations Organization ultimately succeeded in meeting the challenge to its very foundations when the Anglo-French forces, in collusion with the Israeli troops, invaded Egypt in October last. The withdrawal of the forces of aggression was as much due to Mr. Hammarskjöld's dexterous handling of the situation as to the pressure of world opinion. But for the several personal missions he undertook to Israel and Egypt it might have been well nigh impossible to create the United Nations Emergency Force. This will, in the words of the United Nations' President, assure him an honoured place in history.

Mr. Hammarskjöld's handling of the situation created by Russia's naked aggression in Hungary was at par with his performance during the Suez crisis and equally creditable, though less successful. History will give him full credit for bringing to light the facts about the Hungarian tragedy in spite of Russia's consistent refusal to allow him or a committee to visit Hungary. The standing ovation by the General Assembly prior to his announcement accepting the offer of re-election was, therefore, no empty courtesy; it was as much in the nature of felicitations as a recognition of his splendid service to war-weary humanity. The only jarring note to this general ovation came from India's representative, Mr. V. K. Krishna Menon, who observed that India reserved the right to criticise Mr. Hammarskjöld, if necessary. This was, to say the least, highly indiscreet. Even if for reasons of his own Mr. Menon thought fit not to share the United Nations Organization's overwhelming opinion of Mr. Hammarskjöld, he would have done well, in India's interest, to observe silence. Silence is, after all, sometimes golden.

The Story of Oil — I



As old as time

As industries go, the world's petroleum industry is quite new. Yet even the youngest deposits of crude oil originate from long before the dawn of Man. Scientists say our oldest reserves are more than 50,000,000 years old.

In prehistoric times much of what we now know as dry land was covered by warm seas. Giant trees and jungle plants and countless millions of tiny marine creatures flourished on the edges of the swampy, shallow waters. Their remains, when they died, fell to the bottom of the sea and were buried in layers of sediment.

As age upon age went by the original sea floors were folded or broken by tremendous movements of the earth's crust. Mountain ranges were pushed up. Parts of the earth cracked and slipped down

to become valleys and basins. Tidal waves invaded the land to form new seas. Old seabeds emerged as new continents.

These conditions—massive sedimentary deposits, decaying organic matter and gigantic earth movements—produced the crude oil we know today. The locations of the old seabeds are now fairly well known. They occur in almost every region of the world.

Parts of the continent of India have these marine sedimentary rocks beneath them. The waves of ancient seas once rolled over Assam, and here, close to the growing Himalayan and Naga ranges, the oil-pools of Digboi and Nahorkatiya began forming many millions of years ago.



Assam Oil

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This is one of a series of informative advertisements about the petroleum industry.



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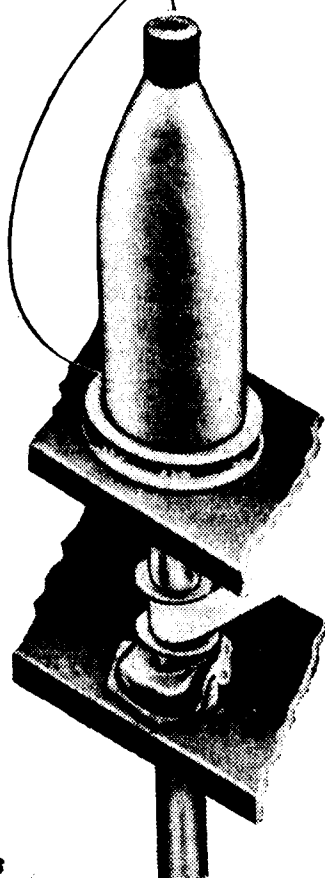
Revolving

over 10,000

times

a minute

Round and round whirl the spindles in the spinning frames of India's 419 cotton mills. Averaging a speed of over 10,000 revolutions to the minute, these spindles wind yarn for 5,000 million yards of cloth each year. Under the Second Five Year Plan this output will increase by 3,500 million yards. Ten years ago the Indian textile industry imported almost all their machines; today, Indian machinery manufacturers are increasingly meeting their needs. Texmaco, pioneer manufacturer of cotton textile machinery in India, supplies the complete range of spinning machinery for cotton and staple fibre, designed and built to established international standards in technical collaboration with the world renowned Howa Machinery Limited of Japan.

TEXMACO*serves India's basic industries***TEXTILE MACHINERY CORPORATION LIMITED**

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A Window on the World

WHAT EAST AND WEST HAVE IN COMMON

By
ODYSSEUS

WE ARE CONSIDERING the antagonisms of East and West, in hopes of seeing what can be done to promote co-operation, for without this there can be no world peace or prosperity, nor freedom for the individual in East or West. In the two preceding weeks we have seen that there were no antagonisms between East and West in the many centuries during which they shared similar religious, political, and economic outlooks; that disparity grew after the outburst of European development originating in the Renaissance (a word which means re-birth), and that hostility came when the re-invigorated West imposed its rule and/or its new economic system in the East. We saw that the East, having opted for modernization, has the choice of carrying it out through a democratic mixed economy or through Communism, and that many Asians, particularly in India and Japan, who have had first-hand experience of democracy prefer freedom to totalitarianism.

Now that Communism has been in operation in Russia for 39 years, many Asians are beginning to realize that it is not so uniformly successful as Soviet propaganda would have us believe. Certainly the Soviets have expanded, with Western aid in their first Five-Year Plan, the Russian industry that they inherited from the Czars, but the Soviets have been successful neither in increasing agricultural production nor in securing the co-operation and loyalty of the peasants. Every five or six years, points out Barbara Ward in her provocative booklet, "The Interplay of East and West" (Allen and Unwin, 1957, 10s. 6d.) an agricultural crisis recurs which is met by concessions—later cancelled—on prices and private production. In certain sectors, e.g., livestock, the Russian rural economy has remained stationary at about the 1928 level. Do you realize that in Eastern Europe, countries which used to have agricultural surpluses have been driven by Communism to set up food rationing? The USSR has been able to get by, despite its failure in agriculture, because it still has empty spaces and its resources remain greater than the pressure of its population. But the danger of imitating Communist methods in a country like India, where population is greater than resources and food now needs to be imported, is too serious to be overlooked. If Soviet attempts to coerce and to collectivise their country-side have ended in set backs, attempts to do the same here would end in disaster.

CAUSES OF RUSSIA'S FAILURE IN AGRICULTURE

Why, in fact, have the Soviets failed in agriculture? To this, Barbara Ward offers the interesting reply that an industrial revolution is set in motion by increasing agricultural productivity and then using the surplus from agriculture to develop industry. Since in all parts of the world, agriculture preceded industry, Miss Ward's thesis seems reasonable. What it means is that at some point, agriculturalists have to be squeezed in order to release resources needed for industrial growth. If a nation is fortunate, then innovators of genius like "Turnip" Townsend (1674-1738), or Coke of Norfolk (1754-1842), invent the rotation of crops and quickly raise productivity to a level at which, when the transfer of resources to industry begins, there is something left over for rural workers as well. The economy begins to rise as a whole.

There is a lesson for India in Japan's economic revolution after 1868, one of the bases of which was zamindari reform. The point to note is not that the landowners were expropriated (as they were) but that they received compensation in bonds invested in the beginnings of industry, and the landowners, instead of being reviled and being made to feel second class citizens, were drawn into the new managerial positions. It is estimated that Japanese agricultural productivity had risen by two-thirds by 1900, so that there was a margin of capital which could be taken from the land to be invested in industry. Moreover, the industrial revolutions in Japan, the United Kingdom, and the United States, were in the first instance directed to industries supplying consumers' needs—textiles, etc. The rural workers, therefore, had inducements to produce more because they could spend their extra earnings on consumers' goods. Note that India's second Five-Year Plan is essentially a heavy industry, non-consumer goods Plan. Heavy industries add to the might and power of the State, not to the possessions of consumers.

Thus the "natural" order of an industrial revolution is from (a) agricultural surplus to (b) industrial consumer production, and from the surpluses of (a) and (b) to (c) heavy industry. Certainly one can think of exceptions but that is the broad pattern.

The Soviets did the opposite. Heavy industry which produces armies, navies, and air forces, came first. Since the peasants were hostile to Communism—and here I open a parenthesis to note that the resistance to State control on the part of rural dwellers is universal, so that it seems healthy and natural, as compared with the servile reactions of the citizen already conditioned to the artificial controls of city life—their resistance had to be broken down by collectivization. This lowered productivity by cutting out the possibility of inducements to higher earnings. Russia's heavy steel mills were built on forced deliveries of wheat from the peasants and if these had had any surplus left to them there was nothing for them to buy.

RISKS OF INDIA AND CHINA COMPARED

We are enumerating some of the reasons why certain countries of the East, of which India is the leading example, would prefer democratic freedom to totalitarian tyranny, but we cannot afford to forget that persistence in the democratic mixed welfare economy must surely depend on winning the battle for capital accumulation. China may be risking disaster by coercing its peasant food producers but India may be risking it by relying on voluntary co-operation. Both countries face rising populations and they risk that any increase in productivity may be consumed by the annual increase in numbers to be fed. The problem in a free society, like India, is that unless the peasant has the inducement on consumer goods available to buy with his extra earnings, he will not increase productivity and will grow no more than is necessary to fulfil his personal wants and to buy what is available. (This seems the error in boosting expensive products available in limited quantities from handlooms instead of cheap products in virtually limitless quantities from the mills).

Barbara Ward sums up the point which we have now reached in our argument by saying: "The Indians are committed to the belief that expansion can be achieved by democratic means and democratic persuasion, and by creating the dynamism of expansion from the bottom. The Chinese are equally committed to the idea that the process must be directed from the top, with a total centralized control. So confident are they that they can squeeze out the surplus that they plan in the next decade to achieve a steel industry as large as Western Europe's. Indian planners are—and must be—much more cautious, and it may be that their slower rate of capital accumulation will give Asia's verdict to the Chinese method. This is, then, the decisive duel in Asia."

And Miss Ward sums up the stake that the West has in the success of democracy in the East thus: "India and Japan and the remaining Asian States are all, at the moment, opposed to Communism as an internal programme. They make up the 'uncommitted peoples' whose political weight in world affairs, particularly in such a form as the United Nations, prevents the balance of power from falling decisively on the Communist side. Yet, these nations know that if their present more liberal methods of modernization fail, Communism exists as an alternative—in fact, as the only alternative. Thus, if India and Japan fail in their attempt to preserve and expand the mixed economy, most of mankind will come to live under the totalitarian system and the pressure upon the West will become steadily more intolerable. Least of all can there be any surviving hope of creating a world community amenable to reason and the rule of law.... The West's economic interest is equally vital. Only if the world enjoys a growing and

expanding market can countries such as Britain or Germany.... hope to support rising living standards for themselves. In a static or shrinking world market, competition between exporters leads to impoverishment and dislocation. But the expansion of industry in such vast areas as India creates new demands and new outlets for manufacturers and traders everywhere. True, new opportunities would, no doubt, be created by Communist expansion but the Western Powers have already experienced the uncertainties inherent in trade which is conducted as an arm of political activity. Trade dependence upon growing Communist markets could involve political dependence as well."

I, in turn, now summarize the whole argument of this series to date by suggesting that what is at stake—democracy, the free way of life, respect for the individual—is no longer the monopoly of the West but is the common interest of East and West alike—of the West by inheritance, of the East (China excepted) by choice.

What impedes co-operation in defence of what East and West both hold to be so precious?

On the part of the East, it is the habit, engendered by the centuries of exploitation that is dead and gone, of resentment against the West that persists despite the removal of basic cause.

What impedes full co-operation on the part of the West, we will consider next week.

(Previous articles in this series were: "The Antagonism of East and West" and "Eastern Resentments Against the West").

COMMON MARKET AND FREE TRADE ZONE

(From Our Special West European Correspondent)

PARIS, September 30.

BRITISH attempts to persuade the Continentals to add a free trade zone to their projected common market are encountering increased difficulties, because the realization is dawning that what the British are asking them to do is to give up the idea of the common market. Neither being willing to join the common market nor able to stay out entirely, it was evident that Britain's aim would be to scuttle the scheme altogether. The vague and inconsistent plan for a free trade zone in West Europe is the instrument chosen for this operation, and of course, it has been welcomed on the Continent by all the opponents of Euromarket. For example, Professor Erhard, the West German Economic Minister, who differs from Dr. Konrad Adenauer is being opposed to close European integration and opposed to close co-operation with France, also prefers the free trade zone plan to the common market. Prof. Erhard is more interested in co-operation with Britain than with France, he is hostile to the Franco-German Bloc cherished by Dr. Adenauer, he scorns the idea of a "Little Europe" and does not favour the "European Minister" proposed to the Cabinet by the Chancellor. So his preference for the British free trade scheme is natural; at least he does not pretend that it can be added on to the common market without crippling the latter. Since Professor Erhard is Dr. Adenauer's most likely successor, his views on the question are important.

The contradiction between the British scheme and the common market was firmly underlined last week by the major organization of French industry, the CNPF (National Council of French Employers), which served notice on the Government that it should cease from all negotiations with Britain about the free trade zone. Apart from its conflict with Euromarket, the free trade plan is unworkable, the CNPF says, because it involves no common external tariff. Thus goods could be imported into the various member countries at varying rates of customs duty, and yet could be traded freely within the zone. Even if technical solutions could be found for this problem, their application would require so many controls and formalities that trade would be handicapped severely, whereas the idea is to liberate it. Rigid checking of the origin of all goods exchanged within the free trade zone would be necessary for the system to work, but no possible method of doing this has so far been found by the experts of OEEC. In fact for many types of goods, studies by French industrial associations show that no such method could ever be devised.

Comparing the free trade zone with Euromarket, the CNPF points out that the common market is a scheme for progressive economic integration in which the abolition of restraints on trade goes hand in hand with the harmonisation of social legislation and economic policies within the member-countries, whereas on the contrary the free trade zone does not aim at a unified economic community and excludes the harmonization of policies so as to leave governments their complete independence. To seek to combine them is to expect that during the next 12 or 15 years in West Europe there will function two conflicting systems of tariff disarmament: one for the six countries of Euromarket

which requires them to submit to numerous limitations, and a second which imposes no limitations on countries not belonging to Euromarket and which yet allows them to enjoy the same advantages within the common market.

Moreover, the British plan would apply only to industrial products; agricultural produce and food are excluded from it. Thus is because London wants to protect the interests of agriculture in the Commonwealth and in Britain itself. But this would quite upset the balance of gains and losses so delicately struck in Euromarket and would be to the disadvantage of those Continental countries whose main exports are also agricultural produce, such as Italy and Holland. Britain does not propose to ask other Commonwealth countries to join the free trade zone and nor does she intend to include the British colonies, whereas France has included her colonies fully in Euromarket. The CNPF concludes: "There is straight-out incompatibility between the establishment of the common market and the creation of a free trade zone. Furthermore, this latter, even supposing that it is technically realisable, would have disastrous consequences for the industry and agriculture of France."

This warning is quite clear and uncompromising. The French Government does not of course have to do what the employers tell it to do, but since projects such as are now under discussion simply cannot be made to work without the full co-operation of the industrial associations, the stand taken by the CNPF is probably fatal for the free trade zone. If the British had suggested the free trade zone before Euromarket was born in the Rome treaties, there is no doubt that French industry would have preferred it because it entails much less risk and disturbance than the common market. But by now, industry on the Continent has reconciled itself to Euromarket and has begun to make arrangements to meet its risks and exploit its advantages, so at this stage it prefers to go ahead with the bolder project rather than attempt to combine two incompatible schemes. By leaving it so late to propose the free trade zone the British have lost the support of those who were at first the enemies of Euromarket; and they have also succeeded in giving the impression that their only interest in the free trade zone is as a diversionary measure to upset the progress of Euromarket.

Not that Euromarket has made so much progress that its success is assured; it has made just enough progress for it to be unlikely that Britain will succeed in side-tracking it. The Euromarket scheme has got to the stage where personal and regional ambitions have been aroused by the prospect of the jobs and opportunities it offers — and anyone familiar with the back-stage manoeuvrings of politics knows that once a project or a law is able to whet the appetites of prospective top-jobholders, it begins to move forward as if under its own momentum. (Nationalisation laws and plans for autonomous corporations are examples of this rule of political life.) The Rome treaties (Euromarket and Euratom) offer 26 wonderful new jobs each entailing status about equivalent to an ambassadorship,

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and equivalent pay — though money is less important than kudos. The sort of men who will be candidates for these posts already have enough power and influence in their own countries to push forward the application of the treaties in the face of all obstacles. Granted that aspirants for these plums much outnumber the posts available, we can guess that something like 100 ambitious and influential politicians and administrators in West Europe are at this moment seeking to hasten the setting up of the two European executives required for Euromarket and Euratom and of the European Investment Bank — and that adds up to a formidable political force, and a force moreover which acts not by public discussion but behind the scenes.

The jockeying for position in this struggle for supranational jobs has already begun, with the resignation of M. Rene Mayer from the presidency of the High Authority of the coal and steel pool in Luxembourg. This is designed to increase France's chance of getting one of the presidencies that Paris considers more important than the Luxembourg job, which will probably be allowed to go to a German. Paris has its eye on the presidency of Euratom, while the presidency of Euromarket will go to a Belgian or Dutchman. Added to these personal ambitions (which of course are overlaid with nationalist considerations, each government seeking to get its "fair" representation in each organisation) is the contest between cities for the right to house one or all of the European organisation. Luxembourg holds the seat of the coal and steel High Authority and is determined not to lose it and if possible to add the other headquarters to it. Paris is a candidate for all three and so is Brussels. Strasbourg is pressing its claim to be the "capital of Europe" and Milan is no less eager and will demand to house at least the headquarters of Euromarket. Complex arguments are being produced about the advantages of situating all the United Europe headquarters in one city, to avoid useless travelling about by ministers and officials, and about the advantages of scattering the headquarters, so that each country will see material evidence of supranational integration. Behind all such arguments are thinly disguised appetites for the economic and diplomatic benefits of receiving a powerful new super-government.

Competition of this sort is capable of carrying the integration schemes forward, and by the end of the year further paper progress will have been made toward the implementation of the Rome treaties. But meanwhile the basic economic issues that require to be settled if the common market is to work are being neglected. The French economy has fallen further away from free trade and no steps are being taken to prepare the country for the competition its industries would have to face if the common market were to begin to come into existence. The Government is supposed, according to the law authorising it to go ahead with Euromarket, to present along with the 1958 budget an economic plan designed to fit France to enter the common market under the best conditions; no such plan yet exists and the administration is too busy staving off immediate economic crisis to frame it. Equally, no international conference has been arranged to settle exchange parities, and the stubbornness with which Britain and West Germany are defending the present values of their currencies shows that governments are not ready for the concessions that a new exchange regime would necessitate. In short, there is much debate about who should be the High priests of Europe and where they should build their Temple, but very little discussion about what should be the content of their Creed.

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WORLDGRAM

AGRICULTURE

Minor Irrigation in Community Development Areas: The Union Ministry of Community Development has indicated to the State Governments the need to ascertain the scope for the various types of minor irrigation works, as soon as a Block enters the Community Development stage. When there is scope for the expansion of private and co-operative irrigation, an annual programme for a three-year period is to be drawn up and targets fixed for the number of wells to be sunk and pumps to be installed in the Block. If, however, there is little scope for the full utilization of loan funds under minor irrigation, second priority is to be given to the restoration of State-owned tanks and the installation of lift irrigation schemes, including big tubewells under State management.

Research Schemes on Agriculture: The development of pasture grasses and legumes, cultivation of medicinal plants in hilly areas of the Punjab, survey of agricultural implements in order to undertake research for improving them, and award of trophies at regional flower shows to encourage cultivation of ornamental plants and flowers are some of the important schemes recommended by the Northern Regional Committee on Agriculture for financial aid by the Government of India. Thirty-seven schemes involving a total expenditure of Rs. 24 lakhs were considered at this meeting. The Committee has also recommended a scheme to investigate the potentialities of sprinkler irrigation as compared with ordinary flow irrigation in the production of fruit and vegetable crops. Another scheme aims at studying irrigation requirements of crops with a view to advising cultivators on the efficient use of water, particularly in semi-arid areas.

U.P. Evacuee Land Bill: The President has given his assent to the Uttar Pradesh Land Reforms (Evacuee Land) Bill, 1957. The Bill, which replaces an Ordinance, facilitates the final disposal of evacuee properties and extends the privilege of acquiring 'bhumi-dhari' rights in evacuee lands to a wider circle of occupants of such lands.

Eradication of Sugarcane Disease: A three-year scheme for controlling and eradicating the red-rot disease—a serious menace to 60,000 acres of sugarcane crop in border areas of eastern U.P. and North Bihar—has been approved by the Government of India. The work under the scheme is expected to start in October, and it is proposed to cover 30,000 acres of sugarcane crop in the two States in 1957-58. Before the actual operations for rooting out this disease are undertaken, a survey of the seriously-affected areas will be conducted and the incidence of the epidemic assessed. The control measures will include early crushing of the affected crops, replacement of susceptible varieties, and eradication of the diseased clumps. Some useful cultural practices, such as proper rotation and stoppage of ratooning of diseased crops, will also be popularised. The cost of the scheme is estimated at Rs. 2 lakhs, which will be made available to the two States by the Indian Central Sugarcane Committee of the Ministry of Food and Agriculture.

INDUSTRY

Industrial By-Products from India's Steel Plants: A number of industrial products will be available to the country as by-products when the three steel plants in the public sector go into production. At Rourkela provision has been made for producing light oil, carbolic

oil, naphthalene oil, wash oil, anthracene oil and pitch. Light oils will be further processed into benzole, toluol and xylol. From carbolic oil will be obtained phenol, cresol and xylonol. Anthracene oil will be converted into crude anthracene. Naphtalene oil will be converted into solid naphthalene. The exact quantities of these will depend on the composition of the tar which is not available yet. This in turn, would depend on the particular coals carbonised.

Production of Plastic Goods: The production of plastic goods by major units in India in 1956 was valued at over Rs. 4 crores. There are now 120 well-organised units producing plastic goods in the country as against five factories in 1936. In addition, there are several small units working on cottage industry basis. The industry is largely concentrated in Bombay and Calcutta, but there are also factories in Amritsar, Kanpur, Coimbatore, Hyderabad and Bangalore. During the year over 21.5 million gross of moulded goods, 2.6 million yards of leather cloth, 2.63 lakh square yards of PVC sheets, 11.57 lakh pounds of polythene films and tubing and 232 tons of phenolic laminates were produced by major units.

Second DDT Factory to Begin Trial Production: India's second DDT Factory, at Alwaye in Kerala State, is expected to begin trial production for next month. The Factory, which will have a capacity of 1,400 tons of technical DDT per year, is expected to attain full production by the beginning of next year. At the same time the expansion programme of the Delhi DDT Factory, which has been in production for the last two years, is likely to be completed by the end of this year. It will then have a capacity of four tons per day—1,400 tons per year. The production of the Delhi Factory has been steadily rising. As against the production of 172 tons in 1955 the Factory stepped up its output to 492 tons in 1956. The production this year is estimated to exceed 600 tons of technical DDT, the output in the first six months being 306 tons.

Coal Washeries for Steel Plants: Plans to set up two coal washeries other than the one at Kargali in Bihar have been finalised by the Government of India. The first of these washeries will be set up in Dugda between Bokaro/Kargali and Jharia fields and will supply washed coal to Rourkela and Bhilai steel plants. The second, which will be located near Patherdin, will supply coal largely to Indian Iron & Steel Works. The work at the construction site of the washery at Kargali is already in progress and the washery is expected to go into production by January 1958. The Kargali washery will meet the major portion of coal requirements of Rourkela and Bhilai steel plants.

Development of Small Industries on Co-operative Basis: A number of industrial co-operatives for small-scale and cottage industries are being set up in different parts of the country during the current financial year with financial assistance sanctioned by the Government of India. During the current financial year six schemes for the establishment of industrial co-operatives for small industries have been sanctioned so far. These are for the manufacture of storage batteries and moulded rubber goods at Batala in the Punjab, manufacture of bolts and nuts at Sriperumbudur in Madras and for leather workers and lock workers at Dindigul in Madras. Also the Perambur Arunthathiyar Leather Workers' Co-operative Society in Madras is to be reorganised. For these schemes the Government of

India have sanctioned assistance amounting to Rs. 3.3 lakhs to Punjab and Madras. Schemes for the establishment of industrial co-operatives for handlooms were also approved in 1956-57. They are at Sholapur in Bombay, Madurai, Aruppukottai and Karur in Madras, Bihar Sharif and Madhubani in Bihar and Trivandrum in Kerala.

TRADE

Encouraging Export of Vanaspati: In order to encourage the export of Indian Vanaspati to foreign countries, the Government of India have decided to grant a rebate of the excise duty on the vegetable non-essential oil content of the Vanaspati on its export out of India, in addition to the refund of the excise duty on the Vanaspati itself. The quantum of the excise rebate admissible on the oil content has been fixed on an 'ad hoc' basis, taking into account the availability of the non-duty paid oils in the market and the extent to which such oils are used in the manufacture of Vanaspati. The rate of rebate is 33/35 of the duty actually paid, if the duty has been paid at the rate applicable on and from May 16, 1957 and 6/7 of the duty actually paid, if the duty has been paid at the rate prevalent prior to that date. The procedure for the export of Vanaspati under claim for rebate of duty on the vegetable non-essential oil content will be more or less the same as that for export of Vanaspati under claim for rebate of duty on the Vanaspati itself.

Export Credit in West Germany: The Deutsche Bundesbank announced on August 23 that export drafts will be bought by the Deutsche Bundesbank only through November 30, 1957; bills representing renewals will still be bought after November 30, 1957, but only if they do not mature after February 28, 1958. The maximum amount of export drafts bought from one exporter may not exceed DM 300,000. The purchase of foreign acceptances has not been restricted. On August 28, it was stated that the Bundesbank's previous practice of buying foreign bills—i.e., foreign exchange claims maturing at a future date—at the same rates as spot foreign exchange made it possible for those exporters who obtained an acceptance for their foreign currency claims to transfer, without cost to them, to the Bundesbank the risk of loss on the rate; but that all other exporters, in order to avoid a loss, had to pay the premiums—at times very high—required in forward exchange trade, which were reflected in the correspondingly low forward rates of the individual currencies. When the forward rates remain below the spot rates for some time, the result is that the supply of foreign bills at the Bundesbank increases heavily, because of the increased creation of acceptances in precisely those currencies for which high discounts must be taken on the forward market. Therefore, the Board of Directors of the Bank has made it possible, by a change in the regulations for purchasing foreign bills with a maximum maturity of three months, for the Bundesbank to adjust its buying rates to the existing situation. For this purpose, the Bundesbank will consider primarily changes in supply and the rates prevailing in forward exchange trade.

Import Licensing in Egypt: In accordance with the regulations governing the import of goods in the third quarter of 1957, issued by the Egyptian Ministry of Commerce, applications for import licenses will be submitted to certain authorized banks instead of to the Import Control Department of the Ministry. An examination fee will be charged. License fees must be paid to the banks for imports whose value is greater than L.E. 5,000. An applicant may deposit with the bank a letter of guarantee in favour of the Ministry of Commerce. If the application is rejected, the fee will be returned by the bank. The banks' head offices are

to refer applications received by them to the Import Control Department, and the bank will issue import licenses in the light of the Department's decision on each application.

FINANCE

Ghana Joins Fund and Bank: Ghana became a member of the International Monetary Fund and the International Bank for Reconstruction and Development when the Articles of Agreement of these institutions were signed in Washington on behalf of the Government of Ghana by His Excellency K.A. Gbedemah, Minister of Finance of Ghana. The quota of Ghana in the International Monetary Fund is \$15 million and its subscription to the capital stock of the Bank is 150 shares with a total par value of \$15 million. Sixty-four nations are now members of the Fund and Bank. Admission of Ghana brought the total of members' quotas in the Fund to \$9,006,000,000. The total subscribed capital of the Bank is now \$9,333,400,000.

India's Foreign Assets: The decline in India's foreign assets which became serious in the second quarter of this year necessitating a loan from the International Monetary Fund has been progressively arrested from July last when the weekly average of decline fell to Rs. 8.3 crores to be followed by Rs. 6.2 crores in August and a little less than Rs. 4 crores during three weeks of the current month. The weekly averages of decline for August and September exclude the Rs. 10-crore sterling loan that India gave to Burma last month and the reduction by a little less than Rs. 10 crores in the book value of India's foreign assets consequent on the fall in prices of sterling securities as a result of the rise in the British bank rate. Financial observers attributed this progressive reduction in the decline of India's foreign assets mainly to the restrictive import policy announced in June last for the period of three months. At the beginning of the fourth week of September, India's foreign assets amounted to about Rs. 360 crores. In January this year the weekly average of decline was Rs. 2.5 crores, but in February there was an increase in the assets, the weekly average of increase being Rs. 8 crores. This increase was partly due to large exports of tea to the UK. But the weekly average of the months March-April showed a decline of Rs. 8.7 crores which necessitated the borrowing of Rs. 60 crores from the International Monetary Fund.

GENERAL

Economic Situation and Outlook in West Germany: For some months, the indices for prices of basic materials, industrial producer prices, and the cost of living have been more or less unchanged in West Germany. Nevertheless, the basic trend is still upward, although to a less pronounced extent than in 1956. In the first half of 1957, it was 7 per cent more than in the corresponding period of 1956, whereas between the first half of 1955 and the first half of 1956 the increase was 10 per cent. Provisional calculation show that output per worker in industry in the first half of 1957 was 4.7 per cent above that a year earlier, and output per man hour had risen by as much as 8.6 per cent. This means that the improvement in productivity so far in 1957 has been much more pronounced than in 1956. A number of indications point to a renewed cyclical expansion in the period ahead. In the first half of this year, orders received by industry exceeded those in the first half of 1956 by 3.6 per cent. The most important factor in the continuing economic expansion is foreign demand, especially for investment goods. Following a rise of 20 per cent in 1956, German exports are estimated to have risen by 19 per cent in the first half of this year.

NEWS IN BRIEF

INDIAN

India's linoleum production is steadily increasing. According to official figures production rose from 24,400 yards in June this year to 29,700 yards in July.

In accordance with their policy of keeping export duties under constant review, the Government of India have decided to abolish with effect from September 22. The export duty on zoda cotton, yellow pickings and sweepings.

Manganese ore exports to West Germany are likely to increase considerably in the foreseeable future, according to the Indian Economic Mission now touring that country.

The rate of rebate on retail and wholesale sales of handloom cloth will be slightly reduced from December 1, 1957 to make more funds available to the States for schemes for developing the handloom industry.

India exports its fruit products to UK, USA, West Asian countries, Europe and South-East Asia. Total exports in 1956 were estimated at 1,278 tons valued at approximately Rs. 2.25 million.

An Indian Standard Code of practice for installation and maintenance of induction motors (IS: 900-1956) has been issued by the Indian Standards Institution.

The Government of India have decided to postpone further the date of enforcement of Section 15 of the Central Sales Act, 1956 to January 1, 1958.

More schemes for the development of dying, printing, embroidery, zari work and carpet weaving have been approved by the Government of India on the recommendations of the All-India Handicrafts Board.

Silk draft silvers will be licensed freely for export to the end of December, 1957, says a Trade Notice issued by the Joint Chief Controller of Exports, Bombay.

The West Bengal Government is considering a proposal to set up spinning mills in refugee concentrated areas of the State.

It is reported an All-India Conference of Sugarcane Research and Development Workers will be held at the Sugarcane Research Institute, Pusa (Bihar) from October 25 to 31.

During the first quarter of this year, 125 units closed down temporarily or permanently in the States of Bihar, Madhya Pradesh, Madras, Punjab and Uttar Pradesh, affecting 20,465 workers, according to information available with the Labour Bureau, Government of India.

A reserve of 29 million tons of clay-shale in the Sindri area has been estimated by the Geological Survey of India. The survey was undertaken by the department to aid the planning of the cement factory now in production at Sindri.

FOREIGN

The Government of Turkey has purchased \$13,500,000 from the International Monetary Fund. Turkey purchased a total \$30,000,000 from the Fund in 1952 and 1953, and has since made payments to the Fund amounting to \$22,000,000.

The International Bank for Reconstruction and Development has announced that it had contracted a loan of \$75 million from the West German Central Bank. This loan will be notably employed to help underdeveloped countries.

Agreement has been reached between the Governments of Ethiopia and the Sudan for the establishment of an Ethiopian Commercial bank in Khartoum for the purpose of financing trade between the two countries.

An agreement to create an economic union between Egypt and Syria was signed in Damascus on September 3. It established the objectives of the Union and the methods to be followed to achieve its realization.

Preferential exchange rates applied to some non-merchandise transactions of the USSR since April of this year, through the introduction of a premium of about 150 per cent on the official rate for various foreign currencies have been extended to telephone calls and cables abroad.

The Monetary Board of the Central Bank of the Philippines is reported to have raised its rediscount rate from 2 per cent to 4½ per cent. In addition, a cash margin requirement of 100 per cent has been imposed on all letters of credit covering imports of non-essential consumer items.

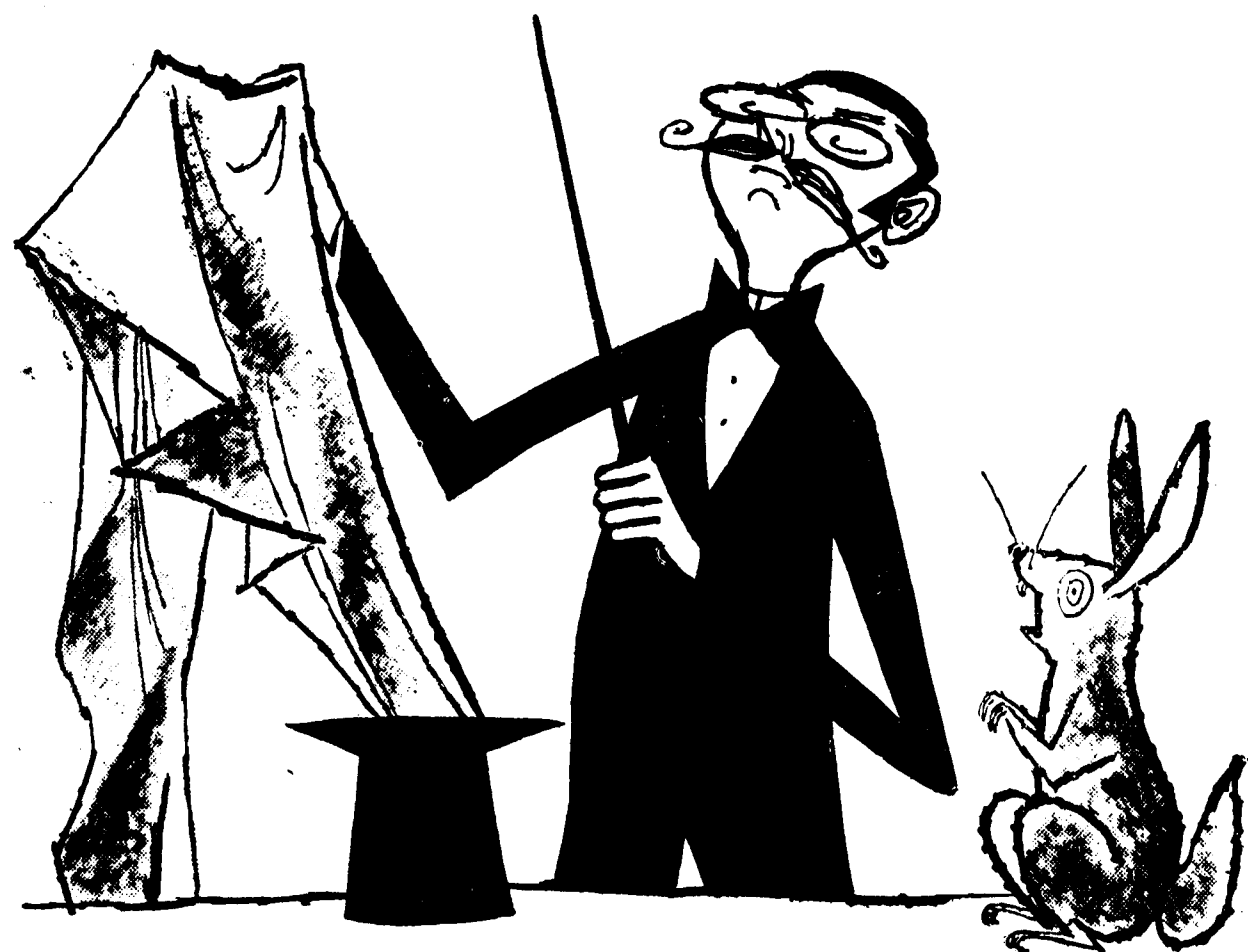
Foreign investment in Japan in the form of foreign loans and of acquisition of Corporate stock, corporate debentures, and trust certificates amounted to \$125 million during the fiscal year April 1956—March 1957.

The Ministry of Agriculture of Thailand has announced that 51 million rai (2½ rai=1 acre) or 16.35 per cent of the total area of Thailand, was used for agricultural purposes in 1956. The value of output of rice, rubber, forest products, livestock and marine products totalled 25.9 billion baht.

The Ministry of Finance of the Republic of Korea has submitted a draft bill to the National Assembly which provides for a special tax on foreign exchange auctioned by the Bank of Korea.

A new agreement signed by Brazil and Argentina on July 30 calls for purchase by Brazil of 1 million metric tons (36.7 million bushels) of Argentina wheat annually during the three years 1958-60.

The International Finance Corporation announced recently that it had reached agreement subject to completion of the necessary legal formalities, for an investment of the equivalent of US \$520,000 (half in US dollars and half in Mexican persons) in Bristol de Mexico, S.A. for an aircraft engine overhaul and repair shop.



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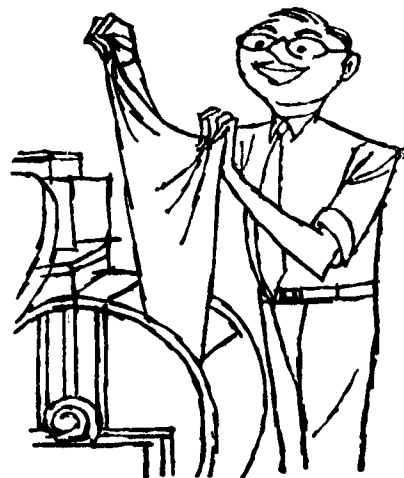
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ACP. 4363 (Rev.)

Special Articles

A POLICY FOR SCRAP

THE announcement made recently by the Railway Board that sales of scrap iron arising in Indian Railways would not be allowed focusses attention on the Government's future policy relating to the disposal and use of scrap iron. The new policy is sought to prevent export of scrap, so as to put it to use internally. Statistics hitherto available about scrap iron are not sufficient to take a definite view on the wisdom of this policy. Some figures, available from trade sources, underline the huge loss the country is incurring in not pursuing a rational policy regarding proper utilisation of scrap iron. According to trade estimates two-thirds of "heavy melting" scrap remains unused. Only a small fraction (7.7 per cent) of the total supply of the light scrap is utilised; a little more than one-third of it is exported, and the rest allowed to turn to waste or deteriorate. In terms of money the national loss is estimated at about Rs. 5 crores per year.

Table I below gives the approximate figures, as estimated by the concerned trade interests, of the kind, availability and disposal of scrap material under three general heads:

TABLE I

ESTIMATED VOLUME AND DISPOSAL

Kind of scrap	Availability	Disposal	Balance
	Tons	Tons	Tons
Heavy Melting Scrap	3,00,000	1,00,000	2,20,000
No. 1, 2 and Light Scrap	3,00,000	1,30,000*	1,70,000
Turnings and Borings	60,000	25,000*	35,000

* Including exports.

If these figures are correct, even approximately, the question that naturally arises is as to why steps have not been taken to stop this waste in scrap utilisation. The need was never so urgent as today when our shortage of steel is acute. It seems incredible that steel-hungry India lets scrap iron go waste in this manner. Scrap iron and iron ore have much in common; both being crude for pig iron. Turning and boring scrap yields approximately 80 per cent metal. Iron and steel works situated far from iron ore mines could, therefore, turn to scrap iron with advantage. Increased production of steel, improvements in the supply position and the higher standard of living will increase the supply of scrap in the near future. In the circumstances it is essential that the Government plan for fuller utilisation of scrap.

Why domestic use of scrap has not become popular needs examination. In any case, if scrap arising in the country does not find adequate internal use, the only alternative that appears is of export. It should be remembered that while iron ore could be conserved for future use, lower grades of scrap, which are not consumed in the country, must be used to earn foreign exchange.

There is a grievance from the trade that necessary incentives are not provided for scrap collection in the country. It will be seen from Table II alongside that except for rerolling billets, the prices for other types of scrap here are much lower than what prevail in

other countries. There are undue restrictions on the export trade. Ceilings on exports are placed for different qualities of scrap iron irrespective of whether there is sufficient demand in the country or not. According to the Scrap Traders Association, the estimated availability of light steel scrap is 250,000 tons per year. Although there is inadequate demand for such scrap in the country only 168,000 tons of No. 2 and 3 quality sheet cuttings and nothing of No. 1 is allowed for export. While the anxiety of the Government to safeguard interests of domestic producers is understandable, the policy pursued in this respect by which the country loses foreign exchange goes beyond reason.

According to a current ruling, exporters are required to supply 10 per cent of good scrap in the ratio of their export to furnace owners in the country at a fixed price. The price so fixed is lower than the market price, and is of the nature of subsidy to buyers within the country. There are two steel companies that are expected to benefit from the arrangement. These are the Indian Iron and Steel Company and the Mysore Iron and Steel Co. But there is not much evidence to show that these companies are prepared to accept all the scrap thus offered.

There need to be two prongs to an iron scrap policy of the Government. In the first place, every encouragement should be given to scrap collection in the country. Scrap collection drives in England can serve as a guide to the importance of scrap to the economy. Secondly, it will be necessary that the available supply should be used entirely in the national interest. Scrap iron can be utilised within the country and there is also demand for it from outside. Although scrap iron can serve as a good substitute for iron ore or pig iron its use is so far confined to electric furnaces. Freight may be another factor in the use of scrap, especially in the case of those works that are situated near iron ore mines. As a long range policy conditions should develop for increasing use of scrap within the country. However, in the present state of domestic demand it will be worth while to experiment with a liberal export policy. Besides promoting scrap collection on a wider scale, such a policy will earn valuable foreign exchange.

The emphasis on supporting domestic production of steel from scrap and of earning foreign exchange will naturally vary from time to time. At the present time, with an acute foreign exchange crisis, it is obviously desirable to liberalise export, particularly as there are no signs that domestic producers are lifting the scrap available. It is sincerely to be hoped that the Government of India will act without delay.

TABLE II

COMPARATIVE PRICES OF DIFFERENT MATERIAL

	Indian Price	American Price	Japanese Price
Rerolling Billets	Rs. 477 0	Rs. 352 6	Rs. 473 3
Foundry Pig Iron	„ 225 0	„ 300 0	„ 442 14
Heavy Melting Scrap No. 1	„ 100 0	„ 266 11	„ 374 10
Bundle No. 1	„ 95 0	„ 266 11	„ 374 10
Turnings and Borings	„ 25 0	„ 180 15	„ 295 6

FINANCIAL CONTROL—ITS PLACE IN MANAGEMENT

(By S. K. CHAUDHURI)

IN all spheres of management in India, whether in the Government or organizations in private sector, financial control with all its implications deserves special emphasis. The present study touches only the fundamental aspects of financial control of Central Government departments and also public corporations; it, however, deals at length with all financial control devices in regard to organization under private sector.

In Government departments the unity between finance and management is an inflexible arrangement. Every student of public finance knows the constitutional position that the Government financial system is based on parliamentary control. In actual practice there are various operations involved in securing this control. First, a department has to obtain parliamentary consent to the so-called "Ministry's Vote". Secondly, it has to be ensured that expenditure has been restricted entirely to the heads or sub-heads of the "vote". In the process — besides the spending department entrusted with the initiation of projects—important parts are played by Finance Department and Comptroller and Auditor General and two standing committees of the Lok Sabha — namely, Estimates Committee and Public Accounts Committee.

In the above context, financial control should mean effective and economic management. And for that, no doubt, the control by the Finance department coupled with the audit by Comptroller and Auditor General and secondly by the Public Accounts Committee at a later stage go to ensure that departmental zeal has not been carried beyond the propriety of expenditure against each "Ministry's Vote". If the Ministry has been indiscreet and if there have been questionable practices, more often than not they come to light — but under the system, rather too late, in the day. The criticisms of above bodies sometimes fathom what did not meet the eye. But yet can it be said that it has satisfied the criterion of economic and effective management?

It has often been said that in all Government departments the emphasis is more on the prevention of over-spending rather than an effort to make do with less than is available, whereas the commercial approach is more positive. Although this criticism has some merit, it should be admitted that the control by the Finance department and the Comptroller and Auditor General is a great deterrent. Here, one is tempted to say that although Appleby Report caused a great stir in the Government departments, it is all to the good that Finance department has not relaxed its control nor has the Comptroller and Auditor General, on the department's spendings.

In public administration it is difficult to devise methods of financial control where there is no quantitative measurement. But in the last analysis the solution may be through organization and methods — known as "O. and M." On the latter will fall the difficult task of maintaining each organization with special emphasis on functions to be performed and machinery best adopted to exercise them. We hear that Government has already been tackling this subject from this angle. The public sector of our economy now comprises an imposing array of enterprises such as multi-purpose river valley projects, fertilisers, locomotives, air-craft, telephone, cable factor, machine tools, ship-building and air-ways. The three steel works and also the Coke Oven plants are to be added to this list. All these undertakings are managed by public corporations although the idea of such corporation is still new to us. The cardinal idea of management by public corporation is that while it will be strictly responsible to the Government, it will have the freedom of action of

private corporation. According to this criterion, a public corporation should function as an autonomous unit free from Treasury control. Although some of the multi-purpose projects are run like public corporations, a considerable controversy has raged round the question whether it can be called autonomous in the strict sense of the term when it has to satisfy the Treasury as well as the Ministry by which it is controlled. The question is yet to be finally settled.

All these public corporations are intended to be run through their Boards more or less like private corporations and therefore the devices for financial control would be analogous to those employed by business undertakings in the private sector, discussed in detail in the following paragraphs, subject to the over-all control by the Finance department and the Ministry as the case may be, before the Board becomes accountable to the Parliament. We now pass on the devices for financial control for business or commercial organization in the private sector. Much headway has been made in the western countries in this direction. In our country too, the ideas have filtered in and they have become the topics of accountants, administrators and industrialists. In practice only very few of the large organizations have adopted some of the modern financial control devices.

In a business undertaking, financial control will have no meaning without a proper system of budgetary control for sales and also for profits. In the modern tendencies of the management practices in the western countries, particularly in the States, where the financial control devices have been developed to a sort of fineness, the management is always thinking of "tomorrow" and the historical past becomes valuable only for affording a basis for forecasting for "tomorrow". With this end in view, the devices for budgetary control for profit and for capital expenditure, standard cost with or without flexible production budgets, budget for sales, raw materials have been developed. It must however be understood that they are no substitutes for "line management". They serve as handmaids to management and not as its masters.

The writer, during his recent visit to the United States and other Western countries, carried the deep impression that all these budget devices flow from the main idea of forecasting for sales and for profits for three to five years ahead. Let us go into this root idea a little more in detail. When a sales budget forecast has to be made, it has to be broken down into various products with reference to the market conditions and other economic factors in the country. After the sales target has been fixed through the budget broken down into various products, the question comes up for fixing up the production programme to match up with the sales forecast. This brings in its wake, the production budget which again has to be broken down in a similar way into various products with an eye to the capacity of plant and machinery in each unit.

Production Budget is dovetailed with "standard costs". Without going into the complicated technique of working out the standard costs, it would be sufficient for our purpose here to say that the standard cost for each unit broken up into responsibility centres is pre-determined sometime with the help of the engineer and technical experts and sometimes on an average, achieved under normal conditions. When the actual costs are out, the difference between the standards and the actual is thrown out as "variance". These variances pin-point how up to the foreman level at each unit responsibility centre is faring and thus afford the most effective tools to the management known as

"Management control of cost by exceptions". Except, perhaps, in one or two very big organizations, it is doubtful whether any attempt has been made in our country to develop "standard costs" although the subject of productivity is discussed almost every day in connection with our second Five-Year Plan.

In the course of the preparation of the Production Budget, the expenditure incurred on administration have to be taken account of and for that an administration budget may be required for expenditure against administrative centres. The management has to be alert all the time that the administrative overheads are not getting out of gear with the works cost of the output and also with the prevalent selling prices.

Under the socialistic pattern of society, the industries in the private sector in general have as their objective, the earning of profit imbued with the sense of social responsibility. Within this framework, it must be admitted that profits are the sinews of industry and provide the internal resources for replacement and expansion. It will be appreciated that if no profits are earned or if profits are dissipated by a non-too-responsible management, the repercussions on the society will be quite sharp if the particular undertaking occupies an important place therein. It will not only affect the middle class shareholders but also it will jeopardise the interests of labourers working therein.

In the above context the value of "profit forecast" to management for three to five years ahead assumes great importance. If the projected results are not up to expectation, all estimates can be reviewed immediately to determine whether the budgets indicate weakness and what immediate steps can be taken to eliminate or minimise these weaknesses. The technique of developing the "profit budgets" is not complex. Once the sales budget with prices and also the production budget with its subsidiary budgets have been developed, it will be necessary to tie up the shipment out of this production product by product and put it in juxtaposition with the sale prices. The deduction of production cost from the sales figure broken down by products will indicate the margin on each product to show how the general overheads and profits of the undertaking would be covered by the margins. This "overhead" in the case of non-controlled products can be distributed among various products on the basis of demand and supply (more on the principle of what the market can bear) coupled with utility factor of certain products vis-a-vis different ancillary industries for which it caters. This allocated overhead deducted from the margins in each product will leave the profit on each of the products.

With this simple, technique, the forecast can be developed for three to five years. As each month's actual is worked out this can be placed side by side with the predicted profit and the forecast corrected according to the actual for the period thus arrived at. At periodic interval, say quarterly, this will pin-point to the management how the forecast is fluctuating as compared with the actual and what are the major reasons behind this phenomenon. If the actuals are showing a downward trend as compared with the forecast, actions are taken before it is too late. Aside from its purely mechanical function, this budget is a means of making people think. As a budget procedure becomes established in an organization, its continuous emphasis on profit tends to condition the thinking of its key personnel to the point where the profit motive becomes a dominant part of a supervisor's basic attitude. To cite an example, one of the largest motor corporations in the United States has had an outstanding successful budgetary profit control system in operation for many years and they recognize its effect on supervisory attitudes. They credit it as a factor in the success they have realized in developing the executives from the foreman level.

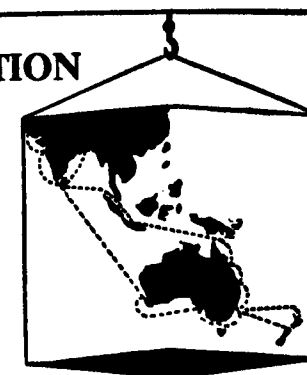
After the profit budget has been developed and compared with the actual, the next important stage for financial control is the preparation of the cash inflow and outflow statement arising therefrom. This, based on budgeted profit and actual, will indicate to the management the sources of cash resulting from the retained profits and applications of this fund to various expenditure such as, fixed capital expenditure, working capital, bank interest, dividend, and the like.

This brings us to the budget for forecasting for capital expenditure. As indicated above this has an obvious impact upon the cash resources and therefore cash inflow and outflow statement must be built up before the capital expenditure budget can be framed. In launching on capital projects, three simple criteria must be satisfied: (a) profitability of the expenditure; (b) use of marketing policy for further production which would be made through capital expansion, (c) the relevant time factor within the programme may be completed.

For public corporations and organizations in the private sector, important mechanisms of financial control have been discussed at length. Even then it may be that a number of important sections have not been considered although they may in some way constitute important tools for financial control. The ideas presented here are not novel; all that has been aimed at is to stress some of the outstanding important devices for financial control which can be very usefully employed by most of the organizations in our country including public corporation. An endeavour has been made to stress the importance of planning the control rather than in the post-mortem figures supplied after the event is over. What impresses us most, when we see the practices of financial control obtaining in industries in the U.S.A., the U.K. and West Germany is that there is an unremitting endeavour to improve the instruments used for the purpose. Two things are kept in mind. The first is to bring about an improvement in its various methods in the light of modern practices enlivened by a sense of research. Secondly, it must be ensured that the best practices, financial or otherwise, must not be restricted to a few; they must go deep into the various layers of "line-management".

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Economic Report from the U.S.

WORLD BANK AND I.M.F. MEET

(By GUY SIMS FITCH)

WASHINGTON, Oct. 1.—Nothing illuminates the world economic scene as clearly as the views presented here last week at the twelfth annual meeting of the World Bank and the Monetary Fund. Some 500 experts from the 64 member nations of these twin United Nations instruments of international development and finance were in virtual agreement on the dominant trend of the day: the bulging requirements of economic growth, generating huge demands for capital and putting economies under varying degrees of inflationary strain. The central problem is to maintain an acceptable rate of expansion and yet to keep this expansion from upsetting financial stability.

It is a matter of record that in the face of the problem described at the meeting, free countries generally have been following internal monetary and fiscal policies designed to hold inflationary pressures in check. At the same time, in order to obtain needed foreign exchange and goods, they have for the most part been avoiding wherever possible restrictive external policies that might seriously hamper their trade with other free nations. Consequently, the Bank and the Fund have had the busiest time of their brief lives in the past few years. The Bank has been lending money to help capital-short countries proceed with soundly-drawn development plans and the Fund has advanced loans and credits to help member nations overcome temporary financial and exchange emergencies. The supply of international capital has been augmented by the generous amounts

of and from the United States and some other free nations. But this governmental assistance, however large, is nevertheless limited. And this is where the third and newest of the UN financial institutions—the 51-nation International Finance Corporation (I.F.C.)—comes into the picture.

I.F.C.'s function is to act as a "catalyst" in stimulating a greater investment of private funds in worthwhile enterprises. Around the world only one year old, the Fund already has committed \$6 million of its relatively small capital of \$95 million, in making five investments jointly with private enterprise—four in Latin America and one in Australia. And it has under consideration more than 20 other projects in virtually every part of the world.

Encouraging in this regard has been the growth of private foreign investment in recent years. This type of investment from the United States alone rose nearly \$4,000 million last year—far more than in any preceding year—to a total of \$33,000 million. A similar high rate of US investment is being maintained this year.

Even amid the difficulties which the world has faced in the past year, Bank and Fund officials have found many hopeful signs; they have been reassured by the enlightened internal and external policies of most free nations. And they have countered more evidence of basic economic strength than they dared expect only a few short years ago.

NORTHERN RAILWAY.

NOTICE.

The important changes in Time Table which will take effect from the 1st October, 1957, are notified as under:

(i) Additional trains introduced.

- (a) Nos. 1LJU/2LJU shuttle III between Ludhiana and Jullundur City.
- (b) Nos. 1AJ/4AJ " III between Allahbad and Jaunpur.
- (c) Nos. 13HH/14HH " III Hathras Jn. and Hathras Kilah.
- (d) Nos. 5DG/6DG between Delhi and Ghaziabad as an experimental measure.

(ii) Existing trains extended.

- (a) 49/50 Dn. Howrah-Varanasi Express extended to and from Jaunpur.
- (b) Delhi-Loharu Diesel cars will be extended to and from Sadulpur.

(iii) Trains cancelled.

- (a) 311 Up/312 Dn. (New Nos. 46 Up/46 Dn.) diverted to run between Delhi-Ambala Cantt. via Karnal instead of via Saharanpur.
- (b) 7 Up/8 Dn. (New Nos. 47 Up/48 Dn.) Varanasi Express will run via Mirzapur instead of via Janghai.
- (c) 9AP/12AP between Patli-Amritsar.
- (d) 3PM/4PM between Pathankot-Madhupur Punjab.
- (e) 10BQ/9BQ between Batala-Qadian.
- (f) 16JN/9JN between Jullundur-Nakodar.
- (g) 1MJ/2MJ between Moghalsarai-Jaunpur.

(iv) New stoppage provided.

Howrah-Kalka Mail will stop at Khurja from 19/27 to 19/29 hours from 1-10-57 though not shown in Time-Table and Guide.

(v) Air-conditioned accommodation will not be provided on the following trains though shown in the Time Table in force from 1-10-57.

Trains.	Stations between.
Amritsar Mails	New Delhi-Amritsar.
Mindorie Expresses	Delhi-Dehradun.
Punjab Mails	Delhi-Ferozepore Cantt.
Bikaner Mails	Delhi-Bikaner.
Jodhpur Mails	Delhi-Jodhpur.

Restaurant car services will be withdrawn from—

Howrah-Amritsar Mails	Amritsar-Moradabad.
Howrah-Delhi Janta Expresses	Howrah-Delhi (from vestibuled rakes.)

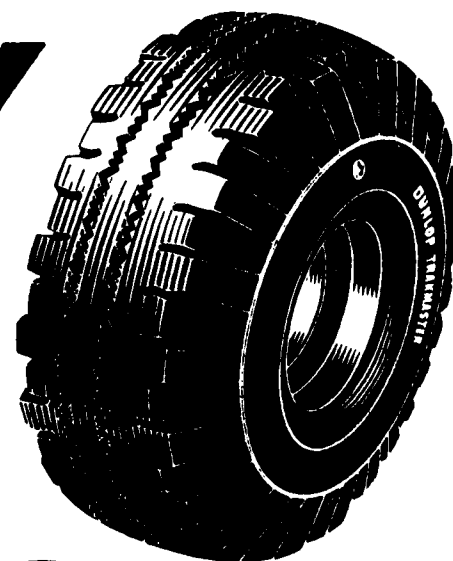
(vi) For other details and timings at intermediate stations reference may be made to October, 1957 Time Table and Guide on sale at Railway Bookstalls. Chief Operating Superintendent.



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CONTEMPORARY AFRICA

You are invited to attend a course of public lectures arranged by the Department of African Studies, University of Delhi. Excepting for lectures 4 and 5 all lectures will be delivered in Lady Irwin College, Sikandara Road, New Delhi.

1. Tuesday September 24th, 1957, at 6 p.m.

Subject: "RELIGION IN AFRICA" Lecturer, Dr. S. Hofstra, Professor of Sociology, University of Amsterdam and Visiting Professor, University of Delhi.

2. Tuesday October 8th, 1957, at 6 p.m.

Subject: "COLONIAL POLICIES IN AFRICA" Lecturer, Dr. S. N. Varma, Reader in Politics, Department of African Studies.

3. Tuesday October 29th, 1957, at 6 p.m.

Subject: "AFRICA IN WORLD TRADE" Lecturer, Dr. J. C. de Graft-Johnson, Professor of Economics, Department of African Studies.

4. Tuesday November 5th, 1957, at 6 p.m.

in Sapru House, Barakhamba Road, New Delhi.
Subject: "THE NATIONALIST MOVEMENT IN GHANA" Lecturer, Dr. Amba Prasad, Reader in History, Department of African Studies.

5. Tuesday November 12th, 1957, at 6 p.m.

in Sapru House, Barakhamba Road, New Delhi.
Subject: "PROBLEMS OF PARLIAMENTARY DEMOCRACY IN CENTRAL AFRICA". Lecturer, Dr. S. N. Varma, Reader in Politics, Department of African Studies.

6. Tuesday November 26th, 1957, at 6 p.m.

Subject: "WATER POWER PROJECTS IN AFRICA" Lecturer, Dr. P. K. Sircar, Reader in Geography, Department of African Studies.

7. Tuesday December 10th, 1957, at 6 p.m.

Subject: "POLITICAL AND NATIONAL MOVEMENTS IN EAST AFRICA". Lecturer, Shri Peter Wright, Organiser, Department of African Studies.

8. Tuesday January 14th, 1958, at 6 p.m.

Subject: "LAND RELATION AND SOCIAL CHANGE IN AFRICA". Lecturer, Dr. P. K. Gopalakrishnan, Lecturer in Sociology, Department of African Studies, University of Delhi.

9. Tuesday January 28th, 1958, at 6 p.m.

Subject: "VOLTA RIVER PROJECT" Lecturer, Dr. J. C. de Graft-Johnson.

10. Tuesday February 11th, 1958, at 6 p.m.

Subject: "THE UNITED NATIONS AND SOUTH AFRICA'S RACIAL POLICY" Lecturer, Dr. Amba Prasad.

11. Tuesday February 25th, 1958, at 6 p.m.

Subject: "ASPECTS OF AFRICAN GEO-POLITICS" Lecturer, Dr. P. K. Sircar.

12. Tuesday March 11th, 1958, at 6 p.m.

Subject: "THE HISTORY OF EUROPEAN RELATIONS WITH AFRICA". Lecturer, Shri Peter Wright.

13. Tuesday March 25th, 1958, at 6 p.m.

Subject: "THE ROLE OF TRADITION IN AFRICAN SOCIETY TODAY". Lecturer, Dr. P. K. Gopalakrishnan.

Note:—Any alteration in dates will be notified in the Press.

Enquiries to:—
Department of African Studies,
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NOTICE

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Notice is hereby given that an Interim Dividend for 1957 of.....75.....p per share equivalent to7½%..... without deduction of income-tax paid by the Company was declared by the Board of Directors of the Company on 25th September, 1957, payable on or after 18th November, 1957, to those shareholders on the Register of Members of the Company on 10th October, 1957, or their Mandates.

The Share Transfer Register of the Company will be closed from 11th October, 1957, to 26th October, 1957, both days inclusive. Transfers to be deposited with the Company should be correctly executed and stamped, share certificates attached and accompanied by Power of Attorney where necessary if not already registered with the Company.

All Transfer documents must be deposited at the Company's Registered Office at 18A Brabourne Road, Calcutta-1, or at the Company's Share Transfer Department at FARADAY HOUSE, P-17 Mission Row on or before the close of business at 4-15 p.m. on 10th October, 1957.

BY ORDER OF THE BOARD,
G. BOWLAND,
Secretary.

25th September, 1957.
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The Business World

PROBLEMS OF PLANTATIONS IN KERALA

By
CROESUS

ALTHOUGH Mr. Bhaktavatsalam, Minister for Agriculture in Madras, told the Annual Conference of the U.P.A.S.I. (United Planters' Association of South India) that it was no part of the Government's intention to "kill the goose that lays the golden egg", there still seems to be some doubt among plantation interests, in Kerala at any rate, whether the Communist Government there would not be forced by competing labour unions to enact legislation as might assist that frightful process. This fear was given expression to by Mr. R. M. Howie, Chairman of the Association of Planters of Kerala at its first (but 17th of the erstwhile Association of Planters of Travancore) annual general meeting the other day.

What led Mr. Howie to express such an apprehension was primarily the principle of graduated rate of taxation on income of agricultural companies introduced by the new Kerala Government into its taxation system. One must wholly endorse the grounds on which he objected to this unprecedented principle. Thus, he said it was so, because (1) the graduated scale as applied to corporation income in plantation companies is not on a par with such a scale when applied to individual incomes; (2) the assumption behind the tax is questionable in equity; (3) it is fallacious, as, unlike individual income, corporation income represents incomes to many shareholders whose number normally increases with the size of the company and (4) it is from this income that corporate bodies must look for the maintenance and development of their productive capacity. It is also true, as the A.P.K. Chairman observed, that, "unless it is changed in time, this measure would be a serious threat to corporate development in the State and might thwart industrialisation as such". But Mr. Howie must not forget that it is open to the Kerala Government to retort by asking whether the same objections do not hold good against the Centre's Wealth Tax on companies, which too is as unprecedented as it is unconscionable.

It was heartening to hear from Mr. Howie that the law and order situation in Kerala has since improved somewhat. "I should like to express our appreciation of the fact", he said, "that, in recent weeks, the police have been taking the necessary action against law breakers in most districts". This doubtless explains, as Mr. Howie also pointed out, why Pressmen, who have visited Kerala in recent weeks, have been reporting a general improvement, unlike what they used to do some months ago. But this gain on one industrial relations front seems to have been offset by an unfortunate development on another, namely, the Government's novel method of dealing with management in the matter of settling disputes. Latterly, it is alleged, the Kerala Government has been following the practice of sending for the Manager of a unit of the industry where there has been an industrial dispute, imposing on him any settlement it wishes to, and, what is even worse, regarding such a unilateral settlement as being applicable to the whole industry! This is carrying one step further the reprehensible practice of the Union Government at times of regarding strictly informal expression of views—and declared as such in advance—by representatives of an association or body of employers as the considered views of that association, a practice which the spokesmen of the Employers' Federation of India have repeatedly condemned.

Another version of this is the Kerala Government's constitution of committees and nomination to these committees of "obliging" individual planters whose

supposed views are flashed as representative of the whole industry, again, without reference to the association of the industry concerned. As Mr. Howie observed, "this has the effect of by-passing and nullifying the value of Employers' Associations, who are striving to preserve some unity of action in labour matters in the interests of industrial peace". Evidently, the Kerala Government is not satisfied with the doing away of functional representation which trade and industrial bodies enjoyed during the pre-Constitution days and wants to break the solidarity of these associations and see them disintegrate altogether.

That the Kerala Government does not sincerely believe in the democratic conference method but probably prefers the authoritarian approach in all these matters seems obvious from the way in which the State Government recently sought to change the wage structure of piece-rated tappers and pluckers, involving lakhs of rupees, by just a Gazette notification. Of course, the industry did not take this lying down and saw to it that no effect was given to the Government's new scheme by getting the High Court to pass a stay order. But this unpleasant episode might well have been avoided, if only the Government had the will. The absence of any such will can be clearly inferred from the delaying tactics of the Government in the matter of constituting a select committee to examine the future wage standards of plantation labour in Kerala and the possible solution of a bonus formula which was agreed to by representatives of both employers and employees as long ago as on May 18, 1957. At the time, I understand, the State Labour Minister even gave the impression that he had persuaded all the labour union leaders in the State to agree to this. All that was apparently left undone then was the appointment of a competent and unbiased chairman, but the Minister would appear to have promised to decide this also on receipt of a panel of names from the Association. Such a panel was sent even before the end of May, but, as the Labour Minister did not approve of these names and wanted another set of names, a fresh panel was sent.

The question was again raised in July last, at the meeting of the Standing Labour Committee on Plantations and the Chairman of the Committee gave a categorical assurance that no unilateral agreement would be forced on the basis of a proposed conciliation which had been arranged in the meanwhile—on July 8, 1957, to be precise—to discuss the wage level in Malabar. To say the least, this is most irresponsible. Apart from this having the effect of by-passing the proposed select committee, which would have been the proper body to discuss such an important issue, it has occasioned fresh trouble and, this time, from the followers of the party in power itself. Strangely enough, it would appear that no representative of the Communist union was a signatory to the July 8 conciliation at Trivandrum and so the Communist union has been openly repudiating the conciliation. Surely all this could have been avoided and a solution satisfactory to all concerned would have been found, had the problem been approached in the only way that is right, namely by constituting the select committee. This is not a case in which the planters have adopted any unhelpful attitude. No planter has denied that both wages and piece-rates on plantations in Kerala are due for revision. All that he wants is that he be given a chance to be heard before a decision on the question is taken by the Government.

Company Meeting

THE ALUMINIUM INDUSTRIES LTD.

Speech of Shri T. T. Rathnasabhapathy Pillai, Chairman of the Aluminium Industries Ltd., Kundara, Kerala State, at the Eleventh Annual General Meeting of the Company on 25th September, 1957.

Dear Shareholder,

I have very great pleasure in welcoming you to the Eleventh Annual General Meeting of the Company.

The financial results of the working of the Company for the year ended March 31, 1957, are already before you, along with the report of the Directors and their recommendations regarding the appropriation of the profits.

We have had another successful year and it is a matter of gratification to me that while we have maintained the usual tax-free dividend of 12½ per cent we have, in spite of the increased provision for taxation, necessitated by the increase in Company taxes incorporated in the latest Finance Act, been able to transfer a sum of Rs. 2 lakhs to the General Reserve making a total of Rs. 20 lakhs and a sum of Rs. 2 lakhs to the Dividend Equalisation Fund making a total of Rs. 6 lakhs while the Deferred Taxation Reserve is maintained at the adequate level of Rs. 6.25 lakhs.

The new insulated Cable plant has gone into production at Kundara and the current year will see the introduction of continuous shift-working and increasing turnover in that field. We have pioneered in this venture and are placing on the market a consumer article in very great demand, which will enable cheaper electrification of homes and factories.

The Company's Hirakud Project is making satisfactory progress. The Government of India have licensed the importation of the requisite capital equipment without any deferred payment terms. This is surely an indication of the importance Government attaches to this industry and the cognizance taken of the considerable foreign exchange saving that will result from the expansion of this industry. Despite the prevailing shortage of essential building materials, it is expected that the Rod-rolling Mill at Hirakud will be in operation in the third quarter of 1958 and the Cable Mill early in 1959. Subsequent years will naturally see an increased turnover, better service to our customers and enhanced profits. The world aluminium metal supply position has improved considerably since the close of the previous financial year and the manufacturing and trading prospects for 1957-58 are definitely better. The output graph in the Balance Sheet gives you some idea of the steady increase in our cable production and there is reason to expect that the upward trend of production will be maintained in the coming years. We shall thus be able to maintain on the double Capital of the Company the dividend which has been stabilized at 12½ per cent since we started paying it seven years ago, notwithstanding the fact that the Hirakud-plant will not be in commission till about the end of 1958.

The Kerala Government's policy, as you are no doubt aware, is one of continued support to all indus-

tries in the State. Every assistance and encouragement is being received by us for keeping the Kundara Plant operating at a high level of efficiency and on behalf of the Company I wish to tender my grateful thanks to the Kerala Government, for the same. We, on our part, re-dedicate ourselves to greater production of Aluminium Cables and accessories required so vitally for the electrification schemes of the second Five-Year Plan.

Now I request you to adopt the accounts already before you and to approve the appropriations for the year ended March 31, 1957, recommended by the Directors.



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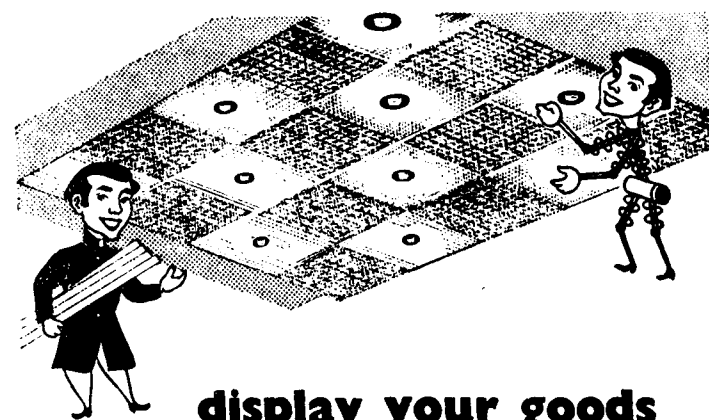
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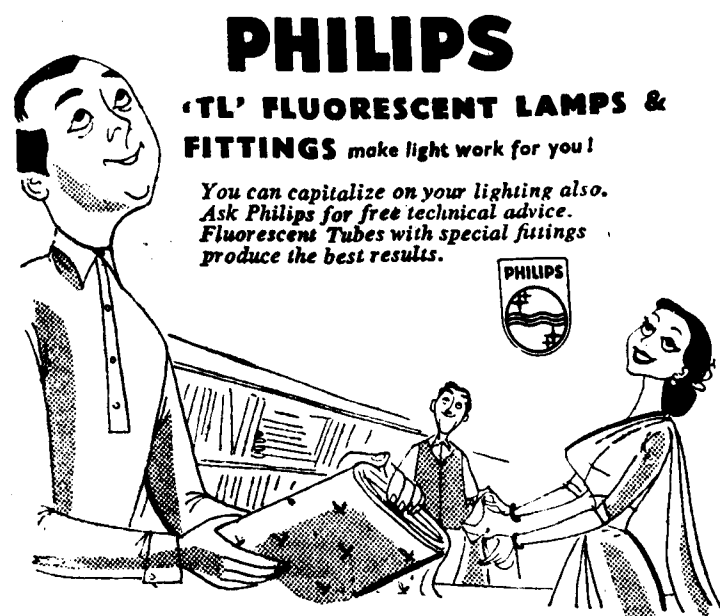
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BUSINESS NOTES

IMPORT AUSTERITY: ITS IMPACT

THE NEW import policy for the next six months, announced on Monday last, is, in substantial part, three months old. The most important features of the latest licensing policy are that while the Open General Licence will continue to be suspended, the established importer of essential raw materials has received some slight consideration. This is welcome in so far as it may be hoped that this old and valuable link in the country's import trade has not been wholly broken. Meanwhile, the consumer in general will soon find a long list of over 160 items of import getting beyond his reach. The list includes a few essential articles as razor blades whose indigenous production is less than adequate, even if strict considerations of quality are not applied. There will be almost no one in the country who could have hoped for a less strict curtailment of imports. Indeed, in the present circumstances of worsening foreign reserves position, there appears to be no alternative to the new policy, especially when the prospects of a sizable foreign aid are not entirely clear.

It is being estimated that the restriction of imports during the next six months would save the country some Rs. 100 crores compared to the first six months of the current year. While the estimate is essentially vague and without any proper authenticity behind it, the figure is surely far too less than the conditions decree. Even as it is, there seems to be not much likelihood of achieving a saving of the order of Rs. 100 crores. The axe has fallen mainly on consumer goods. These have however, accounted for no more than Rs. 58 crores during the four months January to April, when total actual deliveries were running at a high rate. The vast bulk of foreign exchange, to the extent of Rs. 200 crores, was absorbed by raw materials and another amount of Rs. 66 crores by plant and machinery. It is not conceivable that the import of industrial raw materials or plant and machinery will be cut down to an extent when the country could pull itself out from the present crisis. If that were ever done, it would amount to adopting a desperate remedy making for still worse conditions. The definite minimum of the Plan—its core—must be implemented. All that can possibly be done is to arrange for deferred payments. But because of rising interest rates abroad and readiness there which is less than India imagined, severe limits are put on this too. Therefore, the real saving would arise from slashing imports of consumer goods more than from all other sources. Yet this forms only a small fraction of the total import bill. Again, the outstanding licences are of considerable magnitude and they are to be utilised. The combined influence of all these elements may mean a continued high pressure on foreign exchange. It may well be that at the end of the six months, the country may find itself in no better position than today unless, of course, the actual flow of foreign assistance changes the situation. In the short-term, however, it would be over-optimistic to hope that a saving of Rs. 100 crores can be made. The estimate is, to say the least, exaggerated.

To say that the merit of the import restriction lies in giving a fillip to indigenous industry is to restate an old theory. Import restrictions are no doubt conducive to indigenous industrial growth. But they are imposed as a matter of expediency in the short run and the benefits which industry at home can derive from it are limited. And that is not about all to it. More important is the determination to improve standards of quality in order to create permanent markets for the produce, both inside the country and abroad. In the ultimate analysis, this is the only way for correcting the im-

balance in the country's payments position. Perhaps as important as the import policy is the need to turn full attention to the aspect of increased production and productivity and thereby help hold the price level. The next six months, and many more to follow, will be a challenge for the authorities. Not a little toning up is needed for an adequate response.

THE WORLD BANK IN 1956-57

THE FISCAL year of the International Bank for Reconstruction and Development, ended June 1957, has turned out to be yet another one of increasing interest in the productive projects in less developed countries. The development of such projects has been the principal area of the World Bank's activities. In all, 20 loans were made during the year, amounting to \$388 million. In total terms, however, this figure shows a marginal decrease of \$8 million from the fiscal 1956. The gross total of the Bank's loans, numbering 170, given since its inception in 1946, comes to \$3,108 million, spread over 45 member countries. Much as usual, the development of electricity generation and distribution continued to be the leading purpose for which the World Bank lent during the period under review. Loans for this purpose account for as much as over a third of the aggregate loans granted during the year. Direct loans to industry, which had featured less prominently in earlier years, maintained the high level of \$95 million reached in 1955-56. Agriculture and transport received loans of the order of \$55 million each.

The largest single loan of the year, of \$75 million, went to Iran for her two-year old development plan, with Australia and Italy taking the second and third places respectively. In India, the Maithon Dam, under the Damodar Valley Project, which has now been completed, was the beneficiary of two loans from the Bank. Though the Dam is mainly a flood control structure, its other important advantages lie in the provision of power and improvement of power and water transport services in a developing industrial area of the country. In Bombay, the Trombay thermal power plant has come into operation, increasing that State's electricity by as much as 125,000 kilowatts. In addition to a loan given for this project in 1954, the Tata group of power companies was granted another loan during the year of a little under \$10 million for further expansion. The other loans given to Indian enterprises are the \$20 million loan to the IISCO and \$5.6 million to the Air India International. By far the most important is the recent \$90 million (or Rs. 43.75 crores) loan to Indian Railways for development under the second Five-Year Plan. The utility of this loan in particular, given at a critical time, cannot be over-emphasised. At the end of 1956, India had been sanctioned 9 loans of the net amount of \$184,940,582, the third largest in the world. Over the remaining period of the second Five-Year Plan, India expects to receive well over \$200 million worth of further loans from the Bank.

As a matter of general policy, the World Bank places special stress on the growth and expansion of the private sector of the economy. In respect of government projects, the Bank usually emphasises the need for quasi-autonomous or similar other authority for operation, to keep out political pressures or lengthy administrative procedures, usually loans to governments are granted for basic development requirements like agriculture, power and transport. Perhaps no less important than its lending operations is the World Bank's role in giving technical aid and advice to member countries. Expenditure on this aspect has been \$500,000 a year for the last three years. General survey

missions have been organised for various countries and facilities for training in various fields are provided. The help being offered by the IBRD towards solving the tangled problem of canal waters between India and Pakistan is widely known and appreciated.

REINSURANCE CORPORATION BEGINS WELL

ALTHOUGH the India Reinsurance Corporation, Ltd. held its first annual general meeting on Monday last week, the accounts presented thereat did not provide a correct picture of the results of working of the Corporation for a full year. Actually, the Corporation was registered on October 29, 1956 and it commenced business later still, that is, on January 1, 1957. So the accounts presented and adopted by the meeting related, in fact, to a period prior to the actual commencement of business—for the period ending December 31, 1956—or registration! This period hardly covered three months, inasmuch as the conference to obtain formal promoters' agreement to start the Corporation was itself held on October 18, 1956. But the idea was in the offing even from an earlier date, say, from early 1955, when a sub-committee of the Executive Committee of the General Insurance Council examined and reported on the problem of the net drain of foreign exchange out of India by way of reinsurance ceded abroad and on how to reduce this drain. The result was the formation of the Corporation.

Apart from conserving foreign exchange, as Mr. A. D. Shroff, the Chairman of the Corporation, observed at the first annual meeting, such a Corporation helps promote the development of the reinsurance market in the country and thereby makes the functioning of the indigenous market complete and well-integrated. The decision was timely, because the rapid industrial developments since have greatly expanded the base of the insurance market, which, in turn, has enlarged the scope for trading in reinsurance to and fro. The Corporation is international in character, which, incidentally, is one of the reasons why the Government of India agreed to let this remain as a purely private enterprise affair. It is a co-operative venture of all insurance companies, both Indian and foreign, functioning in the country.

During the brief period of its existence, apart from realising an estimated net premium income (for the first year's trading) of some Rs. 70 to Rs. 80 lakhs—distributed in the proportion of 45 per cent Fire, 30 per cent Miscellaneous and 25 per cent Marine—the Corporation has succeeded in evolving an underwriting system, which would be, to quote Mr. Shroff, "easy to operate, create the least possible difficulties for the members ceding business and be administratively economical." Under this system, even the smallest company is assured of a share by retrocession, commensurate, of course, with its underwriting limits. Hence the distinction between "listed" and "unlisted" risks in the Fire Department. It is a happy augury for the successful functioning of the Corporation that this system has been working smoothly all along.

PROGRESS OF THE I.F.C.

MUCH OF what the Chairman of the Industrial Finance Corporation, Mr. K. R. K. Menon, said at the ninth annual general meeting of the Corporation recently is heartening. There has been, during its last financial year ended June 1957, an impressive increase in its disbursements—from Rs. 2.20 crores in the previous year to Rs. 9.78 crores. The significance of this year's figure is not only in its being four-fold. It is also in the fact that the increase has occurred in spite of the considerable delay in draws caused by the closure of the Suez Canal and the difficult foreign exchange position. Both the eventualities contributed to reduced imports

even of capital goods. The difficulty in securing foreign exchange is reflected in the decline in the total volume of loans applied for, as compared to the previous year. This, in turn, has resulted in a lower total of loans sanctioned during the year. The drop in sanctions is from Rs. 15.13 crores in 1955-56 to Rs. 11.91 crores.

For the current year, 1957-58, the Corporation will have at its disposal some Rs. 20 crores. As much as Rs. 15 crores of this relatively bulky amount has been made available by the Government. Also, the IFC Act is to be so amended as to make it possible for the Corporation to borrow ten times its paid-up capital. The Amendment Bill is now pending before Parliament. The funds being thus substantially augmented, it is only necessary that the IFC should dispose of loan applications as expeditiously as possible in order to make the best use of the funds at its command. However, from what the Chairman has stated, it appears unlikely that all the applications waiting for disposal will be considered.

An important development in the working of the Corporation is that, during the year under review, it has been able to pay full guaranteed dividend on its paid-up capital without subvention from the Government. During its life of nine years, it is only for the second time that the Corporation has not had to draw on Government assistance for this purpose, the first time being in 1953. This welcome turn is born of higher profits for the year. Now that the Corporation has succeeded in striking roots deeper, it should be hoped that profits will continue to increase to eliminate all dependence on Government help. For this, the Corporation will need to be resilient in its policies so as to profit by its experiments. One innovation it had to adopt, which has proved useful, is the nomination of non-officials on the Board of Directors of a loanee company. An increasing use of technical, financial and administrative experts, from outside the official fold of the Corporation, can well lead to more fruitful results. The power to be conferred on the Corporation to enter the field of guaranteeing deferred payments by capital goods importers has come not a day too early. The guarantee will facilitate securing of goods on deferred payments which is one of the devices the country needs to adopt to tide over its present payments difficulties.

THE ALUMINIUM INDUSTRIES

A MEASURE of the successful working of the Aluminium Industries is provided by its maintaining the usual dividend of 12½ per cent, tax-free, in spite of increased taxation as a result of the provisions of the latest Finance Act. It is a matter of gratification that the Company is making good progress. The importance of the growth of aluminium industry in the country has never been in doubt. The Government has given sufficient recognition to this fact inasmuch as licences have been issued for importing equipment for the industry without the limitation of deferred payments. This is significant at a time when restrictions are imposed on all sorts of imports to arrest the deteriorating foreign exchange situation. Indeed, the expansion of the industry will save the country valuable exchange in course of time.

The Company's insulated cable plant at Kundara, in Kerala, has already gone into operation. This is a pioneering venture and will make available an article highly in demand. The electrification schemes of the second Five-Year Plan are bound to multiply the demand for aluminium cables. That the Company is preparing itself for meeting the demand is, therefore, to be welcomed.

Company Meeting

INDUSTRIAL FINANCE CORPORATION OF INDIA

Speech delivered by the Chairman, Shri K. R. K. Menon, at the
Ninth Annual General Meeting of the Shareholders of
the Industrial Finance Corporation of India held
on the 27th September, 1957.

Gentlemen,

I have pleasure in placing before you the Accounts of the Corporation and the Report of the Board of Directors for the year ended June 30, 1957. Printed copies of the Accounts and the Report are before you. These have also been circulated to all the shareholders. I shall, if you agree, take them as read. I would, however, make some observations on a few points.

2. It is my painful duty, to refer to the sudden demise, in March 1957, of Shri Syamnandan Sahaya, our esteemed colleague of the Board of Directors of the Corporation. Shri Syamnandan Sahaya served the Corporation in this capacity as the elected representative of Co-operative Banks from November 1953 till the time of his death. His indefatigable energy and his judgment in financial and business matters were of immense value in the deliberations of the Board, and I am sure you will join me in expressing our deep sense of sorrow at his passing away and conveying our sympathies to the bereaved family.

3. Shareholders will observe from the Accounts and the Report that the working of the Corporation for the year ended June 30, 1957, was even more satisfactory than that for the previous year. Our gross profit rose from Rs. 32.68 lakhs in 1955-56 to Rs. 43.06 lakhs in the year under report, and whereas there was no profit left for paying dividend last year, we have a net profit of Rs. 11,25,000 this year, which just enables us to pay in full the amount of the guaranteed dividend on our paid-up capital, without having recourse to any subvention from Government. This, you will observe, is after providing a sum aggregating Rs. 31.81 lakhs for estimated tax liability, doubtful debts and other contingencies. It may perhaps be of interest if I recall in this connection that, during the past nine years that the Corporation has been functioning, we have had to ask Government for a subvention every year, except once viz in 1953.

4. The total amount of our loans and advances which stood at Rs. 14.24 crores last year has also shown a marked increase; it now stands at 21.90 crores. With this steep increase in our investments, I believe we should be in a position, hereafter, to stand on our own legs without calling upon Government for help to meet the guaranteed dividend on our share capital.

5. In the matter of disbursement of loans also we have forged ahead in the year under report. Our disbursements during this year totalled Rs. 9.78 crores, as against the corresponding total of Rs. 2.20 crores in 55-56, Rs. 1.64 crores in 54-55, and Rs. 2.82 crores in 53-54. This very satisfactory result, it must be said, was achieved in spite of the fact that, due to the closure of the Suez Canal route and also the country's

tight foreign exchange position, delivery of capital goods from abroad was subjected to considerable delays, and there was, therefore, corresponding delay in the drawal of the loan amounts sanctioned. Among the important factors which helped us to speed up disbursements to this extent may be mentioned (a) the completion of the administrative reforms that were initiated in 1955-56 to which I had made reference in my last year's speech, particularly the quickening in the pace of completion of the necessary formalities in the head office and branch offices of the Corporation, (b) the extension of the system of having our own Law Officers to the two remaining regions viz., Bombay and North India (Madras and Calcutta having already been covered last year), and (c) further liberalisation of the procedure for granting interim loans pending completion of legal formalities.

6. There was a fall in the total volume of loan applications received from Rs. 27.70 crores for 1955-56 to Rs. 21.36 crores this year. It is to be noted, however, that this reduced figure of Rs. 21.36 crores represents a considerable advance on the total for 1954-55 viz. Rs. 11.27 crores, and Rs. 9.01 crores for 1953-54. There was a corresponding fall in the volume of loans sanctioned, which came down from Rs. 15.13 crores for 55-56 to Rs. 11.91 crores in the year under report, though both these figures compare very favourably with the corresponding figures viz. Rs. 7.34 crores and Rs. 5.27 crores for 54-55 and 53-54, respectively.

7. I surmise that one of the main factors which contributed to the diminution in the volume of applications this year was the difficulty experienced by Industrial concerns and entrepreneurs in the matter of securing adequate amount of foreign exchange for importing the necessary capital goods. The rise in prices of foreign machinery was also possibly another important factor which contributed to the contraction in the volume of loan applications.

8. You will notice from the figures given in the Annual Report that recoveries of interest and instalments of principal during the year were on the whole, very satisfactory. We have refrained from exacting our pound of flesh in the case of those defaulters who, we considered, after detailed examination of their financial affairs, deserved liberal and sympathetic treatment at our hands.

9. Our relations with the public and particularly with the various Chambers of Commerce and Industry, to which we had paid considerable attention in the previous year, as I said in my last year's speech, continued to be as close and friendly in the year under report, and I take this opportunity of thanking the representatives of the various Chambers for the valuable suggestions and assistance which we received from

October 4, 1957.

them as a result of the free and frank discussions we had with them on various problems of mutual interest.

10. In my speech last year I had mentioned that our Advisory Committees were in the process of being reconstituted so as to include a larger number of technical experts in each, and also so as to provide for a wider territorial representation. These Committees have now been reconstituted accordingly. As mentioned in the Annual Report, a fifth Advisory Committee for miscellaneous industries like electricals, paper, cement, glass, aluminium, non-ferrous metals, etc. was also constituted in the course of the year. The advice and guidance received from these Advisory Committees have been of immense help to the Board of Directors in dealing with the loan applications.

11. A noteworthy step that we took, as an experimental measure, in the year under report was to nominate non-officials to the Boards of Directors of a limited number of companies to whom we had granted loans. Hitherto we had been confining such nominations to the officials of the Corporation. We decided, on the basis of the results of the experimental measure introduced last year, to expand the scope of the scheme, and, in the current year, we propose to nominate several more non-officials. A measure of this kind is fast becoming unavoidable as, with the rapidly growing number of loanee concerns on our books, we have arrived at the stage where already it is becoming extremely difficult for our own officials to function as our representatives on the Boards of Directors of all, or even a majority of, these concerns, in addition to carrying on their normal duties, the volume of which has also grown considerably of late.

12. Before I turn to other matters of general interest I should like to invite your attention to one item in the accounts presented to you. Our Auditors have remarked that it would be desirable to increase the provision made for doubtful debts (viz. Rs. 22.25 lakhs) by another Rs. 5 lakhs.

As matters stand at present, and based on our present anticipations, which are cautious and conservative, we are in a position to assure you that the provision available in our account viz. Rs. 15.25 lakhs should prove quite adequate for covering our doubtful debts. In fact, if the negotiations for the reconstruction of certain of the Companies concerned and the sale or lease of their assets which are now in progress, bear fruit—as we hope they will—we should be left with a surplus in the provision that has already been made in this regard.

13. The figures given in Appendix I to the Annual Report showing the state-wise distribution of the loans sanctioned by us in the year under review as well as in the previous years will show that as compared with the position as it obtained on 30th June 1956, there has been a marked increase at the close of our financial year in June 1957, in the total of loans sanctioned to concerns located in certain States. Excluding those States which, relatively speaking, may be described as industrially advanced, the figures relating to the progress in some of the other States are, I think, worth inviting your special attention to. These are—

(i) Andhra—Increase from Rs. 1.29 crores up to the end of 1956, to Rs. 2.61 crores at the end of 1957.

(ii) Kerala—From Rs. 3.19 crores up to the end of 1956, to Rs. 4.28 crores at the end of 1957.

(iii) Punjab—From Rs. 2.01 crores up to the end of 1956, to Rs. 2.66 crores at the end of 1957.

(iv) Uttar Pradesh—From Rs. 2.96 crores up to the end of 1956, to Rs. 3.86 crores at the end of 1957.

14. In this connection I am glad to inform you that as part of a drive for increasing the volume of assistance rendered to industries in the relatively weaker States, and with a view to informing the Governments of these States regarding the functions and scope of activities of the I.F.C. I made it a point to hold personal discussions with the Chief Ministers of these States, and, in some cases, also with the Ministers in charge of Industries. They all evinced keen interest in the matter of accelerating the pace of industrial development in their States, and I was left with the impression that we may look forward with confidence to an increasing measure of participation by the I.F.C. in the financial assistance rendered to industrial enterprises sponsored by, or with the support of these State Governments, subject of course to our financial resources in the future permitting the expansion of our activities in this particular direction.

15. Turning to the general pattern of industrial units which were sanctioned loans during the year under report, sugar came first with a total of Rs. 4.63 crores. Chemicals and textiles followed with Rs. 2.51 crores and Rs. 1.85 crores respectively. This same pattern held good in the previous year also.

16. Co-operative Societies continued, in an increasing measure, to seek our assistance, and at the end of the year under report the total amount sanctioned to this class of concerns came to Rs. 10.73 crores as against the corresponding figure of Rs. 6.89 crores at the end of the previous year. All the 22 Co-operative Societies, distributed over six States, to whom we have sanctioned loans so far are engaged in the manufacture of sugar. The total cost of their Schemes comes to roughly Rs. 25.66 crores out of which Rs. 10.73 crores, as already stated, come from the I.F.C. as loan, and the balance Rs. 14.93 crores is accounted for to the tune of Rs. 4.23 crores by subscriptions raised from members, Rs. 4.16 crores by cash credits from Banks for working capital, Rs. 2.80 crores by subscription from the State Governments concerned, and the balance by deferred payments and other sources.

17. A fairly large number of our loanee concerns continued to earn during the year profits high enough to enable them to distribute dividends in excess of the usual 6%, with our prior concurrence. We continued to give such concurrence in all cases where the financial position of the concern, after careful examination by us, struck us as satisfactory. It has been our policy to be fairly liberal in this matter, consistent with the security of our loans, and the well-being of the concern.

18. In this connection I should like to invite your attention to the fact that only a small fraction of the total amount of loans sanctioned by us is accounted for by loans sanctioned to concerns which, at the time of such sanctions, had already been declaring relatively high rates of dividend. In the large majority of cases our loanee concerns fall in the category of either those which, at the time of the sanction of their loans by us, were not declaring any dividend at all, or those which, though declaring a dividend at that time, were not declaring dividend at relatively high rates. It is also worthy of note that in the majority of the concerns that had been sanctioned loans by us and which have been paying relatively high rates of dividend we have made it a condition for the grant of our loans that they should raise fresh capital of a considerable amount in each case from the capital market. In a few of these cases the amounts that they have been asked to raise

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from other sources have exceeded the loans sanctioned by us, or nearly equalled them.

19. Conditions in the money market during the year under report were more tight than in the previous year, and we were obliged to raise the rate of interest on our loans by $\frac{1}{2}\%$, viz. from 6% to $6\frac{1}{2}\%$, with effect from the 23rd April 1957. It is not unlikely that we may have to pay higher rates of interest than we do now on our borrowings in the course of the current year; this will naturally affect our lending rates too.

20. In my speech last year I had invited your attention to the fact that our ways and means position was engaging our anxious attention. With a view to ensuring that we have the necessary funds to enable us to fulfil the important role assigned to us in the second Five-Year Plan we explored all possible avenues for raising additional funds in consultation with the Government of India. You will be glad to know that in spite of the very difficult conditions that have prevailed for some time in the money market we have been able, thanks to the good offices of the Government, to make arrangements for augmenting our resources to the tune of an additional sum of Rs. 15 crores, which will enable us to disburse, if we are called upon to do so, loans up to a total of as much as Rs. 20 crores in the course of 1957-58 alone. Our thanks are due to the Central Finance Minister and his Ministry for making this possible.

21. Another important development in this connection that you will be glad to hear about is that Government have also approved of our proposal to amend the I.F.C. Act so as to enable us to borrow sums aggregating ten times our paid-up capital and reserve fund instead of five times that it allowed by the Act at present. A Bill, incorporating, inter alia, the above-mentioned amendment has already been introduced in Parliament.

22. So much for the bright side of the picture. There is, however, the inevitable cloud attaching to the silvery future that I have just outlined to you. Loan applications from various industrial concerns which we have not been able to consider so far have already swollen to an unprecedented volume, and they still continue to come in. To meet this huge demand we have to try and raise further additional funds again almost immediately. Conditions in the money market which were, as I said, difficult enough last year have yet shown no signs of appreciable improvement, and it is not, therefore, unlikely that we should be faced this year with the prospect of having to hold over consideration of the bulk of the pending applications until such time as conditions change for the better. We are, however, at the moment, engaged in consultations with Government with a view to finding some solution to this problem. Government have been extremely helpful to us in this matter already, and, in spite of the heavy odds, I would not rule out the possibility of some amount being found for us this year.

23. A new field of activity which we are likely to enter this year is the guaranteeing of deferred payments by the importers of capital goods who are able to obtain this concession from the foreign manufacturers. As you are aware, our foreign exchange position has compelled Government to impose severe restrictions on the import of all foreign goods—capital and others—and importers of machinery are now obliged to secure terms of deferred payments before import licences are granted to them by Government. Some of the foreign exporters have asked that the deferred pay arrangements should be guaranteed by an institution like ours. Government decided, in consultation with your Directors, that we should be enabled to do this in appropriate cases, and they introduced a Bill in Parliament which seeks to so amend the I.F.C. Act as to vest in us the power to do so. This Bill, it is hoped, will come up for consideration in the November Session of Parliament, and as soon as it is

passed we shall formulate the procedure we will follow in regard to this new activity of ours.

24. Before I close, it is my very pleasant duty to convey my hearty thanks to my colleagues on the Board of Directors, as well as to the members of the various Advisory Committees and the non-officials who have served as our representatives on the Boards of Directors of loanee concerns for their co-operation and wise counsels. I have also great pleasure in conveying my thanks as well as that of the Board to the General Manager and the entire staff of the Corporation for another year of loyal and devoted work on their part.



The
BRITISH INDIA CORPORATION Ltd.
KANPUR

BRANCHES:

CAWNPORE WOOLLEN MILLS BRANCH	KANPUR
CAWNPORE COTTON MILLS BRANCH	KANPUR
COOPER ALLEN BRANCH	KANPUR
NORTH WEST TANNERY BRANCH	KANPUR
NEW EGERTON WOOLLEN MILLS BRANCH	DHARIWAL (PUNJAB)

SUBSIDIARY COMPANIES:

G. MCKENZIE & CO., (1919) LTD.
CALCUTTA

BEGG, SUTHERLAND & CO.,
PRIVATE LTD.
KANPUR

Managing Agents For:—

Elgin Mills Company Limited
The Balrampur Sugar Company Limited
Brushware Limited
The Cawnpore Sugar Works Limited
Cawnpore Textiles Limited
The Champarum Sugar Co., Limited
Purtabpore Company Limited
Samastipur Central Sugar Company Ltd.
Saran Engineering Company Limited

Secretaries of:—

The Beta Picker Co., Private Ltd.

PRINCIPAL AGENTS FOR:

THE ROYAL EXCHANGE ASSURANCE



COMPANY AFFAIRS

POONA, NASIK-DEOLALI AND BROACH ELECTRIC SUPPLY COMPANIES

In line with other electricity companies, the Agents of the Poona, Nasik-Deolali and Broach Electric Supply Companies have published their Reports and Audited Statements of Accounts for the three-month period January to March, 1957. Under the Electricity Supply Act, the accounts and reports of all electricity companies are now to be made up for the 12-month period ending March 31 every year. In view of this, it is not strictly possible to compare the results of working of the three-month period under review with those of the corresponding periods in previous years. However, from the tables specially prepared to indicate the progress made by these companies, the progress in respect of number of consumers, connected load, units of energy sold and revenue from sales of energy, shows an improvement in the case of all the three companies—the Poona, the Nasik-Deolali and the Broach Electric Supply and Development Corporation. But, in the case of the first two companies, the increases in both the energy sold and the revenue derived therefrom are sizeable, compared to increases in the corresponding period of the previous year, due to higher sales, consequent on further relaxation by Government of the restrictions imposed on the consumption of energy, and the delegation of powers to the companies to connect loads, albeit for specific purposes and within specified limits.

The net profits for the three-month period of the three companies are as follows:

Poona	Rs. 1,41,934
Nasik-Deolali	Rs. 55,256
Broach	Rs. 1,792

Accordingly, the management has recommended dividends in respect of the first two companies, on both preference and ordinary shares, those on ordinary shares being Rs. 2.50 and Rs. 2 per share, respectively, free of income-tax in either case.

The causes for the increase in expenses and the net loss incurred by the Broach Electric Supply and Development Corporation, Ltd. were the additional provision required to be made for taxation both for the year 1956 and for the three-month period under report, as also the donation made to a political party — the All-India Congress — of Rs. 17,500. This increase in expenses necessitated a transfer from the Tariffs and Dividends Control Reserve and, even then, the carry-forward of loss actually amounted to Rs. 6,924.

INDIAN TRADE AND GENERAL INSURANCE COMPANY LIMITED

An overall improvement in Fire, Marine and Miscellaneous departments has been revealed by the audited accounts of the Company for the year ended December 31, 1956. In the Fire Department, net premiums amounted to Rs. 32,46,051 as against Rs. 28,87,406 in 1955, an increase of 12.4 per cent. Net claims paid and outstanding amounted to Rs. 11,57,296 giving a loss ratio of 35.7 per cent as against 44.8 per cent in 1955. Commissions, expenses of management and foreign taxes amounted to Rs. 15,04,207 being 46.3 per cent of the premium for the year as against 45.8 per cent in 1955. After placing Rs. 1,79,322 to the Reserve for Unexpired

liabilities, which now stand at Rs. 16,23,025 or 50 per cent, of the premiums, there remains a balance of Rs. 4,46,048 which has been transferred to the Profit and Loss Account.

In Marine Department net premiums amounted to Rs. 21,01,082 as against Rs. 19,77,035 in 1955, an increase of 6.3 per cent. Net claims paid and outstanding on account of 1956 and previous years amounted to Rs. 16,05,665, equivalent to 76.4 per cent of the premium income for the year as against 67.1 per cent in 1955. Commissions and Expenses of Management amounted to Rs. 690,010 or 32.8 per cent of the premiums as against 30.2 per cent in 1955. After transferring Rs. 2,15,800 from the Profit and Loss Account, the Reserve for Unexpired liabilities is increased by Rs. 77,142 and now stands at Rs. 19,75,083, equivalent to 94.00 per cent of the Premium Income for the year.

In Miscellaneous Department Net Premiums amounted to Rs. 14,54,818 as against Rs. 9,98,722 in 1955, an increase of 45.7 per cent. Net Claims paid and outstanding amounted to Rs. 6,99,952, equivalent to 48.1 per cent of the Premiums, as against 52.0 per cent in 1955. Commissions and Expenses of Management amounted to Rs. 6,23,177, equivalent to 42.8 per cent of the Premium income for the year, as against 45.7 per cent in 1955. After transferring Rs. 1,09,643 from the Profit and Loss Account, the Reserve for Unexpired liabilities is increased by Rs. 2,28,048 and now stands at Rs. 7,27,409 or 50 per cent of the premium income for the year. Profit and Loss Account is credited with the various items shown therein and after incorporating Expenses not chargeable to other accounts, and after transferring Rs. 2,15,800 to the Marine Revenue Account and Rs. 1,09,643 to Miscellaneous Insurance Revenue Account, and Rs. 25,333 to Reserve for Taxation, there is a balance of Rs. 1,03,505 that has been carried to the Profit and Loss Appropriation Account. After including the balance carried forward from the 1955 account, which amounted to Rs. 25,247 there remains a balance of Rs. 1,28,752. The Directors recommended payment of a Dividend for the year at the rate of Rs. 2 per share without any deduction in respect of Taxation paid by the Company; this payment will absorb Rs. 1,20,000. It is proposed to carry forward the balance of Rs. 8,752 to the next Account.

CLEVEDON TEA COMPANY LTD.

The audited Accounts of the Company for the year ended 31st December, 1956, disclose a profit of Rs. 3,66,123. On transfer of this sum to Profit and Loss Account and after sundry adjustments, there is a balance at credit of that account amounting to Rs. 2,12,277, of which Rs. 50,000 have been transferred to Revenue Reserve. The State Bank of Pakistan have sanctioned the remittance of the entire Pakistani trading profits of the Company for Season 1954 to this country and the amount has been received by the Company. A sum of Rs. 1,20,000 has been provided against a dividend distribution at the rate of 30 per cent for season 1956 payable on receipt of the remittance of the Pakistani trading profits for Season 1955, for which an application has already been made to the State Bank of Pakistan, leaving Rs. 42,277 to be carried forward. The dividend at 30 per cent for Season 1955 was paid on July 23, 1957. Crop during the year was 6,065 maunds as compared with 6,347 maunds in 1955. The average selling price realized was Rs. 2-1-4 per lb. as against Rs. 1-14-9 per lb. in the previous year.

COMMODITY NEWS AND NOTES

PRODUCTION OF IRON ORE IN INDIA

The production of iron ore in India during the quarter ending June 1957, was 1,206,000 tons, according to the Indian Bureau of Mines. Among the producing States, Bihar accounted for 512,000 tons, Orissa 493,000 tons, Mysore 125,000 tons and Andhra Pradesh 55,000 tons. Compared to the corresponding quarter of the preceding year, the production of iron ore increased by 63,000 tons. The production during the half year ending June, 1957, was 2,509,000 tons showing a fall of 26,000 tons as compared to the corresponding period of the preceding year.

INCREASE IN COTTON ACREAGE

The International Cotton Advisory Committee has predicted "some increase" in cotton acreage and production outside the USA in 1957-58. In its August review, the Committee said this increase would offset to some extent the probable decline this season, in US production although the net effect of acreage restrictions on US cotton output "has been mitigated by higher yields per acre." "Nevertheless," the Committee declared, "It still represents a major re-adjustment of supply and it is obvious that without acreage controls in the USA there would be no solution to the world surplus problem."

PRODUCTION OF MANGANESE ORE IN INDIA

The production of manganese ore during the quarter ending June, 1957 was 414,000 tons, according to the Indian Bureau of Mines. Among the producing states Orissa accounted for 122,000 tons showing an increase of 9,000 tons compared to the previous quarter while Andhra Pradesh increased the production by 5,000 tons at 72,236 tons. All the other producing states recorded lesser output during the quarter under review. Madhya Pradesh produced 76,000 tons and Bombay 72,000 tons. The share of Mysore and Bihar was 57,000 tons and 12,000 tons respectively. The production during the half year ending June, 1957 was placed at 8,84,000 tons. Compared to the corresponding quarter of the previous year the production of manganese ore fell by nearly 26,000 tons.

METHODS OF CHEMICAL ANALYSIS OF MANGANESE ORE

The Indian Standards Institution has circulated, for eliciting comments, draft Indian standard methods of chemical analysis of manganese ore. This standard specifies the methods of determination of moisture, silica, barium, manganese, manganese dioxide, iron, alumina, titanium oxide, phosphorus, sulphur, lead, copper and arsenic. While preparing this draft, due consideration has been given to the work being done on the international level and the facilities available in the country for analysis. Comments on this draft may be sent before November 8, 1957 to the Indian Standards Institution, 19 University Road, Civil Lines, Delhi-8.

COTTON PRODUCTION IN PUNJAB

The second largest cotton-growing State in India, Punjab, contributes 6.20 lakh bales—a little less than half to the country's total production of American cottons, the long and medium staple varieties much prized for high quality and early maturity. The area covered by these cottons in Punjab is at

present estimated at about 1 million acres—about 72 per cent of the total cotton acreage in the State. These cottons bring to Punjab farmers an income of about Rs. 25 crores per year and save an equal amount of foreign exchange for the country. Ten years ago, however, East Punjab had only 39,000 acres under such medium staple cottons producing 8,000 bales, while PEF/SU had 4,000 acres producing 1,000 bales. Three new varieties of long-staples—scientifically named 216 F, and H 14—suitable for Punjab soil and conditions, economical in cultivation and in some ways better than the earlier cottons, were developed and production increased from a mere 1.1 lakh bales or so in 1950-51 to 4.93 lakh bales in 1954-55 and to 6.20 lakh bales in 1956-57. These new varieties had special characteristics which made them popular with the cultivators. Their earliness was so marked that the entire crop could be picked by the end of October, while cotton picking in the varieties developed in the pre-Independence period extended up to the middle of January. Because of this earliness, both 216F and 320F could be successfully matured with three or four irrigations, as against at least six irrigations required by the varieties bred previously. This was a welcome quality, as irrigation facilities available in East Punjab were not as plentiful as in the canal colony areas of West Pakistan. Further, both 216F and 320F found to be much superior to the local 'desi' cotton in spinning performance their spinning performance, their spinning capacity being 40 highest standard warp counts, as compared to six to eight counts of the indigenous varieties.

COTTON AND JUTE PRODUCTION IN PAKISTAN

Cotton output in Pakistan during 1956-57 declined by 9.8 per cent despite a slight rise of 1.5 per cent in acreage under cultivation, according to official figures available for the period. Production of cotton during the year totalled 15.7 lakh bales. The decline is attributed to rains and pest attack. The production, combined with the carryover of 1.1 lakh bales, gave total supply of 16.8 lakh bales, as against 18 lakh bales in the previous season. An official survey on cotton said, export sales till the end of June, 1957, aggregated to 6.2 lakh bales, while another 8.7 lakh bales are expected to be absorbed by domestic mills. The cotton season is, therefore, likely to end with a small carryover. The official estimate placed the area under jute in 1956-57 at 12.30 lakh acres as against 16.34 lakh acres in the previous season. Though this meant a substantial decline in acreage, output at 64 lakh bales was well maintained, as compared with 65 lakh bales last season. The total supply, including the carryover of about 2 lakh bales amounted to 66 lakh bales, as against 68.5 lakh bales in previous season.

SUGAR PRODUCTION AND STOCKS

According to the Indian Sugar Mills Association, the total sugar production up to August 31, of the season 1956-57 was 20,21,000 tons (excluding 10,552 tons produced by Mandya factory for the season 1957-58, as against 18,62,000 tons last season. The off-take of sugar from the factories during the month of August, 1957 was 2,08,000 tons as against 1,72,000 tons during the corresponding period last season. The total despatch of indigenous sugar during the 10 months of the current season comes to 18,08,000 tons (including despatches for export) as against 14,44,000 tons during the same period last season. The total closing stock of sugar with factories on August 31, 1957 was 7,54,000 tons as against 8,25,000 tons on the same date last season.

SCHEDULED BANKS

(Rs. in Lakhs)										
Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5 + 6) as percent- age of (4)	Advan- ces	Bills Discount- ed	(8 + 9) as per- centage of (4)	Invest- ments in Govt. Securities in India
	Demand	Time	Total (2 + 3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	
1948-49	674.66	303.88	978.44	37.51	76.63	11.67	424.85	18.44	46.10	
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	488.39	84.66	60.68	339.74
1955-56	608.64	407.95	1,016.59	34.64	62.52	8.69	514.37	118.08	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56	71.39	359.35
<i>Average of Fridays</i>										
January 1957	659.71	464.95	1,147.97	36.01	49.32	7.58	647.60	165.94†	73.29	362.67
February	683.02	466.94	1,172.05	36.27	50.29	8.64	687.52	166.33†	74.97	357.27
March	705.11	491.75	1,220.03	39.31	51.79	7.97	708.67	168.45†	75.55	348.75
April	728.28	455.05	1,094.83	38.15	65.12	7.99	719.66	183.45†	74.69	345.68
May	723.73	516.38	1,240.11	39.26	59.74	8.08	744.48	188.14†	76.10	343.32
June	715.22	547.21	1,282.43	41.39	67.44	8.72	744.73	181.73†	74.24	335.02
July	724.80	562.69	1,287.49	39.62	80.44	9.47	720.06	179.44†	70.97	332.44
<i>Week Ending</i>										
2-2-1957	728.80	578.94	1,283.67	36.59	107.04	11.19	706.62	176.98†	68.83	332.42
9-2-1957	704.61	577.22	1,263.14	40.19	83.90	9.82	705.96	176.03†	69.83	338.10
16-2-1957	702.55	579.10	1,263.05	39.87	74.38	9.01	700.34	174.92†	69.30	339.83
23-2-1957	711.32	580.94	1,272.07	38.94	74.89	8.94	687.91	174.20†	67.74	370.52
30-2-1957	713.83	597.03	1,288.14	36.92	100.00	10.79	683.31	171.58†	66.37	371.24

† 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
1956-56	..	2,184.32	1,505.09	679.23	667.22	12.01	+262.69
1958-57	..	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
August 1956	..	2,147.90	1,474.28	673.62	663.32	10.30	-41.23
September	..	2,134.92	1,451.77	683.15	672.79	10.35	-12.96
October	..	2,109.41	1,435.95	673.46	662.92	10.54	-25.51
November	..	2,123.00	1,442.52	680.48	669.64	10.84	+13.59
December	..	2,151.46	1,462.01	689.45	677.99	11.46	+28.46
January	..	2,178.65	1,485.34	693.31	681.35	11.96	+27.19
February 1957	..	2,220.47	1,509.90	711.57	700.80	10.77	+42.82
March	..	2,264.55	1,528.31	736.24	724.46	11.78	+43.08
April	..	2,312.89	1,556.50	756.39	744.74	11.65	+43.34
May	..	2,362.37	1,586.44	775.93	763.43	12.51	+49.48
June	..	2,382.15*	1,596.43*	785.71*	762.17*	23.55	+19.78*
July	..	2,342.97*	1,563.27*	779.70*	757.06*	22.64	+39.16*
August	..	2,309.62*	1,521.87*	787.74*	765.85*	21.89	-33.35*

Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

	WEEK ENDED

	WEEK ENDED											
	13-9-1957			6-9-1957			30-8-1957			23-8-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	107.89	107.00	107.62	108.84	107.37	108.08	108.62	107.81	108.29	108.10	107.37	107.93
Silver (per 100 fine tolas)	182.75	180.62	181.87	182.50	180.87	181.75	181.94	180.75	181.61	182.62	180.62	181.72

time to applaud the winner. Science knows no barriers in nationality, and should know none in politics. From all over the world there should be unequalled admiration for the Soviet achievement. In India, whatever our political views, we should accord to the Soviet scientists the warmest and the most enthusiastic congratulations.

Because in this field of knowledge the Soviet scientists have struck a momentous blow for the human mind; their achievement ceases to be Russian and belongs, like all supreme achievements of the mind, to the human race. In this sense at least, the Soviet achievement ranks as one of the great liberating forces of history. It may be remembered that when the General Theory of Relativity was published during World War I, the scientific world, as well as all institutions of higher learning, gave to Albert Einstein the tribute which was his due, although at that time it was ranked as a German success and he bore German nationality. Today, the makers of the first artificial satellite must be above the hard controversies of Cold War I. Their achievement belongs to the whole world; it will be a great memory for many generations; perhaps it will leave a mark on history continuing to elevate and inspire those who would constantly adventure with the unknown in order to win new laurels for the human mind.

While, therefore, in its purely scientific aspect, there should be no cause of anything but congratulations to our friends in the Soviet Union, there must be a recognition that the instruments which have been employed for the launching of the satellite have other uses on which the consensus of support cannot be anything equally unanimous. The rocket technique, in which the Soviet Union has now shown itself clearly ahead of the Free World, has less happy implications in the terrible rivalries in the nuclear world in which we are now forced to live. It may be that the great scientific success of the Soviet Union, both with the Inter-continental Ballistic Missile and with the first satellite, will lead to more aggressive policies in the international world. It may be that these aggressive policies will hasten development in the Free World, involving greater expenditure on armaments and, therefore, less on schemes designed to raise standards of living. In either case we, in India, must recognise that things are likely to be done, as a result of the Soviet success, which are not necessarily in the interests of human values or of increased investment in under-developed countries. While, therefore, one can hail the Soviet success as a tremendous blow in the battle against ignorance with unqualified enthusiasm, one needs to recognise that its second-round effects are likely to be greater Cold War rivalry and less interest in the problem of raising living standards, in particular those involved in filling the gaps in India's second Five-Year Plan.

The fact that a diversion of interest to satellite physics and preoccupation with building bigger and more powerful rockets will delay investment plans in other directions should not lead us to lose perspective on the long-run advantages of satellite research. A cynical scientist has suggested this week that there is real risk in atomic experiments, and it would be wise for *homo sapiens* to find refuge on other planets or even upon the moon. One need not also encour-

age space travel competition as an escape valve to increasing difficulties upon the earth. These experiments, which are now being conducted with renewed vigour, have obvious advantages in shortening distances between men, so that, conceivably in ten years from now, rocket travel might bring India within two hours of the American continent. The shortening of distances between the continents will have the effect of making international understanding a far easier problem than it is today. It may well be that the long-run advantages of quicker inter-continental communication — of which the satellite which encircles the earth in 96 minutes gives full promise — will far outweigh the inconvenience which distraction with the satellite is likely to have on our current investment plans.

The earth is still unhappily so situated in terms of international political rivalry that the Congress of the United States is far more concerned today with Soviet rocket superiority than with the challenge which awaits it in the greatest living democracy of the world. And yet it should be clear that the balance of power has not been substantially shifted. Beyond a certain degree — and the critical limit is far below the Hydrogen Bomb — superiority here and there cannot be decisive in maintaining world peace. It can be no advantage to the Soviet Union, because it has reached rocket superiority, to launch an attack on the United States, merely because of its success at the margin. Retaliation with any hydrogen bomb is a deterrent enough to stop the exercise in war of the inter-continental ballistic missile. It cannot be, therefore, that the security of the world in terms of military power has been so substantially altered that the Congress of the United States has justification for forgetting the larger challenge to which democratic life on the world is being subjected. Everything needs to be done to show that peace has its victories no less renowned than war. In a sense, the satellite is a victory of peace, but its reactions have at the moment produced a war psychosis which needs to be argued against as much in the interest of the human race as it is in the special interest of the under-developed world.

The long-term outlook for the human race can be made to look more bullish as a result of the extraordinary crop of adventurous imagination which modern science seems determined to spread before our time and generation. The Prime Minister has been right to remark on the extreme anachronism of an armaments race in conditions in which the fruits of scientific victory might change from one side to another, and in any case the reserves of destructive power are already great enough to abolish life upon the earth. This calls for a far more vigorous approach to disarmament on both sides. This approach cannot be based on superiority of either the Soviet Union or the Free World. It must be based on the recognition of the superiority of the human values which both the Soviet Union and the Free World owe to the human race. One of the greatest tragedies of the present situation is that the tremendous successes of the scientists have not been matched by equal leadership in the arts of political leadership. Is the new moon a star of promise, such as one which appeared two thousand years ago describing a new hope of peace on earth and good will amongst men? There are many millions in the world today who are anxiously seeking such a sign in which they can conquer.

Strategic Retreat at Brighton?

THE Labour Party Conference last week at Brighton is important neither because of the absence of the usual factional fights nor because its proceedings were free of the struggle between private conscience and public realism which had been the bane of the Labour Party since 1930s. The conference is significant because it witnessed the end of Bevanism — a euphemistic term for orthodox Socialist thought and the right to entertain and express private opinions even when they are diametrically opposed to the official party policy. Mr. Aneurin Bevan, the stormy petrel of the British Labour movement, showed at the conference that he had developed the requisite degree of flexibility and that he would no longer be an electoral liability. The conference also saw the abandonment — at least for the time being — of the creed of nationalization, which has influenced the Party's thinking in a greater or lesser degree for the past forty years. The conference witnessed the odd sight of the neo-Socialist, the ex-rebel and the trade union boss — Mr. Hugh Gaitskell, Mr. Aneurin Bevan and Mr. Frank Cousins — acting in unison, having reached a new understanding under the pressure of a possible general election in the near future.

The retreat of what has come to be known as Bevanism is clear from Mr. Bevan's stand on the resolution pledging that a Labour Government would ban unilaterally the test, manufacture and use of nuclear weapons. Opposing the resolution, Mr. Bevan said it was not a question of who was in favour of or against the Hydrogen Bomb, but one of what was the most effective way of getting the "damn thing" destroyed. He argued that unilateral action by Britain would lead to "diplomatic shambles". "What this conference", Mr. Bevan continued, "ought not to do is to decide on dismantling of the whole fabric of Britain's relations without putting anything in its place". Moreover, it would not necessarily follow that Britain would be safer from the Hydrogen Bomb as a consequence, he observed. "If war broke out between the United States and the Soviet Union," he added, "this country would be poisoned with the rest of mankind". In his opinion, the carrying out of the resolution might very well precipitate incidents "conducive to a third war." "Do you call that statesmanship?" he demanded. "I call it emotional spasm."

The change in Mr. Bevan's attitude must have surprised and hurt many delegates. There is, however, little doubt that it is more in keeping with the mood of the country and the anxiety of the Labour Party to provide continuity of policy after the Conservative Government. This it has done by assuring the public that the British pragmatic tradition in foreign affairs would not be subordinated to ideological considerations. The impression will, doubtless, persist that after thirty years of being kept out of real power by men whom he knows are less able than himself, Mr. Bevan has mellowed himself so as not to be cheated of it when Labour next comes to power. This is the only way in which one can explain his opposition to the resolution on the Hydrogen Bomb. Otherwise, each one of his present arguments can be matched with his earlier counter-arguments.

Less surprising than the abandonment of a rigidly moral stand over nuclear weapons is the

fact that Mr. Bevan did not oppose the proposal for Government ownership of private industry through buying of shares instead of nationalization. Here "Gaitskellism" came up against remnants of the Bevanite Group and the Party's Old Guard who have never grown out of the concept of nationalization and hold to it as an article of Socialist faith. While commending the new proposal, Mr. Gaitskell warned the delegates that they should take care not to scare away millions of voters who, disillusioned as they may be by the Conservative Government, were still far from being convinced Socialists. It was, again, to woo these middle class voters that Miss Alice Bacon, while moving the resolution on the Rent Act, made much of the danger of eviction that would threaten nearly six million tenants next October, when houses whose rateable value exceeds £30 (£40 in Greater London and Scotland) are due to be decontrolled. The motion dangled before these tenants the idea that the Labour Government would promptly redress their grievances by getting a host of rent tribunals to establish a "reasonable rent".

It was also with an eye to the coming elections that the Labour Party leadership conjured up the spectre of unemployment which would stalk the land in the wake of the increased Bank Rate. Mr. Harold Wilson described the Government's measure as "vicious and calculated", and said that it "threatened a return to economic stagnation and an unemployment figure of between three and five per cent." The objective, he added, was to break the trade unions.

Judged purely from the Labour's desire to catch the floating vote, the Brighton Conference this year has surely been a success. First, it has demonstrated that Labour is not divided. Secondly, the policies it has pledged itself to follow have the right amount of ideological appeal for the partisan, and are at the same time mild enough not to frighten away those who distrust all ideologies. The uncommitted vote is suspicious of orthodoxy. Its political persuasion is middle-of-the-road. The battle for its vote cannot be won by doctrinaire appeals but by decisive enunciation of concrete policies. The more extreme these policies, the less likely are they to appeal to the floating vote.

The retreat from orthodoxy has been necessitated by the peculiar political phenomenon which has emerged from the recent by-elections in Britain. To be sure, these by-elections have revealed a swing of opinion away from the Conservatives. But they have not recorded any substantial gain for the Labour. The Liberal Party has instead polled a number of votes claimed to be its highest for the past 25 years. It is to win over these voters that the Labour Party seems to have discarded the slogan of nationalization and that Mr. Bevan has abandoned the posture of moral superiority over the question of the production and use of nuclear weapons. Thus, we have had at Brighton a Labour Conference in pursuit of the uncommitted voter rather than the vindication of orthodoxy. It met under the shadow of an impending general election and its deliberations were wholly subordinated to that contingency. The only questions still left unanswered are: Has Mr. Harold Macmillan really decided to yield his inheritance of office? And, will semblance of unity in Labour's leadership displayed at Brighton endure?

The Railway Plan Reconsidered

THERE are healthy signs in evidence that second thoughts are being devoted to the ever-pressing problem of revising the railway development plan. The drastic cut of over Rs. 350 crores which was applied to the Railway Ministry's original demand for outlay was a matter of expediency imposed by the size of the financial resources available for the total Plan. It was explicitly recognised at that time that the claim of the railways for higher expenditure and investment will have to be considered at appropriate stages.

On Monday this week Mr. Jagjivan Ram disclosed at a press conference that his Ministry had moved a step further from the position taken in the budget proposals of May last and had planned for a higher target of outlay than Rs. 200 crores contemplated there. This announcement must be hailed as encouraging. It is, however, not as heartening as it ought to have been. Its cardinal weakness lies in the fact that estimates of outlay are totally vague. It was surprising to be told at the conference that while a specific higher physical target has been fixed, its financial counterpart is still to be ascertained. The indications are that the revised targets of capacity and expenditure will fall short of the actual demands of the traffic offering.

Probably the most reassuring part of the revision of the railway expansion programmes is the bold decision on stepping up the target of the mileage to be newly electrified. This has been raised by about 57 per cent from 825 to 1,300 miles. The entire increase of 475 miles has been allotted to the East on the routes starting from Calcutta. This is precisely what was needed. Railway transport capacity in this area has reached the saturation point and it is beyond the potentiality of steam traction to carry higher traffic. The A.C. system which has demonstrated its superior benefits of efficiency and economy over the D.C. system is to be adopted on the lines to be newly electrified. It must, however, be remembered that the economies in cost which will be obtained from the higher loads and higher speeds of electric locomotives on A.C. system will be reflected in the operating costs. They bear no relation to the initial investment in electrification which will rise proportionately with the increase in the route mileage.

It was realised from the start that the truncated railway plan would have to be enlarged in respect of the provision of additional freight capacity. The magnitude of increased traffic to be generated by the different programmes of expansion in the overall plan could not be placed lower than 61 million tons in originating terms. Capacity of this order was the minimum that was required and it was obvious that the cut of 14 million tons which was applied tentatively in the plan could not be sustained. It is now announced that the cut has been restored. This announcement, however, must not be interpreted to imply that the new target of capacity will be adequate for the full requirements of the Plan. The original estimate in itself erred on the side of caution. It was assumed that miscellaneous traffic which covers a large number of development projects would increase at the rate of 5 per cent per annum. This assumption was unrealistic and it is clear from the last one year's trends in traffic that the increase is faster. Some of the major projects in the Plan have been allocated higher targets which inevitably would require larger transport

services. The average lead of traffic has been increasing since the last two years of the first Plan. A broad idea of the inadequacy of the new target of 61 million tons of capacity can be gathered from the revised plan for agriculture. The higher target for agricultural products now approved will itself swallow at least 10 million tons out of the 14 million tons of the increased capacity which has been recently allowed in the railway plan.

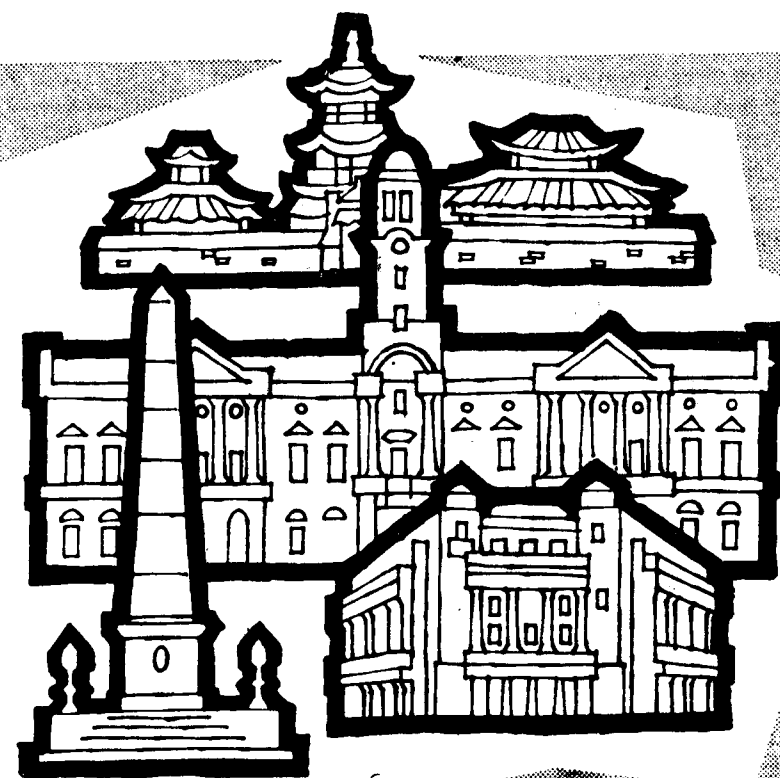
The rough estimates of expenditure on the newly expanded size of the railway plan are based on assumptions which lack any close analysis of costs. An overall allocation of Rs. 300 crores, which is 50 per cent more than what was envisaged in May last, is presumed to cover the higher outlay. Another presumption is that out of this amount Rs. 200 crores would be sufficient to meet the requirements of the creation of additional capacity, while Rs. 100 crores would cover the element of increased prices. These assumptions cannot be accepted straightaway. Even a broad analysis of the implications of the higher capacity target would show that the financial resources would inevitably fall short of the real requirements. An increase of 57 per cent in the mileage to be newly electrified would entail expenditure of something like Rs. 50 crores. The line capacity allocated in the original plan provides only for an increase of 50 million tons of additional traffic. The creation of more capacity to lift 10 million tons would easily cost anything like Rs. 40 crores. It is significant that the original programme of acquisition of increased rolling stock is estimated to cater for higher traffic of the order of 42 million tons. Movement of 19 million tons in addition to the stipulated rolling stock capacity would raise the cost of acquisition by Rs. 100 crores if not more. These three major items alone will absorb the amount of Rs. 200 crores supposed to cover the total cost of creating additional capacity.

It is an accepted implication of the financial scheme of the Plan that allocations of higher funds will have to be made in response to the progressive increases in prices of machinery, equipment and materials. The outlay needed to achieve the target of 61 million tons of increased capacity, even on the conservative estimate of the Railway Ministry, cannot be less than Rs. 1,325 crores. The provision for inflation in cost has been fixed at Rs. 100 crores over the entire period of the Plan. In effect the Railway Ministry's estimate proceeds on the hypothesis that the average increase in prices of equipment and materials over the Plan period will not exceed 7.5 per cent. It is obvious that this is an excessive under-estimate if the recent impact of inflation is any indication at all. It is curious that no clear idea has been obtained in any of the revised calculations about the increase in the foreign exchange component of the outlay. It is true that expectations of additional loans from the World Bank during the rest of the Plan period are based on reasonable grounds. The Planning Commission has taken a realistic decision in giving a categorical assurance to the Railway Ministry to provide the finances it will require during the Plan period. But certainly the Railway Ministry owes it to the Commission to give it a clear picture of its requirements. There has been a failure to act up to this obligation. The cost of this failure may turn to be inability to create transport capacity of the required size in time.

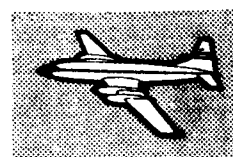
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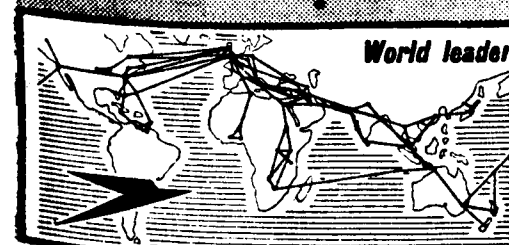


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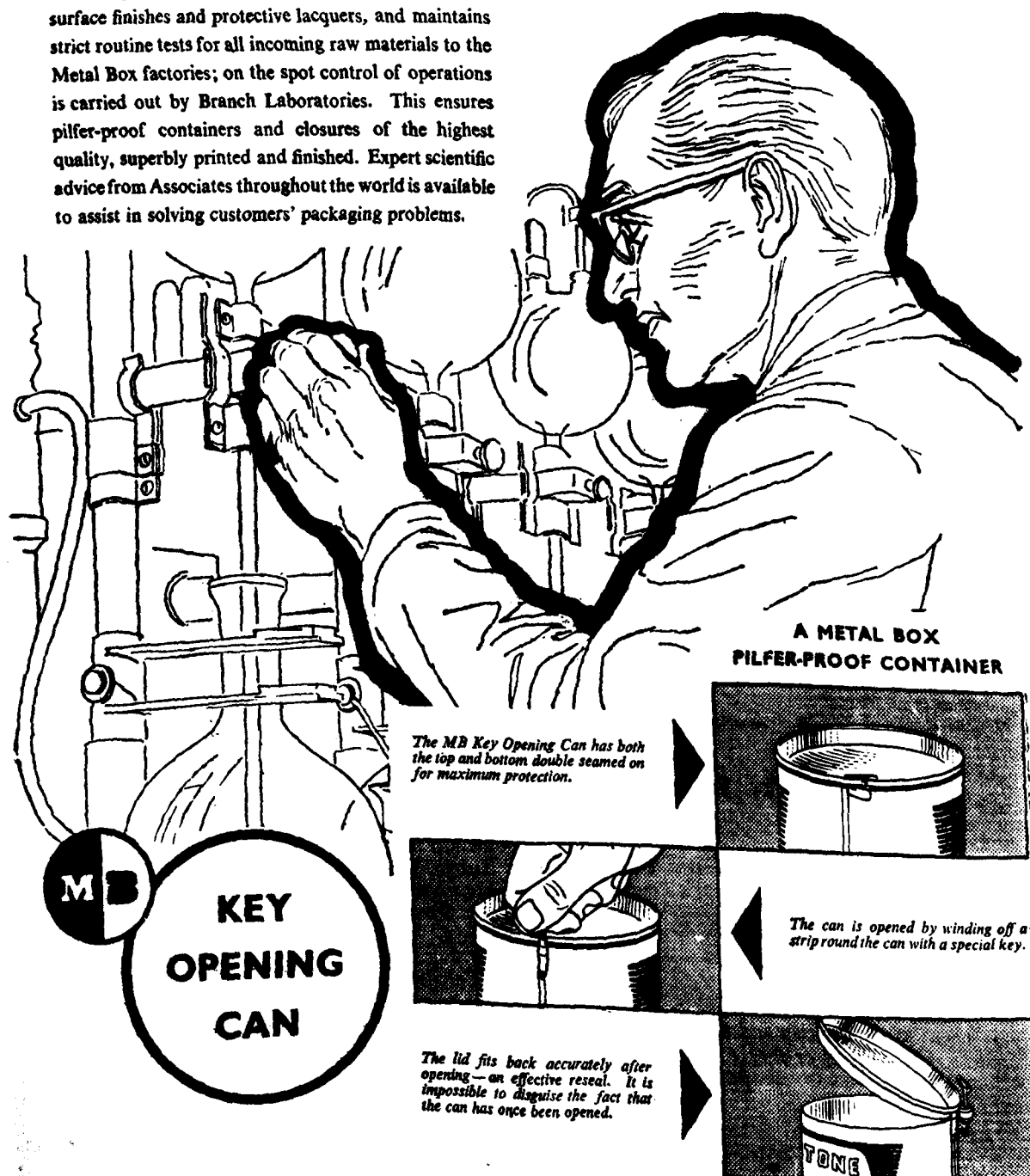
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THE WEEK'S NOTES

INDIA AND JAPAN

THE PRIME MINISTER of India is at present visiting Japan—a country whose people have often been a source of inspiration to Asian patriots. It was Japan's decisive victory over Czarist Russia in 1905 which permanently exploded the myth of Occidental superiority over the Orient and gave a fillip to the freedom movements in the East. Again, the manner in which Japan modernized its economy and gained the status of a great industrial and political power also fired the imagination of Asian peoples. The Japanese achievements were all the more remarkable because their country was no more than four tiny islands, only an eighth of India's area, without any sizable sources of iron ore, coal or oil. On top of it all, its vast regions are barren and have to be supported a population which is nearly one-fourth of India's.

In the pre-war years, Japan used to get these essential raw materials from its Empire. But since its defeat in the second World War and its subsequent occupation by the United States, Japan lost its regions of "co-prosperity." In spite of this handicap, its recovery, both economic and political, has been remarkable. New records in respect of industrial productions have been achieved. The output of steel now runs over 11 million tons, of cement to over 13 million, and new shipping tonnage at 1.6 million. In rayon industry, Japan ranks next in importance to the United States of America, while its cotton textile exports are highest for any country. The Japanese have achieved these by their efficient ways of working. India, which is already adopting the Japanese methods of cultivation, can profitably take recourse to Japanese methods in industry. As Japan cannot recapture its pre-war markets in Asia and the Middle East on the old basis, it will have to explore markets for its capital goods—for which there is a growing demand in the newly liberated countries of the East.

While there is little doubt that Indo-Japanese trade and economic collaboration over the years have been unsatisfactory, there is wide scope for it in future. Now that Japan is no longer dominated by a junta of army officers, industrial magnates and feudal lords, and has, like India, been engaged in a common experience—that of making democracy a success—the chances for collaboration have surely increased. Moreover, both the countries stand for international peace and a ban on the hydrogen and nuclear weapons. They differ, to be sure, on the methods of achieving these objectives. Japan's distrust and apprehensions about its next door neighbour, Communist China, make it imperative for it to rely on economic and military aid from the United States, as a protection against possible Communist subversion or aggression. India reacts differently—at least to appearances—to Chinese Communism, in spite of danger signals in its north and south. But attitudes should not prevent the two countries from co-operating in the economic and political development of Asia. Indeed, together they represent an alternative and a challenge to China's dream of empire in South-East Asia.

VOICES OF SANITY

GIVING ASSURANCE, in course of a speech at Poona last week, that Hindi would not be developed at the cost of other regional languages, the Indian President referred also to the English language. In the last 50 years, he said, English dictionaries had grown four times because that language had not hesitated to assimilate words from other languages. Such a procedure, he added, should also be adopted in developing Hindi. What the President does not appear to have taken into consideration is the fact that English was not

artificially expanded; words were borrowed by individuals whenever they thought it convenient to do so. 'Projects' did not have to be set up for the purpose. Nor does the President seem to have expressed concern at the results of too hurriedly substituting Hindi for English. Even if it were accepted for the sake of argument that, circumstances being different, Hindi has to be enriched and brought up-to-date by special means, there would seem to be considerable reasons why English should not be dispensed with; for one, Hindi is not developed enough to be in a position to take the place of English; for another, English being in currency over almost the entire globe, the world's medium of intercourse, it would be the height of unwisdom to throw it away in scorn. Mr. K. M. Munshi, who is second to none in championing the cause of Hindi, remarked the other day: "It is one of the misfortunes of the country that we want to discard English as fast as we can. We seem to have developed an inferiority complex that speaking or learning English will denationalize us". Hindi, he added, would take considerable time to develop to the level of English.

Mr. Munshi's plea for the retention of English has been reinforced by Mr. C. Rajagopalachari, who said in Madras a few days ago that "the Hindi programme is a difficult programme. Whatever may be the utility of learning Hindi, it is unjust and improper to make it the official language of India". Which should remind us that Hindi has not been enthusiastically accepted in every State. We have but to look north, south and east to appreciate the heartburn that its being made a national language must cause to speakers of much more developed and rich languages, or to those who are apprehensive lest the national language stifles their. The reticence of the various non-Hindi-speaking States towards Hindi is evident from the analysis reported recently of how half-heartedly the Centre's grants for propagation of Hindi are used. In the last three years that the Central Government has directly contributed to the expenditure on State schemes for propagation of Hindi, no more than half has been utilized of the sanctioned Rs. 1,100,000. In 1956-57, out of the Rs. 2.83 lakhs contributed, only about Rs. 1.45 lakhs was utilized. These figures lend considerable weight to the suggestion that English should be retained as the official language along with Hindi, until the time when the latter has come up to the level of the former.

FRESH CONFIRMATION

THE NEWS that the Plan outlay for the current year (1957-58) would be pruned by about Rs. 150 crores has not come as a surprise. As early as July 12 last it was noted in these columns that the planned public sector outlay for the year might actually come to just Rs. 770 crores — nearly the same as the revised outlay of Rs. 761 crores for the first year (1956-57) — which, too, would be rendered possible only by a dose of deficit-financing of Rs. 275 crores. It is now stated that this target for created money is not possible of achievement in view of the rise in prices in general and in food grain prices in particular — a price rise which has cut into savings by way of increased encashment of national savings certificates, for example. The revised target for deficit-financing may, therefore, be Rs. 175 crores or, at the most, Rs. 200 crores. In the estimate made by "The Eastern Economist", only the likely shortfalls in resources expected from small savings, and market borrowings and additional tax revenue of the State Governments were taken into account. As, however, a reduction of the target for deficit-financing was not anticipated at the time, the then estimated public sector outlay (Rs. 770 crores) of the Centre and the States together has now to be reduced by Rs. 75 crores or Rs. 100 crores, which

means that the actual outlay in the second year of the second Plan may come to only Rs. 670 crores or Rs. 695 crores — something less than the first-year outlay.

Thus it comes about that investment in the public sector in the first two years of the second Plan would be about Rs. 1,350 crores or about a fourth of the originally-planned five-year outlay as revised for price rise to Rs. 5,300 crores. As the remaining three-fourths of this outlay would involve an average annual expenditure of about Rs. 1,300 crores in the remaining three years of the Plan and as this level of investment, according to all indications, will be beyond the reach of the public sector, it is not difficult to see that not more than two-thirds of the physical targets of the public sector will have been reached by the end of 1960-61, the last year of the second Plan. If "The Eastern Economist's" estimates which have been described humorously as Cassandra-like pronouncements have unfortunately come true, it is to be hoped there will be a favourable turn in the financial tide which will render this journal's prognostications for the remaining period of the Plan wrong.

RUSSIAN TECHNOLOGY

RUSSIA'S SUCCESS in rocketing into outer space a satellite body which is now circling the earth at a speed of 18,000 miles per hour is hailed as a magnificent achievement of her science and technology. Till recently the general impression was that Russia's scientists were on a par with their counterparts in Western Europe and in the United States in the realm of pure theory and fundamental research but that her technology (practical utilisation or application of scientific discoveries) was far behind the western level. The Inter-Continental Ballistic Missile and the Earth Satellite she has developed now prove that Russia has attained an equally high level of technological progress. The fact that labour productivity in industry has registered a seven-fold increase since 1928 also confirms this high level of technological progress without which such a big increase in productivity would not have been possible.

How has Russia registered such phenomenal progress? Perhaps her system of scientific and technical education has contributed to this progress. The merits of this system are not quite well known. But that it must have its undoubted merits can still be inferred from a set of relevant figures published for the first time by the Soviet Government in the 'National Economy of the USSR—Statistical Returns' (1957). Some of these figures which compel one's attention are:

Engineers and technicians formed 9 per cent of all industrial personnel in 1955 as against 5 per cent in 1932.

The number of inventions and technical improvements introduced in production has increased from 655,000 in 1950 to 1,160,000 in 1955.

The number of important new types of machines built has increased from 650 in 1950 to 1,056 in 1955.

The total number of specialists with higher and special secondary education has increased from 521,000 in 1928 to 5,553,000 in 1956.

The average number of specialists graduated annually from higher educational establishments has increased from 42,500 in the first Plan period (1928-1932) to 224,200 in the fifth Plan period (1951-55).

The average number of specialists graduated annually from technical and other special secondary educational establishments has increased from 78,000 in the first Plan period to 311,900 in the fifth Plan period.

The total number of scientific institutions has increased from 1,263 in 1928 to 2,950 in 1955.

The total number of scientific workers has increased from 162,500 in 1950 to 223,900 in 1955.

The number of post-graduate students to receive a

scientific degree has gone up from 1,978 in 1940 to 7,607 in 1955.

These figures are by no means exhaustive, but they should be sufficient to convey some idea of the crucial importance that has come to be attached to scientific and technical education in the USSR. It is worthy of note here that relatively far greater progress in science and technology has been achieved under the post-war plans than under the pre-war plans. Totalitarian planning which has made possible a tremendous diversion of scarce resources to the scientific and technological sector and the presence of a number of German scientists and technologists whom the Russians spirited away to their country have also been partly responsible for the remarkable progress registered to date.

DR. NKUMAH'S DANGEROUS GAMBIT

GHANA GOVERNMENT'S autocratic actions since June have caused pain to the well-wishers of the new African State and embarrassment to supporters generally of the African movements for freedom. It seems even as if the operation of rule of law has been subordinated to the whims of Dr. Nkrumah's Cabinet, and more especially to the Minister of the Interior, Mr. Krobo Edusie. Addressing recently a meeting of the Convention People's Party, Mr. Edusie is reported to have remarked that "my sword of power is two-edged and any civil servant or politician who plays the fool will be cut down at once". Matching deeds to words, he disclosed that he would be moving a Bill in the next session of Parliament investing him with power to remove to a "detention camp" anybody who "discredits the Government".

Unfortunately, the Ghana Government's actions speak even louder than Mr. Edusie's disturbing statement. Two journalists who did no more than be properly critical of the Government's high-handed actions and maladministration have been deported before the wishes of the Minister of the Interior have received parliamentary sanction. The way the deportations were effected is indefensible. The Government of Ghana deprived the Accra correspondent of the 'Daily Telegraph' of a lawyer's services by barring the entry of one engaged by him. There is hardly any point in trying a man in court if he is denied the freedom to choose his own lawyer. Two dissident politicians were similarly ordered to be deported—on the ground of being Nigerians, and not Ghanaians. Their petitions, challenging the order, were pending in court at the time of deportation. After deporting them, the Government asked for dismissal of the suit on the plea that it had become infructuous. Evidently, such safeguards of democracy as a free press and independent judiciary are in grave danger of disappearing altogether from Ghana.

As a new and young country, Ghana enjoys much goodwill in the world today. Most people would be prepared to overlook its lapses in these early days of independence. But it would be a mistake to tax this goodwill beyond reason. In addition to earning a bad name for Ghana, it could be used as another excuse by colonial powers in Africa for continuing their political domination in other parts of the continent. It would be a pity if Dr. Nkrumah, who led Ghana to independence, should give posterity an opportunity to judge him as one who retarded political growth in his own country, and the freedom movements in other parts of Africa. And this will surely happen unless parliamentary democracy can be made to succeed in Ghana. This can be done only if Dr. Nkrumah asserts his authority over Mr. Edusie, who, less than three years ago, was proclaimed by a committee enquiring into allegations of corruption, as "unfit for public office". If Dr. Nkrumah does not act soon enough, people will be constrained to conclude that his choice was not accidental but purposive.

"I AM NOW REFINED..."

and Adipocere looks ahead

(Pronounced 'adi-po-saire')

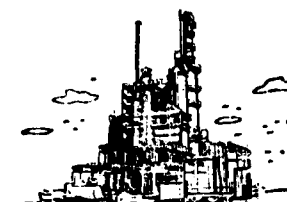
After successive stages of exploring, drilling and refining, I now take my final shape—guess what? I am transformed into various petroleum products (major products being gasoline, kerosene, fuel oils, lubricating oils and asphalt).

In other words, I am now refined and ready for the long haul. All that "crudeness" is no more. You won't recognise your old friend "Adipocere" about whom you first read in these columns.

They store me in the finished product 'tank farm'. Life here is serene...until the fast moving, action-happy marketing men come along.

Here they come in their sleek looking trucks and wagons with the Flying Red Horse painted all over. From now on I am forever on the move and help in the progress of everything that needs to move.

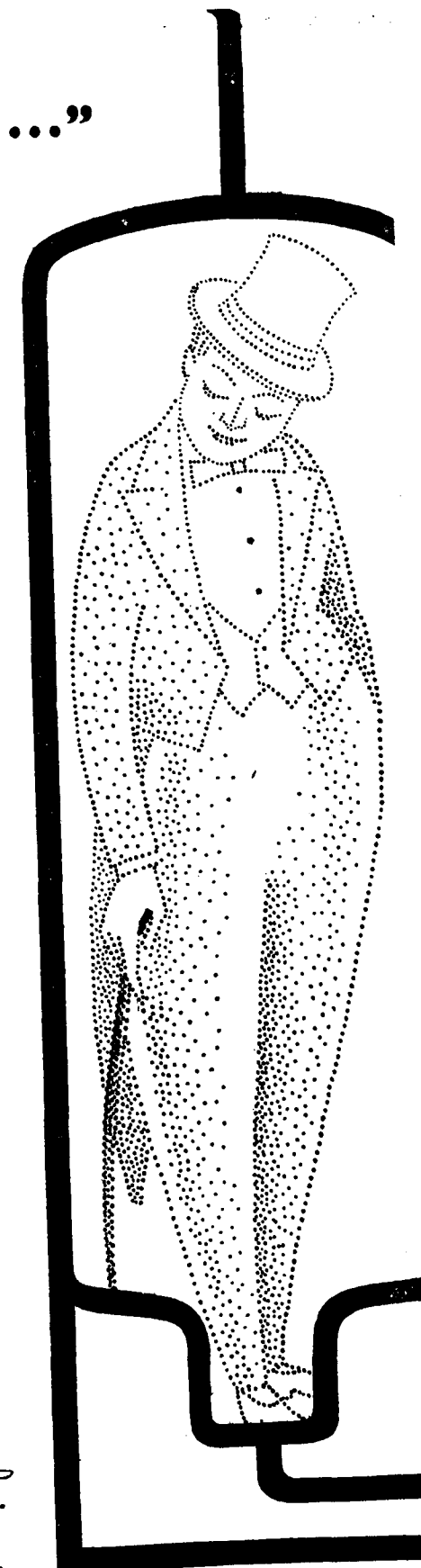
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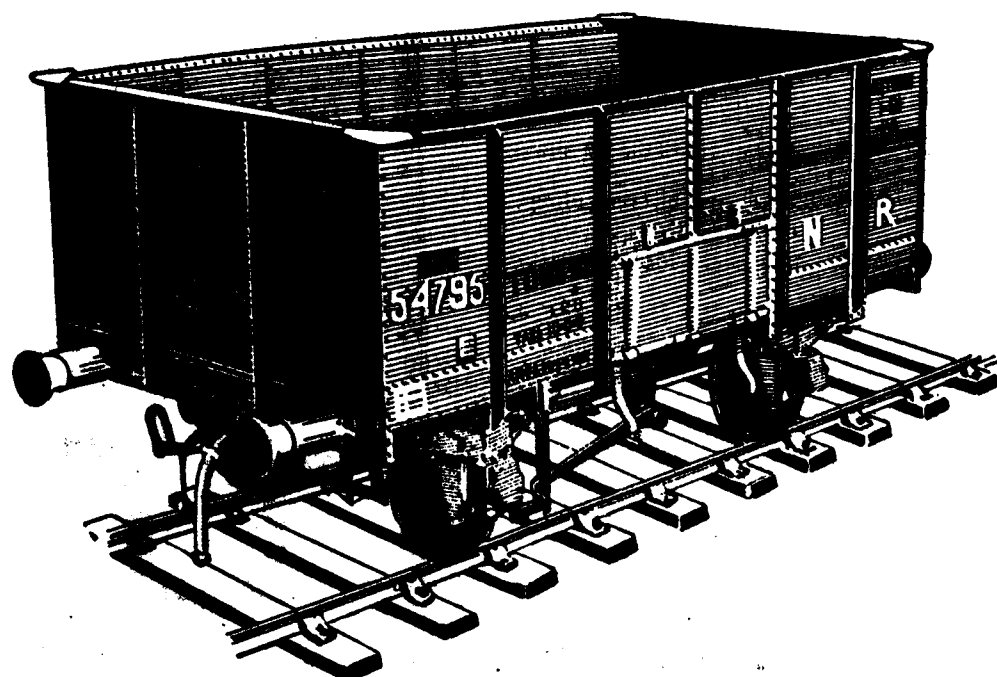
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FACTS BEHIND FIGURES

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82,000,000
train-miles
a year**

Across the country roll 225,857 railway wagons over a network of 35,000 track-miles. Covering over 82 million train-miles these wagons transported 115 million tons of freight. By the end of the Second Five Year Plan period this tonnage will rise by almost 35%. To meet the increasing needs of the Indian Railways the annual production of wagons will rise from 14,000 to 25,000 by 1961. Texmaco, pioneer in many fields of engineering, manufactures rolling stock and a wide variety of products for the Indian Railways.



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A Window on the World

HOW THE WEST LOOKS AT THE EAST

By

ODYSSEUS

WE ARE RUMINATING over the antagonisms between East and West, in hopes of finding out what could be done to replace them by the co-operation necessary to ensure peace, prosperity, and the preservation of individual freedom not merely in the East or West but throughout the world.

In the past three weeks we have noted that the period of colonial exploitation of the East by the West created resentments which have remained a habit of mind even though the exploitation has ceased. But we need also to consider whether the West harbours resentments against the East. This is important because if the East is to get the material aid from the West that it seeks, it ought to know what the psychological barriers are.

Now, many Easterners are, in the first place, apt to be on the look out for signs of the Western "superiority" attitude and of European resentment at the loss of their imperial power, and if you read that section of the Western press typified by Lord Beaverbrook's 'Daily Express', you will find evidence of these attitudes on every page. But it is important to remember that while the 'Daily Express' may represent all that is up to date in newspaper techniques, it is written by craftsmen whose skill lies in ringing the changes on a collection of cliches covering all aspects of human endeavour, cliches whose familiarity produces reassuring sensations of excitement, comfort, or indignation, in readers whose mental age is 12. I am not saying that the 'Daily Express's' smear campaigns against Pandit Nehru—calculated to make 12 year olds enjoy sensations of righteousness—do no harm to Indo-British and Indo-Western relations, but their capacity to harm will be vastly reduced if Eastern readers grasp that the important decisions of policy taken by Western governments are not influenced by 12 year olds but by the views of those who lead and mould public opinion. What the 'Daily Express' does is to make more difficult the task of those who have in a democracy to jolly mass opinion along.

Nevertheless, the people who count are those who lead: politicians, economists, civil servants, educationists, business leaders, and other professional people, ranging from the moderate Right, through the Centre, to the moderate Left. By and large, it is the views of these people which spread out from the centre, and upwards and downwards in the social structure. They mould opinion because over a period of time their own opinions are modified by experience, study, and reflection. Few of these people, whom for short I will call the intelligentsia, are today tinged with the idea of white superiority, because that idea began to crumble with increasing rapidity in the light of the experience that befell the West from 1914-18 onwards. That there are some still tinged with the imperialist outlook, who resent the loss of empires, is certain, but one only need follow the debates in the House of Commons to see how helpless they feel in the United Kingdom. In France, their influence remains greater, but they are fighting a rear-guard action. The hopeful fact about

human beings is that they learn from experience, and I am therefore prepared to assert that Western resentments against the East arising from the liquidation of empires is of so little, and diminishing, importance in current relations that it can be ignored.

The biggest barrier to current East-West co-operation is Western indifference to the East. The West is so absorbed with its more immediate problems, which stretch from, say, Scandinavia to Arabia, that it has too little time to bother about the internal problems of the millions who live east of Aden. The disparity in the material conditions between Asia and Europe which grew wider every year from the Renaissance onwards has created a closer consciousness of European affairs among Europeans and made the East seem remote.

IMPEDIMENT TO EAST-WEST CO-OPERATION

An important impediment to uninhibited Indo-Western co-operation is India's foreign policy of non-commitment and apparent refusal to choose between the democratic West and the totalitarian States. I am not commenting on the intrinsic merits of this policy when I point out that nobody loves a neutral: he attracts the suspicion of both sides who interpret his every act as "siding with the enemy", and makes even his friends wonder if his friendship is worth having. If you want to know how India's policy strikes the average Westerner, remember that although the British policy is one of neutrality between India and Pakistan over Kashmir, nobody in India or in Pakistan believes this. It is obvious to every Pakistani that the United Kingdom backs India and to every Indian that the United Kingdom backs Pakistan. I have never suggested in this column any material change in India's foreign policy. I see no reason why she should spend money on arms or air bases for South-East Asia Treaty Organization. But it would not contradict this policy of material uncommittedness to make clear beyond misunderstanding that India's sympathies lie with the free world. What stirs Western resentment is that so many Indian newspapers put the best interpretation on Soviet policy statements and the worst on those of the United Kingdom and the United States. Such interpretations (which the Western reader assumes are approved by our official spokesmen to whom he believes the press to look for guidance) make the worst of India's proclaimed neutrality by robbing it of meaning. If we are going to be neutral, let's be neutral, but don't let us then complain if our neutrality makes the West hesitate to invest money in our country.

I revert to the thought that the East's big problem is the preoccupation of the West with its own affairs. The big propaganda job that the East has not yet begun to tackle or, perhaps it would be more accurate to say, has begun to tackle without having thought out exactly what the obstacles are that need to be overcome, is to persuade the West that in the interest of the survival of the ideals that the democratic East and West hold in common, the West must loosen its

purse strings on a substantially larger scale than it is loosening them today.

REPROACHES AND THREATS

Now, if you want to persuade someone, the first task is to study his outlook and interests and to decide what arguments are likely to appeal to him. This sounds so elementary as to be platitudinous. If so, it is a platitude ignored by every government propaganda service that I have ever come across (except the one that I was once in charge of myself). For most statesmen, and all politicians and government propagandists, normally use arguments that appeal to their own national public opinions. This pleases the national home audience by making them think that those damned foreigners are having their noses rubbed in necessary home truths, but it leaves foreign opinion uninfluenced, or stirred to active resentment, which was not the object of the exercise.

Three arguments frequently heard in the West from Indian sources seeking development loans are (1) in view of past colonial exploitation, the West owes the East reparation; (2) if the West won't help, the East will get it from Russia and the consequences will be nasty for the West; (3) the standard of living is so much higher in the West that it can afford to lend. The 400,000,000 people in the industrialised countries of Europe and America enjoy an average annual income of Rs. 3,900 per head, whereas the 1,000,000,000 people (excluding China) living in under-developed countries enjoy about Rs. 260 per annum. Q.E.D. I agree with these arguments myself—but I must point out that to the average Westerner they suggest either a reproach or a threat.

Average human nature being what it is, reproaches make a man seek to justify himself. "The United Kingdom is not lending you enough money—huh?" growls the Englishman. "What are the facts?" All the money that the United Kingdom can afford to invest abroad consists of the amount of the surplus from the annual balance of payments. From 1946 to 1955 inclusive the deficits in the United Kingdom balance of payments totalled £1,247,000,000 and the surpluses £961,000,000, leaving an accumulated deficit of £286,000,000. During these years the UK's net overseas investment totalled over £2,000,000,000.

This investment represents over one per cent per annum of the United Kingdom's national income and compares with an American investment of less than one quarter of one per cent of its national income. The East is but one member of a long queue for the United Kingdom's £2,000,000,000, which includes the United Kingdom's overseas territories (£239 millions), the Colombo Plan (£86 millions), United Nations Relief and Rehabilitation (£153 millions), loans, grants, and credits to European countries (£687 millions) etc., etc. Considering that the Treasury reckons that in order to meet United Kingdom commitments for troops, embassies, etc., and for foreign investment, a favourable balance of £350 millions a year is required and that this figure has never yet been attained in any year, the average Britisher feels that his country's post-war record needs no apology.

As to implied threats of turning to the Soviets, far from scaring the Westerner, this is apt to make him say: "Any money you can raise from Russia will be a relief to us," he says. "By all means let Russia take the burden of developing the under-developed."

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Condensed Statement of Condition June 30, 1957
(Figures of Overseas Branches are as of June 24, 1957)

RESOURCES

Cash and Due from Banks	\$ 1,558,367,435.78
United States Government Securities and Securities Guaranteed by the Government	1,803,469,268.11
Federal Agency Securities	96,410,491.90
State, County, and Municipal Securities	611,733,381.99
Other Securities	106,986,504.84
Loans Guaranteed or Insured by the United States Government or its Agencies	1,399,558,306.55
Other Loans and Discounts	3,952,040,536.86
Bank Premises, Fixtures, etc.	106,668,170.86
Customers' Liability on Letters of Credit, etc.	338,287,889.34
Accrued Interest and Other Resources	54,757,432.31
TOTAL RESOURCES	\$10,028,279,418.54

LIABILITIES

Capital	\$160,000,000.00
Surplus	290,000,000.00
Undivided Profits and Reserves	122,602,516.31
TOTAL CAPITAL FUNDS	\$ 572,602,516.31
Reserve for Possible Loan Losses	83,806,828.65
DEPOSITS { Demand \$4,338,803,917.48 } Savings and Time . \$4,598,422,976.46 } Liability for Letters of Credit, etc.	8,937,226,893.94
Reserve for Interest, Taxes, etc.	338,338,769.13
TOTAL LIABILITIES	\$10,028,279,418.54

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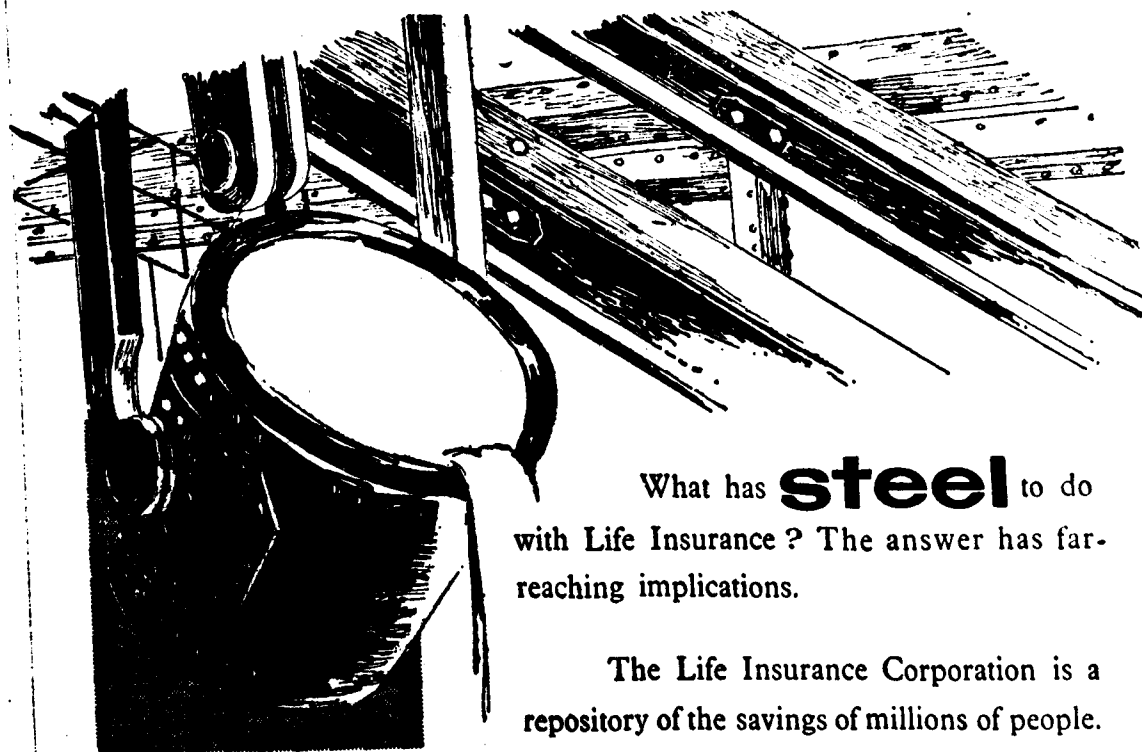
Condensed Statement of Condition June 30, 1957
Home Office—New York, N.Y. Branches: Duesseldorf • Singapore • Paris • Beirut
(Branch figures are as of June 24, 1957)

RESOURCES

Cash and Due from Banks	\$170,042,063.92
United States Government Obligations	9,964,288.51
Other Securities	4,310,492.76
Loans and Discounts	131,205,715.41
Customers' Liability on Letters of Credit, etc.	171,562,901.79
Accrued Interest and Other Resources	2,300,033.74
TOTAL RESOURCES	\$489,385,496.13

LIABILITIES

Capital	\$13,000,000.00
Surplus	6,000,000.00
Undivided Profits	2,028,929.40
TOTAL CAPITAL FUNDS	\$ 21,028,929.40
Reserve for Possible Loan Losses	1,624,567.64
Deposits	289,725,206.71
Liability for Letters of Credit, etc.	174,567,316.93
Reserve for Interest, Taxes, etc.	2,439,175.45
TOTAL LIABILITIES	\$489,385,496.13



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Life Insurance Corporation of India

ASPLIC-ES

THE SHAH OF ITALY

(From Our Special West European Correspondent)

MILAN, October 6.

THE controversy about Italian foreign policy, the beginnings of which were described in a recent despatch ('The Eastern Economist', September 20), has gathered rather than lost momentum despite denials from the Italian President and Foreign Minister that any change in policy has been contemplated and denials from Washington that any US pressure was being brought to bear on Rome to forestall such change. (The official American denial, however, included the implicit admission that pressure had been imposed from another quarter, for it contained the curious statement that "the US Government does not confound the interests of the United States with those of private American companies", i.e. the oil cartels.) The few firm facts on which the debate rests seem relatively unimportant outside Italy, but one finds here that they have aroused considerable passion. For example, among liberals I hear the Italian President frequently referred to as "lo Scia di Italia", the Shah of Italy, as though he were attempting to seize personal power over Italian foreign policy in order to give it a new direction, namely the neutralist line of Marshal Tito, Col. Nasser and Mr. Nehru.

The vast disproportion between the few gestures of President Gronchi and the storm of disapproval he has awakened is not simply a case of Italian political wrongheadedness, but carries a more interesting lesson. It reveals the immense difficulties that would be encountered by any Western statesman, who chose to give the smallest Nehru-ite bias to his foreign policy, who sought to disengage his country however slightly from the power-bloc cold war to which it is bound by alliances, or who attempted to pose as mediator in the fruitless quarrels that now divide the Arab world from the West. Signor Gronchi (no more than his Foreign Minister Signor Pella) has never breathed the words neutralism, mediation or non-alignment, yet in his own country he has brought about his head torrents of obloquy usually reserved for Western fellow-travellers who recommend Nehru-ite policies in international affairs.

Signor Gronchi's only sins were to go to Teheran as the guest of the real Shah, to bless the signing of the Italo-Iranian petrol pact which has angered the American oil companies, to issue a communique with the Shah in which there is mention of a new style of association between European and Islamic countries, to get himself unofficially invited to Syria by the new and allegedly "satellite" regime there (and to refuse the invitation), and in general to make pronouncements on foreign affairs suggesting that Italy should, without prejudice to her membership of the Atlantic alliance, cultivate friendships in the Arab world, even with regimes that are not currently friendly with Italy's Western allies. True, his entourage orchestrated these few gestures with little rhapsodies about a "new course" in foreign affairs, a "dynamic" and "independent" policy, "neo-Atlanticism", etc; and there was talk about the Italian respect for "equality between the great powers and the young nations newly arrived on the international scene," between whom Rome wished not so much to practise mediation as encourage goodwill. In general, then, a pale and harmless echo of what Mr. Nehru has been saying these ten years past. This

was accompanied by protestations from Signor Pella of Italy's continued and total loyalty to her Western alliance and even the communique issued in Teheran at the conclusion of the President's talks with the Shah asserted that the foundation of both countries' foreign policy remained "entire loyalty" to the defensive alliances to which they had adhered, i.e., the Atlantic Treaty and the Baghdad Pact. Apart from this, Italy has concluded a few economic agreements with Islamic countries, which were recalled in my recent despatch; the most important are the oil deals with Egypt and Iran.

One would imagine that even the most determinedly pro-Western liberal could not see in this collection of actions anything truly subversive. One might indeed doubt whether anything important would come of it, in particular whether Italy could ever have much influence in the Middle East or could do very much to assist economic progress there as long as the great powers and local military dictatorships were more concerned with warmongering than with social and industrial advance. But if Signor Gronchi's goodwill proved to be ineffective, at least it would appear to be in the right direction, and many people, and not only in West Asia, would hope that France and Britain would follow a similar course, as indeed President Gronchi invited them to do. Italy is not a great power (though her engineering skills could be of immense benefit in the Middle East), but she has considerable cultural and diplomatic influence, and one could conceive of Signor Gronchi's new line being emulated, with much more beneficial results, by her more powerful allies who have spent so much time unsuccessfully trying to overturn nationalist regimes in West Asia. That, at least, is how we who are familiar with Nehruism would have received these beginnings of a revised foreign policy in Italy.

Nothing would have prepared us for the extremely violent reaction that Signor Gronchi awakened. The near-hysteria of the Italian Right and liberals reveals how deeply habits of thought have been affected by ten years of cold war, and with what fear and anxiety would be received any suggestion for a saner connection between West Europe and Arab nationalism. The comparison between President Gronchi and the Shah has already been mentioned but this was the most complimentary observation the liberals have made. No less common have been comparisons with Marshal Tito and Col. Nasser, the implication being that only dictators who have no public opinion to reckon with would dare imitate Mr. Nehru. Signor Gronchi has even been compared with Mussolini! Thus 'Il Mondo', the excellent Roman liberal weekly that has generally been friendly to the President, said last week: "The truth is that this new Mediterranean and Middle Eastern line covers nothing new, and just resuscitates once again the suicidal old policy of all Italian nationalisms and in general of modern fascisms, which seek, under the label of the Drive to the East or the conquest of new markets or cultural expansion or dynamism or independence, to cover up their own incapacity to resolve the chronic ills of domestic politics".

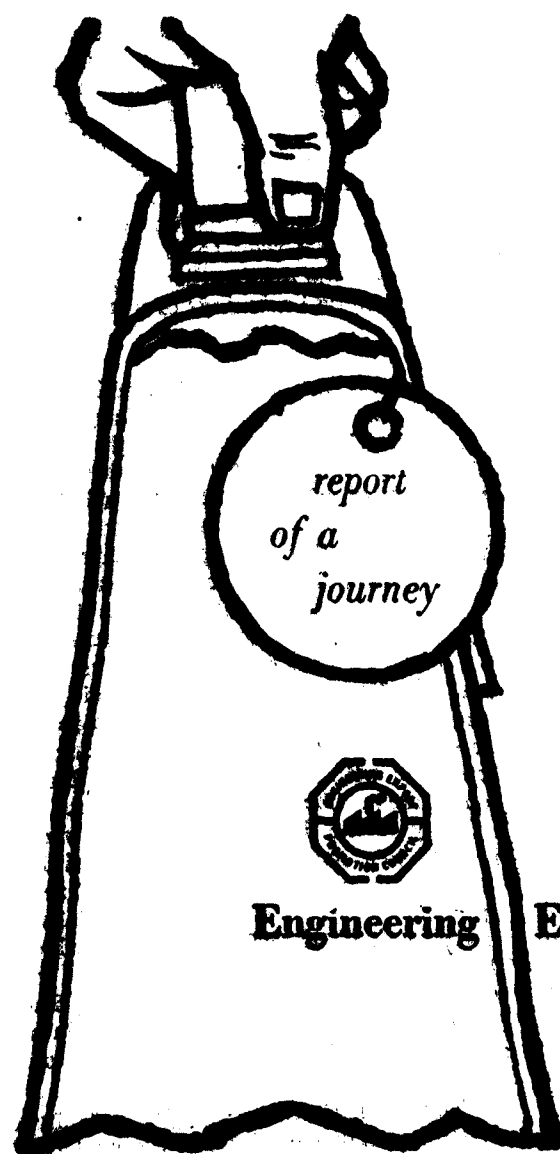
The comparison with Hitler and Mussolini is presumably intended to discredit Signor Gronchi once and for all, but the least reflection shows that it is wildly

absurd to accuse of aggressiveness or expansionism the first West European statesman to envisage more decent relations with young Arab nationalism. Indeed, the uncomplimentary comparisons might be more apt if applied to the unintelligent Western line that Signor Gronchi is hoping to break away from. That Italy has very urgent economic interests to satisfy in the Middle East is not denied: like all industrial nations she depends on the region for her petrol. But the means she is using to secure an independent supply of oil from Iran and Egypt can be very favourably compared with the means used by the oil companies. (Too favourably in fact, which is why the Western oil companies detest Signor Enrico Mattei and his nationalised oil corporation). There is no element of diversion or sideshow in Italy's present economic penetration of West Asia; Italy is not being starved of either capital or technicians to support her ventures in Iran and Egypt. The nationalised oil corporation is highly efficient, has a large body of technicians and a first-class engineering industry which can easily cater for all the work undertaken in the Middle East. That this programme should be even remotely compared with Mussolini's Abyssinian war shows with what slavishness the Italian liberals follow the Middle Eastern line dictated from Washington and London. Fundamentally, there is nothing revolutionary in Signor Gronchi's new line except the will to break this slavishness, to rid Rome of the fear that nothing should be done in Asia that might offend capitals further West.

While retaining all our doubts on the material effectiveness of Italy's new line in West Asia, we should

nevertheless hope that Signor Gronchi and his progressive entourage resist being stampeded out of their efforts by hysterical recalls to "Atlantic loyalty". There is nothing in the "Western cause" which precludes new and fairer relations with Arab nationalism; quite the contrary. It is by confusing the special interests of Washington, Paris and London with the Western cause in general, and thus preventing the many minor Western nations who seek new contacts with Asia from acting freely, that particular struggles (such as Nasser's quarrel with the great powers, or France's discomfiture in Algeria) are turned into racial conflicts in which it appears that all the white race except the Communists are fanatically opposed to Arab independence and progress.

Admittedly, the field of mediation between the Arabs and the West is rather overcrowded at present. Apart from westward-looking Arab countries like Lebanon, Morocco and Tunisia, there are the candidatures of Spain and Greece. But Franco's bid in this field is just another of his many attempts to live down his past by making himself useful to the Americans, while Greece has been led by her pathological sensitivity about Cyprus into a reckless neutralism where she hopes to act as broker—taking Enosis as her broker's fees. Italy is better equipped to persist in the moderate course Signor Gronchi has envisaged, and her success, even if modest, would find imitation among the smaller countries of Europe and North Africa such as might relieve the acuity of the present confrontation of mighty powers in the Middle East.



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MEPC-9

WORLDGRAM

AGRICULTURAL

N.E.S. Blocks Around Research Stations: The Ministry of Community Development has asked the State Governments to consider location of new National Extension Service blocks around the State agricultural research stations. This is in pursuance of the decision taken by the Co-ordination Committee for the Ministry of Food and Agriculture and the Ministry of Community Development. The Central Research Institutes, like the Indian Agricultural Research Institute and the Indian Central Rice Research Institute, have taken over a few villages around them for testing the results of research on farmers' fields, but the research stations in the States have not invariably done so. The location of N.E.S. blocks around the experimental and research stations would enable the research workers to conduct trials of the results of research on farmers' lands within the blocks.

Agricultural Training Under Colombo Plan: The Australian Government has offered correspondence scholarships in the agricultural field to South-East Asian countries under the Colombo Plan. The scholarships will be available for training, through correspondence by the Australian technical colleges, of those engaged in agricultural pursuits in these countries. The courses for training cover four selected agricultural subjects. The first course includes basic scientific and technical knowledge for growing a wide variety of crops and for better pasture utilisation. The animal husbandry course consists of care and breeding of animals, including sheep and cattle, pig raising, poultry farming, and dairy farming and management. The third course is for farm mechanics, and the fourth on farm management and economics.

Soil Testing Facilities for C.D. & N.E.S. Areas: The Ministry of Community Development have requested the Development Commissioners of State Governments to ensure that full use of the facilities offered by the Soil Testing Laboratories is made in the C.D. and N.E.S. areas. The soil testing laboratories evaluate soil productivity and help farmers to plan the use of fertilizers, based on soil tests and correlations of crop responses. At present there are 15 soil testing laboratories functioning at Bangalore, Calcutta, Coimbatore, Cuttack, Gwalior, New Delhi, Ludhiana, Nabha, Nagpur, Poona, Hyderabad, Sabour, Simla, Trivandrum and Bapatla. The remaining 9 laboratories expected to start functioning shortly are to be located at Hazaribagh, Agartala, Kotah, Junagarh, Jubbulpur, Rajahmundry, Bailhongur, Kanpur, and Jorhat.

INDUSTRY

Co-operative Spinning Mill for Bihar: A scheme to establish a co-operative spinning mill at Mokameh in Bihar has been approved by the Government of India. A loan of about Rs. 8 lakhs has been sanctioned by the Centre to the State Government for investing in the share capital of the co-operative. The State Government has itself contributed Rs. 7.68 lakhs for the purpose. The Mokameh co-operative spinning mill will have a capacity of 12,000 spindles. The Bihar Government, the Bihar Handloom Weavers' Co-operative Union, the Primary Weavers' Co-operative Society and other yarn co-operative societies in the State are members of the co-operative. The Bihar scheme is the fifth for which financial aid has been sanctioned by the Central Government. The other four schemes are for establishing co-operative spinning

mills in Madras, Andhra, Bombay and Orissa. Bombay has already been sanctioned a loan of Rs. 5,23,000 for investing in the share capital of the Saurashtra Co-operative Spinning Mill at Limbdi. The State Government has made a contribution of Rs. 2 lakhs. A loan of Rs. 10 lakhs was given to Andhra for establishing a mill at Guntakal. An equal amount was sanctioned earlier to the Madras Government for setting up a co-operative mill at Tirunelveli. The amount has not been utilised by the State Government. A loan of Rs. 5 lakhs has been promised to the Orissa Government for the purpose. Bihar has also been sanctioned a loan of Rs. 6.27 lakhs for the installation of 300 powerlooms in the co-operative sector. The amount, now sanctioned, represents the balance of the loan admissible for the purpose. With this, schemes for the installation of 7,155 powerlooms in the handloom sector in the country, have so far been approved by the Government of India, since it was decided to introduce 35,000 powerlooms in the country during 1956-57 and 1957-58.

Techniques of Production in Small Industries: Schemes to improve techniques of production of small industries in Bihar and Orissa have been approved by the Government of India. Loans and grants amounting to over Rs. 20.22 lakhs have been sanctioned to the two States by the Union Ministry of Commerce and Industry for implementing the schemes. Bihar has been given loans and grants totalling over Rs. 14.42 lakhs. In the industrial estate at Patna, a model foundry with a common facility testing laboratory is to be established. A scheme for the development of the bicycle and bicycle parts industry is to be implemented in the same estate. In the three industrial estates at Patna, Dharbanga and Ranchi a scheme for the manufacture of sports goods will be taken up. The manufacture of electrical accessories is to be undertaken at Patna. In Orissa a training institute for automobile diesel mechanics is to be established at Khapuria. The other new schemes, for which financial aid has been sanctioned, envisage the establishment of a training-cum-production centre for small industries and a physical testing and chemical laboratory at Cuttack.

Eight Factories Commence Production in Okhla Estate: Eight small-scale factories have gone into production in the Okhla Industrial Estate, seven miles south of Delhi. This is the first group of factories to go into production out of the 35 factories already constructed in the Estate. All the factories have been allotted to small entrepreneurs on lease. While production has already started in eight of the units, arrangements for installing machines are being made by other industrialists. For some factories, costly plants procured by the small industrialists on hire-purchase, through the National Small Industries Corporation, have arrived and are being set up. A few more are on their way.

Specification for Rim Latches: The Indian Standards Institution has issued a specification for rim latches (IS: 1019-1957). The specification lays down minimum requirements regarding material, dimensions, manufacture and finish of rim latches. The specification also defines the size of rim latches; a four inch rim latch means that the length of the face across the body would be four inches.

Packing Charge for Cement: On March 27, 1954, the Government of India announced that packing charges for cement would be fixed every quarter on the basis of the average of the maximum and minimum

market price for packing material during each week of the immediately preceding nine months plus Rs. 1.25 per ton to cover incidental charges. On this basis, packing charges for the current quarter were fixed at Rs. 13.72 per ton. The packing charges for the next quarter commencing from October 1, 1957, work out to Rs. 13.63 per ton. The Government of India have informed all the State Governments of the revised packing charges.

TRADE

New Trade Agreement between India and Czechoslovakia: Following the discussions between representatives of the Government of India and the Government Trade Delegation from the Czechoslovak Republic, a Trade Agreement between the two countries was signed in New Delhi recently. Under it the two Governments have undertaken to provide facilities for export and import of commodities listed in two schedules attached to the agreement. The exchange of goods and services between the two countries will be effected by means of contracts between Foreign Trade Corporations or other such bodies in Czechoslovakia on the one hand and the State Trading Corporation and other commercial organizations in India on the other. Payments for commercial and non-commercial transactions between the two countries will henceforward be made in Indian Rupees. For this purpose the State Bank of Czechoslovakia will maintain one or more accounts with Indian Commercial Banks dealing in foreign exchange. Any balance in the Rupee account maintained by the State Bank of Czechoslovakia with the Reserve Bank of India will be convertible on demand into pounds sterling. The two Governments, under the agreement, have also decided to encourage triangular trade arrangements as a means for widening and developing international trade. It has also been agreed that reasonable facilities will be made available to enable Indian ships to carry as large a proportion as possible of the goods to be exchanged under this agreement.

Protection to Plywood and Teachefts Industry: The Government of India have accepted the Tariff Commission's main recommendation that protection to the plywood and teachefts industry should be continued at the existing rate of protective duty of 35 per cent 'ad valorem' for a further period of three years, i.e. till December 31, 1960. Government have also taken note of certain other ancillary recommendations made by the Commission for assistance to the industry and will take suitable steps to implement them as far as possible. In the resolution, attention of the domestic manufacturers of plywood, commercial as well as decorative, has been invited to the Commission's recommendation that they should establish better liaison with the consumers to popularise their products.

Extension of Indo-Japanese Trade Privileges: The Indo-Japanese Peace Treaty, which was concluded in 1952, provided that pending the conclusion of treaties or agreements to place their trading and other commercial relations on stable and friendly basis, the two countries would accord, on a reciprocal basis, for a period of four years, certain privileges to their nationals, trade, shipping, navigation, air traffic, etc. This provisional period ended on April 27, 1956 and was last extended up to September 30, 1957, by exchange of letters. As a result of the discussions held in New Delhi between the representatives of the two Governments, letters have been exchanged between Shri K. B. Lal, Joint Secretary, Ministry of Commerce and Industry, on behalf of the Government of India and His Excellency Mr. Seiji Yoshizawa, Ambassador of Japan, on behalf of the Japanese Government, by which

the two Governments have agreed to continue to accord the same privileges up to December 31, 1957. During this extended period, the two Governments hope to complete discussions for the conclusion of a Trade Agreement.

Protection to Titanium Dioxide Industry: The Government of India have accepted the Tariff Commission's main recommendation that protection to the titanium dioxide industry should be continued for a period of four years, i.e. till December 31, 1961, at the existing rate of protective duty, namely, 35 per cent 'ad valorem' (preferential) and 45 per cent 'ad valorem' (standard). Government have also taken note of certain ancillary recommendations made by the Commission for assistance to the industry and will take suitable steps to implement them as far as possible.

FINANCE

IFC Reports Score of Loans under Consideration: The International Finance Corporation (IFC) reports that it has made five loans totalling \$5,920,000 since it began operating July 24, 1956. The Corporation, in its first annual report said the loans went to private enterprises in Mexico, Brazil, Chile and Australia. The total value represented by the enterprises, that range from a heavy electrical equipment manufacturer to a firm that does airplane engine overhaul, is \$34 million. The Corporation said it now has before it "between 25 and 30 proposals which appear to be within the scope of its operations and which offer reasonable prospects of being suitable for investment." Most of these, the IFC said, are located in Latin America; some are in Asia and relatively few in other areas. IFC now has 51 member governments, with capital subscriptions totalling \$92 million. Net income from investment of this capital was \$1.7 million as of June 30, 1957.

Subsidised Industrial Housing Grants: During August, 1957, the Government of India sanctioned a sum of Rs. 0.75 lakh (Rs. 0.50 lakh as loan and Rs. 0.25 lakh as subsidy) to the Shakti Nagar Co-operative Housing Society Ltd., Ahmedabad, for the construction of 31 one-room single-storey tenements. The total amount of loans and subsidies sanctioned to various States and organisations up to end of August, 1957, for the construction of 89,253 tenements since the inception of the scheme in September, 1952, is Rs. 25,32,84,776.

GENERAL

Employees' State Insurance Benefits Extended to Jabalpur: The benefit provisions of the Employees' State Insurance Act, 1948, were extended to Jabalpur area in the State of Madhya Pradesh from the mid-night of September 28, 1957. About 4,000 factory employees in Jabalpur Corporation limits and in neighbouring villages of Polipather and Maharajpur will be benefited by the Scheme. Medical care in this area will be provided by the State Government under Service System and for this purpose two whole-time dispensaries have been set up. Besides this, the medical facilities provided by the Perfect Potteries Co., Limited, Gwarighat, are being utilised. For the payment of benefits under the scheme, a local office has been set up. Employers of factories covered under the scheme in this area will now be required to pay the employers' special contribution at 1½ per cent as at present.

Coal Mines Provident Fund Board: The Coal Mines Provident Fund Scheme, which came into force in May, 1947, has a membership of about 3.33 lakhs of colliery workers. The total accumulations in the Fund as on August 31, 1957, were about Rs. 10 crores.

NEWS IN BRIEF

FOREIGN

The International Finance Corporation has entered into commitments totalling \$5.3 million since its establishment on July 24, 1956, states the first annual report which covers the corporation's operations to September 10, 1957.

Private industry in Pakistan will receive \$10 million to finance the import of machinery and equipment from the U.S. under a special programme, the International Co-operation Administration Office announced recently.

Last year the U.K. retained its position as the second largest exporter of machinery and electrical apparatus in the world.

Canadian exports to the U.K. in July fell to \$68.8 million (about £25.5 million) compared with \$75.6 million in July last year, according to the Bureau of Statistics. In the first seven months of this year exports totalled \$407 million (£150 million) against \$444 million in the corresponding period a year ago.

It is reported the Deutsche Bundesbank's interest rates for treasury bills have been raised by ½ per cent.

The Export-Import Bank has announced a loan of \$60 million (£21.4 million) to Japan, to finance the purchase of United States cotton.

During the first half of 1957, Ghana exported a total of £54,682,479 worth of goods. Cocoa which still dominates the country's economy accounted for £34,765,614, timber £5,726,046, gold £4,744,159 and diamonds £4,684,401.

The Government of Colombia has raised to 100 per cent the deposit importers must pay on a wide range of goods. The deposits must be paid at the rate of five pesos per dollar. Exceptions include food, drugs, agricultural machinery, fertilisers and car spares.

The World Bank has granted two loans to Ecuador one of \$14.5 million for highway construction and maintenance, and a \$5 million loan to expand an electric power plant serving Quito.

The Rhodesian Federal Government is exploring the possibilities of raising a loan in the United States. Development plans in the Federation envisage an expenditure of £223 million over the next four years.

Thirteen prominent French banks, including Banque de Paris and Credit Lyonnais, have jointly set up an investment company to finance mining, power and other development projects in the French Union.

From November 1953, until June of this year, the total capital imported into Greece was more than \$17 million of which rather less than half was for long-term investment.

Japan's balance of international payments in September resulted in a further deficit of \$55 million compared with a deficit of \$69 million in August, the Bank of Japan announced recently.

INDIAN

Cloth and yarn production received a severe setback in August this year, when 411 million yards of cloth and 139 million lbs. of yarn were produced as compared with 460.3 million yards and 149.6 million lbs. in the previous month.

Iron ore exports from three major ports, Calcutta, Bombay, and Madras fell further in August, 1957, to 104,041 tons from 116,896 tons in the previous month and 143,244 tons in June this year.

The Indian Standards Institution has issued a draft Indian standard specification for black lead pencils for eliciting comments by November 30.

It is reported the share of heavy goods in the total jute production, which declined from 59.1 per cent to the low level of 48.6 per cent during 1956, gradually improved to about 52.7 per cent in August this year.

Exports of mica from the three major ports, Calcutta, Bombay and Madras during August 1957, amounted 21,797 cwt. valued at Rs. 71.61 lakhs compared with 23,561 cwt. worth Rs. 72.77 lakhs.

The Government of India have decided to allow the export of Madras-Mysore silk waste against the quotas released in May and July this year till October 31, according to a public notice issued by the Joint Chief Controller of Exports.

A new record of concrete placement at the Bhakra Dam site was set up when 783 buckets were poured in an eight hour shift. The quantity of cement was 3,246 cubic yards, i.e. 5,850 tons.

Schemes for the development and revival of traditional handicrafts like ivory, wood and stone carving and lacquer-ware have been approved by the Government of India on the recommendations of the All-India Handicrafts Board.

During August 1957, the Government of India sanctioned loans amounting to Rs. 20.08 lakhs to the Delhi Administration and the Government of Assam under the low income group housing scheme.

The Ministry of Community Development have requested the Development Commissioners of State Governments to ensure that full use of the facilities offered by the soil testing laboratories is made in the C.D. and N.E.S. areas.

The second Finance Commission Report has been signed. The Report has been submitted to the President and is unanimous.

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New Delhi.**Special Articles****COMPANY FINANCES: 1950-55**

THAT the internal resources of the public limited companies played a major role in imparting a dynamic impulse to the corporate sector of the Indian economy during 1950-55 is amply demonstrated in an article on the financial behaviour of company finances published in the September issue of the Reserve Bank of India Bulletin. The article highlights the fact that depreciation funds and reserves of public limited companies constituted nearly 60 per cent of the total funds available for development in the first Plan period. A similar estimate by the Planning Commission, with a slightly different coverage, put the share of internal industrial finance at 44 per cent. In any case, both these estimates stress the fact that internal finance has played, and will continue to play, a dominant role in the expansion plans of the organised private sector.

The Reserve Bank study has based its conclusions on a scrutiny of balance-sheets and profit and loss accounts of no less than 750 joint stock companies covering the period 1950 to 1955. Public limited companies registered in India with a capital of not less than Rs. 5 lakhs have been included in the survey. The study, thus, covers nearly two-thirds of the total paid-up capital of all the public limited companies in India. Banking, insurance, investment companies and government companies are not included.

The results of this analysis are summarised in the table below. It shows that during the period 1950-55, which also corresponds to the period of the first Five-Year Plan, the public limited companies exhibited a rate of growth which exceeded the pace of development in every other sector of the economy. The net worth of the corporate sector improved by 26.8 per cent. Total assets rose by 34.4 per cent. The impetus given to gross capital formation was also substantial. Gross fixed assets rose by Rs. 33 crores only in 1951 over 1950; in 1955 the increase was of the order of Rs. 81 crores. This shows the spectacular pace with which the private sector expanded its business. Herein lies the key to the over-fulfilment of the targets assigned to the private sector in the first Five-Year Plan.

The Reserve Bank article also discloses that, contrary to popular belief, bank advances played a minor role in the industrial growth of the private sector. As

against the contribution of internal resources which was as high as 60 per cent, the banks accounted for only 6 per cent of the total funds available to these companies for investment. The industries which were mainly responsible for investment of the available funds were cotton textiles, iron and steel, engineering and sugar. Out of the total available funds of Rs. 443 crores, cotton textiles utilised Rs. 69 crores, followed by iron and steel with Rs. 66 crores, engineering with Rs. 61 crores and sugar with Rs. 37 crores. Thus, these four major industries accounted for more than half the internal finance utilised by all the limited companies under study.

The dividends as a percentage of the total paid-up capital showed a stable character throughout the first Plan period. It is explained by the fact that any variation in profits makes a sharp impact on the retained profits since all efforts are made to keep dividends at a stable level. This thesis is explained by the behaviour of profits in 1952 when total profits after tax of the public limited companies dropped by Rs. 21 crores. The decline suffered by dividends was only Rs. 3 crores. The rest of the loss of Rs. 18 crores reduced the retained profits by a similar amount. The picture is reversed in the case of rising profits when an attempt is made to increase the proportion of retained profits. The percentage of retained profits to profits after tax rose from 21 in 1952 to 46 in 1955 because gross profits rose steadily after 1952.

The study also brings out very clearly the excessive nature of taxation in this country. Out of the total profits before tax amounting to Rs. 382 crores during the first Plan period as a whole, the public limited companies under study provide nearly 41 per cent for taxation. Only 36 per cent was distributed by way of dividends while the rest was retained.

The growth in inventories during the first Plan period was not in keeping with the expansion in the sales of public limited companies. As against the total increase in sales at 38 per cent, the inventories improved by only 22 per cent. The price factor, perhaps, conceals the movements in the physical volume of inventories because there is a 'prima facie' evidence that the decline in inventories from 1952 to 1954 was

GROWTH OF THE 750 COMPANIES DURING 1950-55

	(Rs. crores)						Percentage increase in 1955 over 1950 over 1950
	1950	1951	1952	1953	1954	1955	
1. Paid-up Capital*	334	345	351	371	380	394	18.0
2. Free Reserves*	166	190	198	198	208	240	44.6
3. Net Worth (1+2)*	500	535	549	569	588	634	26.8
4. Gross Fixed Assets*	556	589	635	683	747	827	48.7
5. Net Fixed Assets*	302	309	331	355	390	444	47.0
6. Inventory*	281	341	323	309	319	343	22.1
7. Total Assets (net)*	886	983	984	1,010	1,081	1,191	34.4
8. Sales (Main Income)	831	1,087	1,044	964	1,031	1,144	37.7
9. Profits before Tax	64	85	56	66	78	97	51.6
10. Profits after Tax	39	52	31	39	46	60	53.8
11. Dividends	24	27	24	26	29	32	33.3
12. Retained Profits	15	25	7	13	17	27	80.0
13. Profits after Tax as percentage of net worth	7.7	9.6	5.7	6.8	7.8	9.4	..
14. Dividends as percentage of Paid- up Capital**	7.5	8.3	7.3	7.5	8.3	8.8	—

* At the end of the year

** Ordinary Shares

mainly due to a fall in raw material prices and not due to any absolute decrease in volume.

The Reserve Bank's Research Division needs to be congratulated for this impressive study of the corporate sector. It may be mentioned here that the first

article in the series comparing company finances for 1950 and 1951 was published in August 1954. It is hoped that the Research Division will make this a permanent feature, providing the most detailed information of corporate income and expenditure available for research study.

AGRICULTURE AND FORESTRY IN THE PLAN

(By Saif F. B. Tyabji)

THE state of our foreign reserves has taken a form which cannot but cause great anxiety. It is now clearly realised that many of the estimates contained in the Plan must be revised radically. Out steel plants are going to cost us possibly 50 per cent more both in foreign exchange and rupee expenditure. The completion of many schemes will be delayed. The Kosi Project, for example, has already had to be postponed and, to give another instance, the Bhadra irrigation project cannot be completed for lack of foreign exchange for the tunnel boring machinery, so that though the water is there it cannot be used. These are typical instances. We have been reduced to speaking of the "core" of the Plan as the absolute minimum which must be implemented.

The second Plan accords high priority to industrialization and especially to the development of basic and heavy industries to push up the rate of increase in the national income to 25 per cent in five years. In our planning we have been largely dominated by the model of Russia—whether consciously or otherwise is immaterial. Russia gave pride of place to the development of heavy industry and attained what is called a "balanced economy". With this balanced economy she fought and won the most terrible war that has yet been fought. This has confirmed our respect for what Russia has done. However, a balanced economy is a relative term and what may be balance in one set of circumstances may not be so in another. We must remember that Russia's first objective was the attainment of self-sufficiency in defence, for there was nothing of which the Soviet leaders were more apprehensive than of the impending onslaught by the capitalist countries. Our immediate objective is totally different. Our immediate objective is to raise the standard of living of our people. The question before us therefore is: Can India become wealthy only by "rapid industrialization" and the attainment of a "balanced economy", or can our objective be reached through other ways, and perhaps even better through agriculture supplemented by such industries as lie clearly within our foreign exchange resources?

The whole matter must be approached from a correct angle. If we are to revise the second Five-Year Plan and if we settle our first objective to be to raise the national income in a "sizeable" manner, logically the next question must be: How is this to be done? The answer must be, by utilising the natural resources that are most abundant in the country. Now the natural resources that are most abundant in this country are those of agriculture and forestry. The question of the production of food may be looked at from yet another point of view. According to the second Five-Year Plan, the present average consumption of food in India is 2,200 calories per day, while the minimum required for proper subsistence is 3,000 calories per day. At the end of the second Five-Year Plan period the supply of food in the country is planned to be increased to only 2,450 calories per day, still some 550 calories short of the minimum required for proper subsistence. Thus even at the end of the second Five-Year Plan period, the average Indian will remain

chronically underfed. With this degree of malnutrition, is it surprising that the productivity per person in India is many times lower than that in Europe and America, even allowing for the use of improved implements and tools in those countries?

In fact it is clear that until the consumption of food has been increased to the minimum of three thousand calories per day, food can only in a very incorrect sense be called "consumption goods", and given some lower priority to "capital goods". Until that minimum is reached, it forms an essential requirement for the human machine to be able to produce up to its full capacity. It cannot in principle be distinguished from the machine itself as the necessary requirement for the production of wealth. After the minimum of three thousand calories has been reached food becomes a consumption article in the correct sense.

The case for recasting the Plan laying greater emphasis on agriculture rests on this solid reasoning. It must not be forgotten that the dangers of deficit financing itself would be largely safeguarded against if the money raised by deficit financing is used in increasing the production of food instead of for starting heavy industry. Agriculture must of course include forestry as its integral part. It is significant that in advanced countries like Germany and America about 33 per cent of the land is forest, but it is tragic that in India it should be only about 22 per cent. But even this 22 per cent forest is only apparent, as any person can testify who has walked in the closely planted, carefully tended and healthy forests of Germany and through our own so-called forests, which are often more scrub than forest, and where the great majority of trees are of no value either as timber or as firewood.

Even this kind of so-called forest is far below the average of 22 per cent of the land in many parts of the country. For example, in many parts of the Deccan there is hardly any forest left at all. In the Bhir and Osmanabad districts of Marathwada the forest area is only 2 per cent of the land area. And this 2 per cent is itself forest only in name, much of it being just bare rock. This low percentage of forest land has many harmful effects. Firewood is not available to the people, and they are compelled to use cowdung instead, depriving the fields of valuable nourishment. This lack of organic manures cannot be cured by the increased use of chemical fertilizers. The evil effects of the lack of forests must be taken into account in addition to the principal consideration of the intrinsic value of forests, which even in highly industrialized countries like Germany and Sweden form an important source of wealth. Notwithstanding all these good reasons for the promotion of forestry, the second Five-Year Plan allots only Rs. 47 crores to forests out of Rs. 4,800 crores to be spent by the public sector, and these Rs. 47 crores are merely to provide for small increases in the forestry staff, for improving their conditions of service and for making a few forest roads. No appreciable provision for afforestation has been made. The expenditure on agriculture and afforestation must, therefore, be stepped up substantially.

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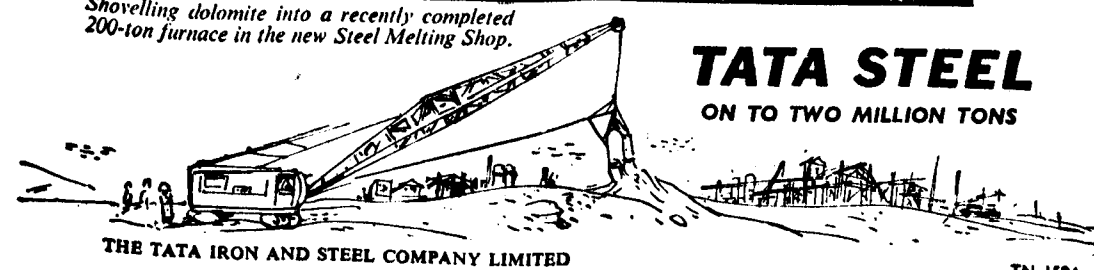
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of plant and equipment in three continents to work at the plant site, the ore mines and the collieries. Delays are at once spotlighted, whether in a distant Tokyo factory or nearer home on the rail route from Calcutta.

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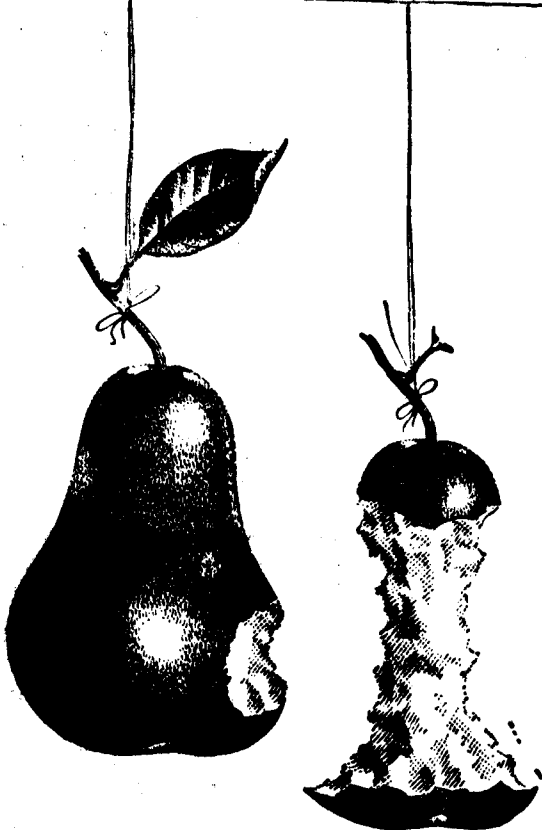


Shovelling dolomite into a recently completed 200-ton furnace in the new Steel Melting Shop.



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The Business World

THE PHILOSOPHY OF PRIVATE ENTERPRISE

By

CROESUS

BY some fortuitous coincidence, when Mr. T. T. Krishnamachari was explaining to Americans in Washington the Indian concept of socialism, or rather our socialistic pattern of society, Mr. Ellsworth Bunker, was explaining the American concept of "private enterprise" to Indians in Bombay. This was clearly long overdue, for, as Mr. Bunker told the India-America Society last week, "words often mean different things to different people" and "among the terms one finds most often signifying different things to different people are 'private enterprise' or the less exact term 'free enterprise'." After listening to both of these, one may be pardoned if one were to ask: "What then is the difference between the two?" There seems to be so much in common between the two countries, and, if only because of this, as the American Ambassador insisted, "the search for a common ground of understanding and comprehension needs to be pursued more diligently than ever before." Such a pursuit, I feel, would be profitable not only from the point of view of our immediate needs but also from a long-term view, namely, that of better understanding between the two countries. This, by the way, underscores the fact that India and what she stands for have still not been adequately publicized in America.

Before describing the American economic system of today, Mr. Bunker thought it proper—quite appropriately—to refer to some of the philosophic concepts which have influenced the development of the American economic system. He listed three of the most important of these, namely (i) that political and economic freedom are interdependent — that you cannot have one for long without the other (ii) that freedom of dissent is basic to all progress, and (iii) that, in the long run, the judgment of the many acting and reacting on the market place is sounder than the wisdom of the few. Add to these the trials and tribulations of the early settlers and you have the conditions under which individual enterprise could not but flourish. To repeat Mr. Bunker's description of the American economic system. At the outset itself, he did well in stressing the obvious — and yet, perhaps, because of it, what is not generally fully appreciated — that "those who are most critical of capitalism are continually setting up a straw-man with features that have no recognisable relation to today's reality, merely in order to knock him down." This description aptly fits the critics of managing agents in our country today. Then, said the U.S. Ambassador, "Early in our development, we reached the conclusion that, wherever private capital exists and 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". This view is shared by most people in this country, among non-officials and officials alike, but many people suffer from one strong inhibition that, as the economy expands, this system leads to several abuses, and so it must be tabooed. Here, perhaps, India and, in particular, those who have the inhibition just referred to, may take a lesson from what America did in similar circumstances. Mr. Bunker disclosed that, even in his country, with the introduction of mass production in industry and the mechanisation of agriculture, abuses developed, and he also mentioned how these were overcome. Said he: "We sought to deal with these abuses in a way which would protect the general

welfare and, at the same time retain the incentive to investment and encourage a willingness to take risks."

Where, perhaps, America is more socialist in effect than we seem to claim we are orally is in the sphere of social legislation. Surprisingly enough, a growing social consciousness has been influencing the character of American legislation not merely in recent years but over the past 70 years, according to the American Ambassador. Of course, this has been enormously speeded up in the last 25 years. To quote Mr. Bunker, "Far-reaching social security, unemployment insurance, old age assistance, subsidies for housing, labour legislation, minimum wage laws, agricultural price supports, and regulation of the stock exchanges — these are just a few of the many measures which have contributed to our changing economic and social pattern." There is, of course, the effect of changes in the U.S. tax system, of which the graduated income-tax is regarded as the most outstanding example. Mr. Bunker characterised the consequent redistribution of income, carried out peacefully and gradually through the democratic process, as "one of the greatest social revolutions of history". We in this country also are following a similar course; only it cannot be said that our attempts at redistribution of income are as gradual, and then we have also to make allowances for the very much smaller number of rich people in this country and the relatively smaller volume of total income.

It is this system that has given the world, as the American Ambassador could say with understandable pride, "the efficient organisation of production and distribution" — with but 7 per cent of the world's land area and 6 per cent of its population, the U.S. turns out about one-third of the world's total goods and one-half of all manufactured products. It is under this system that the pioneering spirit, a willingness to take risks, has endured. Again, it is this system which has witnessed a wholesale shifting of industrial leaders — since the past 30 years, out of the group of 100 largest companies, 41 are no longer there and the 41 replacing them are in the newer and faster-growing industries — a shifting which gives a graphic picture at once of national growth, competition and changing habits in public demand. Furthermore, it is this system which has made it possible for everyone to feel that he is a capitalist or to want to become one, and, what is more, to feel sure that he can become a capitalist. This recalls to my mind what Mr. G. D. Birla told a mammoth meeting in Bombay sometime ago. He then said, he wanted to see every Indian become a capitalist. What has made this possible in America is the widespread ownership of securities — 10 million people (one out of every 11 adults) own shares in half a million corporations. Forty per cent of these have less than the average family income. 115 million people own life insurance policies and have thus a stake in business through the investments of the insurance companies.

So long as the movement from one level to another is free and constant and so long as only ability, intelligence, industry and integrity are the chief determinants of one's economic or professional status, there can be no fear of classes developing in a society nor of its concomitants, class consciousness and society snobbishness. Many in this country feel it is precisely

this kind of society that we ought to have, or aim at having. How we shall bring about that is our own business. It depends on our resources, on our genius, as also on our traditions and, more than everything else, on our will, if not the will of Providence. No less does it depend also on the extent of the aid, and also the speed with which we can get it, from sympathetic

TEXTILES AND TEXTILE MACHINERY

By
CROESUS

WITH the import curbs bidding fair to continue to stay with us longer than we seemed to have bargained for, it becomes imperative to explore the extent to which the gap created by the cut in imports can be filled by the indigenous industry. In this connection, the performance of the indigenous industry since Independence has been encouraging enough to pin our hopes on its ability to make up a good bit, if not the whole, of the leeway.

Even in the process of harnessing the indigenous industry to produce goods the import of which has had to be banned, it goes without saying, there is need for a certain amount of priority. For a distinction must be drawn between industries which earn a considerable volume of foreign exchange for the country and others. Similarly, it is needless to say that the better organised industries could be expected to gear themselves up sooner to the task than the industries not so well organised. Take, for instance, the Textile Industry of India, which holds a pivotal position in the country's economy. It is easily the biggest organised Indian enterprise and it is also the country's mainstay as an earner of foreign exchange. The anticipated total earnings during the five-year period 1956-61 from major exports are put at Rs. 2,965 crores, out of which earnings from textile manufactures (cotton yarn and manufactures and jute yarn and manufactures) alone would aggregate Rs. 985 crores over the five-year period, making an annual average of Rs. 197 crores. In other words, it is estimated that as much as 33 per cent of the total anticipated external earnings during the second Plan period would be realised through exports of textiles.

Notwithstanding this fact, apart from what one can judge from the steady decline in imports of items of textile machinery, there is no way of clearly assessing the progress made by this industry in the manufacture of textile machinery and also in other ancillary items that are required for the manufacture of textiles, comprising cotton, silk, wool, rayon, and jute. It must, however, be said to the credit of the Government of India that, recognising the importance of the textile industry, it earmarked as much as Rs. 20 crores for the rehabilitation of the jute and textile industries to be channelised through the National Industrial Development Corporation. But the Government's concern has not stopped with it, as witness the great interest it has been evincing in the proposed Textile Industries Fair, which is to be held in Bombay from December 7, 1957 to January 6, 1958. Indeed, the Union Ministry for Commerce and Industry has itself sponsored this Fair and it is noteworthy that, under the able personal guidance of Mr. V. Nanjappa, Textile Commissioner, Government of India, all sections of the industry and trade have been co-operating to make the Fair a success. This Fair should stimulate a wider public interest than seems to be the case today in the growth of this premier industry of the country. At the same time, those actually concerned, in particular the producers of textiles, would be enabled to assess the progress in the

and understanding countries like America, and, on this point, while it is too much to expect an Ambassador to commit himself, Mr. Bunker can be said to have gone as far as he could when he said to the Press Guild of India in Bombay: "I am sure that we will wish to keep on exploring with your Government means by which we may continue to help."

manufacture of textile machinery made by the country and to judge for themselves how far India has advanced towards the goal of self-sufficiency in this direction.

There is ample scope for the expansion of this important producer goods industry in this country, as is evidenced by the fact that, in the year 1956 alone, the total imports of textile equipment by the country amounted to more than Rs. 13 crores. But one can unhesitatingly say that, due to the Government's well-conceived policies aimed at safeguarding the interests of domestic producers, this figure will steadily dwindle down.

Some idea of the importance of the textile industry can also be had from the orders which the industry places with a number of auxiliary enterprises and others. The cotton mills alone, for example, consume every year as much as Rs. 36 crores worth of mill stores, dyes and chemicals and packing materials, besides fuel, electricity, and lubricants valued at Rs. 15 crores per annum. These auxiliary enterprises have been greatly helped by the two World Wars to increase the volume of their production, with the result that recent years have witnessed a remarkable progress in the manufacture of several items of mill stores, such as bobbins, shuttles, healds, reeds, pickers, starches, etc. The proposed Textile Industries Fair should provide an excellent opportunity for the manufacturers of these mill stores also to make known to the public the extent of the progress they have each achieved in their respective lives.

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ACC HONOURS THE CODE

3

"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."

Code of conduct—FORUM OF
FREE ENTERPRISE

As an employer of labour the ACC can well point with satisfaction to the salary/wages and other emoluments paid to its employees and to the many welfare activities voluntarily undertaken over the years.

To take salary/wages first, compare these figures of ten years:

	1945-46	1955-56
No. of employees	17,500	29,000
Salary/wages & amenities	Rs. 127.3 lakhs	Rs. 421.5 lakhs

Thus while the increase in the number of employees was 66%, the increase in the salary/wages, etc. for the same period was over 230%!

As for welfare activities, employees of the ACC's 17 factories and two collieries have for a long time been enjoying a large number of amenities for their security and social welfare, namely: provident fund and gratuity; schools, hospitals and dispensaries, creches, canteens, cinemas, clubs, playing grounds; welfare and benefit fund, and co-operative societies.

All these benefits have been provided out of a consciousness of social obligation. The ACC believes that a well-paid, well-looked-after, happy and contented employee is the best employee.

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BUSINESS NOTES

WHAT SECTOR SUGAR?

THE SUGAR industry is one among many industries outside the public sector which have endeavoured, and largely succeeded, to improve their performance during the last few years. Three years ago, India was spending substantial amounts of foreign exchange on the import of large quantities of sugar. Today, the position is entirely different. The country's production has already nearly doubled to close on 2 million tons, and there are prospects of export of this food item. Of great significance in this story is the fact that the production has increased mainly by a fuller utilisation of the existing capacity. New installations account for a minor proportion of the increase. Whatever may be said about the shortcomings in the country's sugar production, the credit for this remarkable progress belongs, in the main, to the factory units. If performance were the qualifying test, then the existing factories deserve encouragement and incentives. These can come in the shape of facilities for capacity expansion and credit. Unhappily, the current policy for sugar lacks both. In regard to bank credit, hasty restrictive policies were adopted, some time back, which had soon to be modified. Another source of credit, the Industrial Finance Corporation, gave largest amount of loans to sugar, Rs. 4.63 crores during the year ended June this year. But the entire amount went to co-operatives only.

As for new extension of the industry, all additions are to be, and have been in the recent past, in the form of co-operatives. The co-operatives are avowedly to be owned by farmers. However, an analysis of the financial structure of the co-operatives shows that the farmers' interest is only of the order of 30 per cent. The remaining 70 per cent comes from sources like the Central and State Governments, the IFC and co-operative banks by way of loans. Clearly, the main bulk of the resources comes from Government or like sources. This can easily be taken to imply that the expansion of the sugar industry is no longer to be in the private sector. In other words, it will increasingly belong to the State under the name of co-operatives. This inroad is both unfair and unnecessary. Indeed, it is harmful. All the resources of the State, whether rupee or foreign exchange, should go to implementing at least the core of the Plan which constitutes transport, river valley projects and heavy industries like steel. It is nothing new to state that the prospects even in this limited field are not bright. To take on new responsibilities at this critical time is, therefore, not advisable. State control of management is sure to hinder efficient and economical operation. Perhaps the greatest benefit to the farmer could be brought by teaching him better methods of cane cultivation and providing him with better seeds and fertilizers. When he achieves success in producing more and better quality cane, which is his first duty, he may then hope to don the robe of the manufacturer.

CUSTOMS REORGANISATION

THE COMMERCIAL community has reasons to welcome the appointment of the Customs Reorganisation Committee, though it has come a day none too soon. For it provides the trade an opportunity to place its frank views on the anomalies in the present customs administration, as also to offer its constructive suggestions for removing these anomalies. It is well known that the trade has been experiencing a number of difficulties, largely due to procedural delays and to the unsympathetic attitude, not infrequently, of the customs authorities. The Indian Merchants' Chamber, Bombay, in a comprehensive memorandum submitted by it to the Customs Reorganization Committee, has,

apart from just answering the official Questionnaire 'seriatim', highlighted the various difficulties that the trade has been experiencing in its dealings with the customs authorities.

Making certain general observations on the subject matter, to begin with, the Committee says that the customs difficulties have increased considerably during the last few years, and these are occasioned, according to the Chamber, "by some of the provisions of the Sea Customs Act regulating the foreign trade of the country and the procedural formalities thereunder, which have increased considerably over the years, both in number and complexity." Rigidity in administration has further accentuated these difficulties. "The main customs difficulty", says the I.M.C., "relate to classification and assessment of goods under the Customs Tariff Schedule, delays in completion of assessment proceedings by the Customs officials, delays in connection with the chemical and analytical tests, insistence on the part of the Customs authorities on frequent analytical tests, sudden changes in classification or articles and the consequent changes in the rates of duty leviable on them without prior notice to the trade, lack of uniformity in procedures adopted by the Customs authorities at different ports and difficulties caused by lack of co-ordination between the Import Trade Control authorities and the Customs authorities." Particular care must be taken by the authorities to formulate customs laws in such a way that the trade is not bothered too much and that no financial loss is incurred by the business community owing to procedural delays. This is as important as — perhaps even more important than — ensuring that the Exchequer does not lose any customs revenue. Inordinate delays in the submission of analytical and chemical test reports, to cite one instance, make the classification of goods difficult, and the result is that the duty leviable cannot be decided quickly, so that the clearance of goods is delayed, leading, many times, to financial loss to the trader. The importers are no doubt allowed to clear their goods against guarantees in such circumstances. But then these guarantees are required to be countersigned by banks, a service for doing which the banks demand of the importers deposits of large amounts with them. And this means locking up of further funds, which would be otherwise useful, and perhaps more productive, if employed in business.

Another important point raised in the I.M.C. memorandum relates to the question of uniformity in the customs procedure at the different ports. The prevailing lack of uniformity not only amounts to discrimination as between importers at one port and those at another, but also results in the anomaly of the same article being assessed to duty at different rates at different ports! "There is, therefore, imperative need", as the Chamber urges, "for steps being taken to bring about the maximum uniformity in the procedural aspects as between the customs authorities at different ports".

With regard to the provisions concerning the appellate machinery under the Sea Customs Act, the I.M.C. suggests the setting up of an independent appellate authority to hear appeals from the orders passed by the Customs officials on the same lines as the Income-tax Tribunal. The present system, it may be noted, provides only for departmental appeal, which is not always satisfactory, besides being wrong in principle.

INDO-U.S. INVESTMENT GUARANTEE AGREEMENT
THE GOVERNMENT of India have entered into an investment guarantee agreement with the U.S. Government. The question of India's participation in the U.S.

investment guarantee scheme was, of course, under consideration for some time and its general outline is as follows. The U.S. investment guarantee programme encourages American private investors to export capital to underdeveloped countries and provides insurance to those investors against possible risk of nationalisation in the country of investment without adequate compensation and possible currency restrictions in the country of investment making it difficult to remit back its investments or its sale proceeds. This programme covers only fresh investments and does not extend beyond 20 years from the date of insurance. It is extended only to those countries which agree to participate in it by undertaking to conclude agreements with the U.S. Governments to give identical guarantees in return to the latter, and is limited to such cases of fresh investments as are approved by the Government of the country where the investment is proposed to be made.

The Indo-U.S. agreement arrived at lays down that exchange control in India will provide facilities for remittance of income from private American investments in India as well as repatriation of capital. Although India's agreement relates only to convertibility of income or capital into dollars, it is in line with the ideas of U.S. business representatives who visited this country recently. Under the agreement the dollars will be provided by the Reserve Bank of India at the rate of exchange subsisting at the time of conversion of rupees into dollars. There is, however, no guarantee in regard to the rate of exchange and this is in keeping with normal commercial practice.

So far as guarantee against possible nationalisation is concerned, the constitutional position in this country is such that when an Act is passed by the Parliament nationalising an enterprise, the compensation fixed in the Act is final and cannot be challenged in the Court of Law. This in other words means that the adequacy or inadequacy of compensation in the event of nationalisation cannot be questioned. In actual practice, however, the policy is based on equity and reasonable compensation is awarded. When the Kolar gold fields were nationalised the British investors were fully consulted and adequate compensation was paid to them. The Central Government saw to it that the Mysore Government agreed to give adequate compensation. It is noteworthy that the oil refineries have been given a 20 year guarantee against expropriation. Although this sort of guarantee must by its very nature be limited to exceptional cases, the policy of the Government of India about the foreign investor is now absolutely clear. The Government of India does not want to nationalise any concern unless there are compelling reasons arising out of special circumstances. Even this is clear that fields in which foreign private investment will not be permitted will not be nationalised ordinarily. And in case of nationalisation, compensation would be absolutely adequate and fair which leaves hardly any room for the foreign investor to fear. The Indo-U.S. Investment Guarantee Agreement is likely to enthrone the U.S. investor to invest considerable foreign capital in this country of which there is bound to be felt urgent need for India's development programmes.

EXPORT RISKS INSURANCE CORPORATION

VARIOUS MEASURES are being adopted by the Government of India to step up exports to earn greater amounts of foreign exchange for the second Five-Year Plan. The recent establishment of the Export Risks Insurance Corporation is only another link in this chain of measures that have been adopted and are being adopted to promote exports. The Corporation would cover the risks that were involved in the export of goods on credit terms. But the risks which it would cover at present are only those which the Export Credit

Guarantee Committee has recommended in its report. There is, however, no bar to the Corporation covering risks that were likely to arise in the special export transactions. From the inaugural speech of Mr. Morarji Desai, Union Minister for Commerce and Industry, it is quite clear that the Government would readily give sanction to coverage of any insurable risk, which was not within the scope of the recommendations of the Export Credit Guarantee Committee.

The purpose of the Corporation is not to encroach on the field of insurance companies. The new concern in the public sector on the other hand will supplement the business of the companies. The entire scheme is based on the principle of insurance intended to provide a guarantee to the exporter against losses which are beyond his control, like unforeseen changes in regulations relating to foreign exchange, occurrence of war, defaults, incurring of extra delivery charges etc. One of the difficulties in the stepping up of exports has been the lack of facilities for export finance. It is expected that with all the risks covered greater financial facilities will be available to the exporters from the banks. The experience of other countries is a guide that the banks have given higher percentage of advances in case of insured transactions. The heartening feature of the whole scheme is that it would be complementary to the private sector and would cover special risks not covered by the private insurers.

How much business the Corporation will be able to underwrite, it is difficult to say at the moment. It is however certain that in the initial stages when the Corporation would be faced with all sorts of difficulties, the total percentage of covering of exports may not be very substantial. Much of the business that the Corporation will be able to attract would depend on the amount of premium fixed for covering the risks.

CLARON'S CONFIDENT START

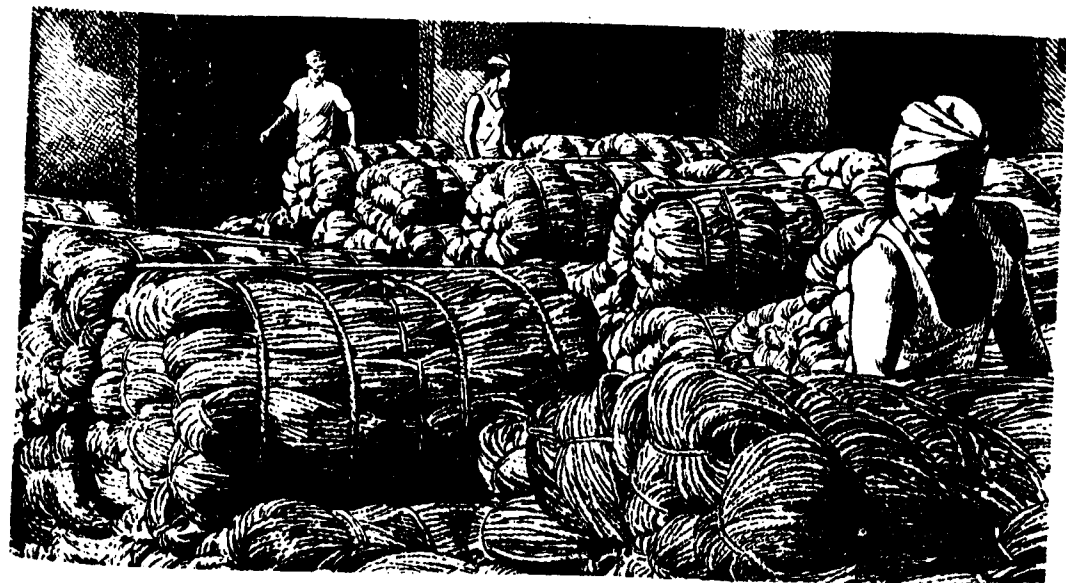
IN APRIL, 1956, a new experiment in advertising business was launched by the formation of the Clarion Advertising Services in Calcutta. What was based on accident and faith then has today proved a successful venture. It will be recalled that Clarion was formed after the original Company, M/s. D. J. Keymer & Co., Ltd., decided to close their Calcutta branch. The novelty of this agency lies in that its capital is provided by its employees and is managed by its own senior executives. It may be argued by some that Clarion had the advantage of stepping into the shoes of a going concern of high repute. While this is true, the main credit must rest with the people in the Organisation headed by Sir Dhiren Mitra. They have exhibited a remarkable sense of responsibility and a spirit of self-help, for which they deserve appreciation.

An important aspect of the working of the Agency is that it has shown profits in the very first year of its operation. This has enabled the Company to afford its staff various benefits as well as absorb steadily unemployed personnel of Keymer's. Standards of service have been maintained of which the Company can rightly feel proud. The new set-up has brought about encouraging improvement in individual efficiency and discipline.

It is significant that the Agency has achieved success against many odds. Fabulous advertising is no longer the fashion of the day. The advertising budgets of almost all concerns, big and small alike, have had to be considerably axed for reasons of increasing taxation, the need for saving and investments and restrictions on imports. However, these are essentially temporary impediments. In course of time, advertising business can hope to share the prosperity that the country is trying to bring about. What is expected of the business is that it will expand into export advertising on scientific lines. This is not without its problems which the authorities should help to solve.

How banking serves the COIR INDUSTRY

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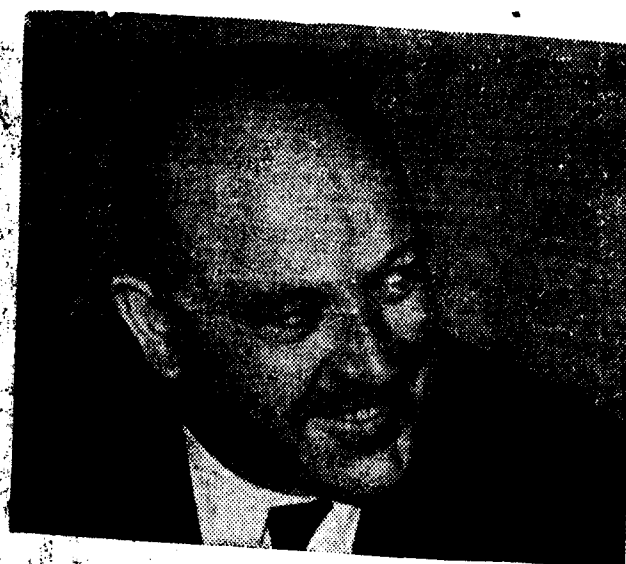


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Economic Report from the U. S.

WORLD-WIDE ECONOMIC ADVANCES

(By GUY SIMS FITCH)

WASHINGTON, Oct. 8.—The recent meeting here of the World Bank and the Monetary Fund, with its call for continued progress with stability, placed new emphasis on what has been the dominant economic trend of the post-war period. For some 10 years now, the economies of the free world—exclusive of Communist lands—have been expanding at an unparalleled rate. This can no longer be regarded as a temporary "boom" nor, of course, as "catching up" with pent-up demands stifled by war-time restrictions. In the words of 'Fortune' magazine, a highly respected American business journal, "the world is in the midst of a classic age of economic and technical growth, one that might indeed transcend all the material progress of history."

A glance at the record shows that population in the free nations has increased by an unprecedented 30 per cent since 1938. Yet such has been the post-war economic expansion, that their total manufacturing output per capita is now 40 per cent above the pre-war level and 70 per cent above the level of 1948, when the world was beginning to show important signs of recovery from the dislocation of war. But what may be even more significant is that the economies of other countries, in the aggregate, have been growing at an even higher rate in the last decade than has that of the United States. This reverses the trend of the time before world war one. And this is no mean achievement when it is considered that the per capita US output of goods and services has itself advanced a remarkable 25 per cent since 1948, and is continuing to rise.

The world-wide economic advances have been accompanied and assisted by a truly phenomenal upsurge in international trade. Despite some domestic pressures for restrictive measures, trade policies in the United States and most other free countries have been liberalized well beyond the expectations of many practical economists. These enlightened policies, coupled with the new demand for goods and services created by increasingly vigorous economies, have led to an 85 per cent rise in world trade in the past decade—a record that outstrips even the rise in industrial production. Not all free nations have participated equally in the post-war gains, of course, as brought out at the Bank and Fund sessions. What these United Nations bodies call the "less-developed areas"—mainly Latin America, Asia, the Middle East and Africa—have not progressed as rapidly, in general, as have the so-called developed areas such as the United States. Nevertheless, these regions, too, have made significant progress. Their manufacturing production has doubled since pre-war days. Their energy consumption has increased 160 per cent. Their steel output has tripled.

One of their problems has been an enormous population growth, which has had a restraining effect on per capita output of goods and services. Many of them, moreover, are weak in what economists call the "infrastructure"—such basic economic elements as transport, public services, health, managerial training and skilled labour. In addition, with capital in great demand everywhere, they have found it difficult to both invest and consume heavily as they strive to develop their economies and at the same time raise their living standards. But in the light of the notable progress already made, most economists are confident that these problems can and will be overcome. It is entirely reasonable to expect that soundly drawn development and investment plans, aimed at by a thriving international trade, will lead to an eventful narrowing of the gap between the developed and the developing lands. After all, as 'Fortune' magazine points out, even those countries that are now considered highly developed economically needed some little time before they could build up their economies and raise their living standards to hoped-for levels.

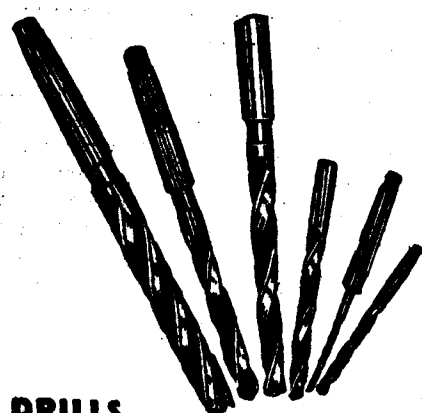
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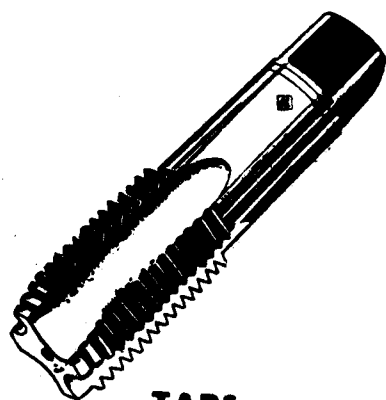
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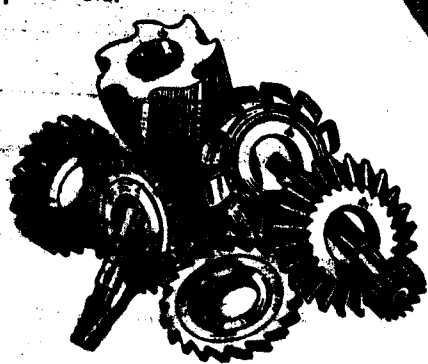


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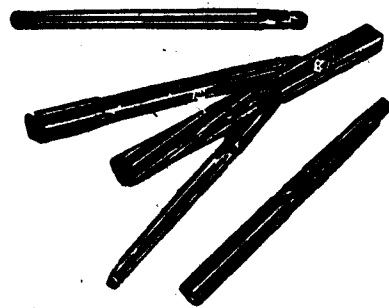
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COMPANY AFFAIRS

ELECTRICITY COMPANIES RECENT AND CHANGES IN THE ACT

Presiding over the annual general meeting of the Bombay Suburban Electric Supply, Ltd., (in the absence of the Chairman, Mr. K. G. Milne), Mr. P. D. C. R. Clark touched on the effects of the recent changes in the Electricity Law on the Company's operations. This was only to be expected, as, since the shareholders met last, several important amendments to this Act have been effected, such as those pertaining to the "Standard Rate" of return and the right to earn and appropriate to a statutory reserve (Development Reserve) the tax savings resulting from the Development Rebate introduced under the Finance Act, 1956, subject to the earnings of the year not resulting thereby in a shortfall of the "Reasonable Return", among others.

It is known to all now that, under the amended Act, the "Standard Rate" has been linked to the Bank Rate with a differential of 2 per cent so as to enable automatic adjustment with fluctuations in the money market. The industry would doubtless have appreciated a higher differential than this, but has reconciled to what has been done, consoling itself that Parliament has at last recognised that the return to the investor in the industry should bear a close relation to the Bank Rate. This done, the industry was hoping to get the benefit of the increase in the Reserve Bank's interest rate on lendings against Government and other eligible securities to 4 per cent in February, 1957, although, technically, it was held that this was different from the Bank Rate, which was also raised, but only after April 1, 1957. Inasmuch as it is the Bank Rate on April 1, every year that is taken whilst computing the Standard Rate, the industry was left high and dry, having to experience all the hardships of higher interest rates which became effective in February, 1957 itself. Although the Government of India seemed to appreciate the unenviable plight of the industry, it would appear, there were practical difficulties in the way of affording the relief sought by the industry in this behalf. The upshot of it all has been that, in so far as the current year (1957-58) is concerned, the industry has to be satisfied with only 5½ per cent as the "Standard Rate". But it can rest assured that, inasmuch as the Bank Rate is more likely to go up than to go down in the conceivable future, the "Standard Rate" also would be correspondingly higher. Only the industry must pray that any future increase in the Bank Rate takes place immediately before and not after April 1 every year.

While the industry appreciates the small benefits by way of the higher "Standard Rate" and the right to earn and appropriate tax savings under certain specified conditions, it seems to be somewhat worried about the provision making it necessary to service loan capital out of the "Reasonable Return", instead of out of operating expenditure as hitherto. This concern is understandable, especially in these days when the chances of raising further equity capital are not as good as in the past and electricity companies, just like any other industrial undertaking, have perforce to resort to short-term credit from banks and other sources. But no such facility can be availed of, it must be stressed here, unless the loan interest is lower than 6 per cent, i.e., the "Standard Rate", which seems rather improbable. In short, although there would appear to be a slightly better earning position as in the case of this Company (Bombay Suburban Electric Supply, Ltd.), this prospect is subject to the precondition of a given electricity company's tariffs to the consumer being so balanced as to yield a "Clear Profit" equalling the "reasonable Return". Mr. Clark accordingly expressed the hope that "power supply companies—who,

by and large sustain the core of the National Plan—will not in future be exposed to unfair weather". He had reasons to voice such a hope, because, as he frankly observed, issues like the question of tariffs have often tended, in the past, to be clouded by political considerations.

SURAT ELECTRICITY CO., LTD.

Shareholders of yet another electricity company have been assured of a dividend for the first three months of 1957, thanks to the new Electricity Rules which make it obligatory for all electricity undertakings to close their accounts on March 31 every year. But for this rule, the accounts of the Surat Electricity Co., Ltd., would have been made up as usual, for the 12-month period ending December 31, 1956. The accounts now published, however, relate to the 15 months ended March 31, 1957.

After charging depreciation (Rs. 5,68,939) and providing for taxation (Rs. 2,61,540) and adding the carry-forward from the previous accounting period (Rs. 5,073), the total disposable profit stood at Rs. 6,58,998. Out of this, a sum of Rs. 8,630 was written off, being the new share capital issue expenses, and Rs. 78,149 was set apart for Statutory Contingency Reserve, leaving a balance of Rs. 5,72,219. The interim dividends on preference and ordinary shares already paid absorbed a further Rs. 3,29,377, while the final dividends now recommended—Rs. 1-10-0 on preference shares and Rs. 3-12-0 on ordinary shares—account for Rs. 2,35,416. The balance of Rs. 7,426 is to be carried forward.



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NOTICE

The Twentyfourth Annual General Meeting of the Shareholders of Rohtas Industries Limited will be held at the Registered Office of the Company at Dalmianagar on Thursday, the 31st October, 1957 at 11-30 A.M. to transact the following business:

1. To receive and adopt the Directors' Report and the Audited Accounts for the year ended 31st October, 1956.
2. To declare dividends.
3. To elect a Director in place of Shri B. N. Chaturvedi who retires by rotation but being eligible offers himself for re-election.
4. To appoint Auditors for the current year and to fix their remuneration. The retiring Auditors, Messrs. K. N. Gutgutia & Co., being eligible, offer themselves for re-appointment.

The Share Transfer Books of the Company will remain closed from 22nd October to 31st October, 1957, both days inclusive.

5. As special business:

To consider and if thought fit to pass with or without modification the following Resolution which will be proposed as Special Resolution:

"Resolved that the Articles of Association of the Company be altered in the manner following:
(a) For Article 28 the following shall be substituted, namely:

"28. The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition that this, Article is to have full effect. And such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the company's lien if any on such shares."

(b) For Article 29 the following shall be substituted namely:

"29. For the purpose of enforcing such lien the Board of Directors may sell the shares subject thereto in such manner as they think fit but no sale shall be made unless a sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators or his committee, curator bonis or other legal representatives as the case may be and default shall have been made by him or them in the payment of the sum payable as aforesaid for seven days after the date of such notice."

(c) For Article 30 the following shall be substituted, namely:

"30. The net proceeds of the sale shall be received by the Company and applied in or towards pay-

ment of such part of the amount in respect of which the lien exists as is presently payable and the residue if any shall be paid to such member, his executors or administrators or assigns or his committee, curator bonis or other legal representatives as the case may be."

By Order of the Board,
For Sahu Jain Ltd.,
A. K. JAIN,
Managing Director,
Managing Agents.

CALCUTTA,
4th October, 1957.

N.B. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.

Explanatory Note:

The shares and debentures of the Company have been admitted on the official list of the Bombay Stock Exchange for cash dealings, and the alterations in the Articles of Association of the Company as proposed are desired to be made by them. The consent of the shareholders is therefore sought for the proposed special resolution. No particular interest is attached to the Director and/or Managing Agents of the Company in the above resolution.



COMMODITY NEWS AND NOTES

INCREASE IN COTTON AREA

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India first estimate of cotton, 1957-58, puts the current year's area at 14,616,000 acres, as against the corresponding adjusted estimate of 14,559,000 acres for 1956-57. This shows an increase of 57,000 acres or 0.4 per cent in area during the current year as compared to last year. The increase in area during the current year has been shared mainly by Bombay and Punjab, and has been attributed to favourable weather conditions at the sowing time. The increase has, however, been offset to a great extent by decreases reported by some other States, especially Madhya Pradesh and Mysore. Among the different varieties of cotton, the increase in area has occurred mostly in Dholleras and Broach-Vijay. A considerable decrease in acreage has, however, been reported in Malvi and Oomras varieties. As regards staple lengths, the increase has occurred in medium staple cotton. This estimate generally covers the period up to the end of July 1957. Till then, the condition of the crop was reported to be, on the whole, satisfactory. In parts of Bombay, however, the crop was reported to have been affected by heavy rains and attacks of insects and pests. This estimate does not cover the entire area sown to cotton crop during 1957-58. Past experience has shown that the area at the first estimate stage forms roughly 65 per cent of the area under the crop finally reported.

OUTPUT OF COAL FROM STATE-OWNED COLLIERIES

Employing nearly 29,000 skilled and un-skilled workers, India's state-owned collieries produced 2,990,896 tons of coal during 1956. Valued at more than Rs. 4.8 crores, the coal was of different grades. Of the output 188,644 tons was of the grade of Selected A; 235,845 of Selected B; 1,950,601 tons of Grade I; 70,785 of Grade IIB and others accounted for 545,021 tons. The opening and closing stock of all grades at the beginning and end of the period was 15,556 and 29,137 tons respectively. Out of the production from the State-owned collieries 2,411,260 tons was despatched for LOCO consumption; 6,795 tons for defence; and 272,706 tons was used by other Government bodies. The amount of coal used by private organisations was 35,604 tons and the amount exported was 4,634 tons.

COAL OUTPUT DURING JUNE

Output of coal in India decreased from 3,793,377 tons in May, 1957, to 3,330,400 tons in June, 1957, according to official statistics released by the Chief Inspector of Mines in India. Despatches of coal amounted to 2,915,343 tons in June, 1957, as against 3,184,279 tons in the preceding month; coal stocks at pitheads amounted to 3,252,383 tons at the close of the month, as against 3,250,991 tons at the beginning of the month. During the month under review 830 collieries were reported to be working with an average daily employment of 336,385 workers. Output per man-shift was estimated at 1.15 tons for miners and loaders, 0.60 ton for all workers underground and in open-workings and 0.40 ton for all persons employed including surface workers. The percentage of absenteeism was of the order of 15.55. Nine coke plants at collieries and elsewhere produced 351,983 tons of hard, soft and other kinds of coke during the month and despatched 178,990 tons.

PRODUCTION OF LEAD AND ZINC ORES IN INDIA

The production of lead and zinc ores in India during the quarter ending June, 1957 was 22,095 tons as against 25,242 tons in the quarter ending March, 1957, according to the Indian Bureau of Mines. The production record-

ed an increase of 3,439 tons as compared to the corresponding quarter of 1956. The entire production is reported from the Zawar Mines of Rajasthan. The lead and zinc concentrates recovered from the ores during the second quarter of 1957 totalled 1,114 and 1,458 tons respectively as compared to 1,143 and 2,255 tons in the preceding quarter. The lead concentrates are sent to the smelting plant at Tundoo in Bihar.

FIRST ESTIMATE FOR SESAMUM, 1957-58

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India first estimate of sesamum, 1957-58, puts the current year's area at 3,669,000 acres, as against the corresponding adjusted estimate of 3,854,000 acres for 1956-57. This shows a decrease of 185,000 acres or 4.8 per cent in area during the current year, as compared to last year. The decrease in area during the current year has been shared mainly by Madhya Pradesh, Bombay, U.P. and Andhra Pradesh, and has been attributed generally to unfavourable weather conditions at the sowing time during the current year as compared to last year. However, some increase in area has been reported by Rajasthan State. This estimate includes for the first time information in respect of U.P. and Kerala which were hitherto non-reporting States for the first estimate. The information given in this estimate covers the period generally up to the end of July 1957. Till then, the condition of the crop was reported to be generally satisfactory in almost all the States except parts of West Bengal. This estimate does not cover the entire area sown under the crop during 1957-58. Past experience has shown that the area at the first estimate stage forms roughly 55 per cent of the area under the crop finally reported.

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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	312.2	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	90.5	100.1	82.9	121.2
January 1957	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80.4	113.6
February	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.8
March	402.7	518.1	403.3	384.1	569.8	421.3	89.9	98.9	79.8	111.5
April	408.3	514.73	409.0	384.3	567.8	422.1	89.9	99.0	78.7	106.8
May	419.3	530.3	408.5	387.7	572.3	431.2	89.4	99.1	78.4	104.1
June	433.2	541.4	413.0	392.4	578.0	439.2	89.5	99.0	77.6	102.6
July	439.8	544.4	413.3	392.3	621.8	443.1	89.2	98.8	76.6	105.2
3-8-1957	445.9	541.3	413.7	391.8	641.5	445.0	89.1	98.8	76.1	104.4
10-8-1957	441.5	533.4	413.0	392.2	643.3	443.1	89.0	98.8	75.9	104.0
17-8-1957	442.1	524.3	410.8	393.1	644.0	441.2	88.9	98.8	75.6	103.4
24-8-1957	437.0	526.4	409.3	392.9	643.7	439.6	88.9	98.8	75.4	102.3
31-8-1957	435.9	527.8	409.5	393.4	641.0	439.6	89.0	98.8	74.9	101.6
7-9-1957	432.4	524.0	409.1	394.2	645.9	438.4	89.0	98.4	74.3	101.2
14-9-1957	428.9	527.0	410.2	394.6	640.7	437.8	..	..	..	..

†Economic Adviser's Series.

††Reserve Bank Series.

Revised*

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

Period	Bombay		Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	105	104	—	106	—	—	134
1940	283	303	132	336	471	372	146	309	168	136	138
1941	292	307	132	348	478	377	151	323	164	138	139
1942	298	313	132	349	434	372	153	325	165	145	139
1943	314	330	142	370	451	391	168	334	167	160	144
1944	321	337	143	351	441	380	150	330	151	154	141
1945	348	363	140	349	453	387	151	351	147	156	145
1946	342	359	138	327	408	373	139	341	148	140	138
1947	322	338	130	321	371	364	133	321	134	135	132
1948	336	352	142	347	424	397	151	356	152	146	145
1949 October	342	358	152	364	448	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
1950 January	339	355	150	354	436	411	158	372	157	144	149
February	341	357	150	350	438	411	158	369	157	148	148
March	340	356	150	348	433	415	158	367	158	148	148
April	340	356	148	345	427	415	162	369	161	152	148
May	347	363	151	352	441	—	—	369	—	—	150
June	354	370	152	371	446	—	—	373	—	—	153
July	360	376	152	371	459	—	—	375	—	—	155
August	361	377	155	—	468	—	—	373	—	—	—

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	13-9-1957			6-9-1957			30-8-1957			23-8-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	107.89	107.00	107.62	108.84	107.37	108.08	108.62	107.81	108.29	108.19	107.37	107.93
Silver (per 100 fine tola)	182.75	180.62	181.87	182.50	180.87	181.75	181.94	180.75	181.61	182.62	180.62	181.72

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	..
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	420.74	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	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56	71.39	359.35
Average of Fridays	..	..	..	..	..	..	..	..	..	..
February 1957	683.02	466.94	1,172.05	36.27	50.29	8.64	687.52	166.33†	74.97	357.27
March	705.11	491.75	1,220.03	39.31	51.79	7.97	708.67	168.45†	75.55	348.75
April	728.28	455.05	1,094.83	38.15	65.12	7.99	719.66	183.45†	74.69	345.68
May	723.73	516.38	1,240.11	39.26	59.74	8.08	744.48	188.14†	76.10	343.32
June	715.22	547.21	1,262.43	41.39	67.44	8.72	744.73	181.73†	74.24	335.02
July	724.80	562.69	1,287.49	39.62	80.45	9.47	720.06	179.44†	70.97	332.44
August	712.19	582.65	1,294.84	38.83	88.01	9.96	696.16	174.44†	68.33	350.31
Week Ending	..	..	..	..	..	..	..	..	..	..
9-8-1957	704.61	577.22	1,263.14	40.19	83.90	9.82	705.96	176.03†	69.83	338.10
16-8-1957	702.55	579.10	1,263.05	39.87	74.38	9.01	700.34	174.92†	69.30	339.83
23-8-1957	711.32	580.94	1,272.67	38.94	74.89	8.94	687.91	174.20†	67.74	370.52
30-8-1957	713.83	597.03	1,288.14	38.92	100.00	10.79	693.31	171.58†	66.37	371.24
6-9-1957	714.55	601.66	1,291.81	37.81	101.32	10.77	680.54	166.53†	65.57	365.90

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public.			Total variations in money supply
			Total	Demand liabi- lities of banks	Other deposits with Reserve Bank†	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53 ..	1,764.71	1,199.25	565.46	548.95	16.51	-39.08
1954-55 ..	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56 ..	2,184.32	1,505.09	679.23	667.22	12.01	+263.69
1956-57 ..	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
August 1956 ..	2,134.92	1,451.77	683.15	663.32	10.35	-12.98
September ..	2,109.41	1,435.95	673.46	672.79	10.54	-25.51
October ..	2,123.00	1,442.52	680.48	662.92	10.84	+13.59
November ..	2,151.46	1,462.01	689.45	669.64	11.46	+28.46
December ..	2,178.65	1,485.34	693.31	677.99	11.96	+27.19
January 1957 ..	2,220.47	1,509.90	711.57	681.35	10.77	+42.82
February ..	2,264.55	1,528.31	736.24	724.46	11.78	+43.08
March ..	2,312.89	1,556.50	756.39	744.74	11.65	+48.34
April ..	2,362.37	1,586.44	775.93	763.43	12.51	+49.48
May ..	2,381.99	1,596.43	785.55	762.01	23.55	+19.62
June ..	2,342.70*	1,563.16*	779.54*	756.90*	22.64	+39.29*
July ..	2,309.38*	1,521.45*	787.93*	766.04*	21.89	-33.32*
August ..	2,240.19*	1,489.47*	750.71*	739.29*	11.42	-69.19*

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

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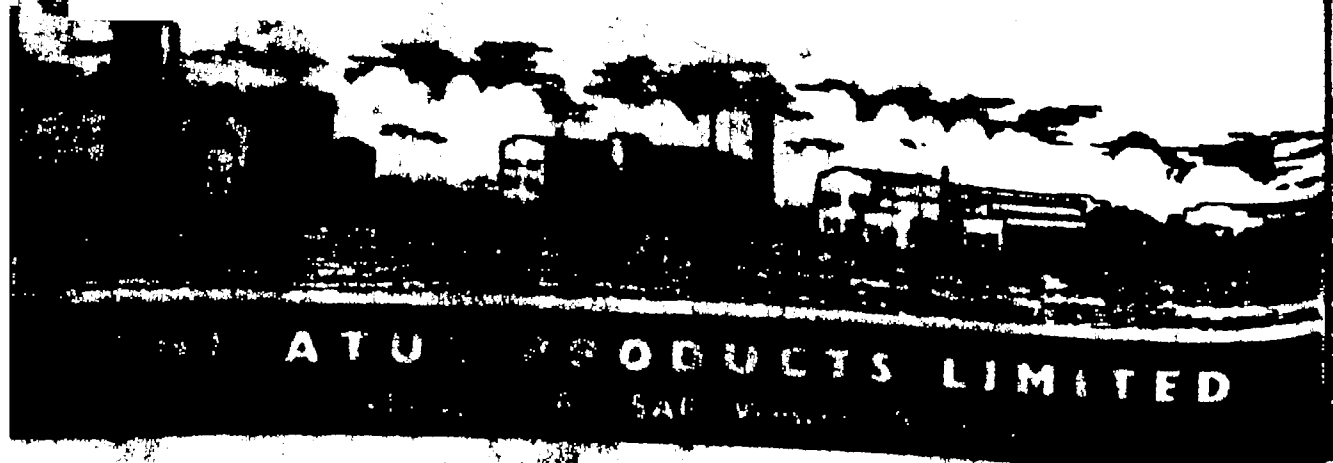
October 11, 1957.

THE EASTERN ECONOMIST

375

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Eastern Economist

XXIX. NO. 16

NEW DELHI: OCTOBER 18, 1957.

ONE RUPEE

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Post-Monsoon Review

The Eastern Economist of July 26, the first leading Article bearing the title 'Mid-Mon-Review' recorded the opinion that the mon- was "very favourable"; with the gloomy now coming in from Bihar and Uttarash on the failure of rains, one sees how we at the mercy of chance there. Practically all optimism of July has departed. The danger is that we will relapse by the proved process the psychological pendulum to overestimate misfortunes with which we have been visited incidents of nature. It is clear that 1957-58 is going to be an *annus mirabilis* like 1953-54.

It is extremely unlikely that it will be even as good seasonally as 1954-55. We are back at best to a normal year with all the consequences that this implies when we have stepped up our rate of development to correspond with an annual rise in agricultural production of about 5 per cent per year. It is extremely unlikely that in the period 1957-58 the national income of the Indian Union will make any substantial real progress, however steeply money income might be deemed to rise.

While the present assessment is thus different from what it was in July, there is no reason to differ from one conclusion previously reached, that

the agricultural situation will not of itself initiate an inflationary spiral. This is largely because of the arrival of P.L. 480 imports now coming in steadily from the United States. If these sales are effected as quickly as possible, at a rate significantly below current prices, the level of agricultural prices, already on the decline, might be firmly held during the adverse price season between May and August next year. It is vital that stocks should be built up in the country to make certain that inflationary movements in the off-season will be kept in check; if this is done, agricultural prices need not run out of hand.

To the extent that the foreign exchange crisis — and the consequent withholding of rupee resources with which foreign exchange was matched — will lead to a decline in rupee expenditure there will naturally be less cause for inflation from other sources. If this means the balancing of our foreign exchange budget at a level which denies a third of our scheduled new income, the attainment of equilibrium provides no solution of the Indian problem. Similarly the balancing of domestic expenditure so as to eliminate internal inflation is no solution to our current challenge. To cut the Plan drastically is failure enough; to reduce its targets by a third to produce stability both in the foreign exchange and domestic fields would be to miss the wood for the trees.

It is clear that we have reached a stage in our economic lives in which fundamental economic thinking has again to be done in order to determine at this critical point where we go from now on. Any temporary concessions to circumstances, such as the absence of foreign exchange, must not blind us to the immense difficulties which remain elsewhere. However serious the foreign exchange crisis is — and it is serious enough notwithstanding the remarkably good account which the Finance Minister has given of himself in the United States — India's real difficulties at this hour are internal.

Consider, for example, the terrible defeat which we have sustained in agricultural production. At a conference in Srinagar last week many of the States through their representatives spoke of serious frustration both in the field of agricultural production and community development. These have no relation whatsoever to our foreign exchange resources or, indeed, to our resources at all. For example, it has been shown, over and over again, that individual farmers in particular villages with no additional resources and with no differential advantages frequently produce twice as much as other farmers in the same village by the mere process of studying their lands and their crops and seeking chosen seeds and other assistance at the proper time. If nothing more were done in the Indian Union than to see that, in each village, the lowest productivity rose to the level of the highest productivity under exactly similar circumstances, there might conceivably be a rise of about 40 per cent in Indian food production. The fact that we have not attained this rise indicates that community development has failed to carry the message of productivity from the good farmer to the bad even in the small village. The enormous disparity between different units of production of agriculture is a measure of the absence of a good system of "communications" in our agricultural extension work. This ranks as one of the major

failures in both Plans — weakness on which we are nowhere near solution at the present time.

At a different level — that of the District and State agricultural development committees — the process by which debates go on endlessly before action is taken and driven home calls not merely for a more energetic approach to "communications," but for an understanding of the extent to which current routine administration is not geared to the development. The fact that Finance Officers at all stages insist on protecting themselves by deferring decisions recklessly until they have obtained all the explanations required is a symbol of the obstinate determination with which law and order outlook has been impressed on the Indian administration. Our tradition in administration has never been to consider development work of very high priority. The whole attitude of the senior officers of the Government of India and the State Governments is one which seeks security beyond the risks of adventurous implementation. Under these circumstances, the spring of Indian agriculture, which looked as though it were beginning to work magnificently between 1952 and 1955 has shown itself brittle and incapable of providing the continuing impetus required. No gifts of foreign exchange resources can alter what is fundamentally a human and administrative problem, creating confidence and courage where there is now hesitation, excessive caution, and fear.

The time has come for a radical understanding of the basic obstacles to a self-generating process of development in Indian agriculture. Whatever the faults of Indian organised industry — they continue to be many — there is at least this to be said that in most of our industries there is the stamp of dynamism in terms of production. The remarkable progress of the Tata Iron and Steel Company, on the new additional million-ton project, the great rise in cement production, the sustained rise in cloth production, notwithstanding administrative discouragement and not a little consumer price resistance in the last three months, show that Indian industry in the private sector has springs of considerable force still in operation. He would be a bold man who on the record of the last two years in Indian agriculture or, indeed, of the reports heard in Srinagar last week of frustration in many matters relating to agriculture and community development would argue that Indian agriculture is in equally good heart.

It is vital that the Government of India — quite apart from the high-powered committee on Food and Agriculture whose enquiry is differently oriented — should set up a senior study group to examine the short-run administrative implications of implementation of the Plan. It is becoming increasingly clear that we need entrepreneurship in agriculture as we need it in industry. Much of the existing failure is due to the fact that Government routine and red-tape make entrepreneurship in the public sector all but impossible. No doubt there is a wish to cut out red-tape, but it seems in practice to have become more powerful than it has ever been. Can this be because it is a convenient instrument for men who have lost courage to act and the capacity to take risks? One of the urgent questions to be answered is whether the disease is in the men or in the system. In either case a ruthless remedy must be prescribed for a vicious disease; for, this disease, more than any other obstacle, is hindering our progress. It must be broken down, before it breaks the Plan. Who will cut this Gordian Knot?

Another Fall in Karachi

THE fall last week of Pakistan's fifth Cabinet in the ten years of its existence was not entirely unexpected. The storm had been brewing for some time, and political prophets had been forecasting the collapse sooner or later of Mr. Suhrawardy's coalition Government. However, it had not been expected in the midst of the Kashmir debate in the Security Council. The crisis had been brought to the surface by Mr. Suhrawardy himself. He had vehemently and openly opposed the West Pakistan Assembly's resolution demanding dismemberment of the one-unit and reconstitution of the former provinces which the Republican Party had supported. Being head of a coalition Ministry, of which the Republicans were the major partners, Mr. Suhrawardy might have remained in office if he had proceeded cautiously and carefully. He, on the other hand, undertook an extensive tour of West Pakistan, addressed public meetings — something that was not done by any Pakistan Premier after the late Mr. Liaquat Ali Khan — against the dismemberment resolution and called the Republicans "traitors". It seemed veritably that the Pakistan Prime Minister was deliberately working for the downfall of his Ministry. Was it that Mr. Suhrawardy was more certain of retaining the Prime Ministership by keeping the President happy than by keeping his coalition colleagues contented?

The zeal with which Mr. Suhrawardy has recently crusaded for the retention of the one-unit does appear a little odd. Not long ago he used bitterly to criticize the way in which the one-unit had been imposed upon the people against their wishes. Perhaps this was not wholly accidental — nor the recent change of conviction in this respect. Whatever may be the failings of Mr. Suhrawardy, lack of shrewdness is not one of them. One of the reasons is, of course, that by playing the martyr he can more easily stage a comeback; he will not fade from the political scene like Khwaja Nazimuddin. While out of office, he may use his time to build up his party, the Awami League, in West Pakistan, with the support of the former Minister for Information and Broadcasting, Sardar Amir Azam Khan, and the former Governor of West Pakistan, Nawab Mush-taq Ahmad Gurmani, both of whom are known to be nursing differences with the Pakistan President and the Republican Party. If he is able to do this, he will have set a precedent: the exit of Pakistan's Premiers has so far been either fatal or final.

Though the fall of Mr. Suhrawardy's Cabinet at the Centre does not directly affect the fate of the Awami League's Government in East Pakistan, it would be as well to expect to hear the repercussions of the political crisis in Karachi in distant Dacca. When Mr. Suhrawardy was given the reins of office 13 months ago, it may be remembered, East Pakistan had almost broken away from the western wing. His first task as Premier was to satisfy the aspirations of the people of East Pakistan. This he did by appointing a committee to examine the question of giving more regional autonomy to East Pakistan.

The current — or perhaps the continuing — political crisis in Pakistan has been attributed variously to intrigue or the Muslims' disdain for democracy. Prime Ministers in Pakistan have, it is undeniable, almost invariably risen to office on the dark wings of intrigue; to continue in office, they have to match the intrigues of other aspirants. It is hardly national achievement, or

popularity or failure, except in intrigue, which keeps a Prime Minister going. It is also true perhaps that Muslim countries generally have not so far made much headway in democratic methods: perhaps their psychological mould has something to do with this. Even in Turkey, the course of democracy is not very smooth. In Pakistan, except for general fanticism on the issue of Kashmir, which has been connected inextricably with Islam, there is hardly anything in the country today which can hold people together, and on the basis of which politicians can unite. Extravagance on the issue of Kashmir seems to have become the test of a politician's fitness for office — certainly in the eyes of people in the cities.

But Kashmir and the canal waters are at best temporary as uniting factors. In truth, there are other factors which are bound to hinder the growth of stability in the country. If the wide separation of the two parts of the country creates considerable difficulties in the way of political unity, the economic backwardness of the populous eastern wing as compared to thinly populated and comparatively advanced West Pakistan accentuates them. The people of East Pakistan want representation in the country's National Assembly on the basis of population; those of the western wing are determined to enjoy equality of representation with their eastern brethren.

With the Awami League out of the political picture at the Centre for the present, and the Muslim League though in a minority, not content with anything less than the Prime Ministership, the Republicans may well try to coalesce with East Pakistan's Krishak Shramik Party, the Pakistan National Awami Party and with Nizame Islam Party to form the next Government. The question worrying everybody is, however, as to who will be Prime Minister. The choice, is restricted; Hamidul Haq Choudhary, a former Foreign Minister and the leader of the Krishak Shramik Party; Syed Amjad Ali and Feroze Khan Noon, the Finance and Foreign Minister, respectively, in the outgoing Cabinet. Dr. Khan Sahib, the leader of the Republican Party, has already given out that only a Republican would lead the next Government; this leaves Syed Amjad Ali and Mr. Noon in the field. Dark horses should, of course, not be ruled out of calculation where loyalties are easy and intrigue normal. As no political party enjoys an absolute majority in Pakistan's 80-member National Assembly, one need not be a prophet to predict that any Ministry that assumes office will be essentially unstable.

So far as India is concerned, it has not been happy over the political instability in Pakistan since Mr. Liaquat Ali Khan's assassination. Four Governments have fallen during these six years; among other things, this makes it difficult to negotiate with any Pakistan Government. It is not possible to be sure whether agreements on Indo-Pakistan problems that are arrived at will be honoured by the next one. In fact, each successive Government has found it more convenient, for its survival, to stir up a *Jehad* atmosphere. Though India has not paid much attention to threats from the other side of the Indo-Pakistan border in the past, it is difficult to see how can it remain indifferent to these in the coming months. Political instability in Pakistan is, therefore, not the exclusive concern of that country's people. India, too, has a stake in it; so has the world.

Congestion at the Ports

THE arrival of the U.K. team of experts on port congestion in the last week in this country has focused attention on a problem of national importance which had assumed grave proportions only three months back. This problem cannot be considered in the narrow context of serious bottlenecks cropping up at any particular time. In essence, it is a problem of expanding port facilities on an adequate scale and in an effective manner for continued and accelerated development. If congestion in the major ports of India has become chronic, it only underlines urgent necessity of a comprehensive long-period view of the question. Investment itself presents another difficult issue and at present the World Bank's mission is here to assess the extent of credit which the Bank should provide for the programmes of port development in our second Plan. It is only a matter of chance that the arrival of the two missions in the country has synchronized. The U.K. team which has come under the auspices of the Colombo Plan is called upon to undertake a thorough investigation of the state of congestion of the ports. It is one of the most impressive teams of experts ever to visit this country. It is compact and every member has proved successes under conditions equally or more difficult elsewhere.

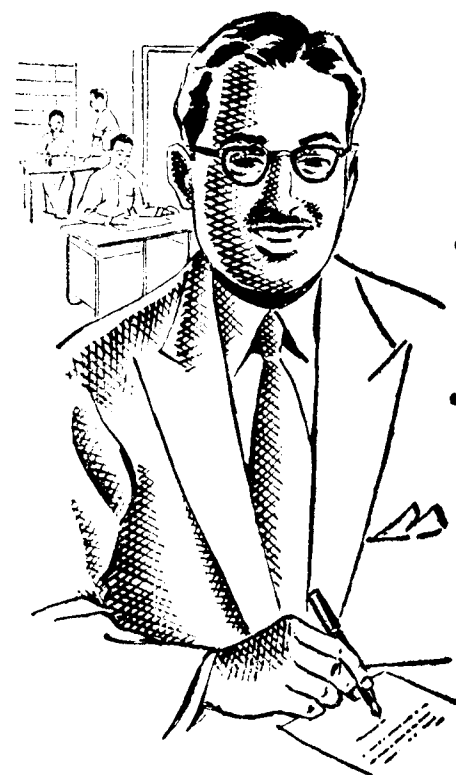
The U.K. mission will be concerned less with the issues of the immediate present; these have to be resolved at any cost. Its real function will be to examine the problem from the comprehensive and long-term angle. In the first stage of its investigation which is now over, the mission has given an unmistakable indication that this is the angle from which the question must be solved. This angle has brought to the forefront the changing pattern of the trade flowing through the ports as the predominating factor which will determine the nature of the facilities which will have to be provided at the ports. Sir Eric Millbourn, leader of the mission, lost no time in assessing this fundamental character of the problem. The broad conclusion which has been reached in the mission's discussions with the officials of the Government of India now seems clear. Special types of imports will continue to demand priority on our port facilities. They are: food grains, iron and steel, and machinery. Ores will constitute a strategic part of our exports. In their significance to the development requirements of the economy as well as in the volume of their trade, these articles will make a profound impression on the capacity of the ports and their ability to provide the required facilities. Any future expansion in the direction of new berths and other aids will have to make specialized types of facilities for these special categories. The new equipment which will be installed to cope with the growing volume of cargo will have to be selected on the test of its suitability to this traffic as well as other classes of traffic.

It is true that the Ministry of Transport and Communications has risen to the challenge of the recent crisis of congestion at the four major ports of this country. The measure of success achieved in the span of a few weeks can be gathered from the fact that congestion in Calcutta port has been reduced from 68 ships awaiting clearance of cargo early in August to about 19 late in September. Congestion as such can be said to prevail at the present time only in the Visakhapatnam port. In all the

other ports the necessary facilities were requisitioned as a matter of urgency and operations were conducted under the direct supervision of specially appointed high-powered officials. While credit must be given for the successful enforcement of these measures, the fact remains unaltered that all these measures were adopted as emergency measures to obviate the critical liability of the levy of a surcharge of 25 per cent which the international shipping services had threatened to impose. This is proof enough that the Government and the Port Trust Machinery can meet a situation of crisis. But this achievement has essentially a short-term significance. The root problem of meeting the long-run challenge of developing the ports and cargo-handling facilities still remains to be faced.

To meet this challenge is a function of a thorough investigation of the requirements of individual ports. The members of the U.K. mission are now addressing themselves to this important task. The nature of the special problem which the U.K. experts are called upon to tackle may be broadly indicated. Visakhapatnam is clearly marked out as a major port for the export of ores and vegetable oils. Available facilities there are not enough to handle even half the traffic at present offering. The nine berths in Madras port are under constant pressure and arrival of passenger ships or special vessels carrying steel and machinery compels detention of ships carrying other cargo. The backward state of facilities provided at Madras port is highlighted by the fact that ore is handled by manual labour. Poor stacking and storage facilities are the bane of Bombay port, while Calcutta suffers from bunching of ships and prolonged detentions due to weather and tidal conditions. Lighter fleets for loading or unloading in the stream is a common requirement. In the final analysis, the general problem is resolved into one of mechanizing the handling facilities to the utmost practicable extent and otherwise modernizing the ports.

Labour at the ports in any country has normally proved to be a militant force to deal with. The militant character of port labour seems probably due to the casual nature of employment and the insecurity as well as mood of indifference which it generates. In India labour unrest has been a potent cause of detentions of ships. It is an acknowledged fact that go-slow tactics persist no matter how far recurring demands are conceded. The scheme of decasualization which has been introduced with respect to certain categories of stevedore labour was expected to bring stability and remove the root cause of unrest. Piece-rate wages, which are already introduced in Bombay and whose extension in Calcutta and Madras is not far off, are decidedly bringing higher remuneration to labour as well as improved productivity. A long list of progressive terms of employment including welfare schemes, gratuity scheme in Madras port and provident fund schemes in Calcutta and Bombay ports, may be cited. None of these gains, it is clear, has brought balance and sobriety in the attitudes of labour. In the U.K. and other Western countries dock labour trouble has been successfully minimised. The secret of this success is to be found in firm but just dealing by port authorities no less than in extension of welfare benefits and higher remuneration. Will we be equally resolute on productivity; or will we excuse what we dare not replace?



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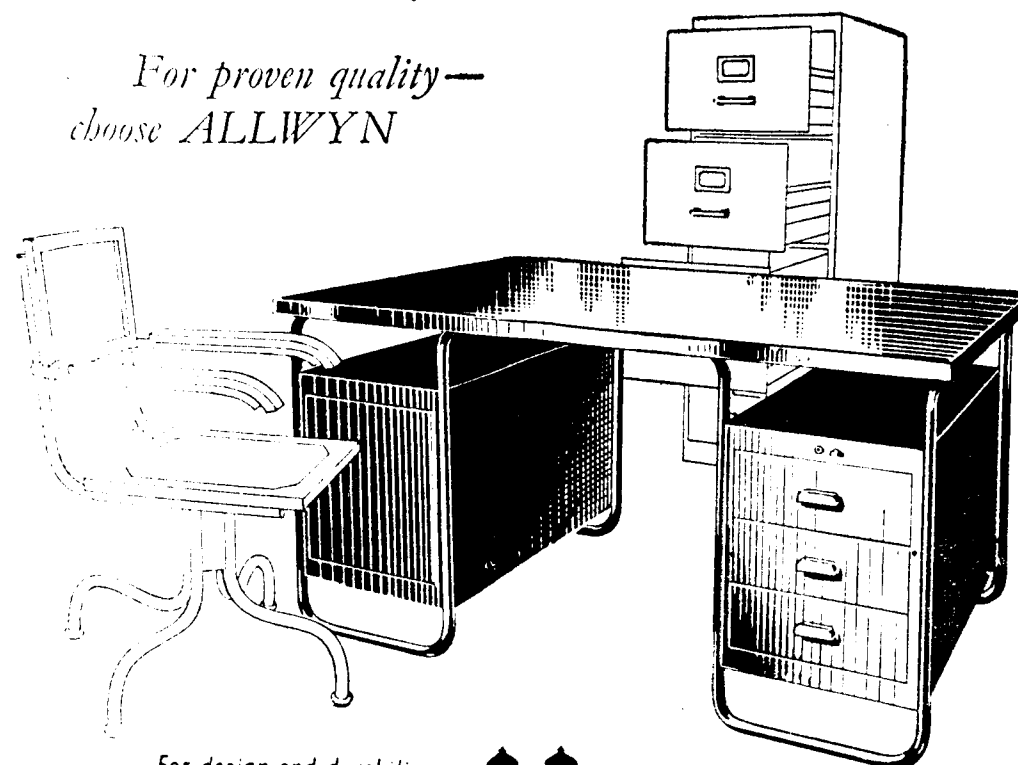
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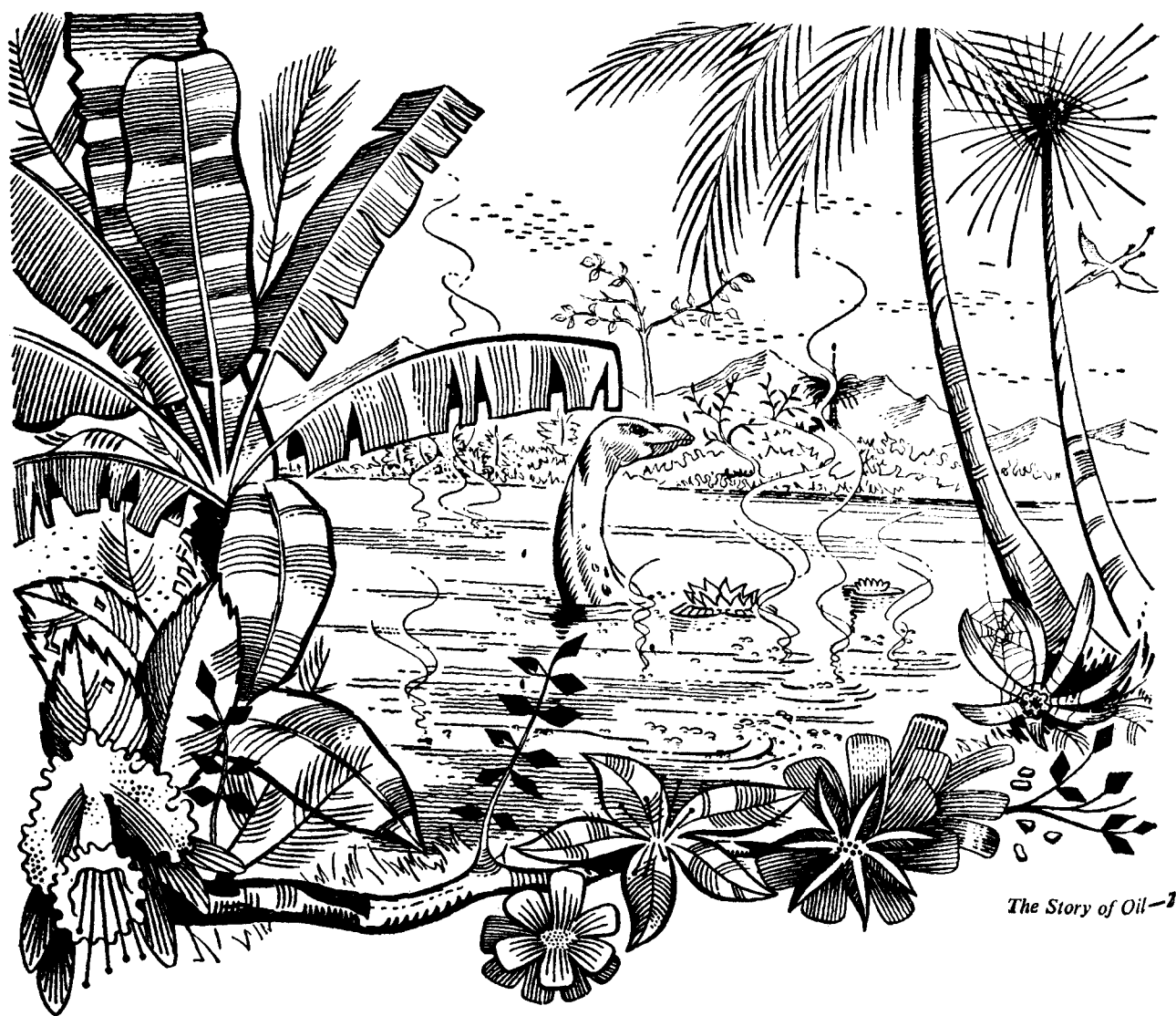


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sediments which covered it were compressed into rock strata. The newly-formed oil oozed into the nearest layers of porous rocks, which held it as if in a sponge, and here it remained.

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THE WEEK'S NOTES

ELECTIONS IN NEPAL

THE POSTPONEMENT of the general elections in Nepal, though not unexpected, is sure to raise a new political storm. The Opposition parties will appear justified in criticizing and even condemning the King's discriminatory action in allowing Dr. K. I. Singh, the present Premier, to do what had been denied to Mr. Tanka Prasad Acharya, the former Prime Minister. In fact, the latter was, to all accounts, forced to resign precisely because he had expressed his inability to honour the pledge given by the King about eighteen months ago, to hold elections on October 8, 1957. The King's action is seemingly all the more regrettable because he has allowed Dr. Singh to remain in power, though the latter's first statement after assuming office contained a promise to hold general elections on schedule.

The bitterness of the Opposition parties in Nepal is thus easy to understand. But their threat to launch a civil disobedience movement from December 8, if the Government should fail to give an assurance by that date to complete the elections within the next six months is more deplorable than even the apparent dilatoriness of the King and his Government. This move seems to arise more from their desire to pander to the gallery than from either principles or statesmanship. The civil disobedience movement that they threaten may, indeed, delay elections further, by upsetting internal stability during this critical period. It would thus defeat the very purpose that the Nepali Opposition parties have in mind. In the peculiar political situation prevailing in Nepal, the Opposition parties cannot afford to assume a role pregnant with disastrous implications. The economic situation, for instance, reflected in the present scarcity of food, is likely to worsen from any large-scale unsettling of administration.

There can, however, be no two opinions on the necessity and advisability of holding the general elections as early as possible. That seems the only way to remove political discontent in Nepal. No matter how petty the various platforms appear, or how strong the opportunism of the politicians, any kind of discontent in that country, roofed geographically by the "Tibet regime of Communist China", contains the possibilities unpleasant to think upon. Moreover, the elections would measure, in democratic terms, not only the popularity of different political parties, springing into existence like mushrooms, but also assure to the people the government they desire. It is no secret that every ruling party in Nepal has so far been reluctant to test its strength through that universally accepted democratic procedure. None of them ever set about taking the necessary steps such as dissolving the constituencies and preparation of electoral rolls. But surely no purpose will be served by blaming the preceding Ministries, particularly the last one led by Mr. Tanka Prasad Acharya, for being dilatory. The best course for the King and Dr. K. I. Singh would be to fix a date for the general elections after consulting the Election Commission and stick to it. It would allay the apprehensions of the public and the misgivings of the Opposition parties. Any delay in holding elections will merely accentuate the political instability which no amount of capricious reshuffling of the country's Cabinet will be able to eradicate. Democratic rights can be denied to the people of Nepal only by endangering the institution of kingship itself.

ALGERIA: CORE OF THE FRENCH CRISIS

THE TWENTY-THIRD post-war French Cabinet headed by M. Bourges-Maunoury has fallen. The fact that it had subsisted on the sufferance of a motley crowd of its supporters had made this inevitable some time or the other. That both the extreme Right and the extreme Left voted together against the Algerian Reform Bill was neither unexpected, nor unusual, nor unnatural. Their reasons for it were of course different. The Conservatives, including the Poujadists, voted against the Government because, according to them, the Bill would give the Algerians too much, and would create chaos and bloodshed in Algeria. The Communists and a sizable number of Left-wing Radicals, led by M. Mendes-France, rejected the Bill on the plea that it did not give the Algerians enough. It conceded merely local autonomy and not independence to Algeria. Looking at the Bill dispassionately one cannot escape the conclusion that the proposed "reforms" practically reserved everything for the French Government. France was to retain control of foreign affairs, defence and finance. The other subjects were to be transferred to an executive council which was answerable to a legislative assembly whose composition was to be based on the principle of communal representation.

Even if the French National Assembly had passed the Bill, the Algerians would not have condescended to touch it with a barge pole. After all, it is too much to expect that diarchy, which did not satisfy the pacifists among the nationalists in India forty years ago, should satisfy Algerians in armed revolt today. Moreover, far from adding up to a national entity, the autonomous territories will mean fragmentation of the entire area, which will, in turn, retard the growth of Algerian nationalism. What Algeria requires from France—and this is a matter about which there can be no two opinions—is not a programme of reforms but a clear definition of political objectives. If these fall short of independence no pattern of internal reforms can be accepted as a substitute.

The crisis in Paris offers evidence of France's bankrupt policies in Algeria. The policy which a former French Premier, M. Guy Mollet, described as "military pacification" is inadequate to answer the political needs of Algeria today. It may even result in the formation of an effective Arab front, which would ultimately wrench more from France than even what Algerian nationalists now demand. The French would do well to remember their humiliation in Indo-China, which might have been avoided if they had not offered to the Indo-Chinese too little and too late. In the context of cold-war calculations, strengthening anti-West elements in the Arab world by denying them what is theirs legitimately can only provide opportunities for the Russians to create trouble in the Middle East. This makes it incumbent upon the other countries of the Western world, more especially the United States and Britain, to "advise privately" the next French Government on how not to sacrifice the concepts of individual freedom and democracy, and the strategic needs of the free world, on the altar of colonial greed and imperial arrogance.

At no time, it is true, has the solution of the Algerian problem been easy. Today, lost opportunities and past errors confuse the North African landscape, and darken the horizon. But this is certain, that neither inhuman repression nor the game of musical chairs played by French politicians in Paris will solve the problem. What may offer a solution is the example of Britain in Malaya: the grant of a status to Algeria similar to the

one granted to Malaya by Britain. French colons in Algeria are matched by British planters in Malaya: nationalists in armed revolt in Algeria could be equated (for the sake of argument) to with Communist armed guerrillas in Malaya. By granting independence to Malaya, Britain has not lost anything. It has, on the other hand, gained a staunch friend. Why shouldn't France?

MR. DJILAS'S INCARCERATION

A FEW days ago, the three-year prison term of Mr. Milovan Djilas was interrupted by the powers in Yugoslavia that had passed the sentence, and he was tried for hostility towards the State. In plain words, he was tried for having written "The New Class". The trial took place at Sremska Mitrovica, 42 miles from Belgrade, and lasted just one day. It is hardly necessary to state that it was a complete and cruel farce. It is also not very necessary to state the strappings of democracy exhibited by Marshal Tito's Government — such as bringing Mr. Djilas formally to court — have not convinced the non-Communist world: on the other side of the iron curtain democratic procedures emptied of content are part of normal life.

The incarceration of Mr. Djilas is, of course, symbolic of the forces of tyranny in our times that freedom-loving men are pitted against. But it symbolizes much more. It brings into focus the encroachment of expediency on man's moral conscience. It has been said, in support of Marshal Tito's action against Mr. Djilas that his "The New Class" is being exploited against Yugoslavia by the Russian Government, and that choice is between the well-being of many and the "foolhardiness" of individuals like Dr. Dedijer and Mr. Djilas. The argument is chauvinistic. No ruler can in the same breath talk of democracy and indulge in such specious reasoning, without laying himself open to the charge of hypocrisy. The aim of the State, to use Dr. Radhakrishnan's words, is to see that the light of human recognition does not grow dim in men's eyes. By the continued imprisonment of Mr. Djilas, Marshal Tito will lose many friends in the world. In this desperate time of political adventure and perverted understanding, when trust and gratitude rub shoulders with fear and suspicion friendship and goodwill are valuable.

COST OF ROCKET DEVELOPMENT

IT IS now known that Russia developed a 500-mile range rocket in 1951-52, a 2,000-mile range guided missile in 1955, a 4,400-mile range missile in 1956 and a long-range inter-continental ballistic missile in August, 1957. She has just launched an earth satellite and plans to launch a series of bigger and heavier satellites in the near future. This colossal development in a comparatively short period of six years is a near-miracle which takes one's breath away. But the estimated cost of capital outlay on the development of the first earth satellite alone over five or six years is no less breath-taking. A British estimate has it that the Russian research effort in launching a satellite costing anything from Rs. 8 crores to Rs. 13.3 crores should have involved a total development outlay of about Rs. 6,667 crores over the period. One wonders what the total cost would be if the development of rocket-missiles for military purposes is also taken into account. Although the Russians appear to have combined their research effort on military missiles with that on the earth satellite and thereby economised expenditure, it may not be wide of the mark to give an estimate of Rs. 10,000 crores as the over-all total of development cost in the two related fields.

That the Soviets have been able to plough such enormous resources into the sector of rocket development alone, gives a clue to what they must be spending on the development of nuclear and thermo-nuclear weapons and the defence forces in general and on other scientific and technological research. All this has meant a comparatively modest real standard of living for the Russian people. For example, even after 5 Five-Year Plans, production of textile fabrics in Russia is just 32 yards per capita per annum and that of sugar just 38 lbs per capita per annum. These two figures may be compared with 16 yards and 11 lbs. respectively in India which is a land of unparalleled mass poverty. And thereby hangs a tale.

MR. DESHMUKH ON EDUCATION AND LANGUAGE

IN HIS convocation address at the Poona University Mr. C. D. Deshmukh, Chairman of the University Grants Commission, has made some suggestions which deserve wide consideration. First, he suggested in connection with scholarships awarded to poor students, that every university student should contribute a rupee per annum towards a scholarship fund for the purpose. The University Grants Commission would then contribute a sum equal to the total collected by the students, up to a ceiling of Rs. 10,000. The merits of such a scheme are many, the most outstanding being that it will infuse into the students a sense of responsibility, and teach them the value of giving. Moreover, in India we seem to have developed a habit of thinking that only the very wealthy can help others; whosoever can change that impression and prove that "widow's mites" can also go a long way to make life meaningful for themselves as well as others, will have done a national service.

Mr. Deshmukh's second suggestion was in relation to provision of workshops of carpentry, smithy, assembling of electronic appliances, and so on, where students can learn these crafts in their spare time. He also said the Commission might help improve existing facilities for the students learning fine arts like music and painting. These schemes will, in the first instance, be implemented in ten universities. A sum of Rs. 25,000 is to be allotted for buildings, an equal amount for equipment, and Rs. 5,000 for staff. The aim of these schemes is two-fold; one, inculcation in the student of the dignity of manual labour, and second, the development of character. Mild objection may be raised to these suggestions, on the ground that there are many more pressing needs to be attended to by universities, in the sphere of education. But character-building is, surely, the central objective of education. And does not dignity of manual labour imply modification of a deplorable general attitude, a modification which is an essential step in character-building?

Another suggestion was contained in a reference to the language problem. Mr. Deshmukh made a significant statement. There have been so many flare-ups over language in various parts of India that it is easy to assume that the very existence of more than one language in a country is a factor making for trouble. Mr. Deshmukh stressed, however, that the root-cause of all such flare-ups was quite often unrelated to language. He pointed out there are perfectly integrated bi-lingual States in existence, and "even a multi-lingual State can be a haven of peace" if fears stemming from religion or unequal economic development or the problems arising from the existence of minority or minorities are removed. He suggested, as was done in these columns recently, that Indians should endeavour to become multi-lingual, and consider the achievement of such a goal a challenge.



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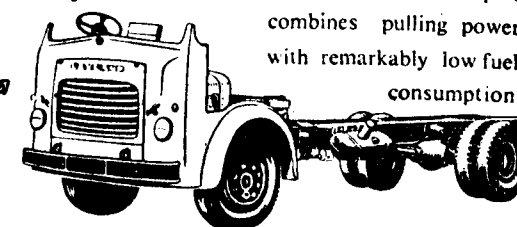
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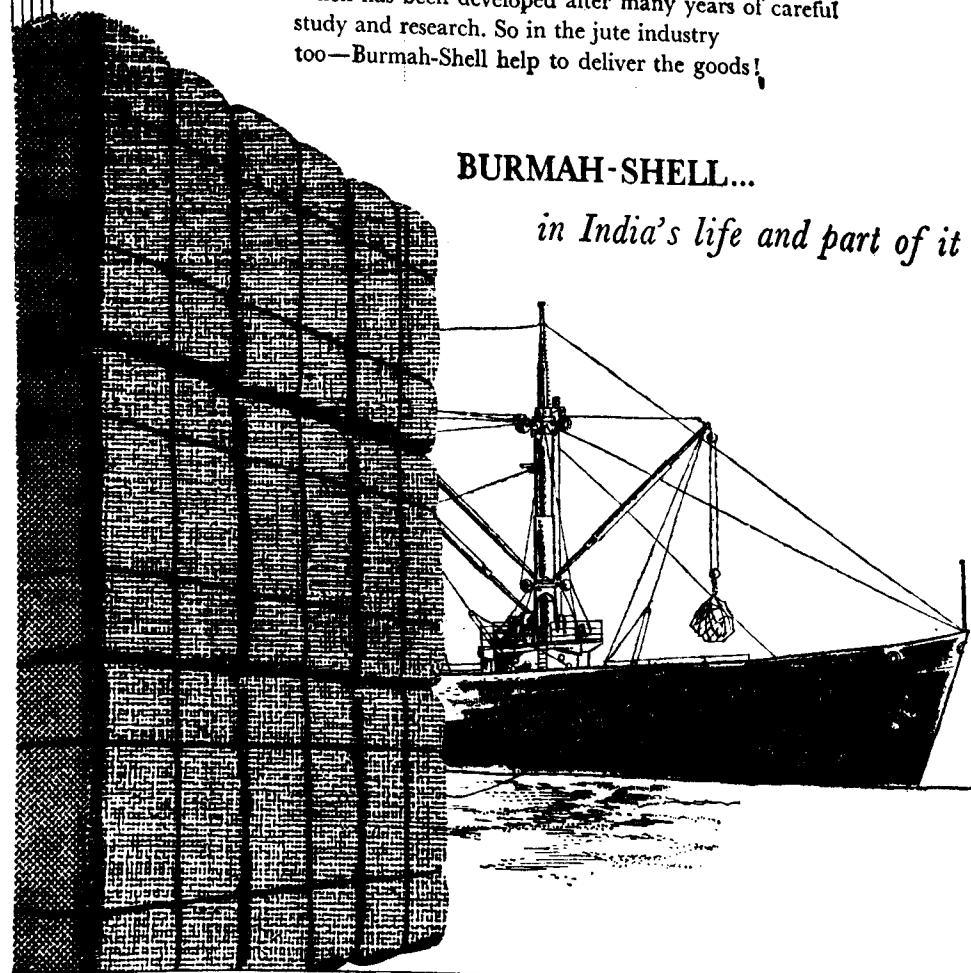
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A Window on the World

A NEW APPROACH TO THE WEST

By
ODYSSEUS

WHAT APPROACH might be adopted by Eastern statesmen, politicians, civil servants, business leaders, editorial writers and publicists, anxious to increase the flow of foreign capital without which the democratic nations of the East can neither raise their standards of living nor remain democracies?

The fundamental argument, which will evoke a warm and friendly response in the West, is that the ultimate interests of the free democracies of the East and the West are identical: the peace and prosperity which will enable the greater part of the world to live under governments which respect the freedom of the individual. Failure, therefore, on the part of either East or West to co-operate can only injure the interests of both. This argument does not exclude frankness, essential if understanding is to be promoted, but it does mean giving the democratic West the benefit of the doubt, putting the best and not the worst interpretations on its policy statements.

It is worth noting that two problems in East-West relations, India's foreign policy of non-commitment, and the scarifying effects of Socialist legislation on the foreign investor, are differences that do not revolve about objectives but about means. The object of India's policies is not to promote Communism but to preserve democracy.

All this implies that both East and West should consciously attempt to avoid name-calling and resentful criticism in public that characterises too much of what is at present said and written. If the press of the East were to decide to revise its attitude in the light of such a suggestion, would the 'Daily Express' and its fellow backwoods imperialists follow suit, or would they continue to smear Pandit Nehru? Lord Beaverbrook is too old to grow up and his splashing in the mud should be treated as no more important than those of a small boy: they do not represent the opinion of the people who influence policies. Correspondents of Eastern newspapers and news agencies, and the sub-editors who receive their cables, might reflect that every time that they bother to repeat these smears, the 'Daily Express' scores. The popular press thrives on controversy and the shriller the shrieks of international anger, the bigger their headlines and the happier they are. To ignore them would be political realism and sound child psychology.

CAUSES OF WESTERN FEARS

As far as Socialism and free enterprise are concerned, there is no basic East-West difference. In all countries, even the U.S.A., entrepreneurs accept that it is the state's function to try to set the economic tempo in matters of credit control and unemployment. Socialism, in the sense of complete control of all production, exists fully nowhere and is on the defensive everywhere. The West sees its future not in a Socialist but in a mixed economy. Failure to realise this in India leads to suspicion that the West will not invest in India "because India is Socialist". It is not the fear of Socialism that makes foreign investors shy but that the emphasis on heavy industry in the second Plan will cause (1) inflation and internal

social dis-satisfaction by showing no return for Indian consumers for many years, and (2) threaten India's balance of payments, thereby making it impossible for the foreigner to be paid for his services.

WHY RAISE THE RATE OF INTEREST?

India's best reply to these objections would not be an argument but a deed. If we are ready to pay a competitive rate of interest, capital would be attracted away from other markets to India on a substantial scale. Foreign oil companies are understood to have been told that New Delhi considers 8 per cent a fair return. But if an oil company can get 20 per cent in South America, why come to India? To offer a commercial rate of interest would also re-assure foreign savers, for it would mean that India had discarded the idea that there is some point in the scale of interest rates which divides the moral from the immoral, that a low rate is moral, a high rate is not. But dividends are not a reward for good morals but for taking risks, and the judge of the risk cannot be the recipient of investment but the man who has foregone consumption. His judgment is coloured by the history of foreign investment, which shows that there never has been a country which has not sooner or later defaulted in its payments, or else created conditions which made it more and more difficult for the foreign company to continue working. The investor must, therefore, either be allowed to foresee a period in which he can get a high return on his money or he will invest elsewhere.

"Why raise the rate," an ex-Governor of the Reserve Bank of India is quoted as having said recently, "when we are doing all the spending ourselves? Why raise the rate against us?" But who, except a nationalised insurance company, wants to save in present conditions in order to buy a bond yielding 4 per cent? Does our ex-Governor comb the Calcutta stock exchange list to invest his personal savings in those shares with high risks and low yields? If a commercial rate of interest prevailed in India there would be a corresponding effort on the part of potential domestic savers. Give them plentiful food grains, cheap cloth, and a resounding return on savings, and the mofussil will roll up in their millions to finance the Plan. Do you remember when the U.K. went off the gold standard in 1931 how the mofussil dug up its buried gold to cash in on the profit that could be made by selling gold? They will do the same today if you allow them the same profit.

That a government, which cries aloud for savings, should follow tax and other policies which reduce capital values on the stock exchanges by 50 per cent, or more, makes no sense. Moreover, some political circles gleefully regard these losses as punishment for people whom they dislike and therefore call "wicked capitalists." No one apparently has ever explained to them that stock exchanges are mechanisms for collecting savings and that their clients are savers. "But no!" replies the knowing politician, "stock exchanges are frequented by anti-social speculators. They should be closed down." Which is the same as arguing that because some civil servants may be cor-

rupt, the whole machinery of government should be closed down. Without a bureaucracy you will have neither corruption nor a government, and without stock exchanges you will have neither speculation nor savings.

As Paul Bareau, the British economist, said on his return from India recently, each time that he remarked on the Industries Development and Regulation Act which gives powers of life and death over any private undertaking, he was told "That's not meant for honest people but for scoundrels". May be, but it is the law and could be used arbitrarily by another government, if not by this one. We are so terrified lest one dishonest man escape that we bash the heads of all honest men as a precaution. This may be sound morals but as a way of increasing savings and production it is odd.

A MARSHALL PLAN FOR THE EAST

Now is the time for the statesmen of the East to get together to formulate a common platform of friendship with the West because never have there been more Westerners conscious of their responsibilities to the East. Barbara Ward, on whose splendid booklet "The Interplay of East and West" (Allen and Unwin, 1957, 10s. 6d.) I have drawn in previous weeks, and Professor P.M.S. Blackitt, whose theme in his presidential address to the British Association in Dublin on September 4 was the need for Western sacrifices to speed the development of the East, are but two symptoms of this movement of Western opinion.

One recalls June 5, 1947, when General G. C. Marshall made the historic speech in which he exposed "the dislocation of the entire fabric of European economy," a dislocation so vast that "for the next three or four years Europe must have substantial help from America." But, he insisted, "the initiative must come from Europe . . . When European countries have agreed on their requirements and on the part they themselves will play then, and then only, can the U.S.A. take supporting action." In response to this, the Marshall Plan was formulated by the European foreign ministers. Of course, the U.S.A. had a stake

in European democratic stability, but the Europeans did not approach the U.S.A. with flesh-creeching threats of what would happen if U.S. aid were not forthcoming, nor did they reproach the U.S.A. for the consequences of its years of neutrality in two world wars—years during which the Europeans in general, and the U.K. in particular, were dispersing the accumulated savings of a century in a cause which was America's no less than theirs. No, they approached the U.S.A. in terms of common democratic ideals, taking all possible steps to reassure American investors.

The result was European recovery and the permanent machinery of the Organisation for European Economic Co-operation, which has a big part to play in the coming inauguration of the European common market and free trade area, the logical outcome of Marshall aid and of the O.E.E.C.

If it be objected that in the World Bank, the Colombo Plan, and other institutions, the mechanisms for Western aid to pour into the East already exist and that all that is required is for the West to use them, I urge that what would quicken the life of these institutions would be a new attitude on the part of the East. Pandit Nehru gave Asia a lead when he said on three separate recent public occasions that the habit of lecturing the West on how to be good was not conducive to East-West co-operation.

Above all, the East must see that if it really wants investment in a big way, it must approach money markets and private investors, not governments. Government lending must always be confined within limits, but if you offer commercially attractive terms to ordinary investors, the volume of savings that can be conjured up is limitless, and when I say limitless I mean limitless. What limits saving is a low rate of return combined with taxation and legislation that takes profits away from the man who makes them. It is no good crawling on your knees to the domestic and foreign saver to lend to you and then shaking your fist in his face when he wants assurances about conditions and profits. You must make up your mind to give him the cake he wants or do without the cake that you want.



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A FRENCH FEDERAL REPUBLIC

(From Our Special West European Correspondent)

PARIS, October 12.

AT the time of writing, France is still without a government and without any prospect of getting a government that will be more than a patchwork compromise of uncertain duration and undecided action. This is the most serious political crisis to date in the Fourth Republic because it has made clear that the present legislature, elected at the beginning of 1956, cannot produce among its various permutations and combinations any majority for any policy in Algeria. This is why it is referred to in Paris not as a "cabinet crisis" but as a "crisis of the regime"; that is to say, it cannot be resolved by the formation of a new cabinet but only by extensive reform of the constitution. Of course, some sort of cabinet will emerge within the next few days, but it will obtain the support of the legislature only if it promises to undertake reform of the regime. Though all parties are agreed on the need for constitutional reform, unfortunately they all have different ideas on the sort of reform that is required, so the mere appointment of a government solemnly pledged to change the constitution will solve nothing but will mark the beginning of a long and arduous struggle. At least it will put an end to the pretence that France's domestic and imperial problems can be dealt with within the framework of the constitution that emerged after the Liberation.

Three extremist proposals for reform can be laid aside as quite unlikely to be taken up: the Communist, Poujadist and Gaullist. These groups are permanent advocates of constitutional change and have not awaited the present cabinet crisis to demand an end to the Fourth Republic; but they have no more hope of being heeded now than at any other time in the past few years. The Gaullist pretension is the least improbable of the three. Given further and prolonged deterioration of the political situation, it is quite possible that the legislature should vote an appeal to the General to form a government. But the time is not yet for that.

Three other proposals for constitutional change have support among the "national" or democratic parties and it is these that will be discussed and possibly implemented within the life of this parliament. These are: a strengthening of the powers of the executive; electoral reform designed to reduce the number of parties in parliament; and revision of Article 8 of the constitution so as to convert France from a unitary republic, "one and indivisible", into some sort of federation.

The first, a strengthening of the executive at the expense of parliament, is demanded by the Centre-Right groups. But by itself it would not solve any of France's present difficulties. It is in fact an example of the eternal prejudice of the Right in all countries, the belief that political issues can be boiled down to administrative or technical questions. France's problem is not that the government has inadequate powers; on the contrary, successive cabinets have been awarded by parliament the most extensive and absolute powers, of which "special powers" now enjoyed by the Lacoste administration in Algeria are one instance. The problem is rather the nature of these governments themselves, their heterogeneous make-up and their dependence on conflicting groups in the Assembly for their continued existence. As long as the executive is

at all responsible to the Assembly (that is, as long as France does not honestly opt for the Gaullist solution), then no matter how great its special powers it will always be at the mercy of a divided legislature that has no one dominant will on any major question. On the other hand, if the Assembly could produce such a dominant will, a stable majority on the major issues, then the executive representing that majority would not need special powers and would not require to be strengthened. Such a state of affairs could only be brought about by the second Plan for constitutional reform, a revision of the electoral system. Meanwhile however, there is much to be said for the suggestion Monsieur Pleven has made during his efforts to form a cabinet, that the national parties agree on a one-year truce and form a mixed government with a guaranteed span of life. This would provide as much "strengthening" as the executive needs but it would be helpful only if during that one year the government took further the two remaining plans for constitutional reform that are yet to be discussed.

The suggestion for electoral reform is especially canvassed by the Mendes-France wing of the Radicals and is the soundest proposal in the field. A simpler method of election could produce fewer parties and enable a stable majority to emerge, but just because it would wipe out or at least much reduce several parties now amply represented in parliament, it amounts to an invitation to many politicians to commit suicide. Besides, it would affect the make-up of the next legislature, not the present one; and since the new system would take very many months to push through, France would remain saddled during a crucial phase of her history with the worst parliament she has ever had.

The third suggestion for reform concerns the article of the constitution that declares France to be a republic one and indivisible. It is this doctrine, a cherished heritage from the French Revolution, that has made it impossible for France to develop her political institutions so as to find room for the colonial peoples. According to this principle, a colonial territory is either part of metropolitan France or is an independent country. There is no intermediate stage between the present juridical situation of Algeria and the present totally independent status of Indo-China or Tunisia — yet it is precisely some such intermediate stage that is required for Algeria. By contrast, the myth of the British Crown allows for a whole range of political connections, from the position of Northern Ireland to India's. The suggestion is to abandon this doctrine and set up a federation that would concede autonomy to the African territories, including Algeria, while maintaining in France a unifying federal power; moreover a "confederation" could be grafted on to this federation thus making room for a connection with fully independent countries such as Tunisia and Morocco.

It might appear that revision of Article 8, however important, would only change France's connection with her overseas territories and would not therefore resolve any of the internal political difficulties tackled by the two preceding plans for reform. But in fact it is the question of the link with the African territories, and in the first place of course with Algeria, that is at the root of French domestic troubles. Once the Algerian question were settled and provision made

that the other African territories should never find themselves in similar straits, the other constitutional issues in France could be easily dealt with over a few years.

As long as the problem is discussed only in general terms, there is agreement even within this legislature on the urgency of revising Article 8. The words federation and confederation are being bandied about as though they were charms, usually accompanied by approving but quite ignorant references to the structure of the British Commonwealth. So it is quite likely that France's next government will have taken a pledge to move away from the unitary republic towards a federal or commonwealth system. Unhappily, however, many of the most enthusiastic supporters of federalism have only the vaguest idea of what is involved and it is to be feared that when it is realised what extensive changes would be entailed in converting the French Empire into a federation, support will languish, especially on the Right.

One question which may appear important is actually not so: this is whether the overseas members of the Empire have any wish to be federated. Most of them do. The recent conference of political parties in French West and Equatorial Africa, held in Bamako, decided in favour of federation with France, and a similar willingness has been expressed by the people of Madagascar and the French Atlantic possessions. But of course all these people assume that it is a genuine federation that is in question, and not a make-believe that simply disguises the continuation of French domination. The Algerians might appear to be a more difficult case, and indeed it is unlikely that the FLN and MNA would here and now agree to join a French federation. But if the federation were associated with Morocco and Tunisia, the question would be narrowed down to whether Algeria were "federated" or "confederated", or to how she could move from the former

to the latter situation. Thus federalism would at least open the way to some sort of negotiated settlement of the Algerian question.

Assuming then that the 30 odd million overseas members of the French Empire are in favour of federation, it is from the 43 million metropolitan Frenchmen that difficulties would come as soon as it were realised what concessions of sovereignty France would have to make to institute a genuine federation. A true federation would include as fully equal members: France, Algeria, Madagascar, Togoland, the Cameroons, West Africa, Equatorial Africa, Guadeloupe, Martinique, etc. Each of these states would have its own constitution, a local executive responsible to a locally elected assembly over a range of subjects (the Indian "States list"). Sovereignty would rest in a federal government and parliament, sitting in France but elected by universal suffrage by all the members of the federation. What is now metropolitan France would thus have no army, diplomacy, currency or customs of its own and only limited taxation; these powers would all be transferred to the federal authority.

Apart from the very dubious question of whether France is ready to make these concessions, there is the problem of whether a Franco-African federation would long be viable. It would not rest (as do the American, West German, Austrian or Swiss federations which are being mentioned as models) on any unity of territory, customs, language, traditions, religion or national sentiment. It would be a confection such as modern history has never known, and in which centrifugal tendencies would be very high. This is not to say that it would not work. But it is to say that the difficulties of making it work have not been faced by the politicians in France and Africa who are today preaching federalism as the solution of the crisis between France and her African possessions.

WORLDGRAM

AGRICULTURE

Control of Parasitic Diseases in Livestock: A Co-ordinated Scheme for control of diseases caused by certain parasitic worms with special reference to liver-fluke disease in Mysore State was considered at the Parasitology Committee of the Indian Council of Agricultural Research which met here under the chairmanship of Dr H. D. Srivastava, Head of the Division of Parasitology of the Indian Veterinary Research Institute. Another Scheme discussed at the meeting was for control of a nasal disease in bovines caused by a blood-fluke particularly in Mysore and the neighbouring States. The Committee also reviewed technical programmes and progress reports of research schemes already in progress in various States.

Sheep and Wool Development in Rajasthan: According to a recent scheme for the intensive development of Sheep and Wool industry, subsidised by I.C.A.R., 99 extension centres will be established in Rajasthan during the second Five-Year Plan. Twenty-two centres out of these have already been started at different places in Bikaner, Jaipur and Jodhpur Divisions. A sum of Rs 2½ lakhs has been sanctioned for this scheme in the first year, out of which 50 per cent will be given by the Government of India and the rest will be shared by the State Government.

INDUSTRY

Development of Cottage Match Industry: A hundred more cottage match factories are to be established during the current financial year. This is under a programme of development of the industry which is being implemented by the Khadi and Village Industries Commission. The programme also provides for training, experiments in match manufacturing and organizing field demonstrations. Also grants and loans are sanctioned to statutory State Boards, co-operative societies and registered institutions for the purpose. The Commission has sanctioned over Rs. 5.87 lakhs as grants and Rs 6.4 lakhs as loans for the development of the industry during the current financial year. The target of production for the 100 additional cottage match factories, which are expected to operate by the end of the year, is 30,000 gross match boxes. The production in 1956-57 was 16,931 gross match boxes as against 2,690 gross match boxes in the previous year.

New Sealing Device for Containers: New sealing devices for drums and various kinds of containers have been designed and developed at the National Physical Laboratory, New Delhi. The new devices are both economical and easy to manufacture. These can be easily fixed to the drum and can be removed from the drum for re-use when the drum is wasted. The new device consists of a set of couplings, a suitable packing, primary and secondary sealing arrangements, etc., and can be made in different sizes varying from 3/4" to 2", as required for specific uses. It can be attached to the container or drum by welding, soldering or by packing through nuts. The sealing device at present in use cannot be detached from the drums and as such becomes useless once a drum is discarded. It is also liable to leak in the event of the packing ring getting damaged or being not properly pressed between the nut and the container top. Drums and containers are at present extensively used for storage and transportation in various industries, such as petroleum, vegetable oil, chemical, pharmaceuticals, etc. Usually a set of two closures at the feed and discharge openings is used for sealing the contents of each container. Nearly 6 lakhs sets of sealing closures are required for new drums or

barrels produced and approximately 25 per cent more are required for replacement. The annual demand of the sealing devices is estimated to be about 8 lakhs sets. Parties desirous of undertaking the commercial development of the process are invited to correspond with the Secretary, National Research Development Corporation of India, Mandi House, Lytton Road, New Delhi-1.

Standard for Cash Boxes: The Indian Standards Institution has published an Indian standard specification for cash boxes (IS: 1046-1957). This standard deals with requirements relating to materials, dimensions and also constructional details, particularly from the point of view of security. Only one size of cash box, which is most commonly in use, has been covered in the standard. Copies of the standard can be had from the Indian Standards Institution, 19, University Road, Delhi-8 and also from its branch offices at 40/40A, Cawasji Patel Street, Fort, Bombay; P-11, Mission Row Extension, Calcutta and 23, Nungambakkam High Road, Madras-6.

TRADE

U.K.-Bulgaria Trade: The trade arrangement between the United Kingdom and Bulgaria, due to expire at the end of the year, has now been extended until September 30, 1958. During the extended period Bulgaria is to purchase U.K. goods at the existing annual rate of £2.5 million including machinery textile, cloth and yarns, fish, copper sulphate and wollen rags. The U.K. market remains open without restriction to imports of many Bulgarian products, including grains and oil seeds, and the issue of import licences for some £1.5 million of other Bulgarian goods is provided for.

Sino-Japanese Trade: The Yawata Steel Company has announced an order for 41,000 tons of steel products from the China National Metals Import Corporation. The order worth about £3.3 million is the largest for steel received by Japan from China, since the end of the war. It includes 12,000 tons of galvanised iron, 10,000 tons of tinplate, 11,900 tons of cold rolled steel and 5,000 tons of silicon steel plate.

Onion Export Period Extended: The Government of India have decided to extend the validity period for onion export quotas, allotted for the March-August period, up to the end of October, 1957, says a trade notice issued by the Joint Chief Controller of Exports, Bombay.

Mexico Barter with Italy: Agreement has been reached between Mexico and Italy on barter terms for Mexico to export to Italy goods to the value of the \$11.9 million. Of these, cotton will constitute 75 per cent, henequen 20 per cent and coffee 5 per cent. Italy will send to Mexico, cheese, wines and liquors, chemical products, clothing and machinery.

Peru's Imports in 1956: Virtually all of Peru's major imports in 1956 were well above those in 1955, reflecting the increase in economic activity last year. The value of imports totalled the equivalent of U.S. \$361 million, an increase of 20 per cent over 1955. In terms of volume, machinery purchases rose by 21 per cent, vehicles and transport equipment by 36 per cent, iron and steel by 37 per cent, and fuel and lubricants by 22 per cent. The volume of imports of chemical products fell by 4 per cent. Good market prices, a high rate of domestic production, and new development projects resulted in a 30 per cent increase in the value of imports of mining machinery. To a large extent because of increased government assistance, the textile

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industry increased its purchases of machinery by 25 per cent. Imports of machinery for the milling and food-processing industry increased by 18 per cent. Imports of consumer durable goods rose substantially. Total imports of foods, however, rose by only 1 per cent, food grains rose by 1 per cent; meat imports declined by 14 per cent; and imports of milk and dairy products remained the same as in 1955.

FINANCE

Seventy Five Million Dollar Bond Issue Planned: The International Bank for Reconstruction and Development proposes to make an offering of \$75 million Twenty-three Year 4-3/4 per cent Bonds this month. The issue will be sold through a nation-wide underwriting group under the joint management of Morgan Stanley and Co. and The First Boston Corporation. As in the two most recent issues in the United States market, the Bank, in addition to offering bonds for regular delivery, will extend to certain institutional purchasers of Bonds of this new issue the privilege of making delayed payments giving them a selection of specified delivery dates between February 1, 1958 and November 1, 1960. This arrangement is expected to serve the dual purpose of co-ordinating a portion of the Bank's borrowing with its disbursements and of making it possible for purchasers to arrange their payments to suit their individual preferences in the light of their own projected cash positions. The bonds will be non-redeemable for 10 years. During this ten-year period a purchase fund of equal monthly amounts aggregating 5 per cent per annum will operate to purchase Bonds available in the open market. Beginning in 1967, a sinking fund will be in effect calculated to retire 50 per cent of the issue by maturity.

Economic Development Institute: The Economic Development Institute, a staff college for the study of economic development problems, began its third course on October 1, 1957 in Washington, D.C. Twenty-two senior officials of eighteen countries have been selected to participate. All the officials hold positions of responsibility in government ministries, central banks, national planning authorities and development banks. They are nationals of the following countries: Burma, Chile, China, Ecuador, El Salvador, French West Africa, Ghana, Guatemala, Indonesia, Iraq, Japan, Malaya, Nigeria, Pakistan, Sudan, Trinidad, Uganda and Yugoslavia. The Institute was established by the World Bank in 1955 with financial support from the Ford and Rockefeller Foundations. Its aim is to improve the management of economic affairs in less developed countries by gathering together a group of senior officials from those countries and studying with them the practical problems that arise in preparing and carrying through development programmes and projects. Each Government whose candidate has been accepted will consider him on leave of absence with pay and will make a contribution of U.S. \$1,500 toward the costs of the Institute. The two six-months courses so far organized by the Institute have been attended by 32 officials from 26 countries. All have now returned to their home countries. The Institute is designed to provide those taking part with an integrated approach to the problems of economic development. The course is devoted to a study of the preparation of development programmes, historical aspects of development, the economics of development, the structural relationships within an economy, monetary and trade policy, problems of agricultural development, public finance, international trade and payments, and problems of programme and project appraisal. Throughout, extensive use will be made of

specific cases from recent experience, particularly that of the World Bank.

I.F.C. Investment in Chile: The International Finance Corporation announced on September 16 that it has reached agreement, subject to completion of the necessary legal formalities, for a \$2.2 million investment in Empresa Minera de Mantos Blancos, S.A., a Chilean corporation engaged in the development of a copper mine and smelter in the Antofagasta region of northern Chile. Mantos Blancos is controlled by Empresas Sudamericanas Consolidadas, S.A., a Panamanian corporation. Consolidadas holds the extensive mining, industrial, and commercial interests of Dr. Mauricio Hochschild and his associates throughout the major countries of South America, North America and Europe. Corporacion de Fomento de la Produccion of Chile and other Chilean and foreign nationals have small investment interests in the enterprise. I.F.C.'s investment, its first in Chile, is part of a financial programme totaling \$12.8 million for development of the Mantos Blancos mine and smelter located 47 kilometers north-east of Antofagasta, largest city and port of northern Chile. The ore deposit has been known for many years, but the development of the property required new metallurgical methods for treating the ore and also an adequate and reliable source of water which became available only this year. The Hochschild interest have invested about \$3 million during the past several years in defining the Mantos Blancos ore bodies and in engineering, through extensive pilot plant operations, a satisfactory metallurgical process. The proved ore body will now be developed, and a metallurgical plant will be constructed to process 2,000 tons of ore per day, producing about 25 million pounds of refined copper per year. Full-scale operation is expected by mid-1959. Including the \$3 million already invested in common shares by the stockholders' group, the total capital of Mantos Blancos will amount to \$12.8 million of which half will be in the form of unsecured debt and half equity. The Hochschild group is committed to provide the total equity \$6.4 million and \$2.2 million in debt. The balance of debt financing will be provided by \$2 million from the American Overseas Finance Company of New York and \$2.2 million from I.F.C. The I.F.C. investment of \$2.2 million will be in debentures bearing interest of 7 per cent, with amortization completed in 1968. The Corporation receives option rights to purchase at par \$1.1 million of Mantos Blancos common stock. In addition, I.F.C. may receive additional payments dependent upon the amount of dividends. The debentures can be redeemed without premium.

GENERAL

Expenditure on Education: India spent Rs. 1,894 million on Education in 1956, as compared to about Rs. 551 million on March 31, 1948. This includes total national expenditure on Education from all sources, governmental or otherwise. In 1956-57, the amount provided for education was nearly 12.3 per cent of the total national budget as compared to 7 per cent provided in the first Five-Year Plan. Overall expenditure on Education, however, has been steadily increasing during the last decade. On March 31, 1947, the major States and Centrally-Administered areas together spent about Rs. 205 million on Education. The Central budget was less than Rs. 20 million. The figures for three recent years, 1954-55, 1955-56 and 1956-57 show that the total budget provisions for Education by the Central and State Governments together rose to Rs. 1,177, Rs. 1,517 and Rs. 1,798 million respectively. Thus, even during the last three years the amount has increased by about 52 per cent.

NEWS IN BRIEF

INDIAN

Tata Iron and Steel Co. has been able to secure dollar loans from the World Bank and American Commercial Institutions. Of the total loan 17½ million dollars is from the World Bank and 14½ million dollars from the private commercial banks. The company had previously received 75 million dollars from the World Bank.

The Government of India has issued a notification in the Gazette of India Extraordinary relaxing the operation of Sections 19, 20 and 21, of the tea, 195/29 of 1953 in the case of export licences for dust teas applied for before December 1, 1957, which will be valid till March 1, 1958.

For the manufacturing industry group the index of industrial relations (base 1939=100) for the month of July 1957 was 140.2 as compared to 178.3 (revised) for the previous month and 141.1 for the corresponding month of the previous year.

The Government of India have reviewed the export policy for coconut oil cake and have decided to release a further quota of 5,000 tons for export by all shippers for the period ending December, 1957. Detailed licensing procedure will be notified by the Export Trade Control authorities at the ports.

The production of bicycles rose from 5 lakhs in 1955 to over 6 lakhs in 1956. The Industrial Finance Corporation of India sanctioned loans aggregating Rs. 80.5 lakhs to two units of this industry, both of whom availed themselves of the loans to the extent of Rs. 50.5 lakhs.

The target for export of rayon yarn fabrics for the current year has been fixed at 10 million yards which would normally consume about two million lbs. of yarn as raw material.

The Andhra Pradesh and the Mysore Governments have agreed to take up immediate execution of the Rs. 22 crore Tungabhadra high level canal project a joint venture of both the Governments and complete the common portion of it within the next five years.

Export of creosote oil (heavy) will not be allowed, says an Export Control Trade Notice. The notice, however, adds export of creosote oil (light) will continue to be licensed freely till the December 31, 1957. Licensing will be done on shipping bills as hitherto.

The Indian Standards Institution has published a standard code of practice for structural safety of buildings: loading standards. This is one of a series of standards which cover the functional requirements of buildings such as structural safety, fire safety, conformance with hygienic, sanitation, ventilation and daylight standards.

The Central Water and Power Commission has decided to undertake investigation of the Rs. 70-crore Punasa Power Project in Khandwa (Nimar) district of Madhya Pradesh. The Project is expected to generate 300,000 kilowatts of electricity.

The Government of India have reviewed the export policy for raw cotton and have decided to release a quota of fifty thousand bales of Bengal Deshi.

FOREIGN

West German coal output in September of 10,034,000 tons was nearly 7 per cent below the figure of the corresponding figure of last year, when 10,769,000 tons were mined.

The Department of Agriculture has raised price supports on 1957 crop maize to \$1.40 per bushel from the preliminary \$1.36 because of an increase in the parity price.

A U.K. shipyard mission is due to reach India on November 3 and stay until November 23. The mission, which is under the auspices of the Colombo Plan and the U.K. Shipbuilding Conference, will advise on the site and layout of a new shipyard.

The World Bank has approved a loan of 15 million Deutschmarks (about £1¼ million) to help complete a 190,000 kilowatt hydro-electric project being built near the Lunersee (Luner Lake) in Western Austria.

Japan's balance of payments during September produced a deficit of \$55 million compared with a deficit of \$69 million in the previous month.

The International Monetary Fund has lent Brazil \$37.5 million (£13.4 million). The loan brings Brazil's borrowings from the I.M.F. to \$75 million (£26.8 million) an amount that equals half Brazil's quota.

South Africa's total gold and foreign assets in the week ended September 27, totalled £113,415,000 compared with £110,483,000 a week earlier.

Australia and Canada have signed a double tax agreement. It was the third double tax agreement entered into by Australia, the others being with Britain and U.S.

The Government of the Federation of Malaya is likely to set up soon an Industrial Development Finance Company to encourage small secondary industries.

China's tea productivity was only 1/6 of Japan's because tea processing was done by hand in China and by machine in Japan. But the quality of China tea was far superior to Japan's. Last year China produced 2½ million piculs of tea and Japan 1,600,000 piculs.

It is reported South Africa recently obtained loans of 25 million dollars from the World Bank and 20 million dollars from a group of American bankers.

The West German gold and foreign exchange reserves rose by DM148 million (about £12.6 million) to DM24,360.9 million (about £2,073.3 million) in the week ended September 30.

The Development and Resources Corporation of New York announced recently that it had been authorised by the Persian Government to complete preliminary work on a 460 feet high dam on the river Dez, estimated to cost about \$60 million.

Special Articles

THE CHANGING PATTERN OF INDO-JAPANESE TRADE

THE visit to this country early this year of the Japanese Prime Minister and the just-concluded return visit to Japan of the Indian Prime Minister have heralded a promising and fruitful phase in economic relations between the two countries. The political foundation for a mutually beneficial trade relationship is now laid, and this is also in accord with the emerging pattern of Indo-Japanese trade which has revealed some salutary trends since 1955. For example, in the matter of cotton textile machinery, Japan has quadrupled their exports (in terms of value) to this country in the nine months ending December 1956 as compared to the nine months ending December 1955 whereas the United Kingdom has stepped up hers only by half and the United States has just maintained her 1955 level. In absolute terms, value figures of cotton textile machinery exports to India from the United Kingdom, Japan and the United States have been Rs. 2.8 crores, Rs. 0.9 crore and Rs. 0.7 crore respectively in the nine months ending December 1955 and Rs. 4.2 crores, Rs. 3.6 crores and Rs. 0.7 crore respectively in the nine months ending December 1956.

There is a natural element of reciprocity in this salutary trend because Japan's problem has been to secure a sizable market for her textile machinery and India's problem has been to secure a stable market for her iron and manganese ores. For these two latter items of merchandise Japan has provided an expanding market since 1955. On the other hand, the markets provided by the United Kingdom, France and the United

States for manganese ore — iron ore does not come into the picture here — have declined in terms of value since that year; the relevant figures of manganese ore exports are Rs. 1.2 crores to the United Kingdom, Rs. 1.4 crores to France and Rs. 6.2 crores to the United States in the nine months ending December 1955 and Rs. 0.8 crore, Rs. 0.7 crore and Rs. 2.7 crores respectively to these countries in the nine months ending December, 1956. Again, in the matter of our short staple cotton, its exports to the principal countries (the U.K., West Germany and Japan) have generally declined since 1955; but the decline in the market provided by Japan (which, however, continues to be the biggest single market for this commodity) has been far less than in the case of United Kingdom and West Germany. Trade figures show that the U.K., West Germany and Japan absorbed cotton valued at Rs. 2.5 crores, Rs. 0.5 crore and Rs. 8.7 crores respectively in the nine months ending December 1955 and Rs. 0.4 crore, Rs. 0.06 crore and Rs. 6.0 crores respectively in the nine months ending December 1956.

As the pattern of Indo-Japanese trade has changed in a manner which renders it necessary for India to depend increasingly on Japan as a market for her iron and manganese ores and raw cotton, it is only in the fitness of things that India, for her part, should provide an increasing market for Japan's textile and other possible machinery. It is in this context that the agreement about to be signed with a delegation of Japanese textile machinery manufacturers for the

EXPORTS TO JAPAN

Principal Items of Merchandise	Quantity		Value (in Rupees Lakhs)	
	9 months ending Dec. 1955	9 months ending Dec. 1956	9 months ending Dec. 1955	9 months ending Dec. 1956
Coal and Coke (in '000 tons)	13.3	11.8	—	4.3
Lac (Shell) (in '000 cwts.)	7.2	5.0	4.7	9.6
Sheep Skins ((in '000 cwts.)	8.4	14.9	16.5	135.4
Iron Ore (in lakh tons)	7.0	7.4	77.4	382.5
Old Iron or Steel for re-manufacture (in '000 tons)	117.3	114.9	310.8	267.0
Manganese Ore (in '000 tons)	82.1	76.3	157.6	146.8
Mica Blocks (in '000 cwts.)	2.7	4.3	97.7	36.2
Mica Splittings (in '000 cwts)	4.8	7.4	23.7	33.0
Essential Oils (in '000 lbs.)	16.0	19.6	15.5	10.9
Raw Cotton (in '000 tons)	36.4	23.4	8.1	599.6
Cotton Waste (in lakh cwts.)	2.5	2.0	869.4	192.1
Unmanufactured Tobacco (in million lbs.)	5.5	1.0	250.3	7.9
TOTAL	—	—	23.6	1,855.3
Other merchandise	—	—	252.5	213.2
Grand Total Exports	—	—	2,107.8	2,038.5

supply of textile machinery worth Rs. 5.5 crores on a long-term credit basis has to be viewed. It is, again, in this context that the likely trade agreement for the supply, over a period of ten years, of iron ore valued at Rs. 150 crores to Japan and the supply of Japanese capital goods and machinery valued at the same amount to India acquires great significance. What machinery other than cotton textile machinery can be supplied by Japan is not clearly known, for in the imports in recent years from Japan other items of machinery and millwork have not been quite significant. But an examination of the scores of machinery imported from different countries for different industries

shows that Japan has exported to India in recent years a wide range of industrial and electric machinery albeit in small quantities. Power cranes, parts of mining machinery, machinery for the paper industry, glass house machinery, cement making machinery, ball-bearings and electric machinery are particularly noteworthy in this connection. It is a safe guess that Japan will be in a position to supply a wide variety of machines especially for our small-scale and medium-scale industries. The expected provision of a yen credit of Rs. 20 crores for the next two years may well facilitate the flow of textile and other machinery to this country.

IMPORTS FROM JAPAN

Principal Items of Merchandise	Quantity		Value (in Rupees Lakhs)	
	9 months ending Dec. 1955	9 months ending Dec. 1956	9 months ending Dec. 1955	9 months ending Dec. 1956
Belting for Machinery (other than of cotton or hair)	—	—	7.5	8.6
Cement (Portland) (in '000 tons)	0.08	11.0	0.14	12.3
Sodium Carbonate (in '000 cwts)	89.7	11.8	15.0	1.5
Caustic Soda (in '000 cwts)	119.5	—	31.2	—
Clocks and time-pieces (in '000 Nos.)	42.4	70.5	3.9	6.0
Parts of Clocks and Watches	—	—	3.5	2.3
Glass and Glassware	—	—	16.7	17.5
Optical and Ophthalmic instruments	—	—	14.8	10.2
Cotton Machinery	—	—	87.0	358.1
Ferro Manganese	122	80	1.3	1.2
Steel bars (other than cast steel) (in '000 tons)	24.7	54.3	140.7	381.2
Steel ingots, blooms, billets and slabs (in '000 tons)	19.0	8.6	93.0	58.6
Bolts and Nuts (in '000 tons)	1.2	0.75	13.9	12.0
Fencing materials (including fencing wire) (in '000 tons)	0.21	0.20	2.6	2.0
Hoops and Strips (in '000 tons)	6.2	3.1	41.5	24.9
Galvanised Sheets and Plates (in '000 tons)	6.9	8.4	66.7	118.5
Not Galvanised Sheets and Plates (in '000 tons)	44.3	51.8	310.6	499.8
Tubes, Pipes and Fittings, Wrought ('000 tons)	9.1	2.3	86.7	29.4
Wire (other than fencing wire) (in '000 tons)	18.8	8.2	155.5	86.9
Unwrought Zinc or Spelter (in '000 cwts)	25.1	48.8	17.0	36.9
Printing Paper (in '000 cwts)	47.0	16.5	28.1	12.1
Silk, Raw and Cocoons (in '000 lbs.)	110.2	31.6	23.3	6.3
Artificial Silk Yarn (in million lbs.)	3.6	6.3	97.5	169.7
Artificial Silk-piece goods (in million yards)	6.6	4.7	107.2	76.0
Yarn and Knitting Wool (in '000 lbs.)	168.8	82.0	11.9	7.5
Staple Fibre Yarn (in '000 lbs.)	0.05	81.9	—	1.8
Umbrella Fittings	—	—	10.2	6.0
TOTAL	—	—	1,387.4	1,947.3
Other Merchandise	—	—	1,121.4	1,473.8
GRAND TOTAL IMPORTS	—	—	2,508.8	3,421.1

A PLAN FOR LOW-COST HOUSING

(CONTRIBUTED)

IN RECENT YEARS, various countries have developed different methods to finance mass housing needs. All have, however, the common denominator of requiring a large amount of capital that can be invested in long term housing mortgages. In India at the present time, it would seem that surplus capital to support housing programmes commensurate with the need is not available. There is, however, a surplus of labour. The unemployment situation contains a unique factor: The unemployed are often young and healthy; thanks to the joint-family system, they are able to exist as consumers only, whereas at their time of life, they should primarily be producers. It is suggested here that as one approach to easing the housing shortage and creating employment opportunities, this labour pool could be tapped for work through a programme which would create jobs in house building.

Research has shown that by utilizing modern techniques of planning and construction, it is possible to build durable, attractive dwellings for as little as Rs. 4,000. Of this, only about Rs. 800 need be spent for manufactured or transported materials, such as steel, cement and coal. The remaining materials, with proper organization, can be made on the spot or locally procured by the use of labour alone.

Briefly, this proposal is based upon the following wage-scheme:—25 per cent of the wages to be paid to the construction workers as immediate cash wages, and 75 per cent to be deferred wages, paid in the form of short-term (10-12 years) national savings certificates—these national savings certificates to be retired out of the rental proceeds from the dwellings constructed; the cost of materials to be covered by charging a cash-down payment as the first instalment of a hire-pur-

chase arrangement between the prospective homeowner and a duly constituted housing authority or analogous body.

To demonstrate:—Take the instance of a dwelling costing Rs. 4,000 to construct. Let it be assumed that of this sum Rs. 800 represents manufactured materials which must be paid for upon delivery. Rs. 3,200 represents total labour cost, of which Rs. 200 is wages for a skilled foreman, and Rs. 3,000 is wages for semi-skilled and unskilled labour. Let it be further assumed that there exist today, many in need of housing who could pay Rs. 1,000 as down-payment for a small house of say 500 sq. ft., this down-payment is to be followed by monthly payments of Rs. 25. The payments are to continue for a period of 10 to 12 years, at the end of which time the house would be fully paid for.

The important features which emerge are: (1) The initial payment would be sufficient to cover the purchase of materials and leave a sum of Rs. 200 for paying the skilled labour such as a foreman who would not be available except at competitive wages. (2) The initial labour payment of Rs. 750 to the general labourers would be financed by a Government loan, or investment by private company. (3) The rental receipts for the first 36 months at Rs. 25 per month will amount to Rs. 900. This sum is sufficient to retire the loan at 6 per cent interest. (4) Finally, 96 additional monthly payments at Rs. 25 would return Rs. 2,400, thereby retiring the labour loan (national savings certificate) within 11 years after the sale of the house.

There is definite possibility that these figures could be given an even more favourable form, as the costs of such small houses could conceivably be reduced by approximately 25 per cent to 30 per cent. This reduction could be based upon the use of a more economical material than burnt clay bricks for the walls, for instance, stabilized earth bricks, which have already proved their worth in South Africa and elsewhere. Alternatively, the same scheme of financing might be extended to houses costing as much as Rs. 5,000 to 7,000, the limiting factor in that case being the ratio of maximum amount of monthly rental to the latest maturity date practicable for the savings certificate. In this connection, it may be observed that if the savings certificate were to be permitted re-sale, and the original certificate owner or construction worker could sell his bond at a discount, the desirability of the certificates would be enhanced as they would represent an immediate cash value.

It is suggested that the scheme be implemented by the establishment of a national housing authority, or a national construction board. This body would have the power to arrange for the entire work, and to collect the rental payments. The savings certificates could be issued by the Government in arrangement with the housing authority. Upon completion of a group of houses, Government would issue the necessary bonds to the Regional Housing Authority, the bonds being secured by the houses already constructed, plus the anticipated down-payments, and would be retired by the housing authority. Thus, Government is involved in only two phases of the programme. The issuance of a short term loan (3 years for working capital) and guarantee of the bonds.

While the first objective of this proposal is to make possible the construction of a large number of houses with a limited amount of capital, there are several secondary advantages: (1) Government would secure thereby the use of substantial funds for approximately 9 years as interest-free money. For instance, the yearly rental from only one lakh of houses at Rs. 25 per mensem would be Rs. 3.0 crores; the accumulated rental at the end of 5 years (after paying off the investment) would be Rs. 7.5 crores, and at the end of 10 years (just before the bonds became due) it

would be Rs. 22.5 crores, all realized on an average investment of Rs. 3.75 crores for only 3 years. (2) By transferring ownership to the occupants on the basis of a hire-purchase scheme, the cost of maintenance is not borne by the Government, and the equity represented by an approximately 25 per cent down-payment plus the accumulating monthly rental charge should provide adequate safeguard against abuse of the property in case of forfeiture. (3) Such easy financing from the homeowners' point of view — Rs. 1,000 down-payment and Rs. 25 per mensem for 11 years,—should help to stimulate a large-scale house building or construction industry. It is generally recognized that the retarded development of a large construction industry represents an economic weakness. In most countries, the construction industry is the largest single industry and the prime source of employment after agriculture.

In essence, this proposal is based on two assumptions: The technical possibility of good cheap housing under tropical conditions (proved existing examples in many foreign countries, as well as by research in India); and second, that the large pool of unemployed youth would suffer no loss to themselves, their families or their country, if they were to take employment with partially deferred pay, and that under the security peculiar to the joint family system, this labour pool may be attracted to work for part pay, plus national savings bonds for the balance.

It should be noted that the scheme is not proposed as an approach to small scale house construction. The technical problem posed by allowing only 20 per cent of the construction costs for manufactured articles can be met only by precise and detailed planning and organization of the construction work and only within the scope of a sizeable project, initially not less than several thousand units, in order to amortize administrative and design costs. After a few experiences, the economic size of a project can probably be reduced to 500 to 1,000 dwellings.

It may be objected that this proposal is without precedent—that not only is it untried here, but it has not been done elsewhere. It may be contended that the programme as outlined here is visualized within the peculiar conditions that exist today in India, and probably could not be carried out anywhere else, as only in India does there exist this particular combination of massive unemployment side by side with the quasi-security of the joint-family against the background of an aggravated housing shortage that has caused widespread doubling up and forced rentals to very high levels.

The foregoing scheme has not included the cost of developed land as part of the house cost or rent, for the reason that it is not considered necessary to require the same amortization period for land purchase as for building purchase. Land being permanent and of generally increasing value, it would seem desirable to allow a longer payment period say 20 to 25 years. With such a period a piece of property of, say, 30 x 60 ft. (200 sq. yds.) might be valued at Rs. 1,200-1,800—assume a down-payment of 25 per cent then the monthly rent including 6 per cent interest would vary between Rs 7.5 and Rs 8.5 per month. The financing of the land development could be in two stages if necessary—in the first stage only water supply, sewage disposal and a portion of the road system need be built. Then in some years, from rents collected, electricity could be installed and the road system completed. With such a two-stage land development programme it should be possible to limit the initial cash expenditure for land development to Rs 400-500 per plot, plus labour. This of course will require rationalization of plumbing and sanitary practices in the same way it is suggested, as the building, planning and construction requires rationalization.

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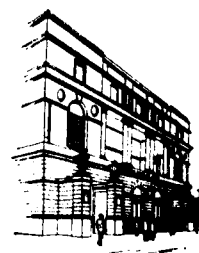
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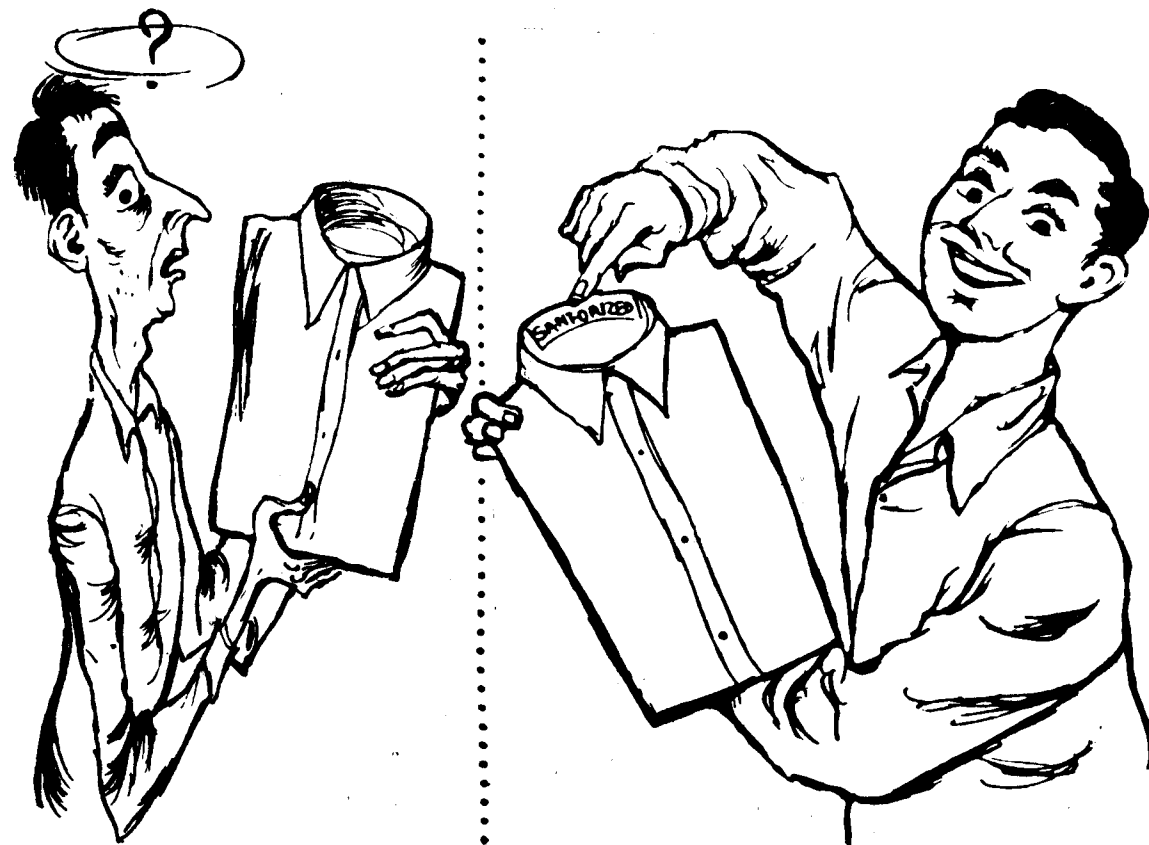
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The Business World

LABOUR AT THE CROSSROADS

By
CROESUS

FROM the recent deliberations of the Sixth Annual Convention of the Hind Mazdoor Sabha (H.M.S.) at Bangalore, it should be evident, to anyone who cares to discern it, that labour today is at the crossroads and that as much depends on those who are guiding the destinies of this country, as on those who are guiding the affairs of trade unions in India, to put labour on the right road. If further time is lost in doing this, the authorities would have to thank themselves for the consequences.

A storm that threatened to import chaos into the ranks of labour fortunately blew over in Bangalore. It was just as well that this storm made its appearance in the form of a seemingly innocuous resolution by Mr B. S. Mahadeva Singh asking the H.M.S. to disaffiliate itself from the International Confederation of Free Trade Unions (I.C.F.T.U.). For this served as a slot in the arm to the complacently minded trade unionists and made them suddenly realise whither they were being led. Yet, it is not without significance that the voting in favour of the resolution was still as much as 125 and that it was lost only by 37 votes (162 votes being against), inasmuch as it shows that the position is not altogether without cause for anxiety. Perhaps a more persuasive speaker than Mr Mahadeva Singh might have succeeded in tilting the scale in favour of his resolution. It must be made clear here that the objection of layman like me is not to the resolution as such, but to the implications underlying it which were clear from the observations of the mover. He wanted the H.M.S. to disaffiliate itself from the I.C.F.T.U. because of "the anti-communist nature of the I.C.F.T.U. and the assiduous efforts of that organisation to build up an anti-working class body like the I.N.T.U.C. in India."

After the previous day's presidential exhortation of Mr J. N. Mitra "to avoid the complications arising from interested political parties dabbling in this field," the H.M.S. could not be expected to accept Mr. Mahadeva Singh's plea that the H.M.S. should disaffiliate itself from the I.C.F.T.U. because of the latter's alleged "anti-communist nature." As for his charge that the I.C.F.T.U. "is engaged in undermining the strength of the Sabha and the working class movement," the very fact that his resolution was not accepted by the H.M.S. betrays its hollowness. In all probability, if he had merely said "undermining the strength of the Sabha," the resolution would have been passed. Be that as it may, Mr. Mahadeva Singh seems to have come to this extraordinary conclusion—that the I.C.F.T.U. was undermining the working class movement—because, according to him, the I.N.T.U.C. is an anti-worker organisation and supporting it amounts to the I.C.F.T.U. undermining the strength of the working class movement! A member of the H.M.S. accusing a rival organisation like the I.N.T.U.C. is understandable, but to dub it as an anti-worker organisation is going too far even for a rival unionist. All this far-fetched argumentation of Mr Singh to get the H.M.S. disaffiliated from the I.C.F.T.U. only establishes that at least some in the H.M.S. are not averse to importing politics into the trade union movement, as much as the other trade union organisations in India, one of the several weaknesses to which the H.M.S. President himself alluded in his address.

Referring to the causes of weakness of the trade union movement in India, Mr Mitra listed the following:

- i) Misconception of the real role and function of trade unions;
- ii) Low level of education, and even illiteracy, of the majority of workers;
- iii) Want of trade union education and proper leadership training;
- iv) Control by political parties for party purposes and the consequent wrong direction and frittering away of the energies and resources;
- v) Inadequacy of funds; and
- vi) Disunity and rivalry among the units and the national organisations.

Of all these causes, control of trade unions by political parties seems to be the worst bane of the movement. Thus, envious of the admitted hold of the Indian National Congress on the I.N.T.U.C., the other political parties naturally want and try both to wean away I.N.T.U.C. members and to damn the I.N.T.U.C. Now that this game has started, unless the Congress leaves the I.N.T.U.C. to itself without actively aligning itself with it, the future of the I.N.T.U.C. as a trade union organisation may become uncertain and that of the trade union movement unpredictable. The I.N.T.U.C. has become firmly established as a workers' organisation on Gandhian lines, although still not wholly, and can certainly stand on its own feet without having to rely on Government. If it is not allowed to do so, the division of the trade union movement on political lines is bound to become more pronounced, which would not be to the interests of the working class. It is heartening to note that at least some trade unionists are aware of this danger and have begun to see the need to steer clear of politics.

It is indeed a matter for gratification that trade unions have thus begun to do some heart-searching among themselves with a view to finding out and overcoming their weaknesses. But even more noteworthy is their anxiety to be prepared to take on a new and responsible role. One is happy to find that trade unions have at last come to realise that their role and function do not end with agitating for higher wages and more amenities and that they also owe a responsibility to the community at large. But this requires to be more explicitly expressed than did the H.M.S. President in Bangalore, when he visualised that "the aim of the movement of the present epoch must go beyond mere securing of increased wages and amenities and must radically transform industrial relations in the sphere of social production, so that the entire structure of the society is changed and a new set of values is introduced in the life of the society." However, later in his address, Mr. Mitra dwelt on the difficult dual responsibility of administration of the union and of the industry itself in our mixed economy and said that the agitational phase must recede and give precedence to the question of increased output through planned and shared management. What the H.M.S. chief left unsaid but what requires to be said and, in fact, stressed is that increased output cannot stem only from shared management—a trend that has perhaps come to stay—but hard work and a certain amount of sacrifice, especially at times such as the present. This, however, is more easily said than done, more readily promised than performed, as the experience of the U.K. has clearly shown.

A PROBLEM IN EXPORTS

By CROESUS

ANYONE can see that India has become export-conscious. It is not necessary to be unduly critical and investigate the reasons for this, such as whether she has been forced into this as a result of the present foreign exchange impasse or she has entered upon this phase merely in the normal course of evolution through which countries which embark on industrialisation must perforce pass. But it is necessary to examine whether India has been following in the wake of aggressive exporters like the U.K. and Japan. Despite dissimilar conditions in these countries, which have to export to survive, and in our own, which, like America and China, has a vast domestic market to cater to, it is a moot point whether we can at all make any impression in the few limited markets abroad, where there is still some scope for free and uninhibited competition, unless we too adopt the same methods and policies as these aggressive exporters. As competition grows keener and keener, these methods and policies also tend to get intensified and varied. Accordingly, the utmost vigilance is called for on the part of anyone entering this arena. One would sincerely like to hope that those in charge of export promotion—both official and non-official bodies—are aware of all these. None of these is new by any means, but, precisely for that reason, they are liable to be overlooked.

These reflections forced themselves on me when I heard about certain inconclusive discussions on a simple measure of export promotion such as how to make good the loss to the supplier of any raw material or an industry which is prepared to supply its products at a concessional rate to another industry for further processing and exporting. Exemption from excise duty (to the extent to which the component commodity that is subject to excise duty may be liable) occurs to anyone as being the most common, but then there are instances where just this will not do. In such cases, it may become necessary, in the larger interests of the country, — that is to export more and augment the foreign exchange earnings of the country — to compensate the interests concerned for any sacrifice that they may be called upon to make to stimulate exports, by permitting them to charge a slightly higher rate to domestic consumers 'within limitations.' The limitations are (i) that the increase so permitted does not add to the country's inflation and (ii) that it does not give rise to consumer resistance of a dimension that may adversely affect production and lead to unemployment. It is just as well that these limitations are there, inherent in the situation itself, as it were, so that there can be neither hue and cry by interested parties that the consumer is unduly mulcted by the industry and that the Government is a party to this exploitation, nor scope or temptation for the industry concerned to charge an unreasonable price to domestic consumers.

Subject to these, I feel, no serious exception can be taken to the proposal to permit an industry to charge a slightly higher rate to indigenous consumers in order to make up the loss on exports. If the Government can impose a penal excise duty on cotton piecegoods, as it has done, avowedly with a view to restraining consumption in the name of inflation (or as an anti-inflationary measure), there is no earthly reason why an industry, which is out to help the country's export drive, should not be permitted to charge a differential price to consumers within the country. Only care must be taken to see that, between two good intentions — one to fight inflation and another to promote exports — the resulting cumulative incidence of the burden on the indigenous consumers is not such as to drive him to go on strike, in other words to lead to consumer-resistance, with all its attendant unwelcome consequences, as already stated.

The industry in respect of which the foregoing

problem has currently arisen is the rayon industry. It must be said to the credit of this industry that, when it was suggested to it to supply yarn at a concessional rate to weaving mills undertaking a definite commitment to export, it readily agreed to do so. Naturally enough, no industry can be expected to make this sacrifice indefinitely without leading to complications. For one thing, the shareholders of some units of the industry may complain that this cuts into their dividends. Again, the newer units, which have not yet emerged out of teething troubles, may, not find it possible to make the sacrifice, even if willing. This explains why the rayon industry has agreed to make the sacrifice for a period of six months, as an experimental measure, without insisting on the indigenous consumer being asked to pay for this sacrifice during this six-month period. However, sooner or later, this question has to be decided and sooner the better.

It is not in regard to the export of rayon piecegoods alone that this question needs to be looked into. There are a number of other manufactured goods, besides, which seem to offer export potentialities, especially to our neighbouring countries. Electric fans, sewing machines, and bicycles are instances that readily occur to one's mind. It may be that, where any of these industries has a tie-up arrangement with a foreign manufacturer under a specific agreement, the said agreement precludes exports to given destinations, but one hopes these agreements do not bind the industrialists of our country for perpetuity. Here, it behoves the authorities to scrutinise all tie-up agreements, whether new or those that come up for renewal, to ensure that they are free from any obligation precluding the indigenous manufacturers from exporting to India's natural and neighbouring markets.

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BUSINESS NOTES

SOCIAL AND ECONOMIC LIFE OF ASIA

THE REPORT of the Director General of the International Labour Organisation prepared for the ILO's Fourth Asian Regional Conference to be held in New Delhi next month is revealing in many ways. It strikes a dismal note in living levels between Asia and the rest of the world which has widened in the last few years. Although progress has been made in Asian countries in the field of agriculture, industry and social services, it has not been in tune with the progress attained in the advanced countries of the West. The main cause of this slowness of progress is attributed to inflation, lack of external finance and the inability to mobilise fully domestic resources for economic reconstruction. While it is true that lack of external finance is hindering the development of Indian economy to a certain degree, it cannot be said in the case of this country that domestic resources are not being fully mobilised. The State and Central budgets which have been running into deficits in recent years prove that domestic resources have been stretched. Central Government taxation has been so heavy this year that the Finance Ministers in most States had to stay their hands in the matter of new taxation.

In so far as the level of education in Asia is concerned, there is no doubt that it is deplorably low. And this is responsible in a considerable degree for this uneven development of the Asian countries. There has been since 1950, perceptible rise in the level of literacy all over the world, but the progress has been least in Asia. While adult literacy is highest (more than 95 per cent) in Europe and North America, South-East Asia (estimated at 30-35 per cent) and South-West Asia (20-25 per cent) fall far below the world average. Mr. David Morse is right when he says that "unless there is substantial improvement in the levels of education in Asia, the gap between the highly industrialised countries and the less developed ones will remain as wide or become even wider than it is today." Some steps have been taken in technical and vocational training programmes for agriculture as well as industry, but they are planned on a modest scale and there is considerable scope for improving the quality of training. Probably what Mr. Morse had in mind when he stressed the point of education is technical education in particular. In this context the role played by the I.L.O. in Asian countries in imparting useful training, and bettering labour-management relations by enforcing social standards is welcome.

The lop-sided economic pattern calls for liberal assistance from more prosperous countries for developing the underdeveloped economies. The feeling is that too much is being spent in Western countries for arms and armaments. Perhaps much of that could be curtailed and the same could be utilised for improving the living conditions in underdeveloped countries. In Asia itself, there is urgent need that production of goods and services be expanded at a rapid rate as the acceleration of population growth is a constant menace to the economic growth of Asia.

EXPANSION OF EXPORTS

TIME AND again, the urgent need for expanding India's export trade finds expression in responsible quarters both in Government and trade circles. But it seems that much energy is spent on chalking out of programmes, while actual implementation receives less attention than is needed. The magnitude of the necessary export expansion drive can be assessed from the ever-increasing balance of payments deficits. The country has had to take recourse to severe restriction of imports which can be nothing more than a temporary expedient. A developing economy like India's can res-

trict imports only at the risk of restricting its economic development. It hardly needs to be stressed that a solution of the problem lies in reducing the gross imbalance in the country's imports and exports by increasing exports both in volume and value. Export expansion is, no doubt, beset with its difficulties. But it would not make sense to think that the difficulties are insurmountable. Nor has the country reached anywhere near the limit point in exports, notwithstanding the changing pattern of trade and commerce in many countries some of which are slipping out of India's market fold. These views have been particularly underlined by the Chairman of All-India Manufacturers Organisation, Mr. S. N. Haji, recently at a meeting of the Organisation. According to him, India exports no more than 5 or 6 per cent of her gross national product per annum. This percentage is as low as a fourth or fifth of the normal percentage of most other countries.

The difficulties in increasing exports lie as much in finding good markets as in producing for such markets. For example, Japan is pushing this country out of some cotton piece goods markets. A sizable part of the mica market, in which India holds a near monopoly, is gradually diminishing in size. A real threat exists even in the case of jute manufactures. All this points to one cardinal fact; while cheaper substitutes are being found abroad for a large range of goods, India is doing little towards popularising her wares and making them competitive. Again, sugar is one item where higher export earnings could be achieved rapidly if experiment with co-operatives were not pursued with the present zeal bordering on obstinacy. For achieving substantial results, it is imperative that the Government provide incentives in various forms like concessions on levies. Another effective means can be in liberalising, at least partly, restrictions on the utilisation of the increased foreign exchange earnings which may be used for raw material and similar other imports. Much needs to be done also in improving quality standards of the country's manufactures. This is perhaps the most important aspect which should engage the attention of the interests concerned. If the recommendation of the Export Promotion Committee, that the country's export trade can be increased by Rs. 100 crores, is to be translated into a reality, the Government should set about the programme with no further delay. Obviously the task is not so easy as that and there can be no doubt that the solution has been oversimplified by the committee. Manufacturers and traders have their own responsibilities and it will be very much to their interests to observe them.

INDIANS IN CEYLON ESTATES

DISTURBING REPORTS have come in of the Ceylon Government's decision to push forward its programme of 'Ceylonisation' of estates. The Labour Minister of Ceylon is stated to be thinking in terms of amending that country's labour laws in order to bring in more Sinhalese in the estates. According to this plan, in future, all the vacancies in some estates and 50 per cent in others would be shut out to labour of Indian origin. The problem of Ceylon Indians has been dogging the two countries for a long time. In fact it has, at times, given rise to bitterness on both sides, making it less easy to build ideal relations between the two countries. The present move is held out as designed to meet the unemployment problem facing that country. In real terms, however, it is no solution of the problem. All that it will achieve is to shift the burden from one section of the people to another. Any benefit that the policy may fetch to the Sinhalese cannot be of a substantial magnitude. Only, the pursuit of the policy will create new and more complex problems not only for the Government of Ceylon but also for the estates.

The 'Ceylonisation' policy is not confined to the estates or rural areas alone. In urban areas also, severe measures have been adopted for quickening the pace of repatriation of Indians in Ceylon. The question is, no doubt, one of the few points at issue between Ceylon and India, and has defied solution that would be acceptable to both the countries. But stripped of its political trappings, the economic consequences of the programme should not be encouraging even for the most enthusiastic Sinhalese. Particularly in the case of estates, the skill and efficiency acquired by the Indian labour in Ceylon is not a marginal factor. For many long years, the Indian labourer, along with the major and minor members of his family, has lived in these estates, contributed to their ever-growing prosperity and has become almost a part of them. To tear him away from there and substitute him by an uninitiated and, in many cases essentially unwilling, worker is bound to be detrimental to the production in the estate. The problem is not one that can lend itself to any easy and hurried solution. This is a problem which needs to be handled with caution and care if major upsets, economic and political, are to be averted.

WORLD BANK LOAN TO TISCO

THE TATA IRON AND STEEL COMPANY has succeeded in securing a \$32 million loan from the World Bank and American commercial institutions. The break-up is \$17.5 million from the World Bank and \$14.5 million from American commercial banks. This, it is significant, fulfills the company's foreign exchange needs for its expansion programme. It is without doubt a major achievement. The rupee part of the expansion programme would be met from the share capital to the extent of Rs. 13.5 crores and from local borrowings to the extent of Rs. 12 crores. The balance is to be met from recent earnings.

The company embarked upon its much delayed expansion schemes in 1953. At present the steel ingot capacity is 1.3 million tons per year. It is expected to reach on the completion of the current modernisation and expansion programme to two million tons. Despite certain unforeseen difficulties, considerable progress has been made. Orders have been placed for the major part of the equipment for the refractories plant being put up at Belpahar in Orissa jointly with Messrs. Didier-Werke A.G. and for the rotary calcining kiln to be installed at Salem in Madras State for supplying dead burnt magnesite to the refractories plant. The plants are expected to commence production by the middle of 1958. The installation of the plant by Messrs. Hukett Engineering Inc. of U.S.A. for the recovery of steel scrap from slag accumulated in the past or currently produced is nearing completion. Satisfactory progress has been made with the construction at Joda in Orissa of the electric ferro-manganese plant which is now expected to be completed by October, 1954. Orders have also been placed for the major part of the equipment required for the mechanisation of the Noamundi and Joda East Iron mines. While, at present, a part of the coal raised at Jamadoba and West Bokaro is washed at the coal washing plants located at these collieries, the company is expanding the Jamadoba coal washing plant so that by 1959 all the coal raised at the company's collieries may be washed. The new ferro-sulphide washing plant manufactured and erected near the coke ovens is expected to commence regular operations shortly.

So far as TISCO's output is concerned, the company has been showing progress in recent years as the following figures would bear it out:

	1954-55	1955-56	1956-57
Pig Iron	1,128	1,150	1,151
Steel Ingots	1,010	1,059	1,071
	(Tons in Thousands)		

The credit of securing the \$14.5 million loan from American commercial banks out of the recent total loan

of \$32 million goes to Mr. J. R. D. Tata and TISCO's management. The soundness of the expansion programme and the higher production targets achieved by the Company were responsible in a considerable degree in securing the World Bank loan. This incidentally is a clear instance of the massive contribution of the private sector in promoting the economic development of the country.

SUNDATTA COTTON-SEED UTILISATION, LTD.

THE FIFTH annual report of Sundatta Cotton-seed Utilisation, Ltd., is a notable example of what enlightened private enterprise can achieve in congenial circumstances. Within a period of just five years, this company, with a paid-up capital of approximately Rs. 7-1/2 lakhs, has reached a stage when its gross profits amount to nearly Rs. 5 lakhs. This is an undertaking, again, which has been fortunate enough to be engaged in an industry that is presently receiving every encouragement at the hands of the Government, and which has also managed to secure short-term credit facilities from the Export-Import Bank, Washington (U.S.A.). The support of a well-known industrial undertaking (The Tata Oil Mills Co., Ltd.) and the timely help and guidance of its good bankers (The Eastern Bank, Ltd.) have been helpful in finding profitable business for the Company and arranging deferred credit facilities for purchase of new plant.

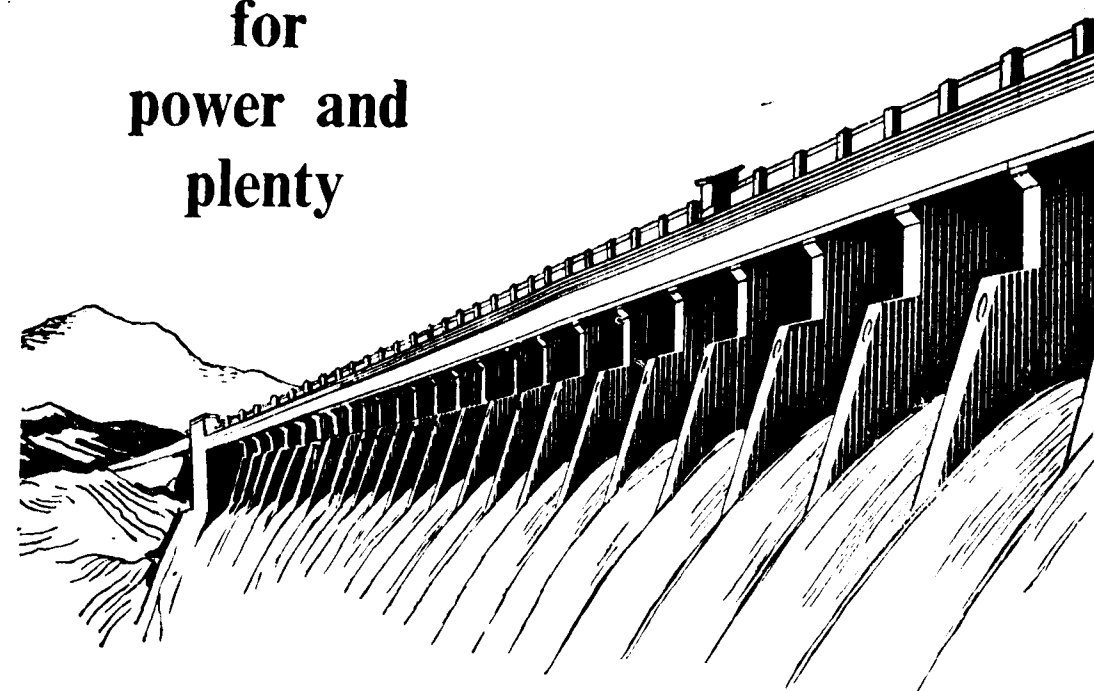
Being a concern engaged in an industry which the Government is keenly interested in developing, Sundatta Cotton-Seed Utilisation, Ltd. has even got a loan sanctioned from the Industrial Finance Corporation. In short, the Company has been lucky to go through the years of teething trouble practically unscathed, although nature seems to have reminded the management that, in an essentially agricultural country like ours, the fortunes of an industry based on agricultural commodities are always dependent on timely and sufficient rains and a good crop. Thus, during the current year, the Company hopes to crush only 75 per cent of that crushed during the year under report (year ended December 31, 1956). In the latter year, the Sundatta crushed a little over 11,000 tons of cottonseeds, of which 1,750 tons were for the Tata Oil Mills Co. Ltd., on a contract basis. This was about the same as for the preceding year (1955) also. The virtual failure of the cotton crop in the region and its roundabouts where the Company's factory is located, coupled with the closure of the Suez Canal, affected the year's working. Uncannily anticipating this, as also the import cuts perhaps—it now seems in retrospect the management had ordered for a Solvent Extraction Plant in good time so as to be able to diversify its operations and products to meet all eventualities.

The Government of India has announced its determination to develop the cotton seed industry in a priority basis. In order to encourage the processing of cotton seed and the de-oiling of groundnut cake, it has recently done away with the export duty on cotton seed cake and drastically slashed the export duty on de-oiled groundnut meal (from Rs. 175 to Rs. 50 per ton). Further, the Vanaspati manufacturers have been asked to incorporate at least 10 per cent of cotton seed oil in Vanaspati. Moreover, the excise duty on cotton seed oil is only 50 per cent (Rs. 56 per cent) of what it is on other non-essential oils, and it is believed the Government is considering to abolish even this.

With all these facilities available to the industry, the management of Sundatta has done well not only to raise further share capital (of over Rs. 3-1/2 lakhs) but also to secure a long-term loan from the I.F.C. (of Rs. 4-1/2 lakhs), in addition to the short-term credit facilities (to the tune of Rs. 3-3/4 lakhs) from the Export-Import Bank referred to above, so as to take the maximum advantage.

FACTS BEHIND FIGURES

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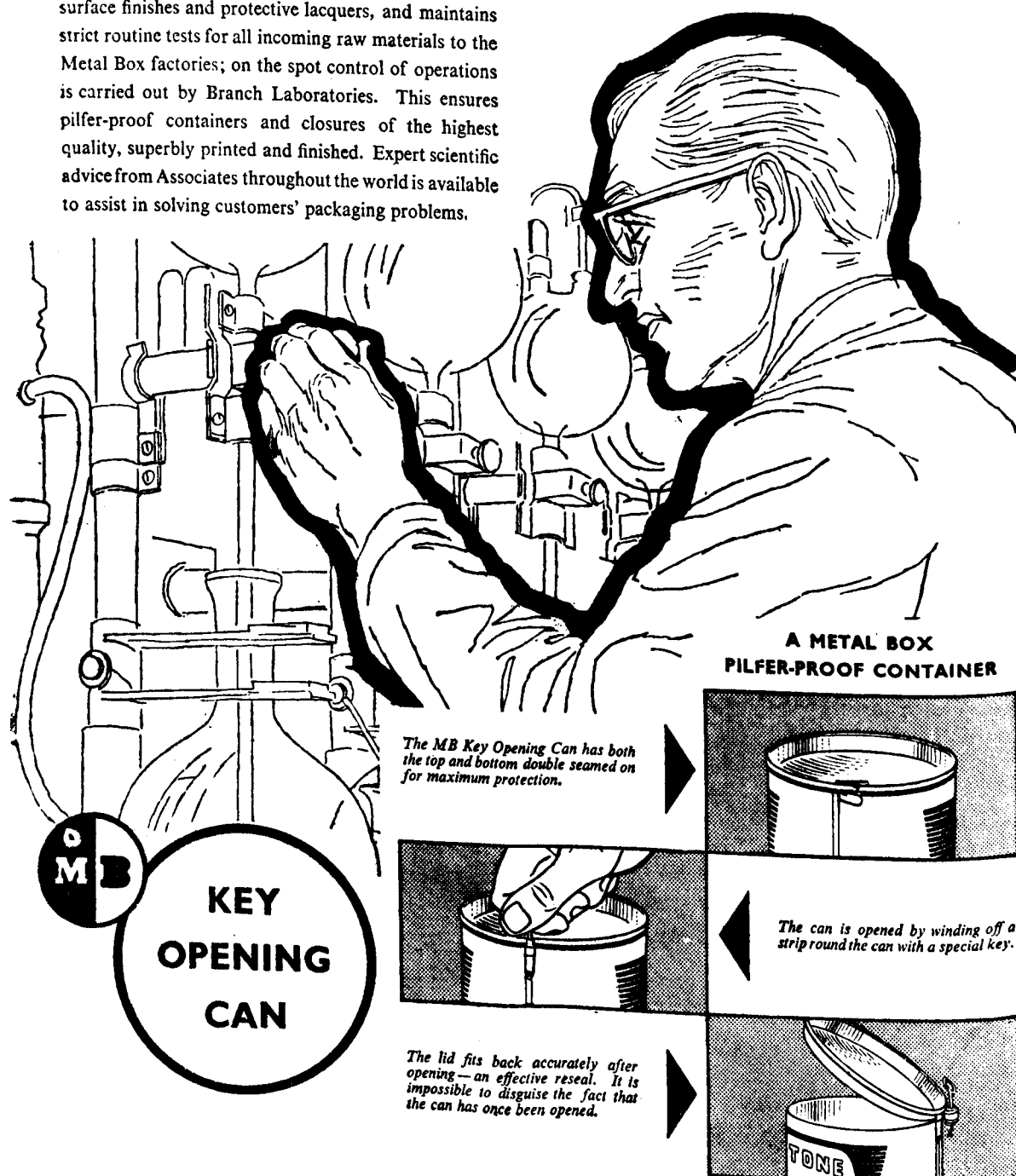
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COMPANY AFFAIRS

THE KHATAU MAKANJI SPG. & WVG. CO., LTD.

The Khatau Makanji Spg. & Wvg. Co. Ltd., reports a net profit for the year ended June 30, 1957 of Rs. 15,39,481, after providing for depreciation (Rs. 22,58,966) but before taxation (provision for taxation being Rs. 14,15,000). As the amount at Rs. 1,50,709 left after providing for taxation was not adequate for the dividends recommended, a sum of Rs. 9 lakhs has had to be transferred from general reserves. Besides the usual dividend on preference shares of 4 per cent without tax the Directors have recommended a dividend of Rs. 4 per share on ordinary shares. In respect of the year under review, no appropriation has been made for development reserve, as, in the opinion of the Directors, "the amount provided so far is sufficient to cover saving in tax on development rebate till date."

In line with the general experience of the cotton mill industry, the profits of the Company showed a decline "due to adverse conditions in the cloth market and higher prices of Egyptian Cotton." It is noteworthy that the management has placed orders for new machinery of the value of Rs. 29,20,370 "with a view to improve and maintain the efficiency of the Company's plant and equipment."

THE BOMBAY STATE CO-OPERATIVE BANK, LTD.

The latest report of the Bombay State Co-operative Bank, Ltd., namely that for the year ended June 30, 1957, is the first report of the Bank to be published after the reorganisation of the States, as a result of which four districts constituting the Bombay Karnataka were transferred to the Mysore State. For the same reason, the new areas, including Kutch, Marathwada, Saurashtra and Vidharba, also should have come within the purview of the Bank. But, owing to the diversities of the co-operative structures in these areas, integration has yet to take place and awaits the recommendations of the committee set up in this behalf by the Government of Bombay.

The net profit of the Bank for the year ended June 30, 1957 amounted to Rs. 6,84,064. To some extent, very slightly albeit, the higher profits were due to the increase in interest rates generally and the increase in interest on short-term deposits and on savings account by the Bank. Deposits, on the other hand, registered a decline, the decline being as much as Rs. 138.36 lakhs, as against a rise of Rs. 206 lakhs in 1955-56, "owing to keen competition from commercial banks and other factors beyond the control of the Board." It is significant that the largest drop (Rs. 112.96 lakhs) was in respect of deposits of central financing agencies, the decline in respect of individuals being only Rs. 22.27 lakhs and that in respect of other co-operative institutions being lower still at Rs. 3.13 lakhs. Among other factors, the transfer of the business of the branches of the Bank in three districts to the newly established District Central Co-operative banks led to a loss of Rs. 27 lakhs.

A notable feature of the report is the extent of loans and advances to co-operatives for purposes other than seasonal agricultural operations. During the year under report, these were higher by Rs. 190.93 lakhs, out of which as much as Rs. 137.15 lakhs were accounted for by co-operative sugar factories alone. According to the report, four sugar factories were granted loans for Rs. 130.43 lakhs as working capital and six factories were given temporary loans to the extent of Rs. 84.24 lakhs, pending disbursement of the loans sanctioned to them by the Industrial Finance Corporation, and intermediate term loans of Rs. 60 lakhs on Government guarantee. Thus, co-operative sugar factories are not only given direct loans but also interim loans pending grant of loans by the Industrial Finance Corporation, as also loans on Government guarantee. This doubt-

less explains the remarkable progress of co-operative sugar factories in the Bombay State.

THE BURRAKUR COAL CO.

The profit and loss account of the Company for the half-year ended December 31, 1956, after providing for all charges and making provision of Rs. 5,77,826 for taxation and Rs. 5,77,161 for Depreciation shows a profit of Rs. 1,99,378. To this has been added the balance of Rs. 36,163 brought forward from previous half-year. A sum of Rs. 6,00,000 has been transferred from the General Reserve. The provision of Rs. 4,40,000 for Ropeway Rope Replacement has also been written back, making a total of Rs. 12,71,800. From this amount a sum of Rs. 45,200 has been transferred to tax contingency reserve, Rs. 25,000 to debenture redemption reserve, Rs. 18,000 to development rebate reserve, Rs. 70,000 to provision for aerial rope and Rs. 5,90,000 to provision for payments against Appellate Award. This leaves a balance of Rs. 5,23,600.

Dividends of 7 per cent and 6 per cent per annum on 1st Preference and 2nd Preference Shares, respectively, has been declared to be paid, without any deduction for Income-tax payable by the company. Dividend of 7½ per cent per annum, without any deduction for Income Tax payable by the company has been decided to be paid on Ordinary Shares, which will absorb Rs. 3,40,968. The balance of Rs. 92,391 has been decided to be carried forward.



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COMMODITY NEWS AND NOTES

RAISINGS AND DESPATCH OF COAL DURING JULY, 1957

Coalfields in India raised 3,331,257 tons of coal during July, 1957. The amount of coal despatched during the period from all the fields in the country was 3,077,367 tons. The daily average loading for the month of August, 1957 from Bengal and Bihar fields was 3,794 wagons. This, however, showed an increase as compared to the previous month's loading of 3,576 wagons. The highest loading on any day during the month of August 1957 was 4,608 wagons and the lowest was 2,269 wagons. The tonnage of coal shipped during the period was approximately 1,88,472 tons in 29 ships. Out of these, the coastal shipping accounted for 85,734 tons in 13 ships and that in foreign accounted for 1,02,738 tons in 16 ships. A daily average of 276 wagons was allotted for shipment traffic during the period. It has, however, remained the same as against the previous month. The coal despatched to Pakistan during August 1957 amounted to 95,700 tons.

FINAL ESTIMATE OF TOBACCO FOR 1956-57

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India final estimate of tobacco, 1956-57, puts that year's area and production at 1,022,000 acres and 306,000 tons, as against the partially revised estimate of 1,013,000 acres and 295,000 tons for 1955-56. This shows an increase of 9,000 acres or 0.9 per cent in area, and 11,000 tons or 3.7 per cent in production over 1955-56. The increase in area during the current year has been shared mainly by Bihar and Rajasthan States, and has been attributed to favourable climatic conditions at the time of sowing. The increase in production has occurred in Andhra Pradesh, Bihar, Bombay, Madras, Mysore and Rajasthan, and is due partly to increase in area and partly to favourable weather conditions during the growing period.

GROUNDNUT ACREAGE UP BY 9.4 PER CENT

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India first estimate of groundnut, 1957-58, puts the current year's area at 9,895,000 acres, as against the corresponding adjusted estimate of 9,044,000 acres for 1956-57. This shows an increase of 851,000 acres or 9.4 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 all the groundnut growing States, and has been attributed generally to favourable weather conditions at the time of sowing. The increase in groundnut acreage is more marked in the case of Bombay and Madhya Pradesh. The information given in this estimate covers the period generally up to the end of July 1957. Till then, the condition of the crop was reported to be generally satisfactory. The estimate does not cover the entire area sown to groundnut crop during 1957-58. Past experience has shown that the area at the first estimate stage forms roughly 62 per cent of the area under the crop finally reported.

INCREASE IN MESTA ACREAGE

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India first estimate of mesta, 1957-58, puts the current year's area at 225,000 acres, as against the corresponding adjusted estimate of 194,000 acres for 1956-57. This shows an increase of 31,000 acres or 16.0 per cent in area during the current year as compared to last year. The increase in acreage during the current year has

been shared mainly by Bihar and to a smaller extent by Andhra Pradesh, and has been attributed 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 Mysore State. This estimate covers the period generally up to the end of June or beginning of July 1957.

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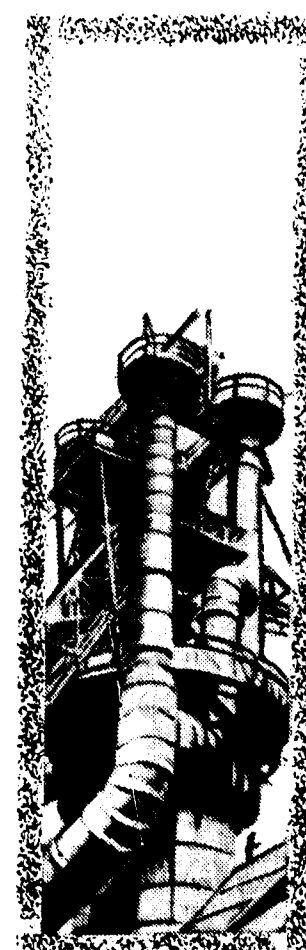
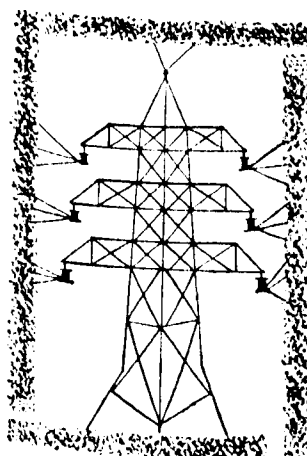
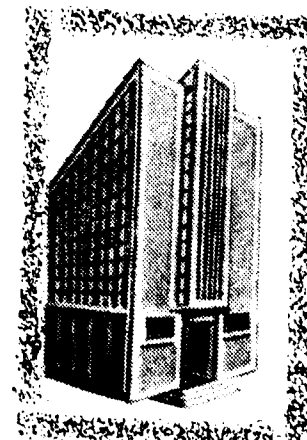
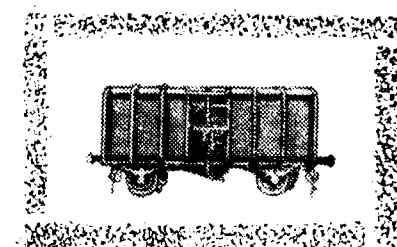
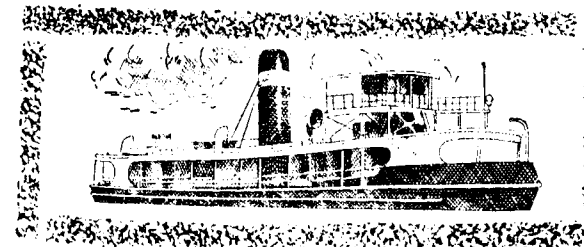
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QUANTITY AND VALUE OF EXPORT AND IMPORT CONTRACTS OF THE STATE TRADING CORPORATION OF INDIA (PRIVATE) LIMITED. BY COMMODITIES AND COUNTRIES UPTO THE END OF JUNE, 1957.

(A) Export contracts upto the end of June, 1957.

Commodity	Country	Unit	Value	
			Quantity	(Rs. in lakhs)
Iron Ore	Japan	Tons	1,700,750	938.33
	Poland	"	140,000	72.00
	Hungary	"	15,000	8.00
	Italy	"	175,000	104.25
	Czechoslovakia	"	507,000	268.44
	Yugoslavia	"	45,000	25.30
	Holland	"	20,000	11.47
	U.S.A.	"	9,000	4.98
	East Germany	"	18,000	9.96
Total:			—	14,42.73
Manganese Ore:	Japan	Tons	85,100	154.31
	Holland	"	67,500	151.11
	U.S.A.	"	87,521	165.94
	Italy	"	22,000	57.19
	England	"	84,000	151.30
	France	"	40,521	65.64
	Norway	"	1,000	1.28
Total:			—	746.77
Chrome Ore:	U.S.A.	Tons	6,500	11.00
	Japan	"	17,000	28.18
Total:			—	39.18
Shoes:	U.S.S.R.	Pairs	700,000	154.96
	U.S.S.R.	M. Tons	1,500	107.85
Coffee:	East Germany	Tons	200	13.97
Total:			—	121.82
Castor Oil.	U.S.S.R.	Tons	2,500	48.47
	Czechoslovakia	"	620	11.59
Total:			—	60.06
Woollen Cloth	U.S.S.R.	Yards	481,497	72.52
Lemongrass	East Germany	Tons	1	0.14
Tea	East Germany	"	243	19.58
Cotton Hand Loom	East Germany	Yards	70,000	0.31
Towelling.	Viet-Nam	Lacs pieces	21	31.79
Jute Bags.	Viet-Nam	Bales	1,231	3.09
Raw San Hemp.	Indonesia	M. Tons	80,000	25.50
Salt.	U.S.S.R.	—	—	16.66
Handicrafts	U.S.S.R.	—	—	—
Total:			—	18.94
Coir Matting	Czechoslovakia	Sq. yds.	52,700	1.69
Tobacco	U.S.S.R.	Tons	2,000	20.16
Cotton Seed Oil	East Germany	Tons	1,200	—
Cardamoms	East Germany	Tons	5	1.19
GRAND TOTAL:			—	27,79.40

(B) IMPORT CONTRACTS UPTO THE END OF JUNE, 1957.

Commodity	Country	Unit	Quantity	Value (Rs. in lakhs)
Cement	Rumania	Tons	70,000	80.67
	Yugoslavia	"	100,000	114.83
	Russia	"	25,000	29.83
	Japan	"	55,000	60.83
	Poland	"	100,000	110.00
	Pakistan	"	165,000	167.23
			—	563.39
Soda Ash	China	Tons	15,000	33.40
	East Germany	"	10,000	22.27
	U.K.	"	30,000	80.50
			—	136.17
Caustic Soda	U.K.	Tons	45,000	210.33
	East Germany	"	425	1.64
			—	211.97
Ammonium Sulphate	East Germany	Tons	34,520	78.74
	U.S.A.	"	70,000	131.45
			—	210.19
Chilean Nitrate	Chile	Tons	15,000	43.50
Gypsum	Pakistan	"	150,000	19.50
Raw Silk	China	M. Tons	35	15.56
	Japan	"	73	34.24
			—	49.80
Ships and Launches.	Yugoslavia	No.	3	158.39
Textile Machinery	East Germany	—	—	25.00
Skimmed Milk Powder	U.S.A.	M. Tons	5,000	65.40
Rice	Viet-Nam	"	7,000	31.73
			—	15,15.04
GRAND TOTAL:				15,15.04

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
1956-57	..	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
August 1956	..	2,134.92	1,451.77	683.15	663.32	10.35	-12.98
September	..	2,109.41	1,435.95	673.46	672.79	10.84	-25.51
October	..	2,123.00	1,442.52	680.48	662.92	10.84	+13.59
November	..	2,151.46	1,462.01	689.45	669.64	11.46	+28.46
December	..	2,178.65	1,485.34	693.31	677.99	11.96	+27.19
January 1957	..	2,220.47	1,509.90	711.57	681.35	10.77	+42.82
February	..	2,264.55	1,528.31	736.24	724.46	11.78	+43.08
March	..	2,312.89	1,556.50	756.39	744.74	11.65	+48.34
April	..	2,362.37	1,586.44	775.93	763.43	12.51	+49.48
May	..	2,381.99	1,596.43	785.55	762.01	23.55	+19.62
June	..	2,342.70*	1,563.16*	779.54*	756.90*	22.64	+39.99*
July	..	2,309.38*	1,521.45*	787.93*	766.04*	21.89	-33.32*
August	..	2,240.19*	1,489.47*	750.71*	739.29*	11.42	-69.19*

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

... as beauty does

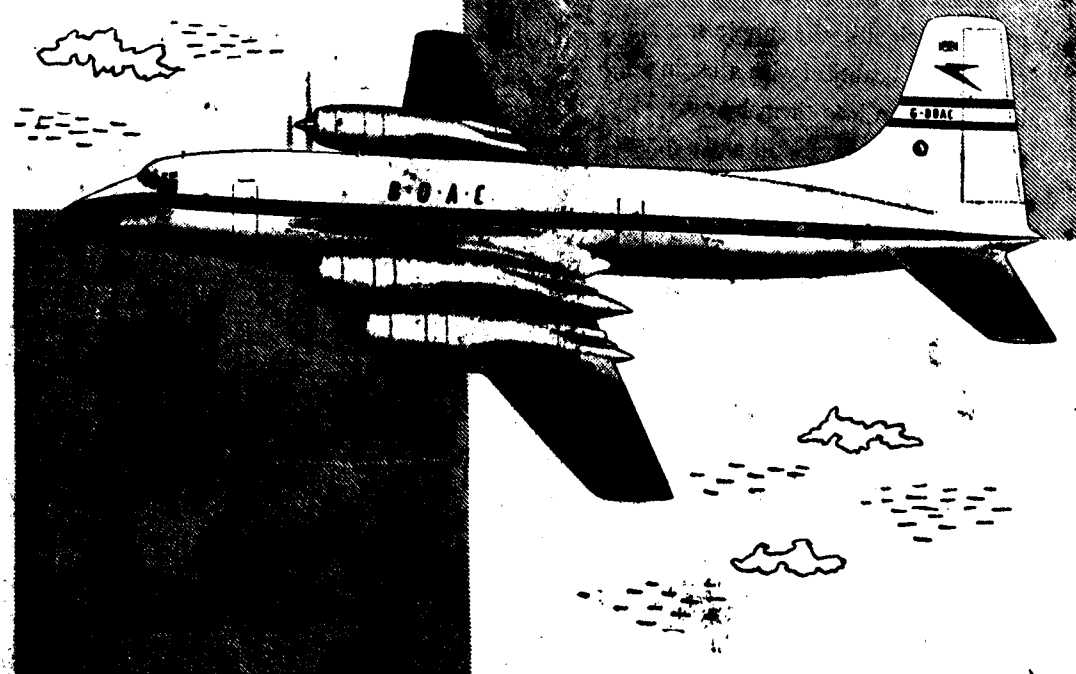
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ONE RUPEE

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The Success of a Mission

THE Finance Minister who returned to India yesterday, after an absence of a month, has earned from the Indian people a warm tribute for the able and imaginative manner in which he has discharged his difficult mission. No Finance Minister of India has ever had at any time so enormous a task to accomplish both at home and abroad. At home expectations were unduly high, and abroad interest in India unduly low. The time was short, and the character of the assignment required explanation both in length and in depth, that is, over a wide area and intensively over certain industries and with certain high personalities. Perhaps the mission itself was unduly ambitious; many expectations in the country were wholly unrelated to the facts. What has been accomplished, however, is an impressive tribute to the capacity of the Finance Minister and the men who accompanied him to face deadly odds. They have done for the country a service in the

appreciation of which we should not show ourselves niggardly or small.

There are differences enough between different groups in the country and the Finance Minister, even if one excludes the Communist Party of India which has now chosen on a single controversial issue to oppose him on all. There are many who feel that his stewardship of the financial affairs has not assisted confidence in trade and industry. Today, however, one should recognise that his position is central both because he enjoys the political confidence of the Prime Minister, and because he is being understood and accepted abroad. This is no time for petty recrimination, or for a campaign of personal rancour. In the national interest, the Finance Minister must be accorded at this time and "for the duration" the country's unstinted support.

The success of his mission is to be measured for the most part in intangibles, in the creation

The Blue Supplement for October on Problems of Private Foreign Investment will appear in the next issue of The Eastern Economist dated November 1, 1957.

of an atmosphere of responsiveness in the highest circles of the United States. There is already indication that the low priority hitherto given to India's second Five-Year Plan in the counsels of the United States will be altered somewhat, and that concrete proposals for a loan will, in due course, be considered. It remains true, as the Finance Minister has stated in Bonn this week, that he has had no concrete promise of assistance in Washington, but there has been no time in the last twelve months when the atmosphere has been so favourable to large-scale participation in India's economic progress. Again, as a token of United States' interest, there can also be reckoned three significant achievements which, happily, were recorded during the Finance Minister's stay in the United States. The first of these was another World Bank Loan to the Tata Iron and Steel Company of \$16.5 million, the second, an equivalent sum from an American consortium of banks. Thus all the foreign exchange required by the Tata Iron and Steel Company for its expansion project has now been completely underwritten. This is a substantial sum, the more welcome because it is a hard core project and, unlike other private loans, stands on the basis of the highest priority. Mr. J. R. D. Tata and his colleagues who have negotiated this loan are to be congratulated on having achieved a substantial success for the private and public sectors together. Another private sector success is the loan of \$1.8 million granted to the National Rayon Corporation; this seems to be only the first of a significant number of Indian loans being considered by the Export-Import Bank. This month in the United States has, therefore, already been by no means unfruitful in providing a substantial element of foreign exchange both in and outside the hard core.

Equally happy — and possibly from the short-period point of view even more gratifying — is the response accorded to the Finance Minister in West Germany. It would appear both from the Finance Minister's own statement and from that of Dr. Ludwig Erhard, Federal Minister of Economic Affairs, that deferred payments now offered to India — to be finalised 'in a matter of weeks' — will provide credit to finance all India's adverse balance of trade with West Germany in the current year. A long-period loan from West Germany probably raises substantial difficulties which can be only removed over time. There is no reason, however, why in this process of interesting the United States and West Germany in our plans we should reckon success or failure in a short period. These are obviously long-period enterprises in which one need only to say that the Finance Minister has set a great beginning.

Mr. G. D. Birla who, in the last two months, as leader of our Industrial Delegation, has dealt more particularly with the private sector in the United States has drawn attention to the fact that in this continuing process of attracting private foreign investment to India from that country, we shall need not merely exposition but a concrete policy in India to show that our statements, that the private sector has the incentives and the opportunities which the Finance Minister advertised, are in fact real and not mere propaganda. For this purpose certain measures will need to be taken to modify current economic policy which is unduly harsh on some matters, particularly on the taxation of foreign personnel and on such details as the compulsory deposits scheme. The

Finance Minister will not be able to complete or, indeed, over a large period, continue his effort unless he can provide within the framework of his current policy the necessary modifications to attract private foreign investment on the only terms on which it can enter the country, namely, that it can operate at a figure of profit (net after taxes) higher than it can earn in other countries.

So far as the public sector in the United States is concerned, it is clear that the operations required of us are much more of a diplomatic than of an economic character. In a Special Article in this issue on a "rush" poll conducted by the Indian Institute of Public Opinion, it is indicated that Indian public opinion believes that foreign policy elements enter substantially into the foreign aid picture so far as the United States is concerned; this is undoubtedly the truth but indicates only one side of the problem. It is not merely that we need to refrain from unnecessary controversy while our request for a loan is being channelled through Congress; we must also sustain over the long period the kind of diplomatic explanation which our Ambassador in Washington has tried under great difficulties to execute with inadequate staff and very inadequate financial support. We need to throw in the high level advocacy of our case both in Bonn and in Washington, a much higher degree of imagination and effective use of our limited public relations resources than we have hitherto believed either necessary or desirable.

The mission, therefore, has to be continued on both fronts. Here in India there will need to be a reassessment of our financial policy, so that such help as can be obtained by private foreign investment in the filling up of the gap is accelerated and developed. In the public sector, there needs to be an integration of financial and foreign diplomatic policy so that the Ministry of External Affairs and the Ministry of Finance move hand in hand in a consistent policy designed to obtain loans from the United States and West Germany for which the Finance Minister has made requests during his latest trip abroad.

It is obvious that, in all these modifications of the financial and foreign policy, the position of the Finance Minister is central. He brings the Prime Minister a first-hand report on the prospects of filling the foreign exchange gap, and of the attitudes of foreign statesmen to our problems at this time. He also bears in a quite unusual way the burdens of the current crisis, the severity of which can by no means be dismissed by exhortation frequently heard in Delhi at this time that we can by hard work and determination overcome all the obstacles that now face us in our economic affairs. It is simply not true at this stage that we can surmount the major obstacles of the Plan without foreign assistance. If, however, we should succeed in surmounting the current crisis there will come a day when we can truly initiate and maintain economic progress without foreign help. As long as the crisis lasts the Finance Minister of India must be the central figure in our battle for resources. It is right that we should accord to him, in addition to the tribute for a job well done, the support and understanding necessary to all who bear in a critical measure the burdens of this nation. It is sincerely to be hoped that the country will not be distracted by political or sectional differences from according to him the support, both moral and financial, which is his undoubted due.

Pakistan's Musical Chairs

WITH the appointment of Mr. I. I. Chundrigar as Prime Minister, the Muslim League comes to power in Pakistan after an interruption of 13 months. Mr. Chundrigar's appointment came as a surprise; Dr. Khan Sahib, the leader of the Republican Party, had publicly declared that only a Republican would lead the next Government. But his party, in spite of its numerical superiority, acquiesced in the appointment of a Muslim Leaguer as the Premier, and joined the four-party coalition. Besides the Muslim League and the Republicans, the other two members of the coalition are the Krishak Shramik Party and the Nizame Islam Party. The new ruling coalition party claims a membership of 47 in the 80-member National Assembly.

It cannot be denied, however, that Pakistan's new Government is not new in the true sense of the term. The major component of the new coalition is the same as in the previous one—the Republican Party. Its alliance with the Muslim League has no more significance than its original cessation from it. It is only opportunism which has now brought the two together. It is, therefore, difficult to say with confidence that Pakistan will now have a stable Government. It seems unlikely, from the nature of the circumstances. With most of the political groupings in the country based on personal loyalties and ambitions, and not on political agreements or differences, there is neither logic nor consistency in the policy followed by Pakistan's politicians. Politics has become a game for adventurers, who change direction with the ease of a weather-cock. Any coalition is therefore bound to be unstable.

Indeed, it will not be surprising if Mr. Chundrigar's Government proves to be even more unstable than the preceding Ministries. This fear seems real in view of the domestic policy enunciated by the new Prime Minister. He has declared that his Government would move a Bill for the introduction of separate electorates in the whole of Pakistan. The re-opening of the electorate question might show up in relief the sharp difference of views between East and West Pakistan. The Awami League's Ministry in East Pakistan is wedded to joint electorates. Although there are hardly any non-Muslims in West Pakistan, it is the politicians of this area who are insisting on the introduction of separate electorates. Perhaps the aim of these politicians is to sow seeds of discord among the East Pakistanis and nullify their advantage of superior numbers over West Pakistanis. Whether this would help in the growth of Pakistan nationalism, or the contrary, does not seem to worry them.

The fear that the new Ministry's striving for endurance is bedevilled by a possible head-on collision between the Central Government and the Awami League Ministry in East Pakistan cannot be ruled out. The leaders of the two Governments hold diametrically opposed views. While the Awami League leaders are going ahead with radical land reform policies, the present Central Government's leaders, being themselves mostly landlords, are not likely to be in favour of such measures. It may not, therefore, be possible to avoid a clash. The immediate effect of the Muslim League's entering into a coalition with the Republicans at the Centre will probably be the emergence of a similar coalition in West Pakistan; that the mem-

bers of the coalition at the Centre will sit opposite each other in provincial assembly seems difficult to envisage. The re-entry of a strong section of the Republicans into the Muslim League, which they deserted over a year ago, cannot also be ruled out. The disintegration of the Republican Party is, therefore, imminent.

Perhaps a fair general elections, which will show the measure of popular support enjoyed by each of the political parties engaged in the scramble for office, would be a possible way out of the impasse. As at present, the election, according to the Election Commission, cannot be held before November next year. With the new Government's proposal to introduce separate electorates, the general election will be delayed further. After all, the Bill would have to be passed, delimitation of constituencies will have to begin all over again and the electoral rolls will have to be prepared afresh and printed. All this will make it necessary to postpone the election by two to three years or even more.

With the election date conveniently receding, Pakistan's politicians will perhaps rejoice in their freedom to continue their game of power politics. The pursuit of this game does not merely hamper the economic progress of Pakistan. It affects also its relations with other countries, most of all with India. Thanks to the efforts of political adventurers, 80 per cent of the total budget is spent on defence, even after the inflow of arms aid. In consequence, the country's economic development is not receiving the attention it deserves and needs. It is to be seen, however, how long Pakistan's leaders can continue to divert the attention of the people from the internal chaos and denial of democracy by cries of *jehad* over Kashmir and canal waters. Already, Mr. Abdur Rab Nishtar, President of the Muslim League, has warned India that he would not be able to put off much longer the day when these issues, which were "a matter of life and death to Pakistan", would be decided. The use of such threats probably means that the new Government will adhere to the old policy of war-psychosis. This policy will deepen the political crisis further. It would not, therefore, be wrong to say of the political situation in Pakistan that it tends to deteriorate with every change.

Pakistan, as a member of the Baghdad Pact and the South-East Asia Treaty Organization, feels strong enough to maintain an intransigent attitude vis-a-vis India. But it is a happy sign that the Western Powers seem to have, of late, realized that while the pacts are intended to ensure the protection of democracy, Pakistan is not a conspicuous example of its good practice. By contrast, India, although more wayward from their point of view, has shown itself truer to democratic principle and has acquired far greater stability in the process. They have, in consequence, begun to show a greater understanding of India's stand than they appear to have done in the past. It is perhaps due in part to this new understanding that the Western Powers have not so far made any new move over Kashmir in the Security Council. One can only hope that the new understanding will help, directly or indirectly, introduce stability into Pakistan, and peace upon this sub-continent, so that the two countries can turn their minds to urgent construction and reconstruction work.

Awards: Tightening the Screw

THE deliberations at the fourteenth session of the Labour Ministers' Conference last week proceeded on the assumption that the blame for lack of harmonious relations between employers and employees must be laid, by and large, at the door of the former. The major decisions of the conference are based on the conclusion that the corrective remedy lies in tightening the screw against the supposed defaulters. The conference actually met under the shadow of two major events. A section of railwaymen has held out the threat of a nation-wide strike in spite of the fact that in the course of the last six months the demands of railway labour have been conceded substantially and in addition liberal treatment has also been meted out to it. In another strategic sector of the economy, an illegal strike—that of bank employees in Calcutta—was then in progress but has happily now ended, for employees on a melancholy note. These significant developments apparently failed to bring a balanced and impartial approach to bear upon the attitude of the Ministers to an objective policy for labour relations.

The main decision of the conference relates to the legal machinery for settlement of industrial disputes to secure speed and implicit obedience. The diagnosis accepted by the Ministers has led them to arrive at the conclusion that strict sanctions must be provided for enforcement of the awards of industrial tribunals and wage boards by immediate amendment to the law. They have urged that deterrent punishment must be prescribed and failure to abide by the awards of tribunals and boards ought to be made a continuing offence, which should invite penalty for each day or week or a similar period of breach. The Ministers are obviously annoyed at the delays which take place in the proceedings before the labour courts and adjudication authorities. What is worse, in their view, is the growing tendency to a resort to appeals to law courts against the decisions of the original courts or tribunals. To cut short the delays, they have found an easy remedy in recommending amendments to the rules under the Industrial Disputes Act in order to secure that summary records shall replace fuller records of the proceedings.

These deterrents can at best treat the symptoms of the disease and that too at a considerable cost to the industrial economy. But any hopes that they can eradicate the root of the disease, or at least go a long way towards restoring healthy industrial relations, are totally misplaced. It needs to be appreciated far more fully than is the case that employers have as great a stake in the promotion and maintenance of harmonious industrial relations as labour or the Government or the community at large. If employers show reluctance in accepting with grace certain awards, the reasons for such attitude call for a careful and dispassionate analysis. Employers have shown heartening awareness of their social obligations. In certain far-reaching reforms, for instance, association of labour with management, private enterprise has stolen a march over the State sector. If in spite of that employers are constrained to resist the burden of awards in specific cases, wilful defiance cannot be attributed to them. The truth is that in a large number of awards, the full circumstances of the situation do not receive the consideration

they merit. The personnel of the tribunals do not necessarily and in all cases possess the technical equipment they require. This grave lacuna is reflected in the terms of the awards which pay little heed to the economics of the industry in several disputes. The colliery award is a glaring instance in which wages have been raised steeply, beyond the industry's capacity to pay and substantial price increases have been granted. While an increase in prices is unquestionably needed to raise part of the development finance of which the coal industry is desperately short, the claims of labour have been given precedence.

Mr. Gulzarilal Nanda's inaugural address at the conference lays repeated stress on effective implementation of labour laws to make it clear beyond doubt that the Government possesses the capacity as also the determination to enforce the obligations of the two parties. This pronouncement of policy would have found warm appreciation if only it was matched by action to apply it without distinction to both the parties. What is sadly lacking in the practical administration of labour laws is a will to demonstrate that Government is keen on ensuring that labour plays its part well. Frequent resort to go-slow methods and declarations of illegal strikes on occasions have often been allowed to escape their due consequences. The manner in which railway strikers at Kalka defied the ultimatum to resume duty by a specified date, but were allowed to retain their jobs subsequently, is typical of the kind of solicitude shown by Government even where labour is patently aggressive.

The entire machinery of adjudication in its operation has essentially served to encourage a tendency towards litigation. This was perhaps inevitable. The defects of the machinery are sought to be rectified, among other remedies, by expediting the settlement proceedings. Summary records of proceedings which are now urged may do more harm than good. In the absence of adequate record of evidence and proceedings, the appellate authority would be seriously handicapped in giving proper redress. The very purpose of maintaining the appellate authority — ensuring co-ordination in awards and decisions — would be defeated. Apart from the question of speed in settlement, the easy access to tribunals and labour courts has encouraged an attitude of irresponsibility on the part of labour. Employers' reaction to the extreme demands of labour in normal cases of disputes has accentuated the habit of litigation.

During the post-independence decade we had a plethora of labour laws. If the mere volume of legislation is a test of an impressive record in the pursuit of the right industrial policy, Government has rendered a good account of itself. It is, however, commonsense that the correct test lies elsewhere. It lies in the results produced by the crop of legislation. These results in their total effect show a failure to create harmony in labour relations. They underscore a chronic state of disputes and litigation. To place deterrent sanctions behind wrong remedies is to worsen the malady. The stage has certainly arrived to make a concerted effort to replace the adjudication machinery by collective bargaining as an enduring technique for securing peace in industry.

THE WEEK'S NOTES

IN MEMORIAM

THE FIRST anniversary of the Hungarian uprising fell on October 23. It is a date that Communists would, if they could, bury in the sands of time; it is a date that the world will never forget. On October 23 last year, the Hungarians responded to the natural urge for liberty, and rose as one. For eleven days thereafter they tasted, after years of slavery, freedom from occupation by the Russian armed forces. On November 4, these forces rolled back and mauled that freedom. The world felt silent, stunned. Some hung their heads, in shame and despair. Then followed a clamour of denials, charges and counter-charges that has not yet died.

In the year that has gone by the Hungarian people have paid dearly for those eleven days of freedom — and hope. Some have been executed, deported or imprisoned — some 50,000. Those who have not, are subjected to the tyrant's whip more ruthlessly than ever before. It is all being accomplished "legally" — it would be. A series of edicts has been promulgated by the regime of Mr. Janos Kadar — under the benevolent eye of the Kremlin. For Mr. Kadar and his kind friends from Moscow, for the faithful everywhere, the non-Communist world's clamour does not matter. Only contempt is reserved for resolutions like that of the General Assembly of the United Nations on June 20, 1957, which condemned the Russian aggression and demanded withdrawal of foreign troops from Hungary.

Let us remember with sorrow those who died, for they died fighting the tyrant, who crushed them with impunity while upholders of democracy and freedom watched in sullen silence, beneath the shadow of the mushroom cloud. Let us remember them with hope, for they that died fought against the tyrant with their bare hands, even when he came in tanks and armoured cars, kept alive with their blood the flame of ideals that man aspires to, that civilization stands for.

YUGOSLAVIA AND WEST GERMANY

THE DRAMATIC severance of diplomatic relations with Yugoslavia by the West German Government serves to underline the high feeling that exists in Bonn in regard to the recognition of East Germany by other countries. In view of India's growing relations with West Germany, it is appropriate that India in her own national interests should not recognise East Germany at this, and, possibly, at any stage. But it is difficult to see how similar considerations can apply to Yugoslavia; and it is difficult to appreciate the feeling in Bonn that India, somehow or other, is involved in Yugoslavia's action.

Yugoslavia has everything to gain by a recognition of both the Germanies; it is interesting in this connection to recall that she recognised West Germany long before East Germany apparently in the hope that something would be done in these years to reduce the tension between the two States. The fact that tension continues to exist and seems to be growing worse does not imply that a State like Yugoslavia which has based her foreign policy on the recognition of realities should ignore the existence of East Germany and deprive herself of the opportunities which good relations with East Germany imply. For Yugoslavia, these are rather greater than opportunities in West Germany in view of the co-ordination of her economy with other countries of Eastern Europe. In the circumstances it is difficult to see how the Indian Government can in any way be blamed or be required to use its good offices to change Yugoslavia's

views in this matter. By the same token, if the Indian Government were to submit to the Yugoslav Government its own views in regard to the non-recognition of East Germany (for whatever reason), would it not be bound by the same argument to press on West Germany recognition of Czechoslovakia and Poland on the plea that good offices on one side of the Cold War fence should be carried over to the other?

PAINFUL AND DISCONCERTING

THE LAW COMMISSION'S interim report to the Government of India makes certain revelations which are painful and disconcerting in the extreme. In restrained but unmistakable terms, the Commission has pointed out that the very springs of the fountain of justice have slowly been poisoned because of the "selection of unsatisfactory judicial personnel" at the High Court level since independence. Although reluctant to discuss individual instances, the "weight of testimony" has compelled the Commission to record that some appointments of High Court judges were seemingly made on considerations of "political expediency or regional or communal sentiment", and not on the basis of merit. What is even worse, canvassing for appointment to High Courts, previously unknown, has more or less tended to become a fashion. Instead of being considered a disqualification, the Commission regretfully states, canvassing is encouraged by "some persons on whom rests the responsibility for these appointments". Partisan considerations and the "play of rival and conflicting considerations" results in long delays in filling vacancies of judges in High Courts.

These unsatisfactory appointments and the delays in making them, the Commission says, cannot but adversely affect the quality of judgments and result in accumulation of arrears at the High Courts. In order to eradicate partiality in the appointment of the judges, the Law Commission has recommended, and rightly, that a panel should be prepared by an 'ad hoc' Committee presided over by the Chief Justice of India, from which additional judges may be appointed wherever necessary. The Commission is aware that in some States persons of requisite calibre and standing may not be available both at the Bar and in the services. It has recommended, therefore, that an all-India pool be created. If the Commission's recommendations are accepted by the Government, it is not unlikely that the States Reorganisation Commission's recommendation — that at least one-third of the judges of a High Court should belong to areas which do not fall within its judicial limits — will be implemented. The Commission has also done well to recommend the re-evaluation of the needs of each High Court and the appointment of additional judges — as an interim measure — to deal with arrears.

Objection has been taken generally to the proposal for appointing additional judges. It is said that, human nature being what it is, even a High Court judge may not give his best to the task assigned to him when he knows all the time that he is but a temporary incumbent who will be thrown back after some years into a competitive market to sell his legal talent as a means of livelihood. But, this fear seems unfounded. Whatever be the wishes of the Prime Minister and others, litigation is unlikely to decrease in India. In fact, the signs are that it will increase in future. There is, therefore, little ground for the apprehension that anyone appointed as additional judge may have to vacate his seat at the Bench after the expiry of his term.

Everyone who has the good of the country at heart and has faith in democracy would do well whole-

heartedly to support the recommendations of the Law Commission. Without their implementation, the danger is very real of an independent judiciary and rule of law coming to an end—and these are the twin guardians of democracy.

'DRY' FACTS

THE ORISSA Government is reported to be contemplating the scrapping of Prohibition in order to get the excise revenue which is now lost to the State Exchequer and to reduce its revenue deficit of Rs. 3.18 crores in the current financial year. It is not only the paucity of revenue resources that seems to have weighed with the Orissa Government in its contemplated move but also the virtual failure of Prohibition on account of the well-nigh insuperable difficulties of enforcement. This confession of failure may not, however, be pursued to its logical conclusion by way of actual scrapping of Prohibition. For one thing, the Utkal Congress Committee would have to approve of the proposal; for another even if the Utkal Congress Committee supports the State Government on this question, the Congress High Command may overrule the decision and the Union Government may take the stand that Prohibition figures prominently in the Directive Principles of State Policy of the Constitution. One has only to recall here what happened in the case of Andhra whose proposal to do away with Prohibition had ultimately to be dropped.

It would, therefore, appear that so long as Prohibition is in a way ordained by the Constitution, no State Government would be in a position to scrap it wherever it has been introduced unless the Constitution itself is amended. Even the Communist Government of Kerala, it may be noted, is not willing to scrap Prohibition and thereby to be accused of flouting a constitutional provision. In the circumstances it is not difficult to foresee that the Orissa Government's will be a still-born proposal. With the constitutional provision and the fanatical devotion of the Congress to Prohibition being what they are, the utmost that can be hoped for is a policy of indefinite postponement of extension of Prohibition so that the present excise revenue of Rs. 42 crores in all-India may continue to be available. Readers may recall that this approach has been suggested in a Special Article entitled "State Deficits: The Way Out" in "The Eastern Economist" issue of September 13 last.

As against this 'via media' approach there is the reported stand of the Union Government and of the A.I.C.C. that "the annual saving of about Rs. 110 crores by the community as a result of Prohibition is more important than the loss of about Rs. 40 crores to State exchequers consequent on the elimination of excise on liquor." This is an old argument which requires to be re-examined in the light of the actual working of Prohibition in the areas where it has been introduced since 1947. The assumption in this argument is that the money spent on liquor would be saved or be available for other consumption expenditure following the introduction of Prohibition. This assumption is no longer reasonably valid for some good reasons: Firstly, illicit distillation is known to be a flourishing cottage industry in the areas where Prohibition has been introduced; secondly, illicit liquor costs several times more than the customary country liquor; thirdly, according to a conservative estimate, the number of addicts and new addicts together who take the more costly and, probably, more injurious varieties of illicit liquor may represent 50 per cent of all the previous addicts. If it is assumed that 50 per cent of the examining areas where Prohibition could be introduced, they would no doubt have Rs. 55 crores for other essential consumption expenditure. But, if it is assumed that the other 50 per cent who would continue to drink would be spending on costly illicit liquor three times the amount they would have been spending on cheap

country liquor if there had been no Prohibition, their expenditure on liquor may then be estimated at Rs. 165 crores. And so the net result of total Prohibition in the areas where it is not now in force would be a net expenditure of Rs. 100 crores (Rs. 165 crores 'minu' Rs. 55 crores) by people who would continue to drink in any case. So, again, the myth that the community would save Rs. 100 crores as a consequence of Prohibition cannot be sustained.

AGRICULTURE AGAIN

THE PLANNING COMMISSION has finally laid down target-increases of 27 per cent for agricultural production as a whole and 24 per cent for food grains output in particular by 1960-61 over the production levels of 1955-56. According to the Union Food and Agriculture Minister, the revised targets of increase in agricultural production 'could' be achieved without any 'substantial' addition to the outlay on the agricultural sector in the Plan. Mr. A. P. Jain has not, however, explained how an increase by half in the originally-planned target-increase of 18 per cent by 1960-61 would not involve any substantial additional allocation of funds. But the directions in which greater effort is to be made to reach the revised target of 27 per cent increase are precisely the ones which would 'necessarily' involve increased financial allocations. This would be the case in the matter of creation of more seed multiplication farms, development of more organic manurial resources like rural and urban composts, possible subsidising of more chemical fertilisers, execution of more minor irrigation schemes and extension of contour-bunding in unirrigated areas. If, on the other hand, green manure crops are more extensively grown on most irrigated lands, it would be possible to realise the additional target of 9 per cent increase in agricultural production for it is well established that green manures could boost average acre-yields by anything from 15 to 20 per cent. What is more important, green manure propagation schemes require only 3 annas' worth of seeds or possibly less, cultivation costs of such crops would be negligible and multiplication of seeds can be done in two successive seasons and off-seasons so as to cover most irrigated lands in a three-year programme. Why the Agriculture Ministry is not concentrating its thinking and planning in a direction which is virtually inexpensive or least expensive, passes one's comprehension.

If it is unfortunate that the Agriculture Minister is not thinking more on such virtually inexpensive lines, it is still more unfortunate that he thinks the delay in carrying out land reforms impedes increase in agricultural production. Mr. A. P. Jain knows that in the land reforms that are yet to be implemented, the imposition of ceilings on existing landholdings is the most important and crucial item, for protective tenancy legislation including within its scope fixation of fair rents has been enacted in most States by now. But on this vexed question of ceilings thinking in the Agriculture Ministry still seems to be divided and confused. For example, Mr. A. P. Jain thinks at the same time that "it is only on the basis of data collected through farm management investigations conducted in the different regions in the country that we can evolve satisfactory criteria for practical application of the concept of family holding" on the basis of which alone, as he recognises, the size of a maximum holding could be determined. But such farm management studies cannot, with the best of effort, be carried out in a year or so. At least three years would be the minimum period required for organising and conducting country-wide studies of the kind. If, as he himself says, Mr. Jain sets so much store by these studies, there is all the more reason why he should not try to hold with the hare and run with the hounds if, as a realistic Agriculture Minister, he rates production above all else.

V. 4908

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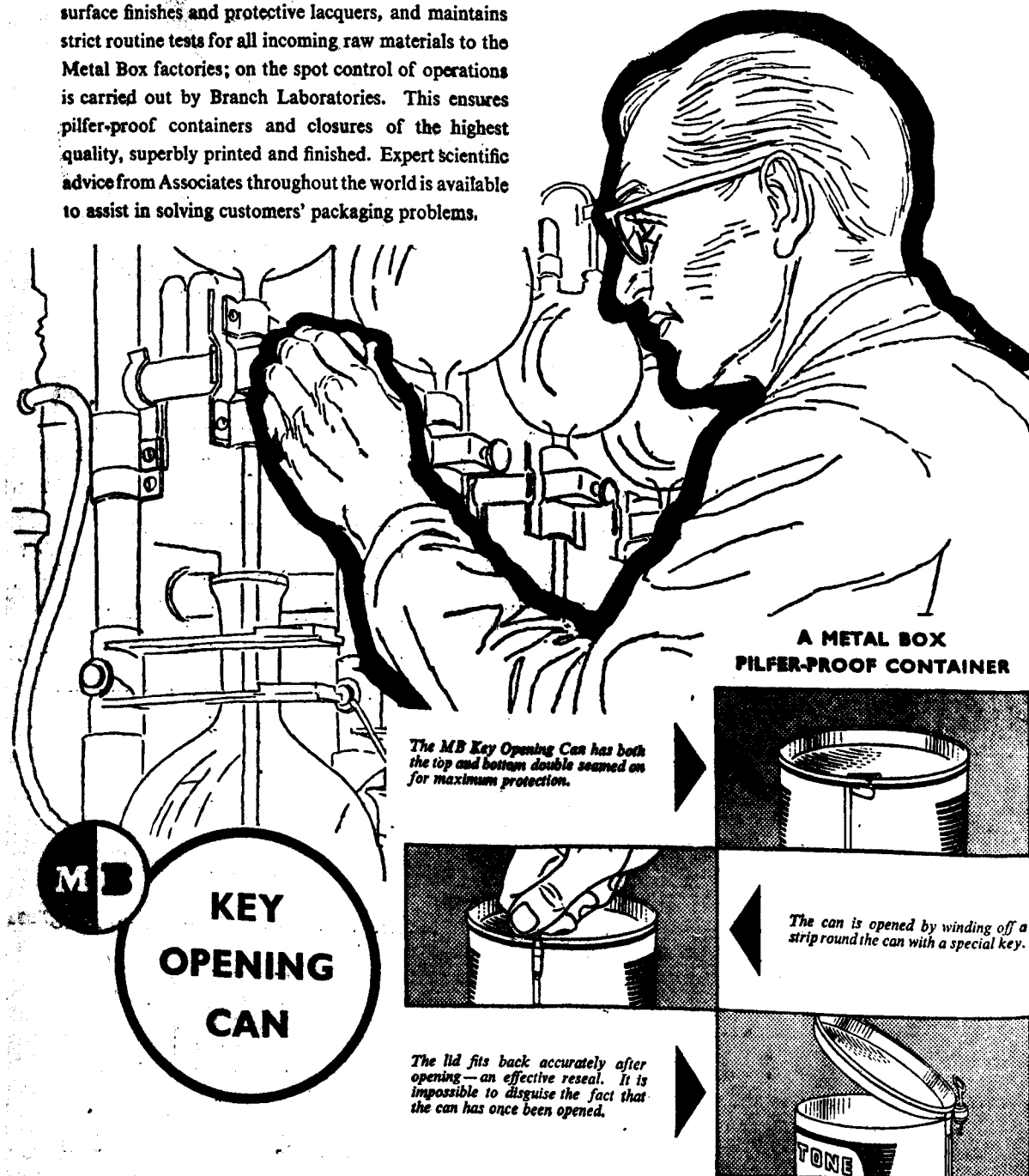


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A Window on the World

SMALL SAVINGS IN INDIA

By
ODYSSEUS

ONE OF THE BIGGEST NONSENSSES ever absently-mindedly committed by economists was the idea promulgated in the 1920s that shareholders have no particular function and are some sort of parasite on the face of the economic earth. Out of such obiter dicta, lightly tossed off by the economists of thirty years ago, Socialists and Welfarists have built up a mythology which today hinders the amassing of savings over large parts of the world.

"What does the shareholder do?" the Socialist asks, and replies "Nothing. He just collects dividends." Well, if there were a few more million people just collecting dividends in the UK, there would be more surplus British funds to lend to India, and if there were many millions in India just collecting dividends, the search for foreign loans would be less feverish.

The fact is, of course, that the shareholder performs at least three important social functions. He saves. He invests. He kicks up a rumpus if after a reasonable interval, he does not get satisfactory dividends.

To take the last point first. The shareholder is often reproached by the Left because he is "apathetic" about what the directors are doing as long as he is getting his dividends. But the regular payment of adequate dividends is the basic sign that a company is well managed. It is precisely when dividends begin to fall off that directors would be asked to give explanations. And, of course, there may often be good explanations—because shareholders have to run risks.

For example, Tata's is one of the biggest and most solidly established steel works in the world, with a capital of Rs 10 crores. But few people foresaw such a wonderful future when the company was launched in 1907 with a capital of Rs. 66 lakhs. Its early days were full of difficulties. In no less than eighteen out of its first 28 years, the company was unable to pay a dividend and it averaged only 3 per cent per annum throughout that period. Today Tata's has a fine dividend record and shares issued at Rs 75 stand around Rs. 160. But between 1907 and 1935, Tata's could only have been classed as highly speculative, the type of share that widows, orphans, the faint-hearted, and other sheared lambs, should avoid. If there had been no shareholders ready to take risks, there would be no Tata's today.

AN ANACHRONISTIC HANG-OVER

"But," says the Socialist, "the shareholder is an anachronistic hang-over from a bygone capitalist age. Today, in a mixed Welfare State, profits instead of being distributed to greedy individuals are ploughed back into businesses."

In reply, I do not suggest that profits should never be ploughed back, but I draw attention to the fact that the distribution of dividends to shareholders—who besides being individuals, may, of course, be institutions, banks, insurance companies, building societies, trade unions, etc.—provides them with money which may be channelled into expanding or into new industries via the stock exchange. The directors of a company may be justified in their confidence that their

company and industry are capable of further expansion, but they are liable to have a bias in favour of their own companies. A shareholder, on the other hand, who may have spread his risks over many companies, has a more detached view and in consultation with his specialist adviser on the subject—his stock broker—will be more likely to consider the possibilities for advance in other industries.

In their anxiety to condemn the abuse of speculation, the Left overlook the social use of the stock exchanges, which is to collect information from day to day on the prospects available for making the best profits in as wide a selection of different kinds of risks as possible—a risk for every taste from the small saver to the wealthy individual or institution. Allowed to work properly, stock exchanges produce more remunerative outlays of national savings on a wider variety of new projects than any amount of mass self-financing by established companies.

It is fashionable today to regard stock exchanges as sources of speculative instability in an economy and to make comparisons with allegedly wise and stable choices made by government planners laying out sums vast beyond the concrete comprehension of the human imagination. In fact, the more widespread the buying of shares to suit all types of savers throughout the community, the wider the spread of risks and the less the instability that can arise, compared with the instability to the whole economy likely to be caused by the steadily mounting bank deposits created by inflationary planners. Individual and institutional savers, thinking in terms of their own interests and profits, are likely to achieve a better distribution of investment—better, i.e., in the sense of raising the overall national income—than that achieved by planners who consider political or doctrinal objectives to be more important than generous dividends. A flourishing stock exchange not only encourages saving but brings down the rate of interest.

What is more in all Welfare States in which the State is the prime saver and investor, you have varying degrees of inflation. This suggests the inadequacy of State action to produce real savings (as opposed to imposing forced savings). Note, also, that those countries which have the least shortage of savings are not those in which Welfarism offers incentives to consumption but those in which free enterprise provides incentives to produce.

ANTI-SOCIAL BEHAVIOUR

When the individual saves, you get genuine savings, that is, the foregoing of present consumption in the expectation of a greater benefit in the future. If the State saves by running a genuine budget surplus out of the proceeds of moderate taxation, you also get genuine savings. But this is as rare as being unable to obtain an alcoholic drink in a prohibition State. The pressures on consumption in a Welfare State are so great that politicians, fearful of losing votes by deflationary methods of decreasing present consumption, invariably take the line of least resistance and impose cuts in consumption on those with fixed incomes by means of inflationary investment. Inflation is not mere-

ly economically disastrous: I do not hesitate to call it anti-social behaviour on the part of those who countenance it. Why? Because it undermines co-operation between the classes by enabling any groups which are strongly enough organised to blackmail the community into giving them wage increases under threat of strikes, and by putting a premium on the hoarding of goods it brings into existence the type of speculation that is unhealthy. For these evils, I repeat, the wage earners and the holders of stocks of goods are not to be blamed. It is timid political leaders who refuse to lead courageously at whom the finger of scorn should be pointed.

India is today in desperate need of savings. The main effort hitherto to secure them for the Five-Year Plans has been through punitive taxation and inflation, both of which kill the incentive of the individual to save and, if persisted in, must lead to ever tighter controls and ultimately to the sacrifice of all personal liberty to the needs of the State. I cannot see people coming forward in these inflationary days in the vast numbers required to invest in post office savings and the other fixed interest securities traditionally deemed the small saver's mother and father.

The problem is how to get the small saver to put his money into risk-bearing ordinary shares, without undue risk to him as a small saver. In the USA and in the UK they have found an answer in what is called the unit trust investment movement. These trusts sell their shares in units of 10 shillings to small investors, and the sums so collected by the trusts are spread

over portfolios of ordinary shares. The capital of such investment companies in the UK now totals over £1,000 millions, much of it invested in large holdings in Commonwealth and American industry. Among the seven main groups of trust management companies, the Investment Trust Unit of the Bank Insurance Group has shown a threefold capital appreciation for those who bought a unit for 6sh. (Rs. 4) in 1947.

Not all the UK Trusts match this record because some were started in days when it was considered essential to invest a proportion of all small savers' holdings in fixed interest securities. That people are now awake to the gilt-edged threat to small savers was shown this year when a group was formed in the UK to launch a new trust: the Atomic, Electronic and General (AEG) unit. The immediate sale of half a million 10 sh. (Rs. 6.50) units created a fund of £250,000 to invest in equities in the new industries of the atomic era. Advance permission of the British Capital Issues Control, which fully grasps the anti-inflationary role of the unit trusts, has already been obtained to invest a further £250,000 as small savers take up more AEG units. An interesting point about this fund is the intention to plough back dividends collected on behalf of unit holders in order to give them capital growth instead of income.

I have no doubt that the large-scale development of these methods in India bristles with difficulties. But so does every other pioneer idea. Are we short of capital or not? Are we committed irrevocably to forced saving by inflation for the good of our souls for all incarnations to come?

EUROPE AT SIXES AND SEVENTEENS

(From Our Special West European Correspondent)

PARIS, October 18.

At a meeting of the 17 members of the European Organisation for Economic Co-operation that has been going on in Paris for the past three days, the six nations who will form the Common Market have been giving their reasons for rejecting the British plan to graft on to the Common Market a "free-trade zone". As I write, no account of the conference's decisions has been made public, but it is expected that the British will be told that their scheme is of no present interest: this will probably be conveyed in some suggestion for "further study". The members of the Common Market (France, West Germany, Italy and Benelux, hereafter "the Six") had a preliminary meeting last week in Brussels to settle a common approach to Britain's scheme for a seventeen-nation free-trade area, and at that meeting the French had no difficulty in convincing their partners that the answer should be a blank No. The opposition has come mainly from France who has very special reasons for resisting the British proposal, but all the Six are agreed that they cannot now accept anything that would delay or complicate implementation of the Common Market treaty—and such would be the effect of Britain's plan.

The British Government's proposal has been doomed from the beginning and presumably this was known in the Commonwealth capitals, whom London consulted and who, according to Sir David Eccles last week, all encouraged Britain to go ahead with it. What must have made the task of the British delegation at this week's Paris meeting all the more difficult is that it is obvious that Whitehall has only the most half-hearted and conditional support for its plan in Britain itself (even supposing that Sir David's claim of full Commonwealth backing were true). Last week's Tory conference endorsed it only because the prospect of a Commonwealth Economic Conference next year sets a limit to London's adventurism on the Continent; the TUC delegation that met Mr. Maudling this week before he came to Paris set a number of rigid conditions on their approval; while, finally, British industry has shown (as, for example, in this week's statement by the British Iron and Steel Federation) that it is less attracted by the positive virtues of the free-trade zone than by the negative effects it could be hoped to have on the Common Market.

Moreover, some of the European nations who do not belong to the Six but whom Britain hoped to interest in joining the Seventeen came to this week's meeting determined to express general support for the proposal and equally determined to see that nothing definite was done to implement it. The Swedes and the Swiss, for instance, are as suspicious of the Common Market as are the British, and have expressed a preference for the larger free-trade zone (provided that by its links with the other West European political organisations it does not jeopardise their neutrality), but their representatives at this week's talks argued that this was not the time to take any decisive steps that would upset the present economic balance of Europe. They sought, furthermore, detailed clarification on the technical aspects of the British plan, and it is the technical part of the scheme, the mechanics of making it work, that is its great weakness.

However, more than the limited support Whitehall has been able to find in Britain and more than the

hesitations of the other members of OEEC, it is the firm opposition of the Six that has wrecked the British plan. In a despatch published on this page three weeks ago ("Common Market and Free Trade Zone") an account was given of the vigorous criticism of the National Council of French Employers which ended with a clear warning to the French Government to desist from all negotiations with the British on the subject. That document alone was sufficient to kill all hopes of further progress. Since then an exactly similar line has been taken by the chamber of chemical industries, and in the face of this hostility it was plain that the French officials (who, it must be recalled, have been negotiating in the absence of a government) could not agree to any concessions to London. The basis of this hostility can be resumed in six main points.

1. The dismantling of customs barriers that is to be accepted by the Six in the Common Market is to be accompanied by and compensated by a mass of protective mechanisms which are designed to correct the inequalities between the industries of these countries. But there is no such system of protection and correction in the free-trade zone plan.

2. In the free-trade zone, the participants would retain their individual tariff systems and the control of the movement of goods within the zone would be governed by "certificates of origin." But the Continentals have no faith in the efficacy of this complicated device and argue that one country within the zone could become the channel by which American, Japanese and Russian goods, whose identification would be impossible, could flood the markets of West Europe.

3. The exclusion of agricultural produce from the free-trade system would be to the disadvantage of those Continental countries that export such produce. Worse, by favouring Britain unduly it would advantage British industry and thus increase its competitive power in the free-trade area.

4. Britain would get the best of both worlds, being a privileged member both of the Commonwealth preferential system and of the West European free-trade zone. This would make her the favoured place for investment by industries in third countries, notably the USA. American investors would prefer to invest in Britain so that goods eventually produced by such investment could be sold both within the Commonwealth and within the markets of West Europe, including even the markets of the Six. The result would be cessation of American investment on the Continent.

5. Various industries within the Six countries are already sufficiently disturbed by the prospect of increased competition they will have to face in the Common Market, without adding to this the more extensive competition they would encounter within the free-trade union. Some other industries, such as paper and electro-metallurgy, will not meet much increased competition in the Common Market because all the members of the Six nations are fairly equally placed for resources in these fields—but if Norway and Sweden, who enjoy vastly superior resources in these respects, were admitted, then the situation could become desperate. If the Common Market were in fact what it is said to be, a method of restoring fully competitive conditions among all the economies of the Six, then indeed

A TREASURE TO OWN



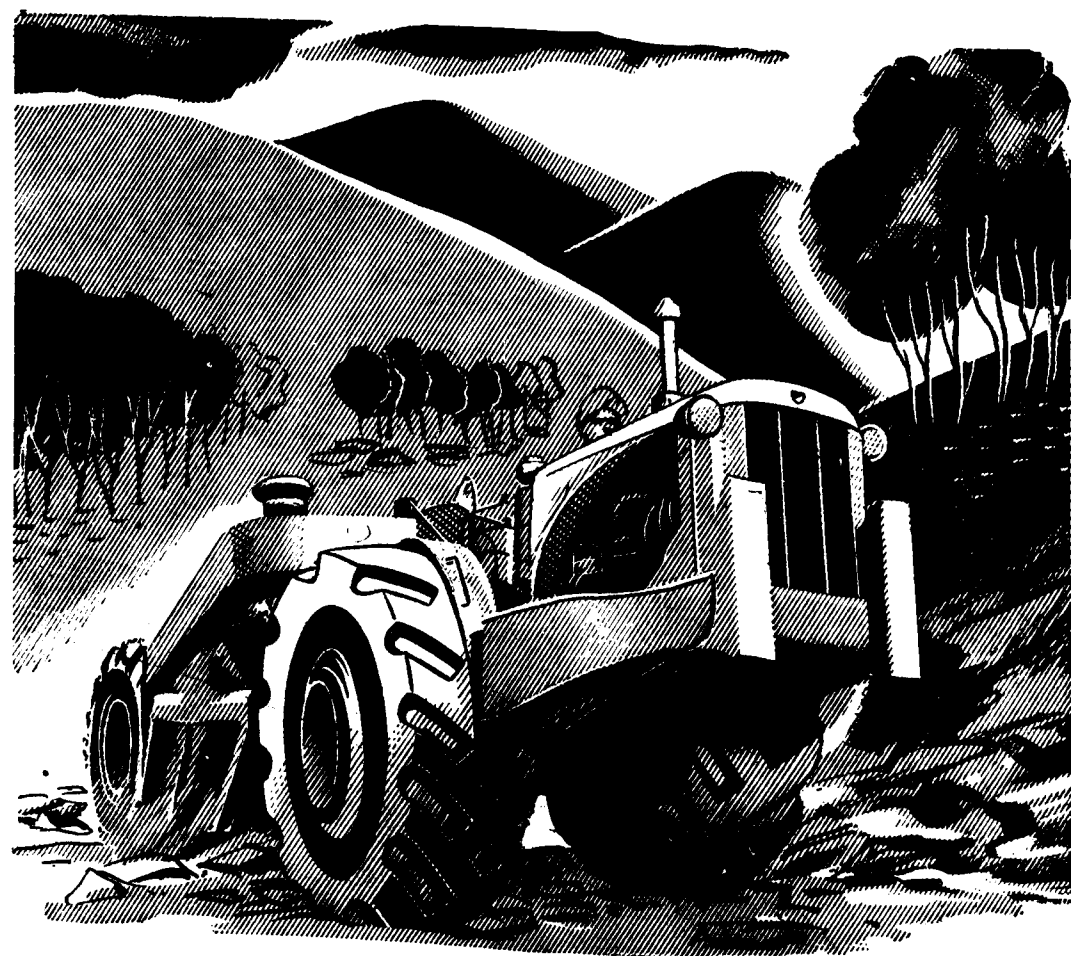
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Mountains on the move

The face of India is undergoing a great change—huge dams and hydro-electric projects are under way—new townships, new industries, new roads are coming into being. And to accomplish this quickly under the Five Year Plan, mountains virtually have to be moved, requiring the use of modern earthmoving equipment. This equipment uses rugged tyres, standing as high as a man. In the past, these cost valuable foreign exchange, but now the Firestone factory in Bombay is producing earthmover tyres, to meet India's requirements for the achievement of the Plan.

Firestone

EARTHMOVER TYRES

X. 73

WORLDGRAM

AGRICULTURE

Research in Fish Breeding: The breeding of major carps under artificial conditions in ponds and tanks is the latest development in fish culture research in inland waters of India. The experiments which were carried out in July and August 1957 in Angul and Killa Fish Farms in Orissa, aimed at inducing spawning through hormone treatment in four major carps — the Rohu, Mrigal, Calbasu and Catla. These experiments, undertaken by the Central Inland Fisheries Research Station, Calcutta, of the Ministry of Food and Agriculture, were successful, and the way has now been opened for breeding major carps artificially. This would help in maintaining good stock of quality fish seed for supply to fish farmers.

Survey of Agricultural Implements: A comprehensive survey of indigenous agricultural implements will be undertaken in the country shortly. This was one of the decisions of the Agricultural Engineering Committee of the Indian Council of Agricultural Research, which held its meeting in Bombay recently. A model scheme was prepared by the Committee for holding trials of imported and improved indigenous agricultural implements in the States. It was also considered desirable to have a model scheme for better application of irrigation water to farm land. Two other research schemes discussed by the Committee related to farm structures and rural housing and lift irrigation.

INDUSTRY

New Industrial Training Institutes in U.P.: The Government of India have approved of the Uttar Pradesh Government's proposals to establish industrial training institutes at Kanpur, Agra, Bareilly, Mirzapur and Gonda. The total seating capacity of these institutes will be 1608, half of which will be filled during the current year and the rest in 1958. With 624 seats, the institute at Kanpur will be the largest. These institutes will have facilities for training, among others, blacksmiths, carpenters, draftsmen (civil and mechanical), fitters, plumbers, pattern-makers and welders. The total expenditure on the institutes during the second Plan period is estimated at Rs. 46.61 lakhs, of which 60 per cent will be borne by the Central Government and the rest by the State Government. Under the second Plan, it is proposed to increase the seating capacity of training institutes in the country by 20,000.

Rise in Industrial Production in First Half of 1957: Industrial production in India during the first half of 1957 recorded an appreciable increase. The index of industrial production (1951 = 100) was higher than the average index for the whole of 1956 as well as for the corresponding period of last year. Notable increases have been shown by industries like cement, sugar, automobiles, diesel engines, machine tools, razor blades, coal, sewing machines and bicycles. During the half year period, 420 licences for industrial schemes were granted. Of these, 109 were for setting up new industrial units, 267 for expansion of existing units or the rest for carrying on the business of existing undertakings, regularisation and change of location. A number of new factories went into production during the period while some of the existing units expanded their capacity under schemes approved by Government. These cover the manufacture of automobile parts, sulphuric acid, ferro-manganese, bicycle parts, machine tools, paper, super phosphate, new drugs, dye stuffs, etc. Ten new spinning units also went into production.

Development of Doll and Toy Making Crafts:

Schemes for the development of doll-making, toy-making and artistic pottery have been approved by the Government of India on the recommendations of the All-India Handicrafts Board. Under the schemes training-cum-production centres will be set up and pilot centres, already in existence, will be continued. Loans and grants amounting to Rs. 4 lakhs have been sanctioned by the Central Government to the Board and State Governments to implement these schemes.

Increase in Machine Tools:

The number of diesel engines turned out during the period was 7,076 as compared with 5,656 in the first half of last year. The output of machine tools rose by more than 100 per cent. The value of their output in the first half of this year was slightly over Rs. 1 crore as against Rs. 42.5 lakhs in the comparable period of last year. Among electrical industries the production of radio receivers rose to 91,600 from 71,000. Electric fans showed even greater increase, from 1,65,700 to 2,47,000. Substantial increase was recorded by the power transformer industry, from 401,000 KVA to 568,000 KVA. The number of electric lamps manufactured rose by more than two million, from 12.1 to 14.3 million lamps. The output of paper and paper board was higher at 1,01,000 tons as compared with 94,000 tons in the first half of the previous year. Caustic soda, soda ash and bleaching powder registered increases while the output of power alcohol showed a slight decline. Tubes and tyres, both for automobiles and bicycles, recorded higher outputs. The production of bicycle tyres rose from slightly over 3 million to about 3.7 million while the output of tubes rose from 3.1 million to 3.6 million tubes. The number of automobile tyres manufactured rose from 4,56,000 to 5,07,000 and that of tubes from 4,24,000 to 5,01,000. A few industries recorded a slight decline in production, mainly due to lack of demand. Among these were hurricane lanterns, machine screws and teachest.

TRADE

Japan's Textile Exports: Japanese textile exports so far have shown substantial increases over last year — except for rayon filament fabrics, which have declined by 15 per cent. The Japanese cotton spinners Association said exports of cotton piece-goods during the first nine months of this year totalled 1,063 million square yards. Compared with 880 million during the corresponding months of last year. Total exports of cotton cloth this year were likely to reach 1,400 million square yards — a post-war record. Shipments of spun rayon fabrics increased by 38 per cent to 651 million square yards, silk fabrics by 47 per cent to 44 million square yards, cotton yards by 26 per cent to 26 million lbs., rayon filament yarn by 43 per cent to 18 million lbs. and spun rayon yarn by 29 per cent to 34 million lbs. Exports of rayon filament fabrics in the first nine months of this year totalled 281 million square yards — 15 per cent below the corresponding period of last year.

Trade Deficit with U.S.A.: India ran a "large deficit" of \$62 million during 1956 in its trade with the U.S.A. as against a surplus of \$33 million during 1955. This is revealed in a study of the Indo-U.S. trade published in the latest issue of the Reserve Bank of India Bulletin which says "The balance of trade continued to be unfavourable in the first two months of 1957." According to the study, the deterioration in India's balance of trade with the U.S.A. was mainly due to a sharp increase in imports from the U.S.A.

(\$79 million) and a decline of \$16 million exports to the U.S.A. In 1956, U.S. exports to India amounted to \$267 million as against \$188 million during the previous year, while her imports from India declined from \$221 million in 1955 to \$205 million in 1956. The sharp rise in India's imports was largely due to the accelerated tempo of developmental expenditure. The decline in India's exports to the U.S.A., however, took place despite an increase of 11 per cent in U.S. imports from the rest of the world — from \$11,384 million in 1955, the total imports of the U.S.A. rose to \$12,589 million in 1956. The study says that more than 60 per cent of the value of U.S. imports from India is made up of only six commodities namely, burlap, tea, mica, manganese ore, pepper and cashewnuts. In burlap, cashewnuts, mica, films and splittings, India enjoys a near monopoly position in the U.S. market.

*

Britain's Exports: The volume of exports in 1956 was nearly double that of 1947, when the pre-war level had already been regained. The value and volume of United Kingdom exports have maintained a steady upward trend; in the period January-July 1957, they were about 6 per cent in value and 3 per cent in volume above the corresponding period of 1956. The rate of exports to the USA and Canada in 1957 is some 10 per cent higher than in the previous year. The United Kingdom is second to the U.S.A. as an exporter of manufactured goods. Engineering products account for 40 per cent of Britain's exports. The annual value of exports of the aircraft industry exceeded £100 million in 1956, and this rate has been fully maintained in 1957. Among its traditional export products, Britain is the world's greatest exporter of high-grade woolen and worsted fabrics, and chocolate and confectionery. It is also the largest exporter of all types of motor vehicles motor-cycles and bicycles, textile machinery and electric generators, motors and transformers. Work performed overseas by British contractors was valued at £94 million in 1956-57. Examples of current work include the dredging of the Welland Ship Canal in Canada, a new bridge over Auckland harbour bridge.

FINANCE

IBRD Loan in Thailand: The World Bank and the Yanhee Electricity Authority of Thailand signed an agreement on September 12 for a loan equivalent to US\$66 million to help finance the Yanhee multipurpose project for the development of electric power, flood control, and irrigation. The loan had been approved by the Bank's Executive Directors on August 20, and signing awaited the enactment of legislation by the Thai National Assembly establishing the new Yanhee Electricity Authority. The Authority was established by law on September 8, 1957 as an independent government agency to operate the Yanhee project and all large power generating plants and transmission facilities in central Thailand. The loan is for 25 years and bears interest 5½ per cent, including the 1 per cent commission which is allocated to the Bank's Special Reserve. Amortization will begin October 15, 1963. The loan is guaranteed by the Kingdom of Thailand.

*

Monetary Development in Ethiopia: Monetary developments in Ethiopia during the first half of 1957 were determined to a great extent by unusually large exports of coffee. In the first quarter of the year, which is the main coffee export season, coffee exports averaged 7,000 tons per month; monthly exports in the second quarter are estimated to have been about half of that amount. The money supply increased by Eth\$32 million, i.e., by 19 per cent, during the first

quarter, mainly as a result of an increase equivalent to Eth\$25 million in the foreign assets of the State Bank of Ethiopia. There was also an increase of Eth\$5 million in private credit. During the second quarter, the money supply dropped by Eth\$12 million as foreign assets fell by Eth\$5 million and government deposits increased by Eth\$8 million. The substantial increase in the money supply during the first quarter did not have a significant effect on prices. During that period the general import index rose by 4 per cent while the general export index dropped by 5 per cent; in the second quarter, the import index remained fairly stable, and the export index declined by 2 per cent.

*

Grants for Development of Indigenous Systems of Medicine: Grants amounting to Rs. 89,200 were sanctioned during the month of September 1957, for the development of indigenous systems of medicine in the second Five-Year Plan period. The institutions which received the grants were: Rishikul Ayurvedic College, Hardwar, Rs. 12,000; College of Integrated Medicine, Madras, for the establishment of chair of History of Medicine, Rs. 7,200; and the Government Ayurvedic College, Hyderabad, Rs. 70,000, for 30 research beds and for the establishment of a herbarium.

GENERAL

Supply of Fertilizer Plants for Nangal Project: The Nangal Fertilizers and Chemicals (Private) Limited have, with the approval of the Government of India, placed an order for the supply, erection and commissioning of the fertilizer group of plants for the Nangal Project with a French firm, Messrs. Saint Gobain of Paris, on a turn-key basis. The order has been placed after consideration of competitive bids on a global basis. In terms of the contractual stipulations, half of the fertilizer plants are due to be erected and put into commission by December 31, 1959, and the remaining half by March 31, 1960. The assured production capacity of the plants will be 3,95,136 tons of nitro-limestone fertilizer per year. The fertilizer group of plants will consist of an air liquefaction plant, an ammonia plant, a nitric acid plant and a nitro-limestone plant with necessary bagging and storage facilities.

*

New Hope for Millions Who Suffer from Eye Diseases: New hope for millions of people in Asia suffering or threatened by diseases of the eye is offered by the recent establishment in Honolulu, Hawaii, of the Asia-Pacific Academy of Ophthalmology. The new academy will serve as a training station for prevention, treatment and dissemination on matters that transcend national boundaries. "Now, ophthalmologists from Japan will be able to tell to a wide and eager scientific audience of their successful treatment of trachoma, and Indian physicians can report on their advances in the battle against cataracts. In addition the academy will make interchange of information easier between eye doctors and scientists of the east and west. The academy will also offer post-graduate instruction in ophthalmology through lectures, round, table discussions, clinics, demonstrations, exhibits and films. It will stimulate research in tropical eye diseases particularly prevalent in Asia and countries bordering on the Pacific Ocean. Some of its other aims are to help to establish societies which will work to prevent blindness by publicising the most common dangers to good eyesight and by urging the public to use the best medical facilities. Finally the academy intends to work for the establishment of schools which will train the blind so that they will be able to live to their fullest capacity.

NEWS IN BRIEF

INDIAN

India had an adverse trade balance of Rs. 183.98 crores in the first half of the current year against Rs. 98.48 crores in the corresponding period of 1956.

*

Output of tea in North-East India during September is estimated at 92.63 million lbs. against 95.03 million lbs. in the corresponding month of last year, showing a decline of 2.5 million lbs.

*

The Rs. 12 crore Kakrapara Irrigation project on the Tapi river near Surat which was originally scheduled to be completed by 1953, is now expected to be completed by 1961.

*

It is reported a Rs. 15 crore synthetic rubber plant would be located at Bareilly.

*

The Government of India have decided to decontrol sisal carpets and floor coverings for export purposes with immediate effect.

*

The national rayon corporation purposes to raise additional equity capital with a view to put up tire cord plant. The company has obtained the necessary sanction from the Controller of Capital Issues.

*

Approximately 23.9 million lbs. of tobacco valued at Rs. 3.99 crores were graded and marketed for export in the quarter ended June, 1957, according to official sources.

*

Total approximate production of iron and steel by the Tata Iron and Steel Company at their steel works at Jamshedpur during September 1957 was pig-iron 88,600 tons against 88,700 tons in August, and steel ingots 92,500 tons against 85,000 tons in August. Production of saleable steel totalled 71,700 tons as against 63,100 tons last month.

*

The manufacture of diesel engines in India is rapidly progressing, according to an official report. The production of low H.P. engines, which find industrial application of different kinds in 1956 was 1,260.

*

Lac exports in September, 1957, dropped sharply by 22,901 packages from 32,428 packages in the previous month, according to the Calcutta Shellac Trade Association.

*

The Constitution of the Proposed Productivity Council to direct and co-ordinate a national movement for productivity in India will be finalised at a two-day seminar to be held in New Delhi on November 1 and 2.

*

The Indian Standards Institution has granted a license to Messrs. Tata-Fison Private Ltd., Bombay, for the use of the certification mark of ISI on BHC dusting powders, and BHC water dispersible powder concentrates.

FOREIGN

Sweden's first post-war trade agreement with China has been initialled in Peking for later signing in Stockholm. The commodities listed, without fixed quantities of values, comprise both traditional goods and products for which a market is likely to be developed.

*

French raw steel output is expected to reach a record monthly level in October. This calculation is based on the figures for September output, just published which show that nearly 1½ million tons of raw steel and 1¼ million tons of cast iron were turned out in France and Saar during the month.

*

It is reported a technical mission of refinery engines and marine experts has arrived in Karachi to examine the technical and economic aspects of a proposed oil refinery in Karachi with special reference to the selection of a suitable site and marine facilities.

*

Japanese textile exports so far have shown substantial increases over last year—except for rayon filament fabrics, which have declined by 15 per cent.

*

Japanese aluminium companies are planning to form a joint company with Canadian and Netherlands firms to develop the bauxite resources of Borneo.

*

Exports totalling £2.55 million to Pakistan have been arranged under the US foreign aid programme. Importers in Pakistan will pay in local currency into a special account to be rebased later by the Americans to the Pakistani authorities on the pattern of the former Marshal Aid.

*

The US Department of Agriculture has forecast a reduction in the probable output of cotton compared with a month ago. The latest estimate, as at October 1, is 12,401,000 bales against a figure of 12,713,000 bales in September.

*

Oil consumption in the UK has risen sharply since the end of the Suez crisis and is now higher than at the same time last year.

*

A Singapore co-operative bank, modelled on institutions in India and Ceylon, is to be established to provide the central source of credit for all co-operative societies in Singapore.

*

Australia finished the first three months of the current financial year with a favourable trade balance of £A18.2 million compared with a £A3.9 million deficit in the first quarter of the previous year.

*

The Department of Agriculture has raised price supports on 1957 crop maize to \$1.40 per bushel from the preliminary \$1.36 because of the increase in the parity price.

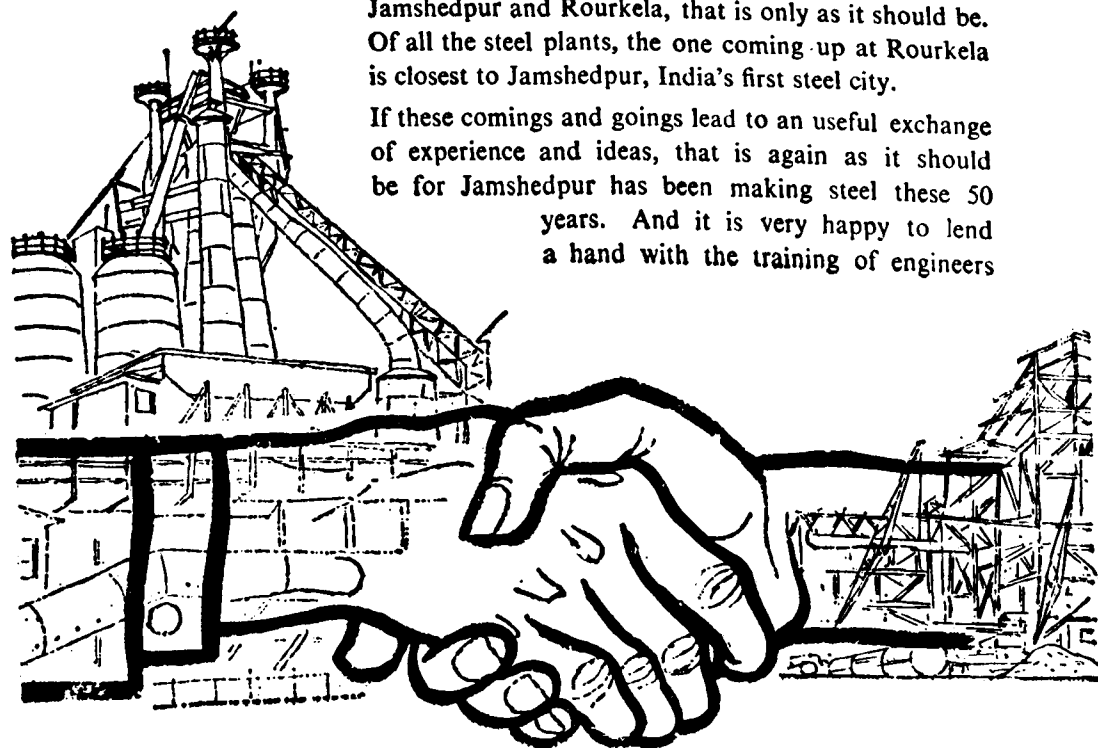
*

Although, West Europe's coal output in 1956, at 480 million tons, was the highest since the war, it was less than 1 per cent more than in the year before, and this year no increase at all is anticipated.

From a Neighbour

If there is a lot of comings and goings between Jamshedpur and Rourkela, that is only as it should be. Of all the steel plants, the one coming up at Rourkela is closest to Jamshedpur, India's first steel city.

If these comings and goings lead to an useful exchange of experience and ideas, that is again as it should be for Jamshedpur has been making steel these 50 years. And it is very happy to lend a hand with the training of engineers



Good Wishes to Rourkela

and technicians for Rourkela. There are nearly 150 of them at Jamshedpur—from key personnel to artisans.

Strengthening these ties of friendship are the surprisingly large number of old Jamshedpur faces that one sees at Rourkela. To them and their colleagues, Jamshedpur sends neighbourly greetings and good wishes.

THE TATA IRON AND STEEL COMPANY LIMITED

TN 1500

Special Articles

ATTITUDES TO FOREIGN AID AND LOANS IN DELHI

(CONTRIBUTED BY THE INDIAN INSTITUTE OF PUBLIC OPINION, NEW DELHI)

IN view of the high topical interest in Mr. T. T. Krishnamachari's mission to the United States, the United Kingdom and Germany, the Indian Institute of Public Opinion within the last fortnight completed a "rush" poll on opinion in Delhi and New Delhi on attitudes to receiving aid, and on foreign policy as an element in the giving and receiving of aid. The results of the survey are set out below.

Q.1. Are you in favour of India's receiving aid or loans from the United States?		Actual	Percentage
Yes	146	73.0	
No	24	17.0	
Don't know	20	10.0	
TOTAL	200	100.0	

Of those answering 'Yes'			
Aid essential without strings	111	76.0	55.5°
Aid essential with or without strings	35	24.0	17.5°
TOTAL	146	100.0	73.0°

Q.2. Do you think that Mr. T. T. Krishnamachari has been right to seek a loan?		Actual	Percentage
Yes	120	60.0	
No	27	13.5	
Don't know	53	26.5	
TOTAL	200	100.0	

Q.3. Would you say that the Finance Minister has done a good job in the U.S.?		Actual	Percentage
Yes	77	39.5	
No	21	10.5	
Don't know	102	51.0	
TOTAL	200	100.0	

Q.4. Do you think our Foreign Policy stands in the way of American aid or a loan?		Actual	Percentage
Yes	53	26.5	
No	63	31.5	
Don't know	84	42.0	
TOTAL	200	100.0	

Of those answering 'Yes'			
The only hindrance	5	9.4	2.5°
Substantial	30	56.6	15.0°
But little	18	34.0	9.0°
TOTAL	53	100.0	26.5°

Q.5. If aid is not received and the Plan is to be cut, would you blame the Government?		Actual	Percentage
Yes	81	40.5	
No	64	32.0	
Don't know	55	27.5	
TOTAL	200	100.0	
Of those answering 'Yes'			
Entirely	48	59.2	24.0°
Partially	24	29.6	12.0°
But less than the people	9	11.2	4.5°
TOTAL	81	100.0	40.5°

Q.6. Which statement is nearest to your viewpoint?

India should not receive aid from any bloc	21	10.5
Should receive aid from the Anglo-American bloc only	12	6.0
Should receive from the Soviet bloc only	26	13.0
Only from neutrals	29	14.5
Don't know	54	27.0
From anywhere she can get it	58	29.0
TOTAL	200	100.0

* Starred percentages worked out in relation to total sample, i.e. 200.

THE SAMPLE

The sample, because of the need of speed, was restricted to 200 persons in the electoral lists; but great care was taken to give it a representative character except in one respect. As the volume of "don't knows" amongst illiterates would naturally be very high, interviewing was concentrated in areas where the middle classes were predominant. The effect of this choice was not to make the sample fully representative of the total population, but representative of what might be called literate opinion. Even so it was impossible, because of the random character of the sample, to eliminate illiterates, who comprised about 20 per cent of those interviewed. The age characteristics of the sample were 56.5 per cent between 21 and 35, 36 per cent between 36 and 50 and 7.5 per cent above 50. Age does not seem to have been a factor in determining the structure of the opinion. The monthly income structure of the population interviewed was 32.5 per cent below Rs. 100, 29 per cent between Rs. 101 and 200, 9 per cent between Rs. 201 and Rs. 350, 9 per cent in the group Rs. 351-700 and 7.5 per cent over Rs. 700. The last figure, probably, gives a bias to high incomes, but otherwise there is reason to believe that the sample is representative from an income distribution point of view.

THE RESULTS

It will be seen that, contrary to current opinion, a very large number in this sample, namely, 73 per cent, are in favour of aid or loans from the United States. 76 per cent of those replying either affirmatively or negatively think that this aid must be without strings. But 24 per cent — an unexpectedly high figure — consider the situation grave enough to argue that aid is essential "with or without" strings.

There is overwhelming support for the Finance Minister, in that 60 per cent of the total sample consider that he was right to seek aid or loans and 38.5 per cent think that he has done "a good job" in the United States. Only 10.5 per cent think he has not done a good job; the remaining 51 per cent either declined to answer or gave a 'don't know' response.

The questions on foreign policy are of also special interest. 26.5 per cent think that our foreign policy stands in the way of American aid or a loan. But only 9.4 per cent of the 53 who answered affirmatively consider this "the only hindrance". In regard to a question as to the direction of aid acceptable, 29 per cent think that India should take aid from wherever

she can get it. 10.5 per cent are against aid from either bloc, and 14.5 per cent would like to obtain from neutrals only. Only 6 per cent wish aid obtained from the Anglo-American bloc exclusively, and 13 per cent from the Soviet bloc exclusively. But these percentages must be read with the recognition of the significant sampling error which attaches to so small a sample.

One significant answer is in respect of the blame which attaches to the Government if the Plan is to be cut as a consequence of non-receipt of aid. There is obviously no disposition to excuse the Government,

45.5 per cent arguing that the Government is to be blamed if the Plan is to be cut; 59.2 per cent of these consider the Government "entirely" to blame.

For the rest, the questions speak for themselves. They show that there is a measure of support for the Finance Minister which, in present circumstances, and the controversy he has raised, is beyond expectations. Perhaps, this is a suitable subject for a wider poll in all important cities of India. On the face of it, there is no reason, however, to believe Delhi opinion is substantially different from that in other cities.

DELHI CORPORATION AND ELECTRIC SUPPLY SERVICE

(By R. P. AIYER)

THE Delhi Municipal Corporation Bill, 1957, now under reference to a Select Committee of Parliament, raises an important principle which has wider implications. This principle relates to the future pattern of electric supply administration in the proposed Delhi Municipal Corporation area.

The debate on the proper instrument for electric supply administration has been an old one, and was resolved, after extensive review and discussion, by Parliament enacting, in 1948, the Electricity (Supply) Act. The Statement of Objects and Reasons appended to that legislation, when in Bill form, proclaimed that it is bodies like the autonomous Electricity Boards "which are most suitable organisations for working Grid Systems on quasi-commercial lines."

As was only proper in the case of a Central legislation, it was the Central Government who, in March 1951, blazed the trail by setting up the first Electricity Board under the Electricity (Supply) Act. This was followed by Electricity Boards being constituted in the then Madhya Pradesh (April 1951), the then Saurashtra State (March 1954), the then Bombay State (November 1954) and West Bengal (April 1955). With the re-organisation of States, Boards have since been formed in Kerala, Madras, Rajasthan and the enlarged Mysore State. Electricity Boards, therefore, now exist in the following States, and it is reckoned that by the end of this year all the States in India would have constituted the Electricity Boards: Delhi, Bombay, West Bengal, Kerala, Madras, Rajasthan, Mysore.

This indicates a general acceptance, backed by expert opinion, that autonomous Electricity Boards which are non-political in outlook are the best instruments for promoting electrical development.

In this context the proposal in the Delhi Municipal Corporation Bill, 1957, to vest in the proposed Delhi Electricity Committee to be constituted under the Delhi Corporation, the responsibility for "development and maintenance of efficient, co-ordinated and economical system of electric supply in the whole of the Union territory of Delhi," and in the process dissolve the Delhi Electricity Board now functioning, has come as a measure which was least expected.

The very brief Statement of Objects and Reasons appended to the Delhi Municipal Corporation Bill makes a very casual reference to the transfer to the Corporation of the functions of the Electricity Board now in being in the area, and in so doing does not even attempt to discuss the merit of such transfer. The only deduction one can draw is that the shift in policy has for its object the desire to extend the area of local autonomy. Why the Union territory of Delhi should be singled out for such experiment is difficult to be understood. On the other hand, one would have thought that in an area, the welfare of which is the primary responsibility of the Union Government, an important field like electric supply would have been sought to

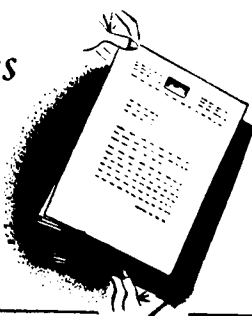
be placed outside the purview of local politics and local political pressure. This would in no way have diluted the concept of Municipal autonomy, and would only have meant the acceptance in respect of the Union territory of the pattern of development which Parliament in its wisdom had accepted as the best for electri-

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cal development in the country when the Electricity (Supply) Act was placed on the Statute Book in 1948.

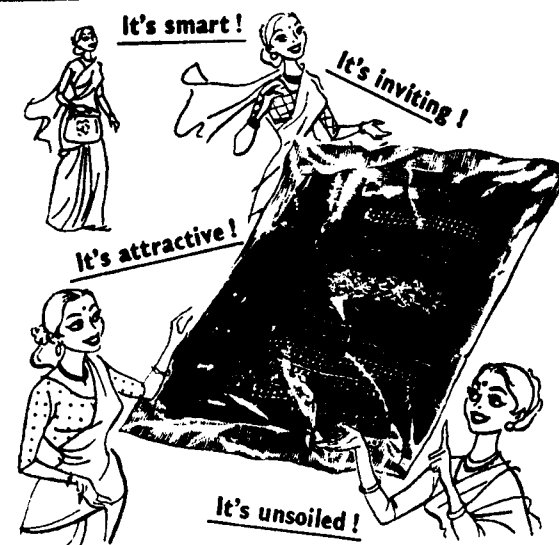
In dealing with Delhi power supply, Parliament is not called upon to survey an uncharted sea. Power development in the country has been conditioned by the Electricity (Supply) Act, 1948, and prior to the enactment of the law the principles embodied in the legislation had been under discussion for a long period. To the Union territory of Delhi goes the credit for the first Electricity Board being constituted, and this Board has been functioning for a number of years. The Statement of Objects and Reasons appended to the Corporation Bill does not even, by implication, allude to any shortcomings on the part of the Board.

Reference has been made earlier to the Electricity Boards functioning on "quasi-commercial lines". This presupposes a healthy balance between earnings and expenditure, and this approach has been reinforced by the Statute in that the Electricity (Supply) Act, 1948, provides that a State Electricity Board shall not as far as possible carry on its operations under the Act at a loss. Such a safeguard is by no means inherent in the provisions of the Delhi Municipal Corporation Bill. Section 274 of the Bill casts on the proposed Delhi Electric Supply Committee a duty "to develop and maintain an efficient, co-ordinated and economical system of electrical supply..." but in the absence of a yardstick it is obviously difficult to assess how economically the power system would function in the future. Even in the case of Local Authority Undertakings functioning in the rest of India, they will have to contend with the provisions of Section 58 of the Electricity (Supply) Act, in pursuance of which the respective Board is empowered to issue directions to the Local Authority Undertakings concerned in respect of amortization and tariff policies. It is possible that the intention of the Delhi Corporation Bill is that such directions to the proposed Delhi Electric Supply Committee might emanate from the Central Government, but there appears to be no such provision in the Bill.

Sub-section (2) of Section 277 by which the General Manager (Electricity) is sought to be subject to "all the obligations of a Licensee under the Indian Electricity Act, 1910 or any other law for the time being in force relating to generation or supply of electricity" (emphasis provided) might perhaps be regarded sufficiently wide in scope, but it will certainly be stretching the language of the law too much to assume that this provision, by itself, would cast an obligation on the proposed Delhi Electric Supply Committee akin to the one cast on Electricity Boards under Section 59 of the Electricity (Supply) Act, 1948. Such a nebulous situation might well open up prospects of the Delhi Undertaking being exposed to financial loss, and should this eventuality result the community in Delhi, as well as the Exchequer at large, will be at a loss without any corresponding benefits.

The analogy of water supply would not appear to be appropriate in relation to electric power development. Unlike the rate for water, the price of electric power has greater ramifications in relation to the industrial economy of the area. One obvious hazard is the possible adoption of a price policy more related to the politics of the party in power in the proposed Corporation than to sound tenets of tariff making. Section 282 of the Delhi Municipal Corporation Bill is relevant in this connection, in that the charges leviable for the supply of electricity by the Corporation are to be such "as may, from time to time, be fixed by the Delhi Electric Supply Committee with the approval of the Corporation." The only safeguard against abuse here is the qualification under the Section that the charges to be leviable are to be "subject to the provisions of any law for the time being in force." It will be difficult to regard this qualification as offering sufficient safeguard against unfair price policies. Such a situation may not attract industries in the area.

When laws affecting basic industries are concerned, it is for consideration that principles adopted after extensive discussion should not be jettisoned because of some local expediency. There would, therefore, appear to be no convincing arguments to justify a reversal of the policy embodied in the Electricity (Supply) Act in relation to the Union territory of Delhi and the situation calls for the provisions in the Delhi Municipal Corporation Bill, 1957, seeking to vest on the proposed Delhi Electric Supply Committee the functions now exercised by the Delhi Electricity Board, being dropped and the arrangements by which the Board is now charged with the responsibility for developing and supplying electricity in the area being left undisturbed.



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The Business World

CZECHOSLOVAKIA AND UNDER-DEVELOPED COUNTRIES

(CONTRIBUTED)

CZECHOSLOVAKIA'S relations with countries which have started on the road of independent economic development have many characteristics, which help to extend the platform of useful economic co-operation. The basis of these relations is the belief that peaceful co-existence of countries with different economic-political systems is possible and necessary. In political as well as in business praxis it means that Czechoslovakia recognizes the sovereignty of every country, recognizes its right for widespread economic development and respects, therefore, the interest of its national production. In this sense Czechoslovak trade policy as regards underdeveloped countries is the bearer of new relations between nations and upholds their right and endeavour to achieve and strengthen their economic and political independence. Economic practice itself will arrive at conclusions, how these relations, based on the principle of genuine co-operation and assistance are in agreement with the economic aspirations of underdeveloped countries. It will also demonstrate how peaceful co-existence of socialist countries with non-socialist countries can be made a reality.

The programme of industrial construction and rationalization of agriculture, which is the task which the majority of underdeveloped countries have set themselves and which are the expression of their basic economic requirements, present Czechoslovakia with a great opportunity for participation in their projected development. Czechoslovakia, as a leading industrial country, can, with its deliveries and technical aid, play an important part in the development of natural resources when these countries are engaged in establishing a national industry and carrying out mechanization of agriculture. Czechoslovakia possesses the necessary resources for such a task at the present time as few other countries can command. She herself carried out a gigantic reconstruction and development programme for her economy. Not only that. Czechoslovakia utilized to a great extent her capacity for industrialization of other European socialist countries for the building up of their electric energy basis, telecommunications, transport, mining, heavy as well as light industry.

In the same direction are developing relations with Asian socialist countries, which Czechoslovakia supplies with machinery and equipment in exchange for their products and supplements these deliveries with qualified technical aid. Czechoslovak industry exports to the Chinese People's Republic various machines and equipment, rolled material and chemicals in exchange for industrial raw materials, oil seeds, tobacco, tea, rice, wool, cotton, hides, sulphur, ores, metals and silk textures. Czechoslovakia supplies Korea with machines and equipment, chemicals, motor vehicles, medicines and textiles in exchange for non-ferrous metals, ores, tobacco; Vietnam with similar goods in exchange for vegetable oils, tea, rare timber, varnish and mother of pearl; with the Mongolian People's Republic a two-year trade and payment agreement was concluded in 1956 according to which Czechoslovakia imports furs, wool and horsehair in exchange for medical equipment, medicines, chemicals, textiles and footwear.

It is without doubt that similar advantages are gained through such trade by other countries, which have started on the road of economic emancipation. A natural basis of advantageous trade is the fact that these countries find in Czechoslovakia a long-term, secure market for their various goods, with which they are able to pay the deliveries of perfect industrial and

electric power equipment as well as agricultural machines which are necessary for their economic development.

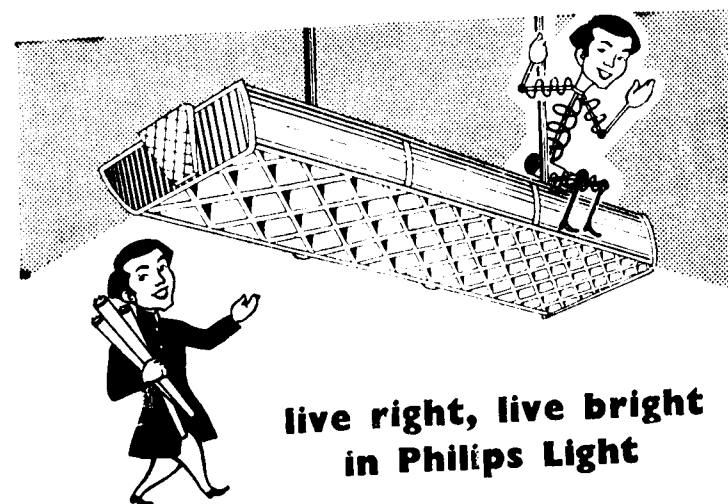
These advantageous conditions for the exchange of goods were expressed in the past years by a significant increase in trade. In 1956, the volume of Czechoslovak trade with economically underdeveloped countries was raised approximately by 1/5 and their share in the total volume of Czechoslovak foreign trade increased to 14.2 per cent. Of Czechoslovakia's trade partners it is necessary to mention the typical case of India with which in the years 1953-1956 trade was more than doubled. With Indonesia trade increased during the same period by 60 per cent. A growing share in Czechoslovak deliveries was equipment of complete industrial plants. Czechoslovakia's trade is based in this sector on the basis of experience and past tradition which was demonstrated by pre-war deliveries of machines and equipment, especially for sugar mills, breweries and flour mills.

The present possibilities, which are estimated on the basis of the rapid expansion of trade in industrial requirements are by far wider. To illustrate, an order was secured from India in 1956 for the delivery of 3 sugar mills and 3 steam power plants. Czechoslovak industry supplies Syria with a great oil refinery and machinery equipment for a sugar mill. In Afghanistan a cement mill is being built; in Turkey a textile factory was put into operation last year and work is proceeding on a ceramic factory. Egypt ordered in Czechoslovakia a plant for the manufacture of leather footwear and in future Czechoslovak corporations will build in Egypt a cement mill, rolling mill for non-ferrous metals and the most up-to-date Egyptian textile factory.

For the purpose of maintaining the balance and continuity of trade, Czechoslovakia has to increase her import requirements as regards the volume as well as the assortment of imported goods. Czechoslovak imports from India include, besides iron ore, tea, pepper, mica, skins, mother of pearl, shellac, oil-cakes and textiles. From Ceylon she imports, besides caoutchouc, oil-cakes, almonds and graphite.

Czechoslovak supplies are to a steadily increasing extent accompanied by qualified technical co-operation, which, however, is not limited by the nature of business interests. In the sphere of technical aid, through bilateral agreements and the various agencies of the United Nations, Czechoslovakia places at their disposal part of her experiences gained in the building up of her own country. Czechoslovak specialists work in Afghanistan in the building industry, in the construction of roads, in the foodstuff industry as well as in land-surveying; in Ceylon, Czechoslovak geologists assist in the exploration of the mineral wealth of the country. India utilizes the high standard of Czechoslovak technique by sending her experts to Czechoslovak foundries; similarly, Afghanistan sends her experts to Czechoslovakia for training in the footwear industry. India, Indonesia and other countries accept the Czechoslovak offer which is placed at the disposal of the countries of Asia and the Far East, to provide scholarships to trainees in some fields. In this programme of technical aid under the auspices of this United Nations Czechoslovakia ranks among the leading countries in the world.

The importance of economic relations of Czechoslovakia and other socialist countries with regions economically underdeveloped cannot be evaluated only



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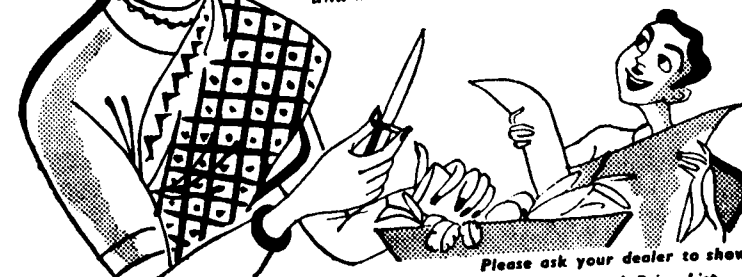
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from the quantitative point of view, even if the share of countries with a socialistic system is, for the majority of these countries, not decisive in the total turnover of their foreign trade. It brings into their economy an important moment of stabilization and especially it leaves them a larger freedom of action in their overall

economic policy. The existence of socialist countries itself, the possibility of supplies and sales to other markets, competition in quality of supplies as well as the standard of technical aid, has radically replaced their former one-sided dependence which was often misused against their national interests.

A DISMAL DIWALI FOR CLOTH

By

CROESUS

NORMALLY, 'moorat' trading is looked forward to by all sections of the trade with great hope and, unless there is something radically wrong with things as they stand or as they are apprehended to develop, as they stand or as they are apprehended to develop, the business community believes in initiating 'moorat' the business community believes in initiating 'moorat' business — commencement of transactions for the new year — in a big way. This is not just sentiment; decisions in regard to 'moorat' trading are taken not only after consulting the stars, in the age-old way, but after a thorough examination of the 'pros' and 'cons' of the prospects ahead. If this premise be accepted, he would be a bold man, indeed, who ventured to forecast a bright outlook for the Indian cotton mill industry in 1957-58. For, on the eve of Diwali, textile commentators have been predicting that the Diwali seasonal business in the Bombay market this year will not be more than 30,000 to 50,000 bales! This compares with 80,000 bales during the last Diwali season and some 180,000 to 200,000 bales in the years before that.

What has probably led to this dismal Diwali outlook in regard to the Indian cotton mill industry is the mounting cloth stocks with our mills, the estimated value of which today is about 50 per cent of the entire paid-up capital of the industry. The 'Indian Cotton Mill Industry', the latest and the most authentic publication of the Bombay Millowners' Association on the subject, has estimated the paid-up capital of the industry, which it rightly describes as "the nation's biggest organised enterprise," at Rs. 115 crores, representing nearly 12 per cent of the total paid-up capital (Rs. 1,019 crores) of all joint-stock companies in the country. At the end of September, 1957, the all-India figure of cloth stocks with mills was 572,163 bales (of 1,500 yds. each) exclusive of fents, indisputably an all-time record.

Somehow or other, for no stated satisfactory reason, the powers-that-be do not want to accept these figures — although these are their own published figures — of total cloth stocks, which include both unsold cloth (cloth on mills' account) and cloth sold but not taken delivery of (cloth on others' account). There may be some justification for this in normal times, when traders can be safely depended upon to take delivery of any quantity of cloth that they may have committed themselves to buy, on the stipulated date, but these are not normal times, in all conscience, considering that there have been several instances of traders having failed to take delivery of cloth which they ought to have done four months ago!

Be that as it may, let us examine the position with regard to unsold stocks only. At the end of September, 1957, these (again, exclusive of fents) stocks stood at 356,114 bales, a figure which is higher than that for any month since November, 1953; only in September and October of that year were the stocks slightly — only slightly — higher at 388,414 bales and 429,189 bales, respectively. True 1953 too was not normal for the cotton mill industry, but then, there is this difference between 1953 and 1957; there was none of the severe restrictions on credit that we are having today. This apart—in so far as Bombay city is concerned—in 1953, cloth stocks, on mills' account, on others' account, or total (even in September and October of that year)

were not higher than in 1957. Whereas the September and October 1953 total cloth stock figures were 162,000 bales (85,000 on mills' account + 77,000 on others' account) and 171,000 bales (96,000 on mills' account + 75,000 on others' account), stocks at the end of September, 1957 were about 196,000 bales. This doubtless explains the gloom that presently surrounds the Mulji Jetha market — the hub of the piecegoods trade in Bombay.

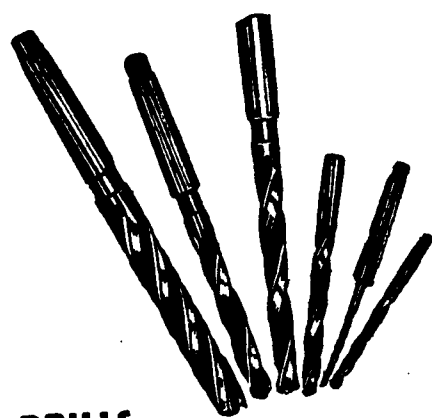
Several explanations have been offered for the steady accumulation of cloth stocks these few months past. In the first place, it is said that consumer resistance has started. On the facts of the case, this cannot be disputed, although it must be emphasised here that, compared to this time last year, when the Union Government imposed the penal excise duties on cloth with the dual purpose of restraining consumption and mopping up excessive purchasing power, cloth prices today are lower in the case of nearly all categories. The only explanation for consumer-resistance in regard to cloth then can be the high prices of food grains and other essential consumer goods. So it follows that, if consumer-resistance in respect of cloth is to be tackled successfully, the prices of food grains and other essential consumer goods must be brought down first; alternatively, cloth prices must be reduced, which would be feasible only if the excessive excise duties were drastically slashed. I must enter a caveat here, however, that, after the damage that has been done already, it is difficult for anyone to guarantee an appreciable increase in cloth sales immediately following the reduction of excise duties, even if prices of other essential consumer goods remain unchanged, let alone rise. That can follow gradually, as confidence is restored.

A second explanation is that, in many parts of the country, as a result of either floods or draught, the agriculturist has been hit so hard (especially in parts of Bihar where he has been subjected to this calamity for the third year in succession) that he simply cannot afford to go in for any cloth. This is certainly no exaggeration, judging from the reported accumulation of stocks in some of the leading West Bengal mills.

A third explanation is that the recent tightening of restrictions on bank advances against textiles has resulted in a sharp decline in the offtake of several individual cloth traders, especially in the 'moffusil', the cumulative effect of which has been reflected in the growing cloth stocks with mills. In the absence of relevant up-to-date figures, with which to compare the present position with that, say, a year ago or so, one is inclined to accept this explanation as perhaps the most plausible. However, some banking circles aver that, notwithstanding the recent select credit controls, advances against cloth stocks have registered a notable rise, thereby obviously wanting to question the validity of the argument that credit restrictions may well be the villain of the piece.

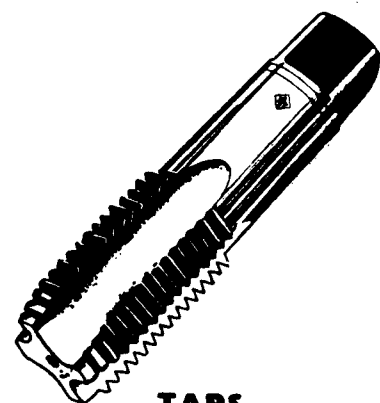
Yet another explanation is that, because of the varying incidence of the excise duty on the different categories of cloth — coarse, medium, fine, and superfine — there has been a tendency for every mill to produce the category of cloth attracting the lowest rate of duty. Although this seems understandable, the

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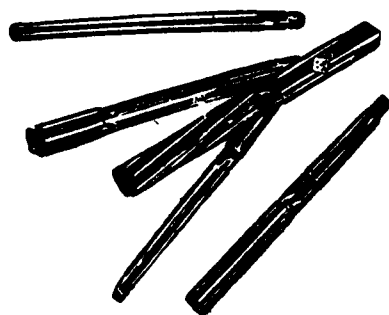
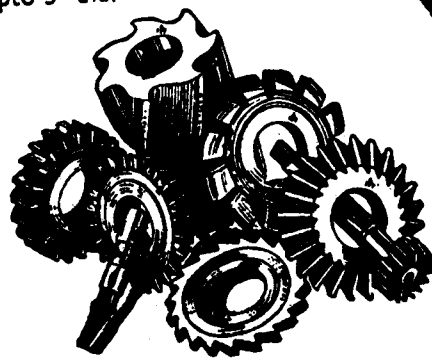


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category-wise break-up of the monthly all-India cloth production figures does not support the argument. It is true there has been a certain amount of fall in superfine cloth production but this could be attributed as much to shortage of foreign cotton. The monthly mill consumption of foreign cotton fell at one time — April, 1957 — to 41,084 bales, as against 53,732 bales in September, 1956. The monthly average mill consumption of foreign cotton in 1956-57 was only 47,290 bales, as compared to 50,270 bales in 1955-56. The present cotton cloth stocks accumulation seems to have affected different regions, nay different units even in the same region, in different ways. Thus, while Bombay, Kanpur and West Bengal regions have been complaining of cloth stocks accumulation, Ahmedabad and South India do not appear to be equally vociferous. Similarly, there are some mills in Bombay which are reported to have sold out six months ahead. (As stated earlier, this cannot always be taken to mean that the wholesaler will respect his commitments by taking delivery when he is expected to). At the same time, there are as many mills, if not more, which have been complaining of heavy accumulations. It has been suggested by some that this differing experience may depend on whether a given mill is an economic unit or not, but the results of a personal random sample survey by the writer do not fully substantiate this contention.

In these circumstances, it is difficult correctly to diagnose the problem, or rather to seek to generalise it in categorical terms. But this is not to agree with those doubting Thomases who facetiously conclude that, because cloth production has not slowed down or mills have not cut down the number of shifts, all must be well with the cotton mill industry. Evidently these people forget that, even if some mills jolly well want to reduce the number of shifts, they are precluded under the law from doing so. For mill managements are in the unhappy position of not being able to retrench by reason of the heavy cash compensation they have to pay in case of lay off, let alone straight re-

trenchment. But, if brutal truth is to be told, there is no knowing when these sorely distressed beings will throw up the sponge in despair. It would be statesmanship on the part of Government to read the writing on the wall and to avert that catastrophe.

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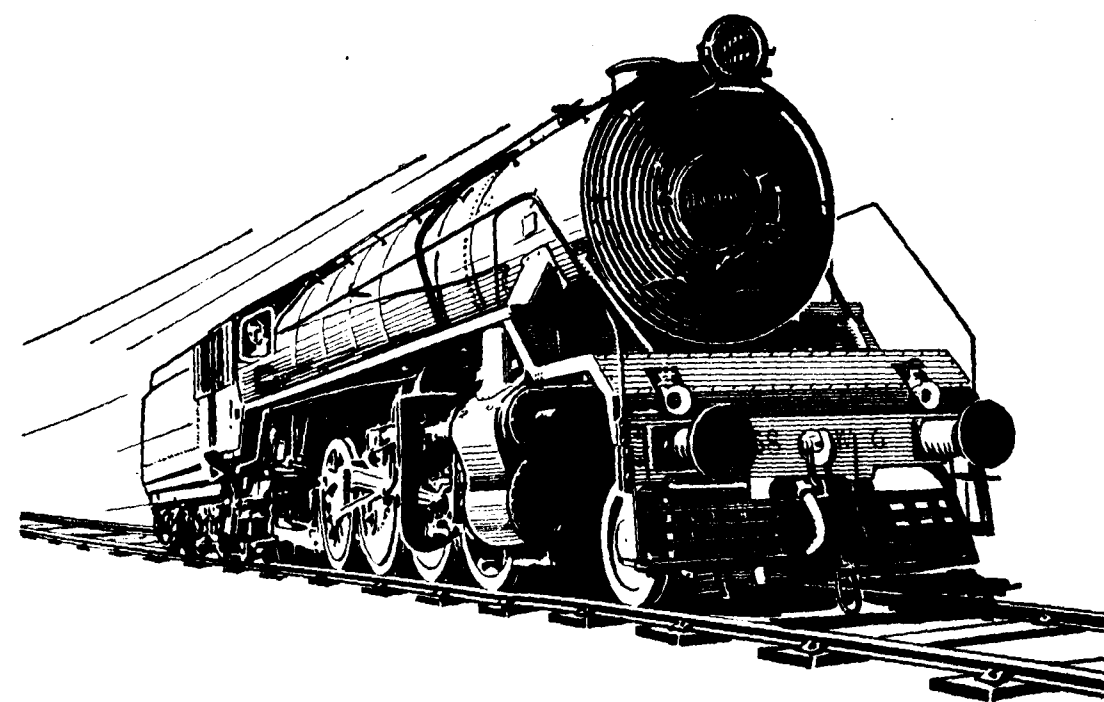
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BUSINESS NOTES

A BUSINESSLIKE CONFERENCE ON ROAD TRANSPORT

LAST WEEK'S session of the All-India Conference of State Transport Commissioners and Controllers was marked by a businesslike dispatch of the subjects on the agenda which is not usual in conferences of this type. The entire proceedings were underlined by a sense of urgency that positive steps must be taken without unnecessary delay to augment road transport capacity in view of the fact that freight transport shortages are most likely to take an acute turn as the projects in the Plan advance. For the first time non-official organisations participated in the conference. The fact that they endorsed the decisions arrived at by the conference gives added importance to them and an assurance that they would be implemented effectively.

The conference uttered a warning that, if road transport capacity was to be stepped up to prevent grave bottlenecks, correct policies must be accepted and executed. The highlight of its recommendation was that a moratorium should be put on the nationalisation of goods transport services until the end of the third Five-Year Plan. This recommendation, besides being most valuable, is very easy to follow. It is crystal clear that private operators will hesitate to make substantial investments in projects of expansion of goods services unless they are given a reasonable security of tenure. Looking at the moderate, or disappointing, performance of nationalised passenger motor services (the failure of State road transport in Punjab is the latest example of the latter), it needs no argument that the State Governments should not blunder into making experiments in nationalising goods transport services at this critical time. It will be recalled that a few years back the Planning Commission had issued a recommendation urging the State Governments to desist from nationalising goods transport services. In the event of non-compliance, these Governments were informed that they would not qualify themselves for Central assistance to the extent to which financial resources would be so diverted. Only the Government of Bombay announced its intention to stick to its decision to take over goods transport services. It has not been able to carry out this decision. Now in the light of the multifarious problems created by the post-reorganisation set-up it should abandon this policy decision which exists only on paper. A moratorium on nationalisation, as suggested, would provide an effective incentive for rapid expansion of goods transport services.

The present strength of public carriers in the whole country has been estimated by a sub-committee of the conference at 1,25,000. In the sub-committee's opinion, increase in the immediate future by 50 per cent in this strength is the absolute minimum now required. The conference has urged that intra-State restrictions on movement of vehicles should be withdrawn and the number of vehicles permitted to operate inter-State routes should be stepped up by 50 per cent. Another important recommendation of the conference is the consolidation of motor vehicle taxes into a single tax to be levied and collected by the Union Government at the source. The ceiling for the tax is suggested at 75 per cent of the total taxes on motor vehicles in Madras which represent the maximum limit. This single tax is to be accompanied by a guarantee to State Governments of receipts at the existing level. This is sensible. State Governments have not concealed their opposition to reduction of motor vehicle taxes. Their difficulty is genuine, namely, that their revenues would suffer. A formula which can meet this legitimate ex-

pectation ought to be evolved now. The next step for the conference would be to make a thorough investigation into this question.

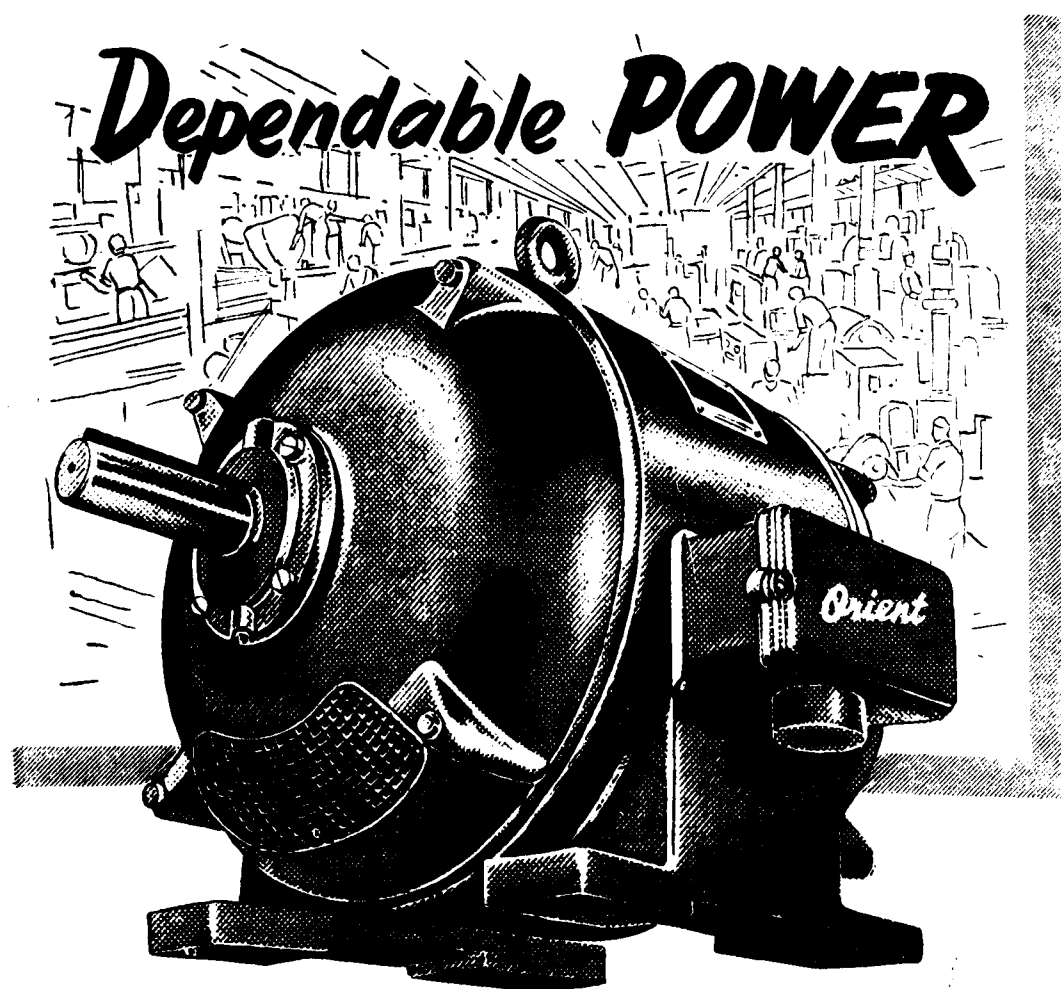
PAPER: PROSPECTS AND PROBLEMS

IT IS nothing more than stressing the obvious to say that the Indian paper industry is set for an important role and a bright future. As the country progresses steadily in the fields of education and industrialisation, increasing demands will be made on this developing industry. It is a matter of satisfaction that the performance of the industry during the last few years indicates that it is preparing for larger responsibilities. Its production during 1956 was the highest for five years. The first six months of the current year, also, show a further marked advance in this field. There has been an increase of as much as 7,116 tons over the production figure of 94,684 tons for the corresponding period of 1956. The way that the industry is progressing and the targets of investment as well as output are indicative that this rising trend will be maintained in the future. At the end of the second Plan period the installed capacity is expected to be 4.5 lakh tons with actual production of 3.5 lakh tons. This, of course, does not include newsprint. It is heartening to know from Mr. A. K. Jain, President of the Indian Paper Mills Association, that the expansion is being so planned as to reduce the country's dependence on imports of different varieties of paper requirements.

The recent import restrictions provide an incentive as well as an opportunity for the industry to increase its production. Substantial amounts of foreign exchange have so far been eaten up by paper imports. If the same is now diverted to the import of machinery and equipment, as far as possible, the production capacity can be increased. Nevertheless, lack of finance on the one hand and the extreme paucity of foreign exchange on the other are bound to retard the industry's growth. To get round these difficulties, certain improvisations would be necessary. For example, instead of insisting on the location of new units in particular areas, it may be more fruitful to help expand the existing units in order to effect savings in outlays. This, however, is only one of the many problems that the industry faces today. The availability of raw materials, their rising costs and the transport facilities that they need are among other problems which need active attention. It is not that the country is really deficient in the sources of raw material supply. Only, these sources stand in need of proper development and exploitation. The utilisation of alternative sources, like bagasse, will help not only in providing a new raw material to the paper industry; it will also promote the sugar industry which has not been able so far to put this waste to any useful purpose.

BUSINESS ASSOCIATES FOR S.T.C.

THE STATE TRADING CORPORATION has at long last realized that it is no longer profitable to follow a lonely course. In order to push up exports it has taken a wise decision to seek the collaboration of several hundred private concerns in the country. Leading firms engaged in the export of textiles, woollens, oils, handicrafts, engineering goods and consumer goods will be among those to be selected as the 'business associates' of the Corporation. The scheme is to send representatives abroad by the associates to explore the potential markets and tender advice on the best ways of matching the supply with the demand. It will also negotiate prices, particularly where collective bargaining is called for. The function of securing necessary railway transport, port facilities and licences will, of



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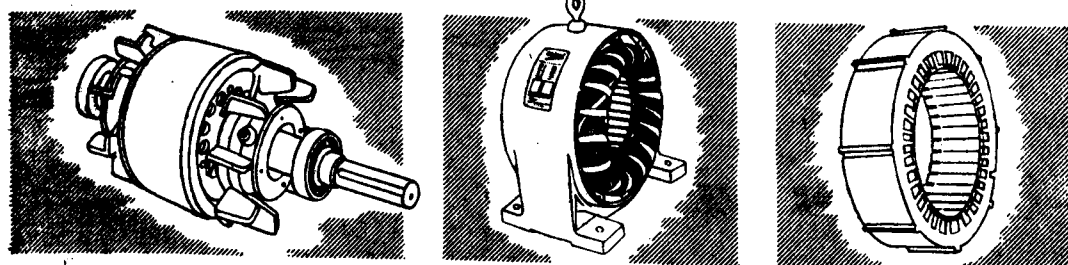
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course, be reserved by the Corporation. A part of the cost incurred by the business associates on foreign publicity and travel of their representatives will also be met by the Corporation.

It is worth noting that so far only a very small part of the foreign trade has been served by the S.T.C. during the 18 months of its existence. In this period, it has exported goods to the tune of Rs. 30 crores and imported goods worth Rs. 18.10 crores. That the Corporation has tried to bite more than it can chew is quite evident from the course of its activities. Its initial transactions with foreign buyers tell point blank that it has resulted in important losses to the country. To quote only one instance, sizable quantities of manganese ore were sold at approximately \$49 per ton around August 1956 when the markets in this product were particularly firm and indicated higher rates. Besides it is alleged, the Corporation failed to cover itself for stocks against commitments. So when the time came for the execution of orders, stocks were found to be lacking. In such cases the Corporation had to buy substantial quantities at a price higher than \$49 per ton. Although some improvements have been shown since then, the state of affairs is still not very happy.

Of course, it goes to the credit of the Corporation that it has been trying its best to expand commerce with a view to earning additional foreign exchange. The measures undertaken by the Corporation include institution of the system of rupee payment and grant of short-term loans to accommodate foreign buyers. Among the countries to which it has extended sizable short-term rupee credits are Egypt and Hungary to help them tide over their balance of payments difficulties at critical times for their economies. Being in an advantageous position to trade with Communist countries, it negotiated a deal with East Germany for the purchase of textile machinery worth Rs. 1.2 crores. Recently it has concluded an agreement for the import of textile machinery from Japanese Textile Manufacturers Association on a deferred payment basis. All this is to be welcomed for it may help in the rehabilitation of the textile industry.

SMALL SAVINGS

AT LEAST in the immediate future, India cannot hope to obtain foreign assistance to the full extent required for the implementation of the Plan. A sizable part of the foreign exchange segment of the Plan may, therefore, have to wait till better times. If this is true, it heavily underlines the necessity of mobilising all possible internal resources to retrieve a good part of the Plan. Since, however, taxation has almost reached the limit point in most cases, full attention needs to be turned to making small savings a helpful source for bringing rupee projects into rapid fruition. A successful small savings scheme would do much more than merely provide rupee resources. It would curb inflationary pressures, which is becoming more and more essential if serious upsets threatening the economy are to be avoided.

Unhappily, there is not much evidence to show that the real importance of this has been fully realized. Some measures have, no doubt, been adopted to increase the volume of such savings. For instance, the interest rate on savings was increased by 1 per cent in the last budget. But these measures have been essentially far short of the actual incentives needed. One of the major causes that has retarded progress in mopping up a volume of some significant magnitude has undoubtedly been the small share of State Governments in the funds so collected. This percentage has been revised upward from time to time. According to the latest reports, the share of each State has been fixed at some 66 per cent of the net collection, provided the State does not raise market loans. In

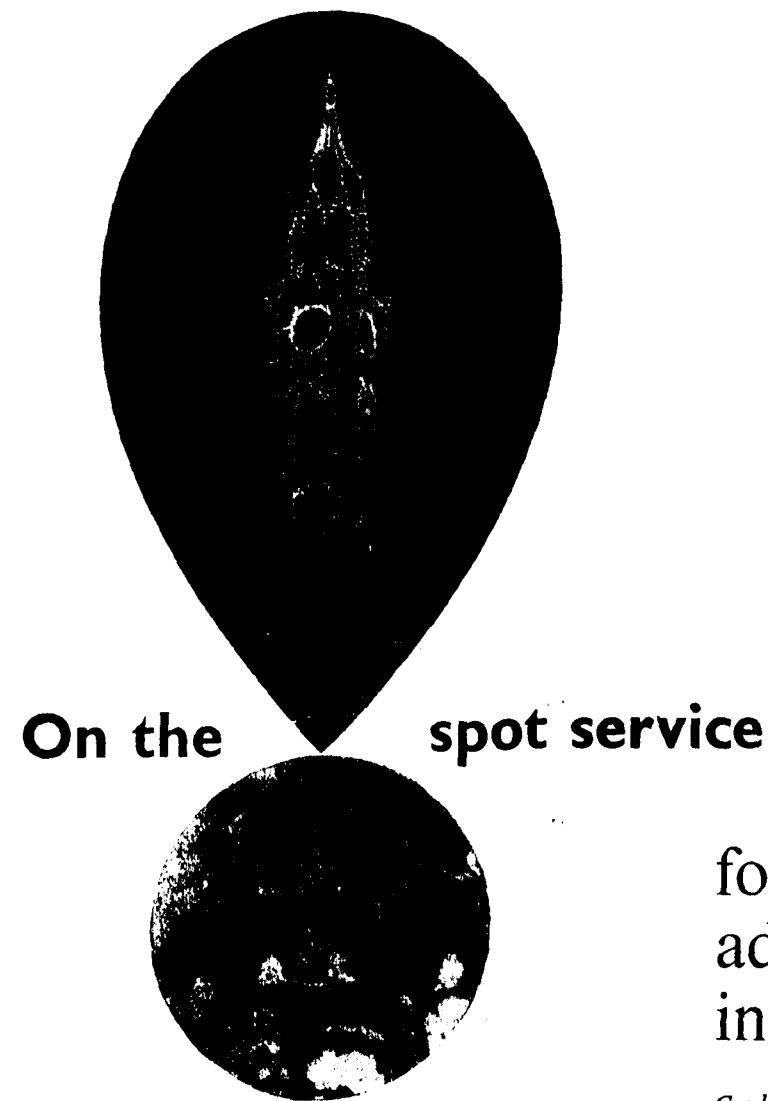
case of raising loans, the share would be reduced. This stepping up of the State share is calculated substantially to increase the collections.

It may be that the step will prove useful to some extent. But it needs to be remembered that the overall picture is not altogether happy. The cost of living, which has been continuously looking up, is bound to be further kicked up by the recent import restrictions. Internally, production of consumer goods is surely not sufficient to meet the total demand. Moreover, to strengthen the foreign exchange front, the country will be forced to export some of the consumer goods like sugar, cloth, etc., in larger quantities. The common consumer cannot escape its consequences and may not be able to save anything even with the best of will. Again, the vast bulk of the population living in rural areas has yet to be taught the habit of saving in any form other than gold and silver. And it is in these areas that much of the new prosperity has found its place. Therefore, what is needed perhaps more than anything else is the extension of banking and insurance to towns. This should be preceded by an imaginative campaign of popularising small savings among the masses.

STEADY PROGRESS OF JAY ENGINEERING

THAT THE Jay Engineering Works has made a steady progress is quite evident from the speech of Sir Shri Ram delivered at the annual general meeting of the shareholders of the Company. It is indeed creditable that the Company has been able to put on the market a table fan for Rs. 65 and a ceiling fan for Rs. 105, when the industry is still faced with the difficulty of obtaining various raw materials, particularly steel, pig iron and hard coke. The noteworthy feature is that the industry has been able to produce a satisfactory heavy industrial machine which is expected to go in production next year and is likely to meet the country's needs in yet another class of sewing machines. An effort is also being made to design zig-zag type of sewing machine and the Company hopes to succeed in this venture. So far as the production of needle plant is concerned, it is also reported to be fairly satisfactory. The sales of the Company have gone up to Rs. 3,89,49,999 in the year ending March 31, 1957, as compared with the year ending March 31, 1956 when the sales were Rs. 3,05,31,764. In the year ending March 31, 1957, the number of schools, the number of students in schools and the number of workers in the Works have also gone up as compared to the previous year.

It goes without saying that private industry has exceeded its quota of performance during the first Five-Year Plan. This performance of industry is to be read in the context of the contribution of industry to national income. The rate of increase in national income from industry is higher as compared to any other sector of the economy. Another noteworthy feature of industry is that the prices of industrial products have increased at a lower rate as compared to food products or industrial raw materials as is revealed from the rise in price index of food products, industrial raw materials and manufactures between October 1955 and September 1957. While all this is excellent, there is need, as the Chairman of the Company feels, for concentrating our energies on the export of industrial goods to foreign markets. The tight foreign exchange position in the country demands vehemently such an export production drive. So far as industry is concerned it is imperative that a determined effort at propaganda and publicity, development and study of markets and inspection of goods prior to export be made by all sections of the industry. But at the same time it is equally important that the Government should extend its helping hand to the industry in this matter. These observations of the Chairman on national economy deserve to be translated into action.



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COMPANY AFFAIRS

AIR-INDIA INTERNATIONAL CORPORATION

The Fourth Annual Report of the Air-India International Corporation is the best that the Corporation has released so far. The results of working of the Corporation for the year ended March 31, 1957 show a substantial improvement in operating profit from Rs. 6.54 lakhs to Rs. 87.90 lakhs, while the net profit has increased from Rs. 3.78 lakhs to Rs. 38.42 lakhs. Similarly, the revenue ton miles performed by the Corporation increased from 19.6 million to 27.9 million, representing an improvement of 42.3 per cent. In consequence, operating revenues also rose from Rs. 676.53 lakhs to Rs. 964.88 lakhs, the average revenue load factor having improved from 55.8 per cent to 64.3 per cent. The improvement is due partly to the load factor having caught up with the increased capacity and partly to the inclusion of two credits, one of Rs. 6.2 lakhs relating to the operations of the previous year and another of Rs. 1.21 lakhs in respect of insurance rebate, also pertaining to the previous year. Even if these credits are ignored, it will be seen that the A-I.I.C's. profit has increased sizeably.

Out of the disposable profit for the year amounting to Rs. 38.77 lakhs, Equipment Renewals Reserve gets an appropriation of Rs. 36.00 lakhs and Insurance Fund Rs. 1.56 lakhs, leaving a balance of Rs. 1.21 lakhs to be carried forward. It must be added here that the "Equipment Renewals Reserve" was specially created, and has been credited with the amount of interest on the capital funds provided to the Corporation by the Government, thanks to the Government's decision not to charge interest for a period of five years commencing from August 1, 1953 on capital funds provided by it to the Corporation. The Board of Management deserves to be congratulated on this wise decision.

In order to finance the purchase of three Boeing 707-420 jet transport aircraft, to be delivered in 1960, the Corporation successfully negotiated dollar loans in the USA, of course with the help of the Government of India. The Corporation has thus been able to secure a loan of \$16.8 million, of which \$5.6 million, bearing interest at 5½ per cent per annum, from the International Bank for Reconstruction and Development and the balance of \$11.2 million, at 5 per cent per annum, from five leading US commercial banks. The repayment of these loans will commence six months after delivery of the last aircraft and will be spread in semi-annual instalments over five years. A feature of these loans is that the loan from the commercial banks, although bearing a slightly lower rate of interest, has to be repaid first. In addition to this, the Corporation has also negotiated a sterling loan of £1.5 million in London in order to pay for the British engines with which the three units of the Boeing aircraft are to be equipped.

At the instance of the World Bank, the outstanding 4 per cent Debentures (1949-59) amounting to Rs. 9.04 lakhs were redeemed on April 30, 1957, with the consent of the Debenture-holders.

The Corporation's activities included the addition of an important new route in the form of the Bombay-Sydney service, which was inaugurated on October 5, 1956. A part of this service, however, that is from Bombay to Singapore, had already been in operation since July, 1954, so that the new service was actually an extension of the existing service to Sydney via Darwin. Although this was the only new route to be opened the Corporation intensified its operations on the existing routes, the frequencies of many of them having been increased.

The A.I.I. Corporation's operations also were among the economic activities of this country that were affected by the Suez crisis in the Middle East

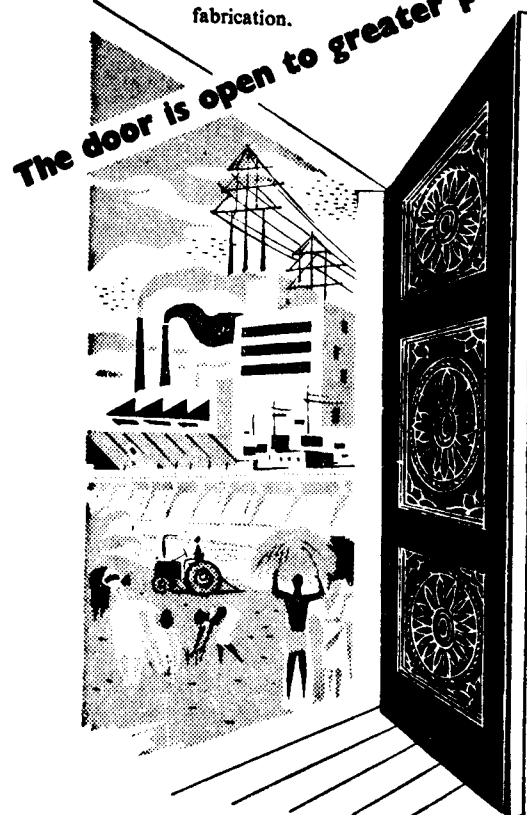
in the last quarter of 1956. This involved serious operational problems on the India-UK route, as normal operations through Cairo, Beirut and Damascus were temporarily interrupted and had to be diverted through Abadan and Istanbul and also, at times, through Basra. These problems would have been greater but for the extreme range built into the aircraft being such as to enable them to over-fly or by-pass the troubled areas. Naturally enough, all these meant additional expenditure.

Referring to the prospects, the Board observes that the future prospects are likely to be adversely affected by the ban recently imposed by the Government of India on all foreign travel, other than for essential medical, business or educational purposes. It notes that approximately half of the Corporation's passenger traffic consists of Indian nationals and a considerable proportion of it has consisted up to now of holiday and tourist traffic and the total denial of foreign exchange to these people has brought all such traffic to a standstill and caused an extremely serious loss of revenue to the Corporation. This, it is feared, would be reflected in the financial results of the current year and so the Board hopes that circumstances would permit of a relaxation of this measure at an early date. Subject to this, the Corporation looks forward to another year of satisfactory and remunerative operation.

To sum up, the year under review was one of consolidation and intensification of existing operations and not of expansion on any large scale, as the report itself reveals.

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BIRLA BROS. PRIVATE LTD.**COMMODITY NEWS AND NOTES****WORLD'S NATURAL RUBBER OUTPUT**

Although world natural rubber output during August was 10,000 tons below the high level for July it was 27,500 tons above consumption, reveal preliminary figures of the International Rubber Study Group. Consumption rose by 5,000 tons to 152,500 tons, when allowance is made for the estimated imports into the USSR and China of 13,000 and 10,750 tons respectively. Production on the other hand fell from 190,000 tons in July to 180,000 tons in August. Indonesian exports during the month amounted to 72,694 tons, of which 28,745 tons were reported as being of estate origin. Between January and August world aggregate production was 1,247,500 tons, as against a consumption level of 1,262,500 tons, including estimated Russian and Chinese imports of 60,700 and 77,650 tons respectively. Output of the synthetic product for August was 105,000 tons, just 2,500 greater than consumption.

PRODUCTION OF DRIED FRUITS

Production of dried vine fruits in Australia this year is estimated at 77,900 tons—about 20,000 tons more than in 1956 but well below production of the previous three years, according to the Dried Vine Fruits Board. Production of both currants (10,137 tons) and raisins (5,370 tons) was well below last year's, but a 50 per cent increase in sultana production (62,400 tons) accounted for the rise in overall production. It is estimated that exports for this year will total almost 58,000 tons.

GERMAN STEEL OUTPUT

West German steel production decreased from 2,121,000 tons in August to 2,057,000 tons in September. Daily output, however, increased from 73,984 to 75,265 tons. In September 1956 steel output amounted to 1,925,000 tons.

EXPORT OF TEA

In September 1956 the Government of India decided that during 1956-57 a total quantity of 160 million pounds of tea could be exported from North India for auction abroad. In pursuance of the policy of progressive expansion of auctions held in India, Government have given careful consideration to the prescribing of a similar restriction during 1957-58.

After giving due weight to all available factors, internal as well as external, such as prospects of production and consumption, price trends, as well as the needs of other auction centres where Indian teas have traditionally found a market, Government have decided that for the current year a total quantity of 155 million pounds of North Indian tea may be exported for auctions in foreign countries. As in previous years Government do not propose for the present to impose a similar restriction on South Indian tea, and intend to take up this matter at a later date if it appears that the quantity of tea from this region that is being sent abroad for auction is disproportionately high in comparison with what is being auctioned at Cochin.



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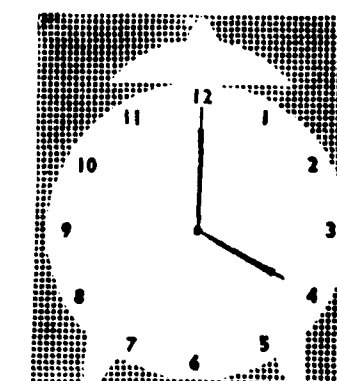
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this afternoon
take tea 
and drive
your
tiredness away



I am Tea -
I am
your friend
in your
worst and best
moments



PST 183

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-ma- nufactured Articles	Manufac- tured Articles	Miscel- laneous	General Index	Govt. and Semi- Govt.	Deben- tures	Prefer- ence	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	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	384.6	559.3	414.0	90.5	100.1	82.9	121.2
March	1957 ..	402.7	518.1	403.3	384.1	569.8	421.3	89.9	98.9	79.8	111.5
April	.. c ..	404.3	514.73	400.0	384.3	567.8	422.1	89.9	99.0	78.7	106.8
May	.. c ..	419.3*	536.3	406.5	387.7*	572.3	431.2	89.4	99.1	78.4	104.1
June	.. c ..	433.2*	541.4*	413.0	392.4	578.0	439.2	89.5	99.0	77.6	102.6
July	.. c ..	439.8	544.4	413.3	392.3	621.8	443.1	89.2	98.8	76.6	105.2
August	.. c ..	410.9	530.6	411.2	392.7	643.3	441.8	89.0	98.8	75.6	103.0
September	.. c ..	424.1	525.3	409.1	394.7	644.0	435.9	89.0	98.0	74.0	99.0
17-8-1957	..	442.1	524.3	410.8	393.1	644.0	441.2	88.9	98.8	75.6	103.4
24-8-1957	..	437.0	526.4	409.3	392.9	643.7	439.6	88.9	98.8	75.4	102.3
31-8-1957	..	435.9	527.8	409.5	393.4	644.0	439.6	89.0	98.8	74.9	101.6
7-9-1957	..	432.4	524.9	409.1	394.2	645.9	438.4	89.0	98.4	74.3	101.2
14-9-1957	..	428.9	527.0	410.2	394.6	640.7	437.8	89.0	98.0	74.1	99.8
21-8-1957	..	419.4	527.0	409.7	395.0	644.5	434.9	89.0	97.9	74.0	98.6
28-8-1957	..	416.1	522.0	407.1	395.0	644.9	432.6	89.0	97.9	73.8	97.6

†Economic Adviser's Series.

* Average of weeks.

††Reserve Bank Series.

Revised*

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 —100	Ahmeda- had July 1927— 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936— 100	Ludh- iana†	Jamshed pur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1940	288	303	243	132	339	471	372	146	309	166	—	—
1941	292	307	248	132	348	478	377	151	323	164	136	134
1942	298	313	257	132	347	434	372	153	325	165	138	138
1943	314	330	261	142	370	451	391	168	334	167	145	136
1944	321	337	250	143	351	441	380	150	330	167	160	144
1945	346	363	275	140	349	453	387	151	351	151	154	141
1946	342	359	244	138	327	408	373	139	341	147	156	145
1947	322	338	218	130	321	371	364	133	321	148	140	138
1948	336	352	244	142	347	424	397	151	321	134	135	132
									356	152	146	145
1949 November	340	356	261	154	361	446	407	154	369	157	—	—
December	340	356	259	151	356	436	407	156	370	157	153	152
1950 January	339	355	252	150	354	436	411	156	372	157	149	150
February	341	357	253	150	350	438	411	158	369	157	—	—
March	340	356	254	150	348	433	415	158	369	157	144	149
April	340	356	256	148	345	427	415	158	367	158	148	148
May	347	363	257	151	352	441	415	162	369	161	148	148
June	354	370	259	152	371	446	418	163	369	157	152	146
July	360	376	263	152	371	446	422	168	373	157	156	150
August	361	377	265	155	—	459	422	—	373	159	156	153
September	—	—	—	149	—	468	—	—	375	159	164	155
						464	—	—	373	—	—	—

†Base 1944—100

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	27-9-1957			20-9-1957			13-9-1957			6-9-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	107.56	107.12	107.45	108.09	107.28	107.73	107.89	107.00	107.62	108.84	107.37	108.08
Silver (per 100 fine tolas)	185.44	183.69	184.74	185.62	182.56	184.68	182.75	180.62	181.87	182.50	180.87	181.75

October 25, 1957.

THE EASTERN ECONOMIST

649

U. K. TRADE WITH INDIA

I. PRINCIPAL IMPORTS

(Thousand £)

	Full Year 1956	August 1956 1957		8 Months Jan.-Aug. 1956 1957	
Total All Imports	141,468	10,067	9,031	95,685	105,909
Of which :-					
Tea	68,893	4,090	3,223	39,891	52,354
Leather, leather manufactures & dressed furs	11,475	4,017	1,328	8,716	9,661
Tobacco & tobacco manufactures	8,178	1,134	904	6,958	6,214
Wool & other animal hair and tops	4,154	209	389	2,994	3,209
Cotton	3,379	90	142	2,970	1,866
Miscellaneous textile fibres & waste	837	119	79	672	970
Crude fertilisers & crude minerals, excluding fuel	1,740	127	185	1,269	1,562
Metalliferous ores & metal scrap	2,497	257	212	1,825	2,883
Miscellaneous animal & vegetable crude materials	4,003	290	391	2,748	3,349
Animal & vegetable oils, fats, greases & derivatives	7,908	438	139	7,512	2,709
Cotton yarns & woven fabrics	7,475	623	592	5,463	7,041
Miscellaneous textile manufactures	11,729	1,076	984	8,077	8,835

II. PRINCIPAL EXPORTS

(Thousand £)

	Full Year 1956	August 1956 1957		8 Months Jan.-Aug. 1956 1957	
Total All Exports	167,837	14,215	10,343	113,311	119,229
Of which :-					
Machinery other than electric	45,271	3,365	2,985	30,375	30,925
Electric machinery, apparatus & appliances	21,203	1,958	1,442	14,321	15,815
Wool & other animal hair and tops	5,359	414	321	3,833	4,141
Petroleum & petroleum products	2,376	273	107	1,726	1,534
Chemicals	18,266	1,198	1,040	12,354	12,871
Paper, paperboard & manufactures thereof	1,418	165	39	1,084	1,189
Iron and steel	15,926	1,329	898	10,939	10,877
Non-ferrous base metals	3,993	440	129	2,189	2,455
Manufactures of metals	13,453	1,279	503	9,799	9,579
Railway vehicles	6,473	1,032	411	4,633	4,541
Road vehicles & aircraft	11,927	1,086	964	8,002	11,344
Scientific instruments; photographic & optical goods; watches & clocks	2,941	237	132	1,920	2,140

III. U. K. MACHINERY EXPORTS TO INDIA

(Thousand £)

	Full Year 1956	August 1956 1957		8 Months Jan.-Aug. 1956 1957	
Total Machinery	66,475	5,323	4,427	44,696	46,740
Of which :-					
Boilers & boiler-house plant	2,252	173	132	1,754	1,234
Internal combustion engines	2,236	175	162	1,569	1,818
Agricultural & track-laying tractors	1,285	87	70	850	739
Office machinery	1,001	54	34	704	742
Machine tools (excluding portable power tools)	2,657	214	220	1,701	2,387
Pumps	992	105	73	651	610
Industrial & works trucks & tractor & mechanical handling equipment	2,245	181	148	1,617	1,794
Excavating & earth-moving machinery & road rollers	2,290	100	169	1,304	1,452
Mining & well drilling machinery	566	34	57	325	331
Printing & bookbinding machinery & printing type	839	64	30	573	473
Textile machinery	9,861	492	444	6,771	5,111
Generating sets, generators & motors	3,498	300	258	2,196	2,598
Converting machinery, transformers, switch gear & switchboards	4,799	383	423	3,202	4,223
Electronic valves, & radio, television, radar & sound reproducing apparatus	1,846	157	119	1,234	1,284
Telegraph & telephone equipment & line apparatus	733	158	34	529	405
Electric cables, wires, strips & strands, insulated	5,401	474	348	4,007	4,170

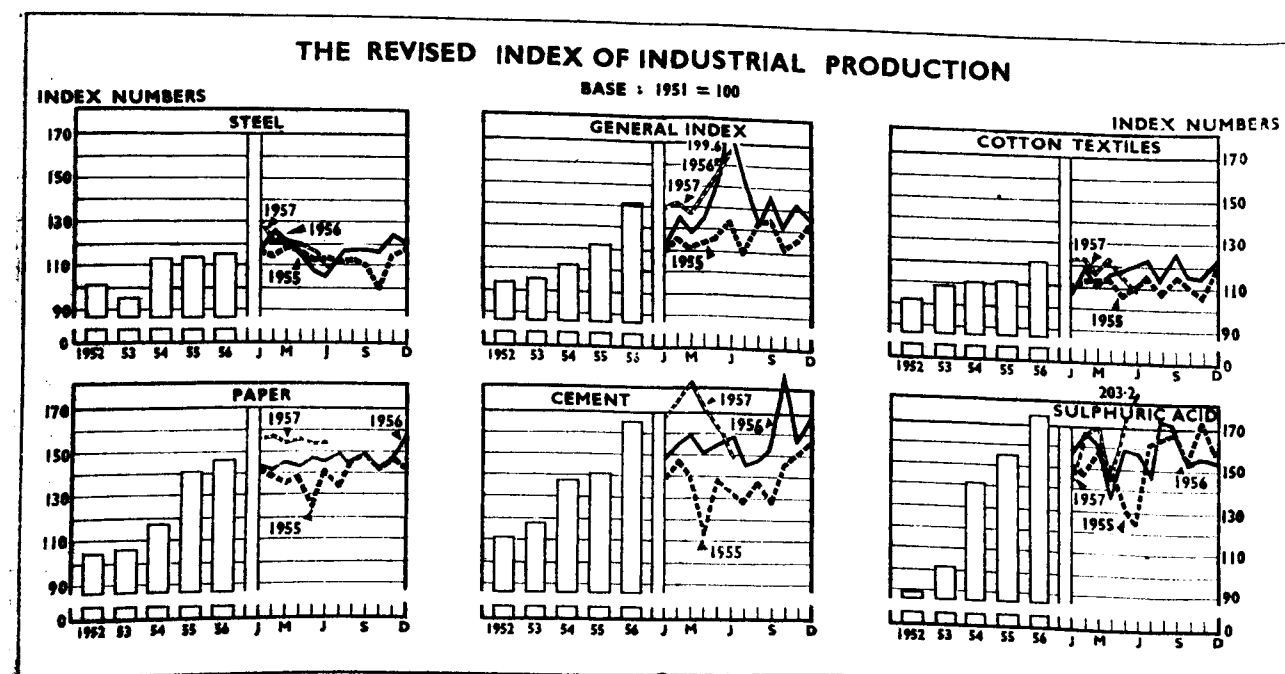
Source:—Trade and Navigation Accounts of the U.K. (H.M.S.O.)

REVISED INDEX OF INDUSTRIAL PRODUCTION

(1951=100)

Year and month	General Index	Coal 2	Cotton Textiles			Jute 6	Chemicals 7	Cement 8	Iron and Steel 9	Gen. Engineering 10	Paper 11	Sugar 12	Tea 13	Electricity 14
			Total 3	Yarn 4	Cloth 5									
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
1956 ..	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
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	1,664.1	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	188.1	117.4	220.0	143.4	231.7	104.8	165.8
November ..	142.1	118.2	115.1	122.5	111.5	120.4	175.9	157.3	124.6	240.7	148.0	369.9	95.4	168.4
December ..	136.1	126.6	122.4	130.7	118.2	118.7	177.1	169.6	120.9	239.3	157.3	191.6	58.1	177.2
January 1957 ..	140.0	124.4	122.4	130.8	118.2	123.8	181.9	169.0	129.3	247.7	156.0	135.6	131.5	174.1
February ..	142.6	133.6	122.7	133.1	117.5	123.5	185.7	174.4	121.1	257.6	157.7	128.0	139.3	180.0
March ..	138.1	125.3	116.0	126.8	110.6	117.3	180.1	181.0	122.1	259.7	154.2	169.7	123.6	175.3
April ..	147.7	132.1	122.2	133.4	116.6	124.0	185.1	173.7	120.2	269.6	155.5	326.8	92.8	186.7
May ..	156.2	130.1	114.6	126.4	108.7	121.1	174.8	165.1	115.6	247.4	154.1	692.7	87.8	186.8
June ..	168.3	118.0	109.4	120.0	104.1	114.1	155.5	149.6	109.7	226.4	154.7	1,090.2	110.8	186.8
July ..	..	114.3	116.6	127.9	110.9	118.4	..	..	..	..	..	800.8	125.0	..

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



CENSUS OF MANUFACTURING INDUSTRIES

1947-54

	1947	1948	1949	1950	1951	1952	1953	1954
1. No. of registered factories in existence .	5,632	6,144	6,758	7,099	6,978	7,155	7,103	7,067
2. Factories from which returns were received	4,872	5,690	6,250	6,605	6,309	6,470	6,399	6,637
3. Percentage of (2) to (1)	87	83	92	93	92	90	90	94
4. Fixed Capital Employed (Rs. lakhs) . .	1,77,17	1,95,65	2,27,63	2,58,15	2,75,19	3,00,94	3,24,92	3,55,59
5. Working Capital Employed (Rs. lakhs) .	2,26,27	2,86,54	2,81,95	3,56,38	4,37,82	4,29,83	4,03,74	4,32,17
6. Total Capital Employed (Rs. lakhs) (5+4)	4,03,44	4,82,19	5,09,58	6,14,53	7,13,00	7,30,77	7,28,65	7,87,76
7. No. of Workers Employed (Thousands) .	14,87	15,46	15,22	14,68	14,78	14,96	14,71	15,34
8. No. of persons other than workers employed (Thousands)	1,46	1,59	1,63	1,64	1,54	1,53	1,57	1,81
9. Total number of persons employed (7+8)	16,32	17,04	16,85	16,32	16,33	16,48	16,28	17,15
10. Wages paid to workers (Rs. lakhs) . .	1,08,89	1,34,67	1,45,34	1,36,47	1,53,47	1,62,71	1,64,74	1,71,18
11. Salaries paid to persons other than workers (Rs. lakhs)	21,47	26,14	28,90	32,05	32,09	33,78	35,44	41,05
12. Money value of other benefits or privileges (Rs. lakhs)	5,34	5,00	2,95	3,65	3,63	4,25	5,03	6,32
13. Total salaries and wages paid (Rs. lakhs) (10+11+12)	1,35,71	1,65,82	1,77,19	1,72,17	1,89,19	2,00,75	2,05,21	2,18,56
14. Value at factory of materials, fuel etc (Rs. lakhs)	4,85,42	6,19,02	6,85,73	7,22,31	9,36,32	8,43,77	7,60,90	8,83,43
15. Value of work done for factories by other concerns (Rs. lakhs)	2,80	3,30	3,27	3,88	4,35	4,42	5,11	6,29
16. Depreciation (Rs. lakhs)	12,63	13,99	16,35	17,89	18,98	20,76	22,51	24,91
17. Total of materials and fuels consumed and depreciation (Rs. lakhs) (14+15+16)	5,00,15	6,36,31	7,03,38	7,44,08	9,59,65	8,68,94	7,88,52	9,14,63
18. Factory value of products and by-products (Rs. lakhs)	7,37,24	9,46,94	9,69,37	10,23,43	13,02,18	11,74,66	11,12,67	12,76,30
19. Value of work done for customers (Rs. lakhs)	5,74	6,71	6,70	4,59	4,68	9,30	10,11	11,25
20. Total of products and by-products manufactured for sale (Rs. lakhs) (18+19)	7,43,03	9,53,65	9,76,07	10,28,01	13,06,86	11,83,97	11,22,78	12,87,55
21. Value added by manufacture (Rs. lakhs) .	2,42,18	3,17,34	2,72,69	2,83,93	3,47,21	3,15,03	3,34,25	3,72,92
22. Value added as percentage of productive capital	—	—	53.6	46.2	48.7	43.1	45.9	47.3
23. Value added per person employed (Rs. Thousand)	—	—	16,18	17,39	21,27	19,11	20,53	21,75
24. Value added as percentage of gross output	—	—	27.9	27.6	26.6	26.6	29.8	29.0

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THE EASTERN ECONOMIST

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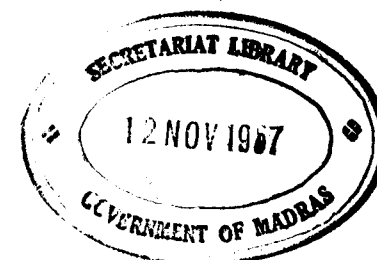
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The New Food Crisis

The announcement this week that India will need to import an additional two million tons of food grains in order to meet immediate requirements caused by the failure of rains in Bihar and Orissa is enough to depress the stoutest heart. In this unhappy year our misfortunes are falling as the proverbial autumnal leaves. If it should happen that the additional two million tons cannot be obtained by another P.L. 480 loan, this will be a new critical factor impinging on our foreign exchange resources, which may even tip the scales against our capacity immediately to meet all our foreign commitments. In plain terms this means that at least the greater portion of any new additional imports must be financed by an additional P.L. 480 application.

This conclusion, now that we have no option except to make a further application to the United States, is not likely to be received in the country with anything like enthusiasm. In one respect, any irritation with the Government is misplaced because it is an act of Providence—the failure of rains in Bihar and Orissa—which has been primarily responsible for this new and exacting demand upon our foreign exchange resources. Nevertheless, there is something in the public complaint that there has been a serious mismanagement of Indian agriculture. If the rest of Indian agricultural production outside Bihar and Orissa had been able to provide an additional 3.5 million tons—the scheduled increase in the Plan—the drought in Bihar and Orissa could have been

aken in our stride. As it is, an act of Providence is highlighting our own failure to perform scheduled tasks under the Plan.

Within the last three years the structure of Indian agriculture seems to have altered substantially from its promising phase in what is now appropriately called—as though it were a glory of the past—'The Age of Kidwai'. In barely three years from 1952 to 1955, Rafi Ahmed Kidwai was able to transform the bearish outlook in Indian agriculture which he inherited into one which looked for all time bullish. *The Eastern Economist*, like all other observers of the contemporary scene, failed at that time to see how greatly invested was his magic touch in the character of his success. In a significant sense, Rafi Ahmed Kidwai's administration was unique. He could raise food production in the countryside by decontrol, he could ~~pass~~ ^{pass} sugarcane production by control, and he could manage speculators and hoarders by a campaign of public relations which has seen no equal since Independence. He was literally ahead of his adversaries—whether cultivators, business men or bureaucrats—on every move. In the result he was able to obtain a degree of dynamic co-operation which has been sadly lacking since his premature departure left Indian agriculture in an orphaned and unpredictable state.

In this sense the success of Indian agriculture between 1953 and 1955 was certainly accidental, not so much because of the rains as because of the large element of improvisation which went into the making of agricultural policy. Improvisation itself is not a perpetual answer to any problem, and it is time, particularly as the genius of Rafi Ahmed Kidwai cannot be found again, to base our development on sound analysis and a flexible agricultural policy which works at least over the greater portion of the Indian Union. One of the great tragedies of the present situation is that we know nothing more about Indian agriculture than we did ten years ago. Its response to price changes, to increased irrigation, to abundant fertilisers and to changing markets has nowhere been documented so as to permit of any universal conclusions. There is almost no one who can describe the absolutely sure means to raise agricultural production by the levels incorporated in the Plan.

In part the difficulty arises because of the strange dichotomy which exists in the heart of Indian agriculture. Much the greater portion of it, perhaps three-fourths, is what has been frequently described in the textbooks as 'Subsistence Agriculture'. Any turn in the terms of trade in favour of agriculture is supposed, in this description, to decrease the incentives to produce. It may be that this is one factor which has operated, meaning that many agriculturists are working less because agricultural prices have been so unfavourable. On the other hand, there is certainly a large area—even if it is only one-fourth in value terms—in which price incentives operate. This has been proved over and over again in the case of commercial crops, jute, cotton and groundnut which always attract land when prices are sufficiently high. Some policy must be devised by which incentives favourable to commercial crops do not impinge unfavourably on others. But how can such a policy be determined unless we know how the incentives operate elsewhere?

It is obvious that we need two policies and not one. A policy for areas where water and

power are available and where fertilisers can be made available is one which is *prima facie* manageable. For, there, the manipulation of water and power rates and the price of fertilisers should normally be able to make for full utilisation of all three. This must mean in practice substantial differentials in water rates, power rates and rates in the price of fertilisers in different areas. The fixing of these differentials will require close analysis, though, one hopes, not prolonged academic study. What is here required should be only a firm decision to regulate all these prices.

In a very large area in which price manipulation of water, power and fertilisers, or seeds cannot be effected, it is useless to propound any purely economic remedy. As was indicated in a Leading Article in *The Eastern Economist* issue of October 4, "Water is Not Enough", here the fault is, above all, administrative—the absence of imaginative administration which uses both political as well as educational techniques so as to persuade cultivators to adopt newer methods where they can be shown to be profitable. Over the last three years, the incentive to change should have been embedded in Indian agriculture by the tremendous expenditure on agricultural extension services and the community development projects. Something has gone seriously wrong and, in this respect, not with the community development projects only. Obviously the administrative apparatus at district headquarters and at State capitals has been too slow intelligently to assess or quickly to act so that again we are threatened by stagnating agricultural output.

The crisis which faces this country at the present time is not merely to be measured by the additional imports of two million tons now imperative. It is the absence of any indication that the solid agricultural base, on which alone a large industrial expansion can be built, has not been secured by any means. To increase developmental expenditure with an agricultural base so uncertain and so unpredictable in its price implications is merely to invite inflation.

The country must use its best talents now to analyse and remedy a dread disease. It is clear that the magic spell which Rafi Ahmed Kidwai cast upon our agriculture has now ceased, for whatever reason, to operate. In any case personal magic and improvisation cannot be made substitutes for a lasting policy which will bring results as surely as night follows day. Our academic thinking here has been barren. Perhaps the Universities have something to say on the point, but they have been notoriously ineffective on agricultural problems in the last ten years. Perhaps our Agricultural Research Institutes have something to say both technically and statistically, but, if so, they have obviously not made their knowledge known. In the result we face a crisis almost without rudder and compass. It is essential that in the emergency which has arisen the country should treat its unhappy agricultural situation as its primary challenge. If there is no adequate response to this challenge, the Plan—and much else with it—will fail with repercussions which will be heard round the world. We gain nothing by shrieking annually for help. We must apply our own minds in a sturdy self-reliant way to find the key to our own troubles. They are grave by any standards; but let us like Solomon pray, above all, for wisdom, and not only for foreign assistance, even though we need that, too, in full measure.

Uttar Pradesh: Congress on the Decline?

IT is a picture of declining popularity for the Congress that emerges from the latest civic elections in Uttar Pradesh, the most populous State in the Indian Union and erstwhile stronghold of that party. Only in 29 out of 104 municipal boards to which elections were held has the Congress won absolute majorities, while emerging as the largest single group in 39 other boards. What is still worse, the party has annexed only 856 seats out of a total of 2,222 seats in all the boards. By all accounts, this is pretty bad performance by a party of the standing of the Congress. It may be that this anti-Congress trend is most pronounced only in the urban areas and the rural voters, by and large, still retain their allegiance to the party. Such a construction, however, cannot be sustained in the background of many a surprise that the General Elections of March last produced. The popular vote in favour of the Congress then fell to 43 per cent from the 48 per cent of the 1952 Elections, and the party's majority in the State's Vidhan Sabha was also greatly reduced. This surprising result was due, at least in part, to a decline in Congress popularity in the rural areas. It is not inconceivable, therefore, that the continuing anti-Congress trend revealed by the latest civic elections in urban areas is also reflected in rural areas.

While the anti-Congress trend in Uttar Pradesh is thus unmistakable, it has to be recognised at the same time that it is not a distinct trend in favour of the Leftists—Praja-Socialists, Socialists or Communists. None of these parties has fared even reasonably well: the P.-S.P. has won absolute majorities in just two municipal boards while emerging as the largest single group in four others; the Socialist party has secured absolute majority only in one board while coming out as the largest single group in two others; and the Communist Party has neither won absolute majority nor come out as the largest single group even in a single board. On the Right, the Jan Sangh has fared no better, having won absolute majority in one board and emerging as the largest single group in three others. What appears to be a Centrist group under the name of the United People's Progressive Front has secured absolute majority only in one board while coming out as the largest single group in four others. Many Independents, on the other hand, have secured absolute majorities in 28 boards. As for the number of seats won by these groups, it is 178 in the case of the P.-S.P., 48 in the case of the Socialist Party, 27 in the case of the C.P.I., 168 in the case of the Jan Sangh, 127 in the case of the U.P.P.F., and 789 in the case of Independents.

The gains made by Independents in particular are hardly surprising in the context of some popular dissatisfaction with the organised parties. But these Independents many of whom are dissident Congressmen are hardly likely to respect the voters' verdict for they might allow themselves to be won over by the Congress at the time of the Chairmanship elections, thus enabling that party to gain control of more than 50 per cent of the municipal boards. While the Congress may thus retrieve the situation, it will have lost a good deal of prestige in the process. In any case this can hardly undo the election results in terms of its own unpopularity.

The reasons for this increasing unpopularity of the Congress can be figured out more or less clearly at the moment. One of these appears to be that in districts like Meerut, Muslims have largely voted against the Congress. This anti-Congress trend on the part of Muslims does not appear to be a sudden development, for the pre-election poll conducted by the Indian Institute of Public Opinion in February last had clearly revealed that while only 47 per cent of Muslims were in favour of the Congress in the 1957 Elections, 56 per cent of them had voted Congress in 1952. As there is reason to believe that this decline in the popularity of the Congress with Muslims is greater now, only a small percentage of Muslims might have voted Congress in the civic elections. This can also be inferred from the fact that the Muslim candidates set up by the Congress have been mostly defeated this time while the non-Congress Hindu candidates set up by the Awami Party (a Muslim Party in Meerut and some other districts) have mostly won.

Another reason is probably that the urban voters who have been subjected to hardship in recent months by the rising food grain prices have come out strongly against the ruling party. Incidentally the Institute's poll revealed as early as February last that 42 per cent of voters thought they were worse off economically under the Congress rule. The number of such discontented people may well have increased in recent months. Disunity in Congress ranks is probably another reason for the Party's defeat. This should have conveyed an impression of weakness and instability to a section (more than a third) of the voters who, according to the pre-election poll of the Indian Institute of Public Opinion, favoured the Congress in February last for the reason that it was strong and stable.

If it is true that the Congress is losing its character for strength and stability in a crucial State like Uttar Pradesh, it is unfortunate that no other moderate party is strong and stable enough to take its place. If the Socialist Party of Dr. Lohia and the Praja-Socialist Party do not combine into a single party, there can be no certainty that the anti-Congress sentiment will be canalised on constructive lines. The Communists may well increase their influence to some extent in a situation of confusion, but the possibility of their replacing the Congress in a State like Uttar Pradesh where they were never strong may be ruled out. There is thus no alternative to the Congress becoming stronger again. For, if the Congress does not set its house in order and close its ranks by weeding out casteism which has played an ugly role in the civic elections, it is quite on the cards that its popularity will continue to decline with the result that neither it nor any other party may have an absolute majority in the next General Elections. The picture that has emerged from the civic elections can easily be reproduced in the next Elections if group rivalries continue to weaken the organisation. If the Congress were to go under in Uttar Pradesh, it would be almost wholly due to its own weakness and not due to the strength of any of the opposition parties. It is really amazing that the Congress should fare so badly as it has done now in the face of so much weakness on the part of the opposition.

The San Francisco Conference

THE International Industrial Development Conference, which was recently held in San Francisco, is one of the most significant and portentous events in the history of world economic co-operation. Over 600 delegates from 61 countries, most of them great leaders in banking, industry and commerce of their respective countries, participated in this Conference with a marked degree of enthusiasm and earnestness. Available reports of the statements made at the Conference show that it is destined to become a historic landmark in the growth of world economic order just as the United Nations Organization has given shape, however imperfectly, to the ideal of a world government and an international order. It is not perhaps without significance that this Conference was also held at San Francisco which gave birth to the United Nations Organization after the second World War.

The host country naturally took the lead in the deliberations, which was altogether appropriate as today the USA is undoubtedly the most economically advanced nation in the world and will have to bear the largest responsibility in organizing measures to increase international economic co-operation and to provide the necessary outflow of investment capital and economic aid for the rapid development of the less industrially advanced nations of the world.

The important policy statement made by the Vice-President Mr. Nixon at the Conference banquet as well as the keynote address of Mr. Eugene Black, Chairman of the World Bank, with which the Conference was inaugurated, and the concluding address of Mr. Henry R. Luce, Editor-in-Chief of *Time*, *Life* and *Fortune*, were unanimous in pointing out that the USA will have to play a much more active role in the process of the industrial development of the less advanced countries and in ensuring economic stability of the advanced Western nations who are now faced with great and pressing problems of rising prices, trade disequilibrium and high rates of interest.

It may be noted that an equally important and significant feature of the proceedings of this Conference was the abundant realization of the great urgency of these problems, particularly the need for the supply of "marginal" capital to the underdeveloped countries like India which are doing their utmost to mobilize their economic resources, which are admittedly insufficient by themselves to ensure the minimum rate of economic progress necessary for the maintenance of democratic institutions in these countries, and satisfy the aspirations of the newly independent peoples of the world for a rise in their standard of living.

As was naturally to be expected the philosophy of private enterprise and its great virtues found earnest and enthusiastic expression in the Conference and gained warm approval of most of the members who represented by and large the private sector; but at the same time the available reports also show that the Conference proceedings were marked by a high degree of economic realism and fortunately a dogmatic approach to the solution of the world's economic problems was totally absent. Mr. Eugene Black in his opening keynote address struck a note of great economic realism

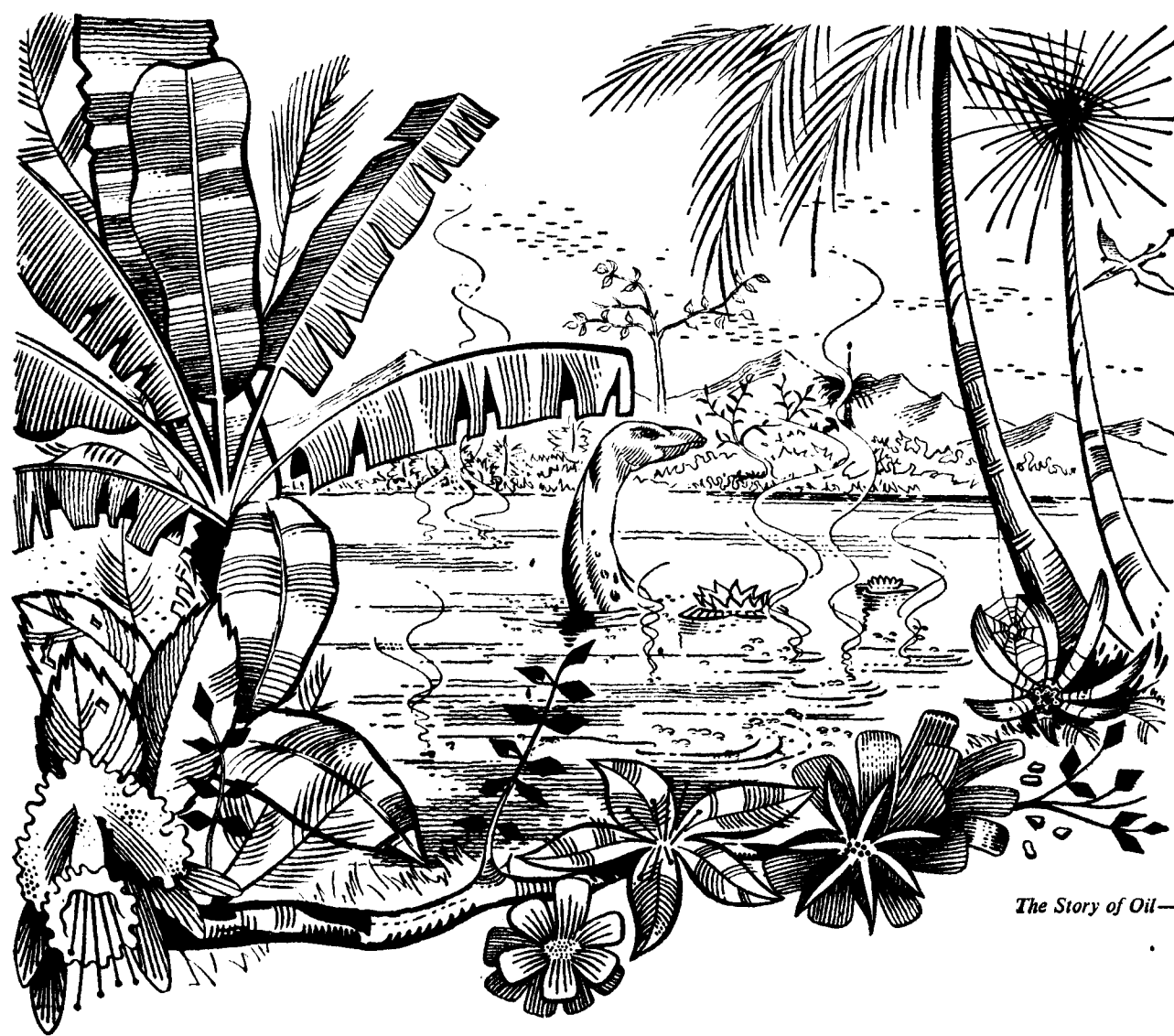
when he observed: "There are real dilemmas here, and they are not going to be solved by dogma. I am as impatient with those theologians of capitalism who preach that private capital can meet all the world's development needs as I am with those theologians of socialism who preach that only State enterprise can satisfy today's demands. Nevertheless, I think it can be shown that, on any realistic analysis, there are vitally important advantages to be gained in the developing countries from the growth of a healthy and vigorous private sector."

An even more significant proof of this sense of realism pervading the Conference was the extraordinary applause accorded to Mr. H. V. R. Iengar's statement on the Indian Government's economic policies, a tribute no other speaker was accorded in a like manner. Such a high degree of warm appreciation was as much a tribute to Mr. Iengar's high ability and obvious sincerity underlying his speech, as it was indicative of the appreciation on the part of the audience of the fact that the Government of India's policies favouring a mixed economy were essentially of a democratic nature and were dictated by a high degree of economic realism.

It is a happy augury for the world's economic progress and particularly for the progress of the underdeveloped countries that the USA and other leading industrial nations of the world, where private enterprise has played more or less an exclusive role, have been able to recognize that in the less advanced industrial nations of the world the entire economic development cannot be left as an exclusive field of private enterprise and that the State has a vital and significant role to play in the development of various essential services and large economic undertakings for which private enterprise will either not have sufficient resources or the willingness to undertake on account of its low profit-earning or non-remunerative nature.

Although it would be unwise to expect any immediate results from this Conference by way of increased financial assistance and larger capital investment from the industrially advanced countries of the world, it would be equally imprudent not to notice a new ray of hope in the events of the last few days at San Francisco. The deliberations at this Conference have at least achieved one important and significant result, namely, that the world is now much more aware than ever before of the urgency, vastness and complexity of the economic problems facing the underdeveloped countries and the necessity of solving these problems in the interest of economic stability and democratic freedom of the free world. This is well illustrated by the following remarks of Mr. Henry Luce in referring to the speech of Mr. Iengar:

"As he told us so calmly, so lucidly, about the peaceful revolution in the world's biggest democracy, I confess to having had a feeling of abashment or embarrassment: at least my pride in America was shaken when I was forced to consider how comparatively simple our problems are compared with the tremendous undertaking to create a new India."



The Story of Oil—2

A miracle of nature

Crude oil, or petroleum as it is often called, occurs in many parts of the world—chiefly in regions where sedimentary rocks once formed the bottoms of ancient seas.

No one is sure how oil originated. The most widely accepted theory is that it resulted from the decay and alteration of the remains of prehistoric animals and plants. This organic matter was washed from the land into the vast jungle of marine life under the seas. The deposits, mixed with mud and sand, formed layer upon layer on the bottom. As these became buried, Nature's mysterious chemistry got to work. It slowly transformed the organic matter into the compounds of hydrogen and carbon which we now know as oil, and at the same time the fine

sediments which covered it were compressed into rock strata. The newly-formed oil oozed into the nearest layers of porous rocks, which held it as if in a sponge, and here it remained.

Throughout the millions of years that oil was being formed, many changes were taking place in the earth's crust. It rose and fell, was crushed and expanded. Lands were drowned, sea-beds became dry land. In some places cracks developed and the land slipped, forming 'faults'.

During these violent changes, some of the imprisoned oil escaped and was lost. In other places it was so near the surface that it seeped through and was discovered and used by man from the earliest times. But the bulk has remained trapped in its porous rocks beneath the surface of the earth.



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THE WEEK'S NOTES

THE PRESS AND THE PRIME MINISTER

AT HIS recent press conference, the Prime Minister took strong exception to the publication of "secret" official documents in newspapers. Allowing his heart to have the better of his head, he even went on to say that such "scoops" betrayed "lack of responsibility" on the part of the Press and threatened to take legal action under the Official Secrets Act for any such lapses in future. This surely was a deplorable outburst, the more deplorable because the provocation for it was the "leakage" of the "preliminary comments" made by the Law Commission on the selection and appointment of high court judges. The "leak" was, it may be remembered, not favourable to the Congress Government. Evidently this had upset the Prime Minister. No doubt Mr. Nehru also objected to the publication of his confidential circular letters to Chief Ministers of States. But these letters have regularly been published in the Press for some time, without any objection being raised by any one, not even by Mr. Nehru himself. This leaves little doubt that the Prime Minister's chagrin was in the main over the scoop relating to the Law Commission's "preliminary comments".

The reasons that prompted Mr. Nehru to make the remarks are, however, less important than the vital issues they raise, especially as the Prime Minister has held out the threat of legal action for any violation in the future of the Official Secrets Act. The issues involved are those of the freedom of the Press and its role in a democracy. In a democratic country the Press is by no means responsible to the Government. It has to perform its duty to the people. It would be a betrayal of that solemn duty if the Press were to accept the proposition that it should not publish anything about what goes on in the official world unless the Government graciously passes it out in publicity handouts. No newspaper worth the name can agree to be a mere reprint of the official gazette and other publications. The freedom of the Press in a democracy is, and can be, limited only by the demands of accuracy, public morality, national security and public interest. If a story passes these four tests, no Government claiming to be democratic can take any action against the newspaper which publishes it—except in a court of law, where the newspaper has full freedom to defend its action and expect justice.

Besides, it is no use ignoring the fact that the Official Secrets Act was framed years ago, in different circumstances and by a foreign administration. In course of time it also became almost a common practice to mark every Government paper as "secret" or "confidential". That absurd practice still persists, though British rule ended ten years ago. As one correspondent pointed out at the Prime Minister's Press Conference, even the tour programme of a Deputy Minister is a "secret" document, under the Act. Mr. Nehru himself admitted that every paper marked "secret" was not necessarily secret. "Government secrets" cannot be, by any stretch of imagination, equated with those likely to endanger the security of the State. It is the duty of the Press to fish them out and publish them. The criteria of "accuracy", "public morality" and "public interest" are important, and every responsible newspaper should try to honour them but they are not categorical imperatives, except in a limited sense. If a news is incorrect, it can be contradicted or denied. "Public interest"—always an elastic phrase—too is best safeguarded both by the public and the Government issuing their own versions of the news. Imposition of a ban on news is no way to protect "public interest" in a democracy.

If the Government unwisely decides to take action against any newspaper publishing such "secrets" as do not pertain to the security of the State, a conflict between the Press and the Government is inevitable. The Press cannot abdicate its duty towards the people, who are, in the last analysis, the sovereigns in a democracy.

THE CRISIS OF NATIONAL COMMUNISM

THE "OCTOBER REVOLUTION" in Poland last year does not seem to have solved all of the country's political problems. It has, in fact, created some new ones. This is evident from the fact that Warsaw has been of late the scene of demonstrations and strikes by students and workers; even serious rioting broke out in the Polish capital, following a strike by the transport workers. Students and workers, it may be remembered, constituted the force that brought Mr. Gomulka to power. The Government was of course able to curb the rioting, break the strike, frighten the demonstrators, and suppress the anti-Stalinist youth journal, "Po Prostu". But the manner in which the challenge was met reinforces the belief that Communism, national or otherwise, cannot exist without employment of the well-tried methods of Stalinism. This is perhaps the price which Communism must pay in order to survive. The alternative would be a progressive trend towards liberalism.

Mr. Gomulka's retreat into Stalinism could perhaps be attributed to the delicate position vis-a-vis the Soviet Union in which he finds himself after Russia's ruthless suppression of the Hungarian uprising. Since the suppression, Mr. Gomulka has been appealing almost tearfully to his compatriots not to abuse the little freedom they have gained—implying, of course, that they could easily lose it again to the Russians. This interpretation would encourage some to charge Mr. Gomulka of acting on the basis of expediency. The charge would be unwarranted. Mr. Gomulka has not forgotten that while Russian machine-guns were mowing down Hungarian freedom fighters, the West did nothing but look on, and talk. If the Russians entered Poland, it is probable that the West could do the same—in the interests of preventing a world war.

However, the Polish riots have shown clearly that there can be no half-way house between Communism and individual freedom, and that the attempt to reconcile Communism and certain basic democratic rights within the constitutional framework is doomed to failure. The two are, in truth, incompatible and cannot co-exist. To be sure, discussion of the kind of Socialism that people would like to have, of the role of the Communist Party in a Socialist State and of the place of democracy, are heresies from the point of view of orthodox Marxists and fanatical Communists; such a discussion would challenge the fundamental concepts on which Communist regimes are built.

But the challenge to the Communist hierarchy does not come from Poland alone; and this is a sign of its coming end. It is very much to be seen in Hungary, in the form of a seething discontent, even though Mr. Kadar's regime has been forced to dissolve the Works Councils, which were probably the last democratic apparatus left in that "People's Democracy". In Yugoslavia, Marshal Tito, who was able to achieve a bloodless break with Stalin's Russia, is faced with a similar problem. The problem has been squarely stated by Mr. Milovan Djilas in his "The New Class". He says: ".....in establishing itself the Communist bureaucracy achieved the monopoly of power in history. But after

having achieved industrialisation, the new class can now do nothing more than strengthen its brute force and pillage the people. . . . Smothering everything except what suited its ego, it has condemned itself to failure and shameful ruin". The cycle of what could be called the Communist epoch is coming to completion; the next phase will see the exercise of authority that takes its sanction candidly from brute force, without pretensions of ideology. From the womb of the resulting tyranny will be born its antithesis. For these are the only consistent forces in history—the tyrannical force and the individual's struggle for freedom. History is, after all, the story of liberty.

THE CHANDIGARH SURVEY

THE ECONOMIC and Statistical Organisation, Punjab, has recently carried out a socio-economic survey of Chandigarh. This survey of the Capital of Punjab in the initial stage of its development is most appropriate, for a re-survey at a later stage could well bring out the City's progress in the intervening period. The survey is both a house-to-house census and a sample survey—a complete human census which collected broad particulars about each resident and also a sample survey of selected households (10 per cent of all households) which were interrogated more intensively on some relevant questions. Another object of the survey was to measure the pace of progress of house construction in public and private sectors, and this part of the survey was done by assembling replies to a questionnaire mailed to 629 selected plot-owners who had not started construction work on their plots.

The most important finding of the preliminary report is in regard to the slow progress of construction work since 1949, the number of completed houses, as of June 1957, being just under 9,300 of which nearly 2,400 are Kutcha huts, nearly 5,200 are in the public sector and 1,700 in the private sector. In at least nine sectors out of the thirty into which the town is divided practically no construction work has so far been done. The fact that three sectors alone have fully developed to the point of having more than half the Capital's population of 38,000 throws light on the enormous amount of house construction that is yet to be done in the other sectors. Incidentally this also throws some light on the difficulties of constructing a new capital city from mere scratch. The reasons for the slow progress of private house building, when made known to the public, should be even more enlightening.

The data on Chandigarh households are equally interesting—and even surprising. An average household consists of only 3.6 persons of whom 1.2 are earners and 1.9 are non-earning dependents. The number of unemployed males in the age-group of 20-55 years is only 240 out of a total male population of nearly 11,000 in that group; this may be due to the construction work that is going on. Another noteworthy finding is in respect of the distribution of households according to income. Nearly 600 cases of income below Rs. 50 per month are mostly of manual labourers with no regular jobs. About a third of the households earn between Rs. 51 and Rs. 100 per month, and about an equal number earn between Rs. 101 and Rs. 200. One household in six has income between Rs. 201 and Rs. 500, and households making more than Rs. 500 are one in twenty. Only 48 households earn more than Rs. 2,000 per month. It is also a revealing fact that the size of the household goes on increasing with income until the largest number of 5.5 persons is reached for incomes between Rs. 300 and Rs. 750 per month; this is probably due to the circumstance (which is a matter of common observation)

that the middle class has to support more non-earning dependents than the working class.

Some other findings of the survey are that Government service absorbs 28 per cent and 12 per cent of all earners in Chandigarh in administrative work and in constructional activity respectively and that as much as 62 per cent of the city's population above the age of 5 years is literate. The standard of education attained is also high, with nearly 25 per cent out of every hundred of the entire population above the age of 5 years having passed at least the matriculation examination. Again, as many as 42 per cent of all students in schools and colleges are females. These are highly progressive trends, and Chandigarh may well be proud of them for, in the last analysis, it is only the educated population that will add lustre to the new Capital which is the pride of Punjab, second only to the great Bhakra-Nangal Project.

UNIVERSITY AUTONOMY

UNIVERSITY AUTONOMY has been a subject of heated and continuous discussion in the country since independence. While the academicians have demanded complete freedom to manage the affairs of universities in the manner they deem proper, State Governments have tended to interfere with their day-to-day activities. The latter's excuse is that they provide financial sustenance to the universities on an ever-increasing scale. In some States, universities have been reduced to the position of an adjunct to the Ministry of Education.

The situation has become particularly disquieting since textbooks were nationalized in some States. Not infrequently, some of the "nationalized" textbooks are no more than propaganda pamphlets of the party and persons in power. As these books are for use by students of an impressionable age, the danger of undesirable indoctrination becomes very real. The Kerala Communist Ministry's University Act is another step in the same regrettable direction, and a much worse one. Under the provisions of this Act, the University of Kerala has become virtually an instrument for the Kerala Ministry of Education.

University authorities and State Governments would in this context do well to heed the statesmanlike advice given last week by Mr. C. D. Deshmukh, Chairman of the University Grants Commission. Speaking in Madras, he suggested that a part of the funds transferred to State Governments from Central revenues should be earmarked for universities by the Finance Commissions. This would eliminate the possibility of undue State interference in the management of universities, while ensuring them adequate funds. But, as Mr. Deshmukh rightly pointed out, adequate financial arrangements, though important, will not alone be enough. For, absence of funds is not the only factor corroding into the universities. What is needed most are men of quality for the teaching staff. It is only when we have dedicated men in charge of higher education that we can expect our universities to become what they should really be. Among other things, higher salaries for teachers should help attract suitable persons. It is only when this condition has been satisfied that autonomy will have meaning for the universities. Mere provision of ample funds will only result in mismanagement. Absence of control has already resulted in maladministration and has turned the universities into hotbeds of petty intrigue. A proper remedy for this situation would be a phased programme of granting autonomy to universities. A cautious approach is called for, not precipitate haste.

A Window on the World

QUEEN OF ENGLAND OR HEAD OF THE COMMONWEALTH?

By
ODYSSEUS

ALL THAT CONCERNS the Commonwealth is of concern to India. The recent rumpus in the UK over the criticism of the Queen's choice of personal advisers launched by Lord Altrincham's special issue on the monarchy of the "National Review", and followed up by Malcolm Muggeridge (remembered by some in India as Assistant Editor of "The Statesman" in 1934-35) in the American "Saturday Evening Post", has raised more heat and dust in the popular press than cool reflection. But it may serve a useful purpose.

First, let me recall what the "National Review" said. I cannot, of course, reproduce the whole of the special section of the August "National Review" consisting of five articles—"The Monarchy Today" by Lord Altrincham; "The Private Secretary" by Dermot Morrah; "Foundation Stones and Things" by B. A. Young; "The Finances of the Monarchy" by Humphry Berkeley; and "Asia and the Head of the Commonwealth" by R. Tamitegama, which between them covered no less than 18 pages. I can only say that these articles constituted a serious discussion and had nothing in common with the hypocritical "Let's not rake muck" attitude of a section of the British popular press. The "National Review's" articles were, on the contrary, promonarchical in intention, their criticisms were constructive, their language forthright but reasonable.

The essence of the "National Review's" criticisms was that the monarchy should not rely on its survival solely on the mystical appeal that it makes to the non-Asian members of the Commonwealth but should take thought for its position in a world of changing values. Since the monarchy is not the head of a purely European Commonwealth it must transcend race, and the Review pointed out that the Duke of Edinburgh, whose merits are universally extolled, is British only by adoption and that he gives the impression of being a citizen of the Commonwealth wherever he goes. In this he shows his awareness of the new pattern within which the monarchy must work—and "work" is the word—in the difficult years ahead.

Secondly, the "National Review" insisted that the monarchy should transcend class. Social distinctions are bound to exist in any large community. To pretend that they do not exist in, for example, the UK, the USA, the USSR, and India, is naive. But the Crown must not seem to be identified with any particular social group, and on this point the "National Review" felt less happy about the Queen. It observed that she was given a conventional British upper class education, culminating in the round of the London society "season", the race course, the grouse moors, and Canasta parties, and commented "all this would not have been good enough for Queen Elizabeth I!" The "National Review" considered that it said much for the Queen that she has not been incapacitated for her job by her inadequate training. She has dignity, a sense of duty and goodness of heart—all precious assets. But will she have the wisdom to give her children a different education? Will Charles mix in his formative years with children who will not only be future landowners but also bus drivers, dockers, engineers, trades unionists, etc?

TOO UPPER CLASS AND TOO BRITISH

The "National Review" emphasised that the Queen's choice of her personal friends is not a legitimate matter for public comment, but that the choice of her official Palace civil servants was. That the Queen's present personal staff is drawn exclusively from a single social type—the upper class British lady and gentleman—creates an unfortunate impression. These people may be shrewd, broadminded, and thoroughly suitable for the positions that they occupy, but there are plenty of equally shrewd, broadminded, and suitable people in other social strata. The "National Review" laments that, worse still, the Queen's courtiers are nearly always citizens of one Commonwealth country: the UK. While the monarchy has become popular and multi-racial, Buckingham Palace has remained a little enclave of the British gentry.

This brings us to the nub of the "National Review's" argument: "The Queen should surely now be surrounded by advisers and companions with as many different backgrounds as possible. A truly classless and Commonwealth Court would not only bear eloquent witness to the transformed nature of the monarchy, but would also give the Queen and her family the advantage of daily contact with an interesting variety of personalities and points of view. It would not, of course, be desirable to appoint courtiers on any strict rationing principles—so many Canadians, so many Africans, so many trades unionists, so many aesthetes, so many socialists, so many Tories, and so on. This would be an absurdity. But granted the fitness of some for a post at court, political and social considerations should also be taken into account before an appointment is made. Thus there would be no sudden or artificial change, but over a period of time the composition of the court would gradually become more catholic and more representative."

WANTED: NEW ROYAL GHOSTS

The "National Review" also criticised the quality of the speeches written for the Queen by her staff. "The personality conveyed by the utterances which are put into her mouth is that of a priggish school girl, captain of the hockey team, a prefect, and a recent candidate for Confirmation. It is not thus that she will be enabled to come into her own as an independent and decisive character." In other words, the "National Review" wants some new blood in the Queen's ghost writers. Most public figures in all countries are compelled by the calls on their time to employ them. The wise statesman chooses a writer of personality and imagination. Franklyn Roosevelt, for example, included Robert Sherwood, the gifted playwright, as one of his principal ghost writers.

How does all this affect India? I have never concealed my belief in the value of constitutional monarchy, and today I throw out the idea that one of the injustices inflicted on India by the British was to deprive India of its own all-India monarchy, and to keep the rulers of the old princely states on their gadis in such sterilised conditions as to render it increasingly difficult

—though by no means impossible—to be simultaneously a prince and an intelligent human being. By removing the Mughal emperor and substituting loyalty to a foreign emperor of a different ruling race, and by turning most of the Indian princes into puppets, the British rendered the rejection of monarchy certain on their departure.

This I believe to be India's loss, because among the most elementary and yet profound needs of every human being is a national figure to whom he turns as the symbol of his patriotic aspirations and of the national unity which transcends race, caste, creed, and political differences. A flag, or an institution, still more an elected politician, is, in my view, a poor substitute for a person who has round him the aura of a long established dynasty and the traditions of the nation's history.

As I wrote here in an article entitled "Are Kings Useful?" on February 15, 1952, while I believe democracy to be the least unsatisfactory system of government so far devised, it has many obvious weaknesses. Party government tends to divide the nation into factions which party strife constantly stimulates and periodically whips to fever heat. In order to catch votes, politicians flatter the masses by exalting the virtues and importance of the Common Man to whom this age is said to belong. Politicians appeal to the lowest common denominator of human passions and prejudices, so that this Age of the Common Man is also the age of rampant vulgarity, meretricious ideals, and false values. If I could order things as I liked, I should not flatter the Common Man but encourage the Uncommon Man. If I assert that I have no desire to identify myself with the Common Man, but that, on the contrary, it is the exceptional man of parts, gifts, and culture, who interests me, I risk the accusation of being un-democratic—to such a perversion of values have we come.

A monarch can provide an extraordinary force to hold all these dividing and debasing tendencies in check to an extent out of the reach of any politician, or even statesman. The American President, for example, is not, as you might at first suppose, an American rallying point: he is a party chief. Unless I had ex-

perienced it, I could not have believed the rage and bitterness that mention of the name of Roosevelt, the Democrat, used to stir up among Republicans. I remember a patriotic American citizen in Denver, Colorado, who ostentatiously turned his back on me at a party because I ventured what seemed the harmless opinion that Roosevelt was a great man.

That India's princely states were amalgamated was as sensible as it was inevitable, but that the princes have been eliminated remains to be seen. I am ready to go on record here as forecasting that there will be many who will stage resounding come-backs in public life.

Meanwhile, what of our acceptance of the Queen as Head of the Commonwealth? The words of the communique issued when India became a republic were: "The Government of India have, however, declared and affirmed India's desire to continue her full membership of the Commonwealth of Nations and her acceptance of the King as the symbol of the free association of its independent member nations and as such the Head of the Commonwealth." Let us not get the Crown's role out of perspective: the operative words are: "acceptance of the King as the symbol of the free association of its independent member nations." On the other hand, as long as we do wish to remain in the Commonwealth, it is in our interests that the Commonwealth's symbolic Head should be as representative as possible, and it seems to me that we should support those who are campaigning towards that end.

For my part, I add that the more that can be done to emphasise the Queen's position as symbolic Head of the Commonwealth—and to root out the idea that she is a special UK interest, perquisite, or possession—the better for the Commonwealth. There is no reason why the monarchy should not be represented by a resident Governor General in the UK, as it is in Canada or Ceylon. This would set the Queen free to reside in, or to visit, the rest of the Commonwealth, and it would, I submit, strengthen the links between us all by providing occasions for non-political meetings of Commonwealth minds.

SPECULATION AND THE CURRENCIES OF WEST EUROPE

(From Our Special West European Correspondent)

PARIS, October 27.

THE official journal of the European Coal and Steel Community says in the issue for this month, by way of introduction to its usual review of the West European economic outlook, "Opinions concerning the economic situation in the Western world, and concerning its future evolution, are at present much more divergent than is normally the case". This is something of an understatement. Opinions on the question in the various European commercial centres are violently contradictory, and within any one city one can hear contrary forecasts expressed in banks, finance ministries and stock exchanges. Share prices have fallen sharply in most West European bourses and, impressed by this, and by the uncertain trend of production and employment figures, there are commentators who promise us a substantial deflation. But wages and industrial goods prices continue to rise and government outlays show no sign of falling, and these are invoked by central banks for the round of bank-rate increases that have occurred in most European countries except West Germany. The wisdom of these increases is challenged by those who point to the accumulation of stocks in some industries, the downward trend of raw material prices in international markets, the slight but significant retreat from over-full employment and the nervousness of the main stock exchanges on both sides of the Atlantic.

Suggesting that this confusion will continue for some time yet, the Coal and Steel Community journal hints at one of the main causes when it says: "As long as the situation is not entirely clear as regards exchange parities, industrialists will have difficulty in making plans for the immediate future. Speculative influences on international balances of payments will continue to be felt, and will incite central banks to adopt credit and interest rate policies which do not always correspond to the economic situation of the moment". In other words, speculators gambling on a realignment of exchange rates, or taking advantage of differences of interest rates, are causing movements of capital across European borders which oblige central banks to take measures inconsistent with the requirements of industry within their own country.

It is not suggested here (and the journal just quoted does not pretend) that this is the whole story. Indeed the whole story of the present economic situation in West Europe is too complicated for anyone to unfold; the best we can do is to follow out one thread and show its undoubted influence in half a dozen European economies. That thread is this: the immense and persistent balance of payments excess accumulated by West Germany has caused a speculative flight of capital out of the other European countries, leaving those countries in a position where investments were in excess of available savings and necessitating a rise in the price of money to stem the flow of capital, limit investment and stimulate new saving—whereas, if those funds had remained where they were, they would have been so far in excess of new investment that central banks would have been encouraged in some cases to guard against emerging deflationary dangers by cheapening money.

We will begin with the example of a country where this mechanism can be seen operating in the pure state:

Switzerland. The Swiss economy has been under no tensions arising from domestic mismanagement, over-importing, dangerous inflation or over-full employment. There had been, it is true, some signs last year of an excessive liquidity, but interest rates are normally low and staple in Switzerland. When funds began to get scarcer this year, the authorities were at first quite content, but the process continued until the Institute of Issue had to recognise the tense state of the money market by raising the official discount rate to a figure that has not been known in Switzerland for over a generation. This has touched off a lively controversy because the Swiss are quite unused to dear money, and the restriction of credit has had several awkward results, as on agricultural prices for example. The measure was however inevitable, firstly because Swiss capital had migrated in large amounts to earn high interest (and benefit from a possible revaluation) in West Germany, and secondly because foreign banks that normally keep substantial deposits in Switzerland were obliged to withdraw funds because the same thing was going on in their home countries.

Belgium has presented a striking picture of falling stock markets, a slight fall in industrial production—and dearer money, forced on a reluctant Government by a central bank disturbed by the speculation against the currency. Floating capital usually resident in Belgium has fled to West Germany, taking a proportion of Belgian funds with it. Belgian industry has been hit by credit restrictions elsewhere, especially in Holland and France, restrictions which, as will be mentioned, had a similar origin to Belgium's: the flight of capital to Germany.

A similar unbalance in payments with West Germany was the cause of the rise in interest rates in Sweden this autumn. Foreign trade is heavily in deficit and the fall in freight rates reduces a usual substantial source of invisible earnings. If the deficit in Sweden's case shows up more in the trade balance than in simple capital movements, this is because it is the Swedes who have been speculating against their own currency, i.e. accumulating speculative stocks, especially of West German goods.

Interest rates have risen in Holland and further credit restrictions are believed to be imminent. The balance of payments position has deteriorated rapidly, one-third of the reserves having been lost in 16 months. Here again the deficit is largely with West Germany, and the United States, and it is speculation against the florin that has aggravated the situation and so far defeated the Dutch Government's efforts to restore the balance.

There is no need to go into detail about the cases of Britain and France because the recent evolution of their currency values and interest rates is well known. In both cases the flight of capital to West Germany was a significant aggravating factor. The British Government, curiously, did all it could to increase this strain on sterling by orchestrating a campaign in favour of revaluation of the West German mark; to the extent that speculation has ceased, this is less the result of the cessation of that campaign than of the draconian

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tightening of credit by means of a 7 per cent bank rate. Speculation against the French franc, in connection with the deficit in trade with West Germany, reached such immense proportions that Monsieur Gaillard was forced to a partial devaluation; the recent ministerial crisis and wave of strikes has revived speculation, and a full and frank devaluation may be forced on M. Gaillard's successor.

In none of the six countries referred to has the speculative movement of capital to West Germany been the sole reason for balance of payments deficits and the rarefaction of credit. But in all of them it has played a role, and since all of these countries are neighbours and trading partners, the measures they have taken to protect their currencies and money markets against Germany have had further restricting effects on each other's trade and credit. These facts are not recalled here simply to bear out the forecasts made on this page many months ago during the spring and summer that, despite the continuing expansion of West Europe's economies, Europe was heading for a foreign trade crisis and that the cause of that crisis would be West Germany's relative deflation; they are recalled in order to enable us to judge how far recent changes in West Germany's own credit policy will contribute toward a restoration of balance.

These changes are in the direction of mild inflation. In part they have been forced on a rigidly "sound-money" Government by the speculators, as for instance the fall in interest rates caused by the afflux of capital to West German banks. In the month of August several thousand million Deutschmarks of liquid funds poured

into Germany, making inevitable the decision taken in September to reduce the bank rate to 4 per cent. The closing of the gap between German interest rates and the rates ruling elsewhere in Europe has limited the flow of capital, but has by no means reversed it. Of more significance were the price rises that the Adenauer regime held up until it had won the elections; when one is conducting an election campaign on a sound-money programme it would not do to announce an 8 per cent rise in coal prices. This increase is being reflected throughout the economy, beginning with steel, gas, electricity and transport prices. Moreover, once the elections were over the West German unions began to agitate; the metallurgists have demanded a 10 per cent rise in wages, and several million working men are expected to present similar demands soon. Finally, another unpopular question that was kept quiet during the elections is now being faced up to: West Germany is committed to an increase in military expenditure which will weigh heavily both on the budget and on the reserve of foreign currencies.

Is this the beginning of inflation in West Germany, which will take some of the strength out of the mark? The rest of West Europe hopes so, but it is as well to remember that strictly orthodox financiers remain in control in Bonn and there is no likelihood of the mark losing much of its purchasing power abroad. Wages can well afford to rise in Germany, for they are still, despite the country's long prosperity, among the lowest in all West Europe. What we can hope to see is enough softening of the mark to put an end to the campaign for its revaluation and, thus, to the speculative movements that have affected currencies all this year.

WORLDGRAM

AGRICULTURE

Kerala's Irrigation Schemes: Five irrigation projects, which will benefit an area of 1.17 lakh acres in Kerala State, have been included in the second Five-Year Plan. The total cost of the schemes is estimated at Rs. 691.5 lakhs. A sum of Rs. 4.50 lakhs has been provided for investigations. The Boothathankettu scheme, estimated to cost Rs. 348 lakhs, will irrigate an area of 63,000 acres in Kottayam and Trichur districts. The Rs. 105 lakh Neyyar (Stage II) scheme will provide irrigation water to an area of 19,000 acres in the Trivandrum district in Kerala State and the Tinnevely district in Madras State. The Meenakara scheme, on which a sum of Rs. 127 lakhs will be spent, will irrigate 11,000 acres in Palghat district. The Chalakudy scheme (Stage II) will irrigate an area of 20,000 acres in Trichur district. The scheme is estimated to cost Rs. 60 lakhs. A provision of Rs. 47 lakhs has been made for the Cheerakuzhi scheme which will benefit an area of 4,000 acres in Trichur district.

Control of Animal Pests of Crops: A co-ordinated scheme on an all-India basis for the control and elimination of white flies, mites, aphids, jassids and jumping plant lice—some of the serious pests of crops in India—was recommended by the committee of the Entomology and Animal Pests of Crops of the Indian Council of Agricultural Research. Two other schemes recommended by the committee related to a study of the Indian scale insects and rice army worm. The committee approved extension for three years of another research scheme for control of the rice stem borer in Andhra Pradesh, Madras and West Bengal. A scheme on insect pests of pulses, now being conducted in Gujarat, was also recommended.

First All-India Banana Show: To encourage cultivation of banana, one of the most popular Indian fruits, a two-day All-India Banana Show—the first of its kind—will open at Hyderabad on November 3. Organised by the Indian Council of Agricultural Research, the Show will be in the nature of a competition for fruit growers, particularly in the Southern zone States, namely, Bombay, Madras, Andhra Pradesh, Mysore and Kerala. Awards and prizes, to be given for the best exhibits in five categories of bananas, are valued at about Rs. 4,820.

F.A.O. Liaison Committee: The establishment of a National Nutrition Committee for raising nutritional levels in the country and for evolving a better diet for the masses was recommended by the National F.A.O. Liaison Committee at its 11th Meeting held in New Delhi recently. The Committee also recommended that the Indian Delegation to the forthcoming session of the F.A.O. Conference should take up the question of establishment by F.A.O. of an International Commission on Nutrition and Home Economics with special reference to under-developed countries. With regard to the question of giving greater publicity to F.A.O. activities, the Committee recommended wide distribution of F.A.O. literature to Universities and other educational institutions. The scientific information contained in these publications, it was felt, could also be disseminated through the agricultural journals published by Indian Council of Agricultural Research.

INDUSTRY

Specification for Hot Rolled Carbon Steel: The Indian Standards Institution has issued, for eliciting

comments, a draft Indian standard specification for light gauge structural quality hot rolled carbon steel, sheet and strip. This standard specifies the requirements for three grades of hot rolled carbon steel, sheet and strip intended for the manufacture of cold formed structural members, which are produced in mass generally by cold rolling. The specification lays down general requirements for supply, inspection sampling, chemical analysis, etc. Specific requirements for manufacture, chemical composition, freedom from defects, tolerances, finish etc. are also covered.

Silicones and Mud Walls: The Central Building Research Institute at Roorkee is at present carrying on investigations into the performance of silicone compositions as applied to building materials under local conditions. Preliminary trials with coated and uncoated 'kutchha' briquettes, bricks and wall panels confirm that treated materials withstand water erosion satisfactorily. These investigations have been extended to panels and wall surfaces in village houses to test their effectiveness against natural weathering. Silicones have great potentialities for use in water-proof coating compositions for buildings. They can also be applied to mud walls with great advantage; they not only confer water-repellant properties, but also allow breathing as they do not block capillary pores. Silicones can be applied either with brush or by spraying, without affecting the appearance of the surface.

Handicrafts Design Centre for Srinagar: A design centre for handicrafts is to be established in Srinagar. This is under a scheme of the Kashmir Government, which has been approved by the Government of India on the recommendation of the All India Handicrafts Board. There are already four regional design centres, set up by the Board, at Bangalore, Calcutta, Bombay and Delhi. A design centre has also been established at Lucknow by the Uttar Pradesh Government. These centres will concentrate on the redesigning of old forms and creation of new ones for the guidance of craftsmen and they will maintain close contact with artisans. The designs are executed by master craftsmen assisted by other craftsmen engaged in each centre. Arrangements are made for the widest possible distribution of such designs to production centres and craftsmen. The new design centre in Srinagar will take up in the first year, the development of only four crafts, wood carving, papier machie, namda and turquoise.

Increasing Output of Quality Silk: A scheme to set up a foreign race seed station in Jammu & Kashmir has been approved by the Government of India. A sum of Rs. 7 lakhs as grant has been sanctioned for the purpose. The scheme is designed to provide adequate facilities for the preservation and multiplication of foreign races of silk worms. This would help to increase the output of better quality silk in this country. A site near Pampore, 10 miles from Srinagar, has been tentatively selected for locating the station. Proposals for construction works are under consideration. Under the scheme, a mulberry garden will be established on an area of 25 acres. Two rearing houses with cellars for rearing of silk worms, one grainage building, two wells with water pumps, overhead tanks and channels for irrigation, an incubation chamber and a cold storage, will also be set up.

TRADE

U.K. Trade in September: Figures for United Kingdom imports and exports in September were lower than for any previous month this year, largely because of

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seasonal factors, according to full trade statistics for the month just published by the Board of Trade in London. The trade gap, however, closed slightly. Imports fell in September by £27,000,000 to £308,400,000, exports fell by £23,000,000 to £246,300,000, and re-exports fell by £700,000 to £9,800,000. The visible trade deficit was £52,300,000. These are the final figures for the month, confirming the provisional figures published on October 11. The decline in trade in September has followed the now established seasonal pattern, and in recent years the summer check to export shipments has tended to fall more heavily in September than in August. It is pointed out in London. As in August, the fall in exports was well spread over the main commodity groups, and for imports the fall was chiefly in meat, sugar, wool and coal—most of it being directly seasonal, but some part arising from falling commodity prices and lower freight rates.

Supply of Textile Machinery from Japan on Deferred Payments: An agreement was signed in New Delhi recently between the State Trading Corporation of India and the Japan Textile Machinery Manufacturers' Association providing for the supply of textile machinery from Japan on deferred payment basis. Under the agreement, different item of textile machinery will be supplied by Japanese manufacturers to Indian mills, with the co-operation of the S.T.C. on the one hand and the Japanese Association on the other. Contracts will be entered into, on the basis of deferred payments agreed upon between the two organizations, by the purchasers and suppliers directly. Such contracts will be registered with the S.T.C. who will ensure their implementation. The Japanese Association on its part will assist the suppliers in the export of machinery and try to keep prices at a reasonable level. Ten per cent of the value of each contract will be paid immediately on the placing of the contract and another 10 per cent will be payable on presentation of shipping documents. The balance 80 per cent of the value will be paid in ten equal half-yearly instalments. The rate of interest will be 6 per cent. The items of textile machinery will include carding engines, speed and ring frames, blow room machinery, automatic looms, high speed winding and warping machines, sizing machines, drawing frames, combing sets, cotton waste spinning plant, and spinning and weaving machinery for silk, art silk and spun silk.

FINANCE

M.P. Taxation Law Extension Bill: The Madhya Pradesh Taxation Laws (Extension) Bill, 1957, has been assented to by the President. The Bill seeks to bring about uniformity in Madhya Pradesh in respect of fiscal laws relating to court and registration fees, entertainment, stamp and electricity duties and profession and motor vehicle taxes. As a result of States reorganisation there are different laws in force at present in different areas of the State.

Loans to East Pakistan Refugees: According to latest figures, the Rehabilitation Finance Administration has sanctioned 75 more loans amounting to Rs. 4.3 lakhs to displaced persons. Of these, 72 loans for Rs. 4.03 lakhs are for displaced persons from East Pakistan. Three loans to displaced persons from West Pakistan which had been previously cancelled have also been re-instated.

Loan Assistance under Plantation Labour Housing Scheme: The Government of India have decided to raise the ceiling of loan assistance to be given under the Plantation Labour Housing Scheme of the Ministry of Works, Housing and Supply. Henceforth the maximum loan permissible per house will be Rs. 2,400 and Rs. 1,920 for houses built in the northern and southern parts of India respectively. This increase has been approved due to rise in building costs. Originally the scheme, which was formulated in April 1956, restricted the amount of loan to a maximum of Rs. 2,000 per house in the north and Rs. 1,600 per house in the south.

Exporters of Powerloom Fabrics to get Rebate of Excise Duty: In order to encourage exports, the Government of India have decided to extend the concession of rebate of excise duty on powerloom fabrics exported out of India to exporters other than manufacturers. It has also been decided to permit exporters other than manufacturers to export rayon or artificial silk fabrics under bond. Exporters of powerloom fabrics may contact the nearest Collector of Central Excise for detailed information.

Compensation for Land Nationalisation: The last date for submission of applications for compensation under the Burma Land Nationalisation Rules 1954 has been extended by the Government of Burma to December 31, 1957, from September 30, 1957. Forms may be obtained at the Office of the Chief Compensation Officer, Rangoon, Burma, or at the Office of the District Compensation Officer (Superintendent of Land Records) or through Nattukkottai Chettiers' Association, Rangoon.

GENERAL

Aerial Survey of Burma: A contract for the aerial survey and photographing of 200,000 sq. miles of Burma has been awarded to a British firm (Fairley Air Surveys Ltd. of London) and its Indian associate (Air Survey Co. of India Private Ltd.). It is believed to be the largest single contract of its kind for aerial photography ever to be signed between a Government and a private firm. The contract—which covers virtually the whole of Burma—is valued at £200,000 and was won in competition with tenders submitted from France, Germany, Israel, Japan, the Netherlands and the U.S.A. In announcing the signing of the contract, the Burmese Ministry of Land Nationalisation said that "apart from aerial photography the companies also undertake to train the personnel of the Department of Survey and the Burma Air Force in the details of field and flight operation of aerial photography and that the survey "would assist Burma in her economic and social development: Photographic operations will begin in November, and must be completed before April, when weather conditions deteriorate. Four aircraft are to be used including two Dakotas modified for high altitude flight. The operation will cover more than 1,500 flying hours, during which 40,000 negatives will be exposed and 200,000 separate prints produced.

Expansion of Sindri: A section of Sindri's Rs. 11-crore expansion scheme comprising the grinding mill section of the new ammonium sulphate plant was inaugurated on October 28 last. This will be followed successively by other sections of the ammonium sulphate plant and by the gas reforming plant, ammonia plant, urea plant, double salt plant, etc. It is expected that by the middle of 1958 all plants will be functioning. The ammonium sulphate plant was erected entirely by Sindri's own staff and mostly Indian materials were used. This marks the first stage in the completion of Sindri's expansion scheme under which its production capacity will be increased to 60 per cent and two new fertilisers — urea and sulphate nitrate — will be manufactured.

Russia's Purchases of Indian Pepper: Soviet Russia replaced the U.S.A. as the major buyer of Indian black pepper in the first quarter of this year. According to official figures Russia took 66,000 cwt. of pepper valued at a little more than Rs. 55 lakhs in January-March, 1957, while the offtake by the U.S.A. was only 49,959 cwt. worth Rs. 54 lakhs. As a result of the higher offtake by Russia and larger shipments to Canada, France, Italy, Poland, West Germany and other countries, total shipments in the first quarter of this year rose to 148,473 cwt. from 97,139 cwt. and 80,517 cwt. in the same quarter of 1956 and 1955 respectively.

NEWS IN BRIEF

INDIAN

The Government of India have decided to license freely for export uncrushed elephant bones to all permissible destinations according to the Joint Chief Controller of Exports.

Copper ore, lead ore, iron ore, gypsum, marble and magnesite ore are some of the important minerals found in U.P. according to surveys carried out by the geological survey of India and the Directorate of Geology and Mining, U.P.

The export of rice including paddy and products of rice and paddy other than rice bran from Punjab has been banned.

Tea production in South India during September was estimated at 12.12 million lb. compared with an actual crop of 9.62 million lb. in the same month last year.

The profits in the paper industry between 1951-55 fluctuated widely, according to official statistics. The profits after tax in 12 units of the paper industry amounted to Rs. 1.68 crores in 1951 but in the next three years there was a steady decline to Rs. 1.56 crores, Rs. 1.5 crores and Rs. 1.27 crores respectively.

The Government of India have decided to release a further quantity of chillies for export to Ceylon. This decision was taken following detailed discussions between an official trade delegation from Ceylon and representatives of the Government of India.

Ninety-nine extension centres will be set up in Rajasthan under the second Five-Year Plan, according to a scheme for intensive development of the sheep and wool industry subsidised by the I.C.A.R.

Export of silk worms will not be allowed with immediate effect, says a trade notice issued recently by the Joint Chief Controller of Exports, Bombay.

Since World War II, there has been a sharp increase in the level of employment in Indian cotton mill industry. According to authoritative figures, the average daily number of workers employed by the cotton textile industry has gone up from 490,815 in 1940 to 676,523 in 1951 and 806,702 in 1956.

Exports of iron ore from the three major ports of Calcutta, Bombay and Madras during the last month improved to 114,942 tons valued at Rs. 64.33 lakhs from 104,041 tons worth Rs. 59.07 lakhs in the previous month.

New export markets for Indian paper have been found in Czechoslovakia, Poland, Bulgaria, Rumania, East Germany, Denmark and Switzerland.

FOREIGN

The World Bank has lent Pakistan \$31 m. in various currencies to meet part of the foreign exchange cost of a programme of reconstructing the country's two railway systems. The Bank of America and the First National City Bank of New York are participating in the loan without the World Bank guaranteed to the extent of \$850,000.

The Deutsche Bundesbank has reduced treasury bill rates by $\frac{1}{4}$ per cent to $3\frac{1}{2}$ per cent for 30 to 59 days and $3\frac{5}{8}$ per cent for 60 to 90 days.

Plans to nationalise road transport in Ceylon moved nearer realisation with the approval recently of a Motor Transport Bill by the House of Representatives.

In order to implement the Sudan Government's policy of credit restriction, The Sudan Bankers' Association which embraces all banks there, has agreed to raise interest rates on loans by 1 per cent to a minimum of 6 and a maximum of 7 per cent.

Five German steel companies have founded Ferum Investment in Montreal with a capital of \$1 m. to represent their interest in the Ungava ore mines, Labrador. The same five have a 50 per cent participation in the Ungava Ore Company, the other 50 per cent being held by Cyrus Eaton, the U.S. industrialist.

The prices spiral, which has sent the cost of living soaring in Australia in recent years, was halted in the June-September quarter, when the overall retail price index for the six capital cities showed no change.

Currencies of the European multilateral group ("paris club") countries are now being quoted on a daily basis for payment of exports through the official market (as distinct from the free exchange market) the Argentine Central Bank announced recently.

It is reported the Central Bank of Argentina is borrowing \$27 m. from nine American banks for dollar exchange purposes.

South Africa's total gold and foreign assets in the week ended October 11 totalled £109,781,000 compared with £107,873,000 a week earlier.

Trade between the U.K. and the British West Indies in the first eight months of this year shows a rise of £18.5 m. In August U.K. imports from the area rose by £1.6 m. to £27,248,000 and her exports to the B.W.I. by £1.3 m. to £5,686,000.

It is reported Britain had a balance of payments surplus of £211 m. in the twelve months to June 30 last, which was a considerable improvement on the result expected this year.

A sharp rise in private imports in the first nine months of this year was the main cause of a deficit of £1 m. in New Zealand's overseas transactions for the year to September 30.

The Joint Israel-Ghana shipping company, the Black Star Line, the establishment of which was decided upon during the recent visit of the Ghana Ministerial delegation to Israel, will start operations next month.

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BINNY'S engineering connections offer a host of implements and wares needed in India's expanding industry; to mention a few: heavy electrical goods, sugar machinery, cranes, dredgers, diesel and gas engines, boilers, mill stores, cables, pumps,

high grade paints and many other items.

BINNY'S Engineering Works (Private) Limited are manufacturers of industrial machinery and plant, are licensees for the "Mechanite" process for high duty ferrous castings and undertake structural steel work and the fabrication of oil storage tanks, cargo barges and similar constructions.

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BY 185

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You may be surprised, Bhai Sahib, to learn that over 300,000,000 lbs. of tea are sold in Calcutta every year and most of this is sold in public auctions.

Each lot that falls under the auctioneer's gavel has its own particular characteristics. Even teas from the same garden vary in quality week by week, depending on climatic conditions.

That, Bhai Sahib, is just where the tea taster comes in. He selects the different qualities and varieties to blend together. Leaf appearance, 'body' and flavour are the major considerations when blending to give you the 'cup that cheers'.

It is always advantageous to buy blended tea in packets; thereby assuring yourself of the same all-round good brew each time you buy your packet of tea.

Above all, Bhai Sahib, the tea taster guards you against inferior qualities and can be said to be a true guardian of the nation's well-being.



HERE ARE SOME FACTS ABOUT TEA TASTING AND BLENDING, BHAI SAHIB:

Each garden usually makes about 12 grades of tea which include the well-known types—O.P., B.O.P., Fannings and Dust.

In North-East India there are over 1,100 tea gardens, situated in Assam, Darjeeling, Dooars, Cachar, Terai and Tripura. In this area alone the annual crop averages over 500,000,000 lbs.

Each week in the Calcutta auctions approximately 65,000 chests of tea are sold. A large proportion of these are for Export.

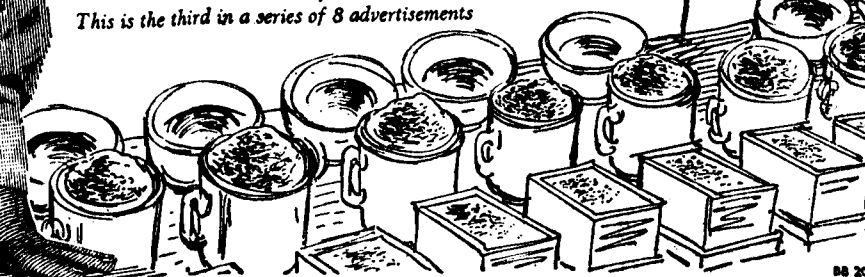
In the Calcutta auctions lots are sold at the rate of four per minute.

An experienced tea taster may taste and value about 600 pots a day.

In an average Brooke Bond blend there may be teas from 40 to 50 gardens.

In Brooke Bond's five blending and packing factories over 2,10,00,000 packets per week are produced.

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The Business World

SUGAR CO-OPERATIVES IN BOMBAY

By CROESUS

ONE gets a vivid idea of the increasing importance of industrial co-operatives in the economic set-up of the country from the detailed reference to the working and financing of co-operative sugar factories in the Bombay State, contained in the address of Mr. R. G. Saraiya, the Chairman of the Bombay State Co-operative Bank, Ltd., at the 46th Annual General Meeting of that Bank.

According to Mr. Saraiya, 18 co-operative sugar factories have been registered so far in the Bombay State. Of these, two are in Poona district and two in Surat district, and these are being financed by the central banks of the respective districts, so that the BSCB's responsibility is confined to the task of financing only the remaining 14 factories. Of these 14 sugar co-operatives, five are in Ahmednagar district, four in Kolhapur district, two in South Satara district and one each in Nasik, North Satara, and Amreli districts. During the last season, four of these, including the Pravaranagar and the Kopergaon factories, started operations. Out of the remaining, five will be in production during the current season, while seven are expected to start production in the coming season, and licences have yet to be issued in the case of two more factories.

The problem of financing the erection of sugar co-operatives has perhaps constituted the heaviest strain on the resources of the Bank, and the Bank could stand this only because of the assurances of the Government of Bombay about the whole-hearted support of the Reserve Bank of India and the State Bank of India. It is noteworthy that the Bombay Government has not only promised financial help thus, but has also taken effective steps to ensure proper administration, and even management, of these co-operative sugar factories.

The extent of financial assistance that the co-operative sugar factories in Bombay have received will be evident from the fact that they have not only got working capital from the B.S.C.B. but also capital expenditure, in the form of loans, from the Industrial Finance Corporation. There is generally considerable delay in receiving the latter loans, but the B.S.C.B. has been providing temporary accommodation, pending receipt of the Industrial Finance Corporation loans. In addition to this, the Bank has also been furnishing guarantees to dealers in foreign exchange for establishing letters of credit and for deferred payments against machinery to be supplied to these co-operative sugar factories. By the way, even the co-operative sugar factories, it seems, could not escape the effects of the Suez crisis. In the case of factories which were expected to manufacture sugar in January, 1957, the delay

consequent on the Suez crisis would appear to have resulted in an increase in the capital expenditure of Rs. 15 lakhs in each case! But, even here, the Industrial Finance Corporation has not been slow to come to the aid of such factories by making an additional loan of Rs. 7½ lakhs; the balance of Rs. 7½ lakhs is proposed to be provided by the B.S.C.B. itself, in the form of an intermediate-term loan repayable in three years. Of course, in all these cases, it should be borne in mind, the Bank's interests are fully protected by the guarantee of the State Government.

During the year ended June 30, 1957, the B.S.C.B. furnished interim finance to co-operative sugar factories against loans receivable from the I.F.C. to the tune of Rs. 2.15 crores. The working capital provided by the Bank directly for the same period amounted to Rs. 1.64 crores, while the foreign letters of credit opened by it involved a sum of Rs. 1.34 crores. Besides these, inland letters of credit accounted for a further Rs. 14.74 lakhs. Again, the guarantees offered on behalf of the factories towards the amount of deferred instalments payable to the manufacturers came to another Rs. 37.49 lakhs at the end of the period. All in all thus, directly and indirectly, the B.S.C.B.'s commitments to sugar co-operatives during 1956-57 aggregated over Rs. 5.65 crores.

The B.S.C.B. is obviously fully aware of the risks involved in embarking on this new adventure, as witness the further provision of Rs. 4 lakhs that has been made under doubtful debts in view of the magnitude of the lending activities and the risks associated with its large commitments to co-operative sugar factories.

All this has been possible because of the full support of the Government of India which has been forthcoming by reason of the fact that this form of co-operative endeavour is unique and the Union Government believes that such will change the entire economic outlook of the villages growing sugarcane. But, if this hope is to be fulfilled, the co-operative sugar factories must acquire adequate internal strength, an aspect which Mr. Saraiya did well particularly to stress. At the same time, he called upon the shareholders of these sugar co-operatives (who are mainly cane growers) to make sacrifices of their present returns and work in a co-operative spirit to build up the complete ownership of their sugar factories. There is no reason why, with all the facilities and encouragement that they command, the cane growers should not do so. Even in the private sector, in the initial years, the shareholders of joint-stock companies go without any dividends and have to wait for at least five years, if not more, to get any return.

ECONOMIC COLLABORATION WITH ETHIOPIA

By CROESUS

THE subscription list for the Indo-Ethiopian Textiles S.A., the first joint economic venture by India and Ethiopia, which was registered in Addis Ababa on December 11, 1956, has just been opened. The list will be kept open till November 25, 1957. Intending subscribers can have the satisfaction of investing in a good and promising industrial undertaking and also of having lent a helping hand in the economic development of an underdeveloped country.

The total authorised capital of the Company is Eth. \$4,500,000 or Rs. 85,71,428.57, the whole of which, consisting of 45,000 shares of Eth. \$100 or Rs. 190.48

each, has been issued. Out of this, the Imperial Ethiopian Government has agreed to take up 51 per cent, that is 22,950 shares, so that the balance of 22,050 shares is now on issue, including shares of the value of Rs. 6,61,500 already agreed to be taken up by the promoters, directors, friends and associates. Only 25 per cent of the face value of the share or Eth. \$25, that is Rs. 47.62, is payable along with the application, the balance being payable as and when needed by the Company and at dates and in amounts as decided by the management in future.

The preliminary expenses and other expenses pay-

able by the Company in connection with the issue are expected to amount to Rs. 2,12,000. It is estimated that the whole of the share capital of Rs. 85,71,428.57 required to be raised would be needed to get the Company going, for building and machinery alone takes up as much as about Rs. 85 lakhs.

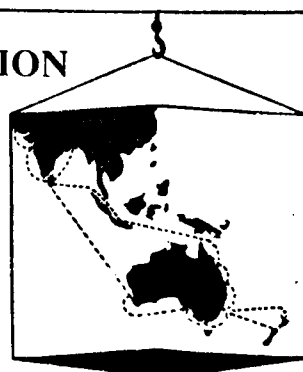
Messrs. Birla Bros. (Private) Ltd., who have considerable experience of organising and managing cotton textile mills in India and Pakistan, have been appointed Managing Agents for a period of 15 years which is, of course, renewable thereafter by the shareholders of the Company. With the help of the Birlas, it has been decided to establish a cotton textile mill in Ethiopia with an initial capacity of 14,000 spindles and 300 looms. There is still no textile mill in Ethiopia with a dyeing or bleaching plant, although there is a very great demand in the country for Khaki drill. Accordingly, to begin with, the Company proposes to manufacture only Khaki drill and another variety of cloth known as abujedid, which too is very much in demand. But manufacture of other types or further expansion is not ruled out.

As inducements to the new Company, the Ethiopian Administration has exempted it from payment of income-tax on profits for a period of five years from the date of production and has also allowed import of all machinery to be installed for the purpose of the Company in Ethiopia free of all customs duties. It is significant that this Indo-Ethiopian venture does not entail any outflow of foreign exchange on the part of India, for the Ethiopian Government has agreed to let the Company purchase foreign exchange from the State Bank of Ethiopia to the extent necessary to meet its obligations abroad and also to remit dividend to shareholders residing abroad,

subject, of course, to the Ethiopian Exchange Control Regulation.

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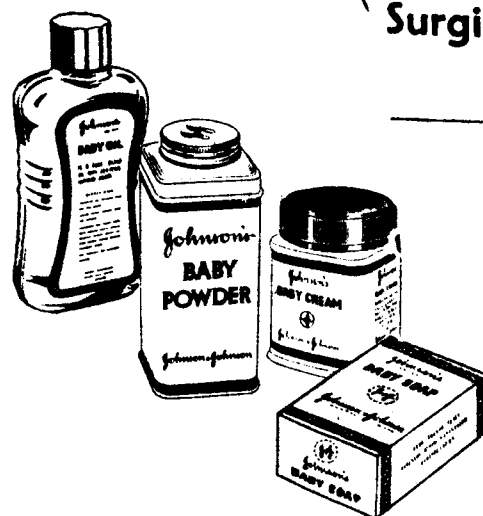
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BUSINESS NOTES

SHIPPING NEEDS

IN THE drive to retrieve the foreign exchange position, the development of Indian shipping should attract more than normal attention. Every year, the foreign currency reserve of India is run down by about Rs. 150 crores by way of freightage paid to shipping concerns abroad. During the next few years, the amount should be expected to increase further, as heavy plant and equipment would be pouring in. This would imply that over a period of some four years, the country would pay out around Rs. 700 crores in foreign currencies as freightage alone. In other words, if India had all its own shipping, the difficulties that the second Plan has run into, because of foreign exchange, would not have arisen. However, it hardly needs to be stated that the indigenous capacity in building more and heavier ships cannot be developed in a short period. Already, the Visakhapatnam Yard is booked for the period of the second Plan even if it is assumed that supplies of necessary materials will be maintained to schedule. It is for this reason that the provision made in the Plan for acquiring additional tonnage was criticised by responsible sections as inadequate. As prices continue to rise in all markets, this is becoming more and more obvious. Indeed, orders for the construction of a tonnage of 170,000, placed before the 1956-57 financial year came to a close, had absorbed very nearly the entire Government outlay of Rs. 37 crores. The remaining tonnage, together with 90,000 tons for replacements, is 2,20,000 GRT. This, if achieved, would, of course, do nothing more than satisfy the accepted minimum requirements of the country.

To acquire even this minimum of tonnage is, in the present circumstances, beyond the capacity of the largely strained resources of India. Therefore, some radical and rapid steps will need to be taken if the situation is to be rescued from becoming more critical. It now seems necessary, for example, to relax the conditions of foreign participation in Indian shipping. According to the present policy, foreign capital participation is limited to the extent of 25 per cent. It is also encouraging that Germany and Japan seem to be favourably inclined towards helping this country. Both countries are large shipbuilders and some Indian orders have already been placed with them. Full attention needs to be given to exploring all possibilities of acquiring tonnage from them on deferred payments. Shipping is one industry which enjoys the excellent position of being able to earn foreign exchange and, therefore, repay loans rapidly. The World Bank is yet another agency to be tapped. Alongside the need to develop tonnage is the necessity of ensuring that India also is entitled to carrying a higher percentage of her overseas trade through her own bottoms. As it is now, only a negligible proportion is carried by Indian ships. In regard to coastal shipping, the number of small vessels can be increased at comparatively less expense, which would carry the bulk of coastal trade.

COLOMBO PLAN AND ASIAN PROGRESS

THE REPORT of the ninth Colombo Plan Conference just to hand is of considerable importance for it brings to light the economic conditions in South-East Asia and the progress these countries have made as a result of the Colombo Plan aid since its inception in 1950. While the growth in the per capita income in the South and South-East Asian region covered in the Plan seems to have been maintained, there are definite indications of deterioration in trade in many countries of the region as a result of fluctuations in export and import prices. The terms of trade have moved against a majority of

the countries. The balance of payments difficulties have been accentuated. On the industrial and agricultural front, the trend, of course, is on the upward march with the exception of tea and rubber recording a lower output. Most countries of the region are giving high priority to expenditure on agriculture and irrigation and to production of basic services such as power, transport and communications. Foreign private investment has been encouraged by providing facilities for repatriation of capital and remittance of current earnings particularly where such investment is likely to be of benefit to economic development.

Although a substantial change and improvement has been brought about by assistance from the Colombo Plan, much remains to be done. The problems involved are many and complex. They vary from pest control to river valley development, from cottage industries to steel production, from primary education to atomic research. There is paucity of technological knowledge and skill of a high order. In addition to this, there is the dearth of specialized equipment most of which is imported from highly industrialized countries. Economic and technical assistance by the Plan's six donor nations totalled \$1,000 million in 1957, while \$3,500 million were made available, since the Plan's birth. During 1950 to 1956, 13,000 persons were trained and 6,000 experts were sent to the recipient nations of the Colombo Plan. Although there is no lack of appreciation of the aforementioned aid, it is considered to be woefully inadequate for the vast region as southern Asia. In order to maintain the economic growth now in progress and to halt the influence of Communism, it is highly essential that this aid be increased manifold. South and South-East Asia plays a large part in the world trade, both in exporting primary products and manufactured goods and in providing markets for the products of other countries. Particular attention needs to be diverted to the improvement of the agricultural sector of the region for it is from this sector that most of the people in South-East Asia derive their livelihood.

In the context of the Colombo Plan aid the establishment of the new U.S. Development Fund announced at the Saigon meeting is to be welcomed. The Fund will be administered as part of the International Co-operation Administration, and already 300 million dollars for the Fund's initial operations have been appropriated. Since the terms of the loans will be flexible and the loans will be repayable on a long term basis, it is highly suited to the economies of the underdeveloped countries of South-East Asia who are struggling with their foreign exchange difficulties.

SLOW MOVEMENT OF MANGANESE

THERE IS much substance in the apprehension expressed by the Bharat Chamber of Commerce that the export, by the private sector, of manganese ore may suffer because of inadequate allocation of railway wagons. The Chamber has stated in a communication addressed to the Government that, particularly since July last, the wagon supply has been far too short of the increasing requirements. The actual position as obtaining today has been made sufficiently clear by the Chamber by means of figures. Thus, it would be found that during the period July to mid-September last, the supply of wagons over the section from Barajamda to K. P. Docks was 1929. This shows a decline of as much as 50 per cent from the 3,802 wagons supplied during the same period in 1956. The steep fall in the supply position has occurred simultaneously with a considerable increase in the export quota of manga-

nese ore. The quota from Calcutta Port for 1957-58 (July-June) has been raised to 3.56 lakh tons — an increase of 44 per cent, from 2.48 lakh tons in 1956-57. This makes the situation doubly disquieting.

The Chamber has included in the communication comprehensive data which seek to show that the coming of the State Trading Corporation has impinged on the private export of manganese ore. In addition to being exporter of some proportion of manganese ore, the State Trading Corporation is the sole exporter of iron ore. The export quota of iron ore has also been stepped up by 9 per cent. But there has been an increase in the number of wagons made available for moving this material which is entirely out of proportion with the increase in the quota. Till recently, the allocation of wagons between the two was nearly on par. The position has now altered with heavy odds for manganese. Whether or not the State Trading Corporation is receiving more than due attention is only secondary and less material to the real problem. The important fact is that the hampered movement of manganese is putting the exporter in an embarrassing position. His stock with the importer abroad is bound to decline. It must not be ignored that fulfilment of agreements with our purchasers abroad according to schedule is of great importance to secure stability in the overseas demand. Again, it is not altogether likely that at some future date he may be accused of sluggishness in attaining the target of export. Meanwhile the paucity of wagons for moving manganese will mean that the country will delay the earning of foreign exchange from its export.

INDIAN MERCHANTS' CHAMBER MEETING

THE SPEECHES of both Mr. Naval H. Tata and Mr. G. P. Kapadia, President and Vice-President, respectively, of the Indian Merchants' Chamber, Bombay, at the second quarterly meeting of that body last week, were as interesting as they were topical. While the I.M.C. President dwelt on some of the very important issues and problems confronting the economy of the country generally, such as prices, production, foreign exchange, import policy and labour situation, Mr. Kapadia, who apparently believes in the adage that "fools rush in where angels fear to tread," confined himself to an able analysis of the Government's taxation policy, a sphere in which he is an adept.

Among the many topics that he touched on, Mr. Tata chose to discuss at some length on the new import policy. In view of the country's acute foreign exchange position, he concluded that the present highly restrictive import policy was perhaps inevitable. It represents, he said, an attempt, on the part of the Government, to utilise the limited available foreign exchange in the best possible manner. On the labour situation, Mr. Tata pointed out that, in recent years, there has been a distinct slackening of discipline in the ranks of industrial workers. In view of the recent wave of labour unrest in the country, he considered the "Code of Discipline" — since forged at Delhi — as a document of considerable significance. It might be helpful in maintaining healthy industrial relations and induce a sense of co-operation between workers and managements, he thought, but he added an important proviso — "if it is faithfully implemented."

In the course of his speech, Mr. Kapadia referred, in particular, to the wealth and the expenditure taxes, and stated that, now that these two taxes have become a part of our tax system, the Government should take great care to ensure that "arbitrary exercise of the extensive powers vested in the administrative officers by the provisions of the Act do not result in the harassment of the assessee." In insisting on this, he only voiced the one common apprehension of all sections of the commercial community. The Vice-President of the I.M.C.

also offered certain pertinent remarks on the Administrative Tribunals, whilst alluding to the Central Sales Tax and some Customs difficulties. The proposal to establish Administrative Tribunals for the disposal of questions arising out of the administration of fiscal laws relating to Income-Tax, Estate Duty, Customs, Excise, etc., in this country, he said, had caused much concern to business men, as it involved a fundamental change in our judicial system. To quote Mr. Kapadia's own words: "To set up administrative tribunals outside the supervisory jurisdiction of the High Courts and the Supreme Court would mean the subservience of the Judiciary to the dictates of the Executive, and this would be detrimental to the growth of our infant democracy." This is a genuine fear. Also it is doubtful whether the proposal is not still too premature, in the sense that we have yet to build up the sound tradition of an independent judiciary. Unless the process of separating the executive from the judiciary is completed — a process about which we are still doing more arguing than acting — it is meaningless to talk of an independent judiciary.

ORE DEAL WITH JAPAN

CLOSE ON the heels of signing a deferred payments agreement for textile machinery between the State Trading Corporation of India and the Textile Manufacturers of Japan, there has come another delegation from Japan to have now an iron ore deal with this country. Much of the ground for this was prepared during the Prime Minister's visit to Japan. The understanding is that Japan would help in developing India's iron ore resources to expand her ore capacity. Since the iron ore resources are not intensively exploited, it naturally involves the development of iron ore deposits in Orissa, Madhya Pradesh and Andhra and the provision of new or additional railway facilities linking the ore site to Visakh before any deal is negotiated. The development of the ore mines together with the necessary transport and port facilities is proposed to be undertaken with Japanese assistance. The mining, railway and port development works are likely to cost about Rs. 15 crores and would take at least two or three years to complete. As the development of mining and railway transport is likely to take some time, actual ore exports may not start till the end of the second Five-Year Plan. Part of the foreign exchange cost of these development projects is likely to be met by the US from out of the President's Special Regional Development Fund.

It may be noted that Japan has already agreed to purchase from this year iron ore to the tune of 7.2 million tons. This arrangement is to last over a period of five years. The proposed arrangement would be in addition to this and would spread over a longer period. It is gathered that the supply of iron ore of about 2 million tons for which negotiations are going on at present would fetch about Rs. 11 crores of foreign exchange to India. In the year 1956, India exported about 1.5 million tons of iron ore to Japan. With increased exports to Japan under the five-year contract already negotiated this figure is likely to rise to about 2.5 million tons.

The Press reports indicate that the alternative sites of ore, development costs, problems of transport, port capacity, shipping, the period of agreement, and other relevant matters have already been discussed. The main question now left is the examination of technical issues in detail, which is likely to be finalized very soon. The agreement when arrived at would be of mutual benefit to both the countries. In the case of Japan, it would satisfy her steel industry's requirements in regard to the supply of iron ore, while in case of India it would enable her to secure capital goods against the exports visualized.

FACTS BEHIND FIGURES



Crystallising

1,900,000

tons of sugar



TEXMACO



**serves India's
basic industries**



TEXTILE MACHINERY CORPORATION LIMITED

Drop by drop supersaturated cane juice crystallises into 1,900,000 tons of sugar in the pans of India's 160 sugar mills. Under the Second Five Year Plan this annual output will rise by 35% to over 2.5 million tons. During the past 23 years the sugar industry, India's second largest industry, has imported Rs. 19.23 crores worth of mill machinery. Today, Indian machinery manufacturers produce Rs. 28 lakhs worth of machinery a year; by 1961 this annual output will rise to Rs. 250 lakhs, sufficient to meet the country's requirements.

Texmaco, pioneer in many fields of engineering, working in technical collaboration with Stork Werkspoor of Holland, manufactures and supplies sugar mill machinery of international standards.

Economic Report from the U.S.

TRADE AGREEMENTS PROGRAMME

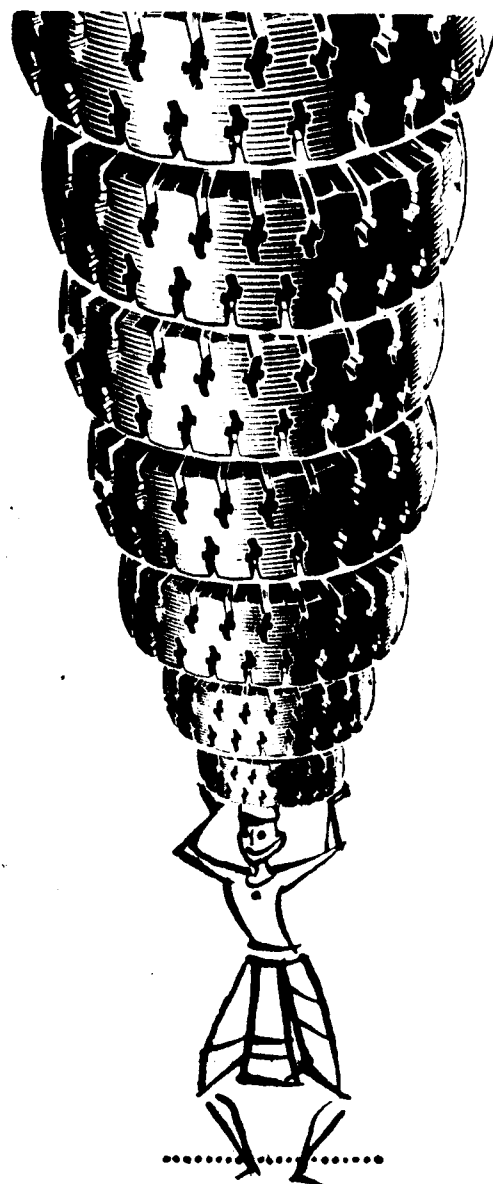
(By GUY SIMS FITCH)

WASHINGTON, Oct. 22.—The Eisenhower administration is now preparing, as part of its legislative programme, the specific foreign trade recommendations it will submit for congressional action next year. From all indications, it intends to press for a continuation of the liberal policies which have been the cornerstone of US trade relations for nearly a quarter of a century. A telling piece of evidence is a speech made last week to delegates from more than fifty countries by Vice-President Richard Nixon. In a thought-provoking address to the international industrial development conference at San Francisco, Mr. Nixon called not only for a sizable expansion of US private investment abroad but also for a five-year extension of the US Trade Agreements Act and for congressional approval of US membership in the Organization for Trade Co-operation. (O.T.C.) "Trade," Mr. Nixon noted, "is the great generator and vehicle of the capital the world so badly needs."

The US Trade Agreements Programme has been in continuous operation since 1934, and has been the principal instrument for reciprocal tariff reductions since then. It was extended for three years, back in 1955, and is up for renewal by next June 30. The Organization for Trade Co-operation is designed as a permanent administrative body for the General Agreement on Tariffs and Trade (G.A.T.T.), to which the US has been a party since its inception a decade ago. G.A.T.T., which now includes 35 nations conducting about 80 per cent of the world's trade, places on a multi-lateral basis the bilateral principles of reciprocal trade agreements. There is no doubt that G.A.T.T. could continue to operate satisfactorily without O.T.C., as it has for some ten years, but US officials believe a permanent secretariat would add to its influence and effectiveness. The impetus given by the US Trade Agreements Programme and G.A.T.T. to peaceful international commerce is seen in a few figures. Since 1938, world trade has nearly quadrupled, and last year reached a record total of \$93,000 million. This year it may well exceed the \$100,000 million mark. Over the same period, US trade has expanded at an even faster pace: US exports are up about six-fold, while US imports, now running at a record annual rate of about \$13,000 million, are about seven times larger than they were in 1938.

Whether Mr. Nixon's suggestion for an extension of the Trade Agreements Act for five years will coincide exactly with the final administration proposals remains to be seen. Heretofore, three years has been the usual renewal period. But whatever the period finally decided on, the administration already has served formal notice that it will seek the twin goals of trade-15 extension and O.T.C. approval. This was revealed two weeks ago by the foreign trade sub-committee of the US House of Representatives Ways and Means Committee. An administration statement was one of 56 papers released in a sub-committee compendium on trade policy. The administration paper, prepared by President Eisenhower's expert staff, pointed out that the Trade Agreements Programme has helped achieve the objectives of a liberal foreign economic policy in the past and should continue to do so in the future. It gives no indication of what changes, if any, will be sought in the programme as it now stands. In the last

renewal, Congress not only extended the programme for three years, but also granted the President significant new authority to cut tariffs. It is hoped in some official quarters that full details of the administration's trade proposals may be announced in another month or so. This would allow public study even before Congress, which is not now in session, reconvenes in January—another sign of the importance the administration attaches to its liberal trade programme.



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Company Meeting

JAY ENGINEERING WORKS LTD.

Steady Progress of the Company

Sir Shri Ram's Speech at the Annual General Meeting

The following is the text of the speech delivered by Sir Shri Ram, Kt., Chairman of the Jay Engineering Works Ltd. at the Annual General Meeting of the Shareholders of the Company held at Calcutta on the 16th October, 1957.

Gentlemen,

The Balance Sheet and Profit and Loss Account and the Directors' Report have been in your hands for some time and with your permission I will take them as read.

The year under report was one of steady progress as in the past, which is evident from certain figures given below:

Particulars	Year ending 31-3-1956	Year ending 31-3-1957
Sales	Rs. 3,05,31,764	Rs. 3,89,49,999
Profit before providing for Taxation	„ 27,26,497	„ 35,76,491
Number of Workers	2934 Nos.	3506 Nos.
Number of Usha Schools	150 „	196 „
Number of Students in Schools	11,000 „	15,000 „

As mentioned last year, we have been able to put on the market a Table Fan for Rs. 65 and a Ceiling Fan for Rs. 105.

We are continuously making efforts to improve the quality and reduce the costs of our products and with success.

The erection of the factory at Bansdhani of which I made a mention last year, has been completed, and most of the Fan Section has been shifted to the new factory and is running satisfactorily. I can say with some pride, that it is one of the best laid out factories in the country.

The Needle Plant was put up during the year under report, and its production is steadily going up. The quality is absolutely satisfactory.

I am glad to say that we have been able to produce a satisfactory Heavy Industrial Machine also and we hope the same will go in production by early next year, and thus we will be meeting the country's needs in yet another class of Sewing Machines.

We are also making efforts to design Zig-Zag type of Sewing Machine, and we hope to succeed in this effort soon.

The difficulty for obtaining various raw-materials, particularly Steel, Pig Iron and Hard Coke is greater now than what it was last year.

I am glad that the Government of India have, to some extent, made it easier to get draw-back on goods

exported, and will also supply a certain quantity of Steel at controlled rate on the basis of goods exported.

FOREIGN EXCHANGE

Last year I drew the attention of brother industrialists, to the importance and necessity of taking steps towards increasing exports, and earning foreign exchange. The position has not improved, and we all know the difficult foreign exchange position in which the country finds itself today, and I feel that Indian Industry as a whole owes a duty to the country in this hour of need.

Indian Industry has arrived at its present stage of expansion and development, as a result of various reasons — the Swadeshi Movement of 1905, the spirit of Swadeshi as manifested in the boycott of foreign goods, the protection given from time to time to industries, due to the pressure of the nationalist movement, and more recently, the restriction of imports of manufactured goods.

It is true that private industry has expanded very considerably, and has exceeded its quota of performance during the first Five-Year Plan. Probably, this will be repeated during the second Plan as well.

It is also true that the rate of contribution towards the increase in national income is higher, in the case of industry, than it has been in any other major sector of economy.

It is also creditable that the prices of industrial products have increased at a lower rate, as compared to either food products, of industrial raw-materials, as may be seen below:-

Rise in Price Index Between Oct. 1955-Sept. 1957

1. Food Products	+ 29.2 %
2. Industrial Raw Materials	+ 21.6 %
3. Manufactures	+ 9.9 %

This, it might be emphasised, has been so in spite of sizable additional burdens, on account of various excise duties, or increases in excise duties levied recently, and sales taxes, etc., etc.

Nonetheless, in these difficult times, attainment of targets — even exceeding of targets — and maintenance of lower and stabler price levels are not enough in themselves. Indian industry owes more than this to the country, at this difficult time. I am convinced that if we fully make up our minds, and make deter-

mined and sincere and honest efforts, Indian industry can export goods of the additional value of about Rs. 50 crores a year.

I realise that there are difficulties in the way, and that often the return in foreign markets is much smaller, than the return from sales within the country. But this is not the time for industry to concentrate on its immediate gains, or on its self-centered purposes.

I am glad that in this connection the Export Promotion Board recently set up, has made some valuable suggestions. I hope that the various Ministries will take early action, and implement the suggestions.

CO-OPERATIVE EFFORT

So far as the industry itself is concerned, they could very well join, on a voluntary basis, in a co-operative effort at propaganda and publicity, development, study of markets, inspection of goods prior to export, and take such other steps as would help in exporting larger volumes than has been the case in the past. It is equally important that those who are not exporters at all today, should also take part in the drive towards attaining greater exports.

Naturally, the greater responsibility in this matter would attach to the bigger industries. The case of the Cotton Textile Industry, faced with huge stocks and

poor demand, comes readily to my mind. It is tragic that in the largest Indian industry, there should be talk today about closing down factories, or reducing shifts when greater and greater production is necessary in the national interest. Besides Cotton Textiles, Rayon Weaving factories, Sugar Mills, Vanaspati factories, and various Engineering Industries like Bicycles, Sewing Machines, Fans and many others could join hands for achieving larger exports in this time of the country's need.

On our part, I am glad to state that the Directors of The Jay Engineering Works have made up their mind, to steadily increase their exports and thus earn, in whatever measure they can, additional foreign exchange for the country.

And I hope that my friends in various industries will forego my presumption in giving this advice to them.

Last year I closed my remarks by expressing the hope that it will be possible for us to give better account of the working of the year under report, and I am glad to say that due to the efforts and hard work put in by my colleagues at all stages, right from Mr. E. S. Agarwal and Mr. T. R. Gupta to the junior most worker, the results are quite satisfactory for which I am extremely grateful to them.

COMMODITY NEWS AND NOTES

NEW MARKETS FOR INDIAN PEPPER AND CASHEWNUITS

New markets for the export of Indian pepper have been found in Czechoslovakia, Poland, Bulgaria, Rumania, East Germany, Denmark and Switzerland. In 1956-57, over 1100 tons of Indian pepper valued at over Rs. 30 lakhs were exported to these countries. Of this, 517 tons were exported to Czechoslovakia. Barring a small quantity in 1953-54, Czechoslovakia had not imported Indian pepper before 1956-57. Poland imported 295 tons during 1956-57 as against 40 tons in 1955-56. Poland also had not imported Indian pepper earlier. Bulgaria took 135 tons of Indian pepper in 1956-57 as against 41 tons in 1955-56 and 12 tons in 1954-55. Rumania imported 100 tons and East Germany 15 tons during the period. The other countries, Denmark and Switzerland, imported for the first time in 1956-57, 16 tons and 4 tons respectively. Of late the Soviet Union has been importing sizeable quantities of Indian pepper. It imported 3,950 tons in 1955-56 as against 676 tons in the previous year. In the first 10 months of 1956-57, 1100 tons of Indian pepper were imported by the Soviet Union.

MILD STEEL TUBES AND TUBULARS

The Indian Standards Institution has issued, for eliciting comments, a draft Indian standard specification for mild steel tubes and tubulars. This draft standard covers their requirements of welded and seamless, screwed and socketed mild steel tubes and tubulars and of plain and steel tubes of nominal bores from 6 mm. to 150 mm. (1/8 in. to 6 in.) Three grades of thicknesses designated as 'Light', 'Medium,' and 'Heavy' have been included in this draft standard. This draft, however, does not indicate the service for which the three classes of tubes is appropriate. Comments on this draft may be sent before January 10, 1958 to the Indian Standards Institution, 19, University Road, Delhi-8.

EXPORT POLICY FOR RAW WOOL

The Government of India have reviewed the policy for export of raw wool and have decided that for the period October 1957 to March 1958 licences will be issued on shipping bills against firm contracts to established exporters and established newcomers within a ceiling on a 'first-come-first-served' basis subject to production of a certificate of Agmark Grading. Permission will nevertheless be given to established exporters and established newcomers to ship raw wool on a consignment account up to a maximum of 25 per cent of their individual allotment during the immediately preceding period. Licences will also be issued on shipping bills to fresh newcomers against firm contracts within an overall ceiling. Trade notices inviting applications will be published by the licensing authorities at the ports.

POLICY FOR IMPORT OF COTTON

The Government of India have decided to permit the import of 15,000 bales of cotton of over 1-3/16" staple length from soft currency areas. Government have further decided to permit the import of 10,000 bales of cotton of 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.

PRODUCTION AND OFF-TAKE OF SUGAR

The production of indigenous sugar amounted to 20.25 lakh tons up to October 15, 1957, in the current season, as against 18.59 lakh tons in the corresponding period of the last year. The total off-take, including quantities despatched for exports, was 20.24 lakh tons. The stocks with the factories on October 15, 1957, stood at 5.44 lakh tons.

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Milkwhite
Everpleasing
With beautiful unique borders
As good as woollens
Additional decoration for homes

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All types of Greys and bed sheets
Shirtings, checks, tickings.
Drill, Coating Etc.
Dyed Italian, Poplins, Bed Ford,
Embossed material.
Bleached longcloth and poplins.
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Birlanagar (Gwalior)

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Telegrams: "BIRLA" Birla Nagar.

COMPANY AFFAIRS

TATA CHEMICALS LIMITED

The Eighteenth Annual Report of Tata Chemicals, Ltd., namely for the year 1956-57, makes satisfactory reading in that production, total sales and profit all showed improvement over the previous year. Thus, after providing for depreciation (Rs. 26,56,583 including Rs. 10 lakhs towards arrears), taxes (Rs. 7,97,000), bonus (Rs. 3,53,000), Managing Agents commission (Rs. 2,80,910) and provision for retiring gratuities (Rs. 50,000) the profit amounted to Rs. 16,94,672 as against Rs. 16,94,482 for the previous year. Unlike in the previous year, there was no transfer from the Dividend Reserve Account and yet the total by way of dividend proposed works out to Rs. 14,19,530 as compared to Rs. 13,49,549 in respect of the preceding year. There has been a slight increase in the dividend from Rs. 0.75 to Rs. 0.80 per ordinary share, the dividend being free of tax in hands of the shareholders. In other words, the Company has become liable to Income Tax for the first time.

There was further improvement in the production of soda ash, sodium bicarbonate and caustic soda. While the production of benzene hexachloride which had been closed down in June 1956, was resumed (in March 1957) that of salt and marine products was maintained at the previous years' level. The magnesium sulphate, also was recommissioned during the year under review (this had been out of operation since 1954-55 for want of the proper quantity of bitterns) and a new product namely Ethylene Dibromide which is manufactured from bromine was put on the market for the first time. The full benefit of all these is not, however, reflected in the results of the year under review but may be expected to do so during the current year.

The total sales of the Company increased from Rs. 238 lakhs to Rs. 266 lakhs and according to the directors the sales would have been higher still but for the transport difficulties and congestion at the ports. Although there was no increase in the prices of chemicals, fuel prices, railway freights and wages recorded increases thereby affecting the profits to some extent. During 1956-57 also the Company benefited to the extent of Rs. 3 lakhs by way of tax saved as a result of the development rebate; the amount has gone to swell the Company's development reserve which now stands at Rs. 6 lakhs.

The Company's expansion schemes which include an increase in the capacity of soda ash plant from 200 tons to 400 tons per day, an increase in the capacity of the chemical caustic soda plant from 20 to 30 tons per day, an expansion of the capacity of the sodium bicarbonate plant from 15 to 30 tons per day, besides expanding steam and power plant for meeting the increased requirements of these expansion schemes, entail an estimated expenditure of Rs. 424 lakhs which it is proposed to finance partly from retained earnings, partly from borrowings and partly from an increase in the issue of capital. As the amount expected to be raised from internal savings and proposed borrowings is not enough for the purpose it is proposed to issue fresh capital. As the opinion of the shareholders at the last annual general meeting was not in favour of raising the capital in preference shares, the directors have proposed this time an issue of 11,20,000 ordinary shares at par to offer in the first instance to the exist-

ing shareholders. The unissued ordinary shares forming part of the Company's authorised capital to the tune of Rs. 10 lakhs falls short of this number and so it is proposed to increase the authorised capital from Rs. 5 crores to Rs. 10 crores by issuing 25 lakh additional ordinary shares of Rs. 10 each and 25 lakh unclassified shares also of a like denomination. With the proposed reorganisation of the capital structure there is expected to be a better balance between it and the gross block. As at present whereas the issued capital is only Rs. 2 crores the gross block expenditure is already over Rs. 4.04 crores which is expected to increase further by 1960-61 to about Rs. 7.8 crores. The decision to increase the capital has thus come none too early.

The directors refer to the coming into being of Tata-Fison Private Ltd., on June 28, 1957 which has been appointed the Company's sole distributors of the Company's insecticidal and fungicidal products. Fisons Pest Control Ltd., U.K. with which Tatas have combined to form this new Company are well known in this field and have both suitable personnel and considerable knowledge in the technology, marketing and sale of pest control materials. Among others, the Tata Chemical shareholders are called upon to approve the selling arrangement with this Company at the forthcoming annual general meeting.

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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	625.2	376.2	..	..	..	..
1949-50	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	384.4	467.7	359.2	387.4	686.6	397.5	90.4	100.6	87.3	95.0
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	419.8	338.2	372.9	546.4	360.4	90.9	100.8	87.3	121.6
1956-57	388.5	501.9	402.3	384.6	559.3	414.0	90.5	100.1	82.9	121.2
March 1957	402.7	518.1	403.3	384.1	569.6	421.3	89.9	98.9	79.8	111.5
April	408.3	514.7	400.0	384.3	567.1	422.1	89.9	99.0	78.7	106.9
May	419.3*	536.3	406.5	387.7*	572.3	431.2	89.4	99.1	78.4	104.1
June	433.2*	541.4*	413.0	392.4	578.0	439.2	89.5	99.0	77.6	102.6
July	439.8	544.4	413.3	392.3	637.1	443.5	89.2	98.8	76.6	105.2
August	440.9	530.6	411.2	392.7	643.3	441.8	89.0	98.8	75.6	103.0
September	424.1	525.3	409.1	394.7	644.0	435.9	89.0	98.0	74.0	99.0
24-8-1957	436.9	536.4	409.3	392.9	643.7	439.5	88.9	98.8	75.4	102.3
31-8-1957	435.9	527.8	409.5	393.4	644.0	439.6	89.0	98.8	74.9	101.6
7-9-1957	432.4	534.8	409.1	394.2	645.9	438.4	89.0	98.4	74.3	101.2
14-9-1957	428.9	527.1	410.2	394.6	640.7	437.8	89.0	98.0	74.1	99.8
21-9-1957	419.4	527.0	409.7	395.0	644.5	434.9	89.0	97.9	74.0	98.5
28-9-1957	416.1	521.8	407.1	395.0	644.9	432.6	89.0	97.9	73.8	97.6
5-10-1957	414.6	532.7	406.1	395.0	643.4	433.5	89.0	97.7	73.6	97.3

* Average of weeks.

Revised*

†Economic Adviser's Series.

††Reserve Bank Series.

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1940	233	303	243	132	339	471	372	146	309	168	136	134
1941	292	307	248	132	348	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	168	334	167	160	144
1944	321	337	250	143	351	441	380	156	330	151	154	141
1945	346	363	275	140	349	453	387	151	351	147	156	145
1946	342	359	244	138	327	408	373	139	341	148	140	138
1947	322	338	218	130	321	371	364	133	321	134	135	132
1948	336	352	244	142	347	424	397	151	356	152	146	145
1949 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
1950 January	339	355	252	150	354	436	411	156	372	157	144	149
February	341	357	253	150	350	438	411	158	369	157	148	148
March	340	356	254	150	348	433	415	158	367	158	148	148
April	340	356	256	148	345	427	415	162	369	161	152	148
May	347	363	257	151	352	441	418	163	369	157	156	150
June	354	370	259	152	371	446	422	168	373	159	156	153
July	360	376	263	152	371	459	422	—	375	159	164	155
August	361	377	265	155	—	468	—	—	373	—	—	156
September	—	—	—	149	—	464	—	—	—	—	—	—

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	11-10-1957			4-10-1957			27-9-1957			20-9-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	107.25	106.69	107.05	107.34	106.44	106.64	107.56	107.12	107.45	108.09	107.28	107.73
Silver (per 100 fine tolas)	184.37	182.75	183.36	184.87	183.87	184.31	185.44	183.69	184.74	185.62	182.56	184.68

SCHEDULED BANKS

(Rs. in Lakhs)

Period (1)	LIABILITIES			Cash (Notes + Coins) (5)	Balances with Reserve Bank (6)	(5 + 6) as percent- age of (4) (7)	Advan- ces (8)	Bills Discount- ed (9)	(8 + 9) as per- centage of (4) (10)	Invest- ments in Govt. Securities in India (11)
	Demand (2)	Time (3)	Total (2 + 3) (4)							
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	--
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	32.06	53.91	9.50	468.39	84.66	60.88	339.74
1955-56	608.64	407.95	1,016.59	34.64	62.52	8.69	514.37	118.08	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56	71.39	359.35
Average of Fridays										
February 1957	683.02	466.94	1,172.05	36.27	50.29	8.64	687.52	166.33†	74.97	357.27
March	705.11	491.75	1,220.03	39.31	51.79	7.97	708.67	168.45†	75.55	348.75
April	728.28	455.05	1,094.83	38.15	65.12	7.99	719.66	183.45†	74.69	345.68
May	723.73	516.38	1,240.11	39.26	59.74	8.08	744.48	188.14†	76.10	343.32
June	715.22	547.21	1,262.43	41.39	67.44	8.72	744.73	181.73†	74.24	335.02
July	724.80	562.69	1,287.49	39.62	80.45	9.47	720.06	179.44†	70.97	332.44
August	712.19	582.65	1,294.84	38.83	88.01	9.96	696.16	174.44†	68.33	350.31
Week ending 30-8-1957	713.83	597.03	1,288.14	38.92	100.00	10.79	683.31	171.58†	66.37	371.24
8-9-1957	714.55	601.66	1,291.81	37.81	101.32	10.77	680.54	166.53†	65.57	365.90
13-9-1957	717.58	612.47	1,303.55	37.52	98.44	10.43	678.99	163.78†	64.65	375.50
20-9-1957	718.56	616.24	1,308.42	36.64	93.14	9.92	675.63	159.99†	63.86	386.04
27-9-1957	719.65	619.54	1,312.72	36.74	88.57	9.55	676.89	161.93†	63.90	386.27

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday (1)	Money supply with the public (2) = (3) + (4)	Total currency with the public (3)	Deposit money with the public			Total variations in money supply (7)
			Total (4)	Demand liabi- lities of banks (5)	Other deposits with Reserve Bank† (6)	
1952-53	1,764.71	1,199.25	565.46	548.95	16.51	-39.08
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	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
August 1956	2,134.92	1,451.77	683.15	663.32	10.35	-12.98
September	2,109.41	1,435.95	673.46	672.79	10.54	-25.51
October	2,123.00	1,442.52	680.48	662.92	10.84	+13.59
November	2,151.46	1,462.01	689.45	669.64	11.46	+28.46
December	2,178.65	1,485.34	693.31	677.99	11.96	+27.19
January 1957	2,220.47	1,509.90	711.57			
February	2,264.55	1,528.31	736.24	724.46	10.77	+42.82
March	2,312.89	1,556.50	756.39	744.74	11.78	+43.08
April	2,362.37	1,586.44	775.93	763.43	12.51	+49.48
May	2,381.99	1,596.43	785.55	762.01	23.55	+19.62
June	2,342.70*	1,563.16*	779.54*	756.90*	22.64	+39.29*
July	2,309.38*	1,521.45*	787.93*	766.04*	21.89	-33.32*
August	2,340.19*	1,489.47*	750.71*	739.29*	11.42	-69.19*

* 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
1956	106	112	102	102	104	108
1956 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
March	109	114	104	106	106	110
April	110	114	104	106	106	111
May	110	115	105	106	106	111
June	—	116	106	105	107	111

† Manufactured goods only.

Source: U.N. Monthly Bulletin of Statistics.

LATEST CROP ESTIMATES

Crop	Estimate	Area		Yield	
		Acres ('000)	Increase + or de- crease — over the corresponding estimate of the previous year (per cent)	Tons ('000)	Increase + or de- crease — over the corresponding estimate of the previous year (per cent)
Food grains:					
Rice	Final 1956-57	78,174	+1.7	28,142	+4.8
Wheat	Final 1956-57	32,891	+8.2	9,068	+8.6
Jowar	Final 1956-57	41,314	-3.7	7,427	+12.6
Bajra	Final 1956-57	27,642	-1.7	2,926	-13.4
Maize	Final 1956-57	9,244	+1.4	3,620	+18.2
Ragi	Final 1956-57	5,674	-0.3	1,914	+5.2
Gram	Final 1956-57	23,990	-0.7	5,930	+11.8
Tur	Final 1956-57	5,696	+1.0	2,047	+11.9
Oilseeds					
i. Edible—					
Sesamum	Final 1956-57	5,433	-3.9	451	-1.3
Groundnut	Final 1956-57	13,101	+3.2	4,086	+5.8
Rape & Mustard	Final 1956-57	6,211	-1.7	1,017	+19.9
ii. Non-edible					
Linseed	Final 1956-57	3,758	-0.6	349	-15.7
Castorseed	Final 1956-57	1,405	-0.2	129	+4.0
Fibres:					
Cotton	Final 1956-57	19,843	-0.7	4,723*	+18.0*
Jute	Final 1956-57	1,883	+8.3	4,221*	+0.6
Mesta	Final 1956-57	738	+29.0	1,474*	+27.2
Other Crops:					
Tobacco	Third 1956-57	1,007	+1.0	300	+4.5
Potato	Second 1956-57	691	+3.6	1,599	-3.0
Sugar cane	Final 1956-57	5,019	+10.0	66,890	+12.8

* Bales of 480 lbs.

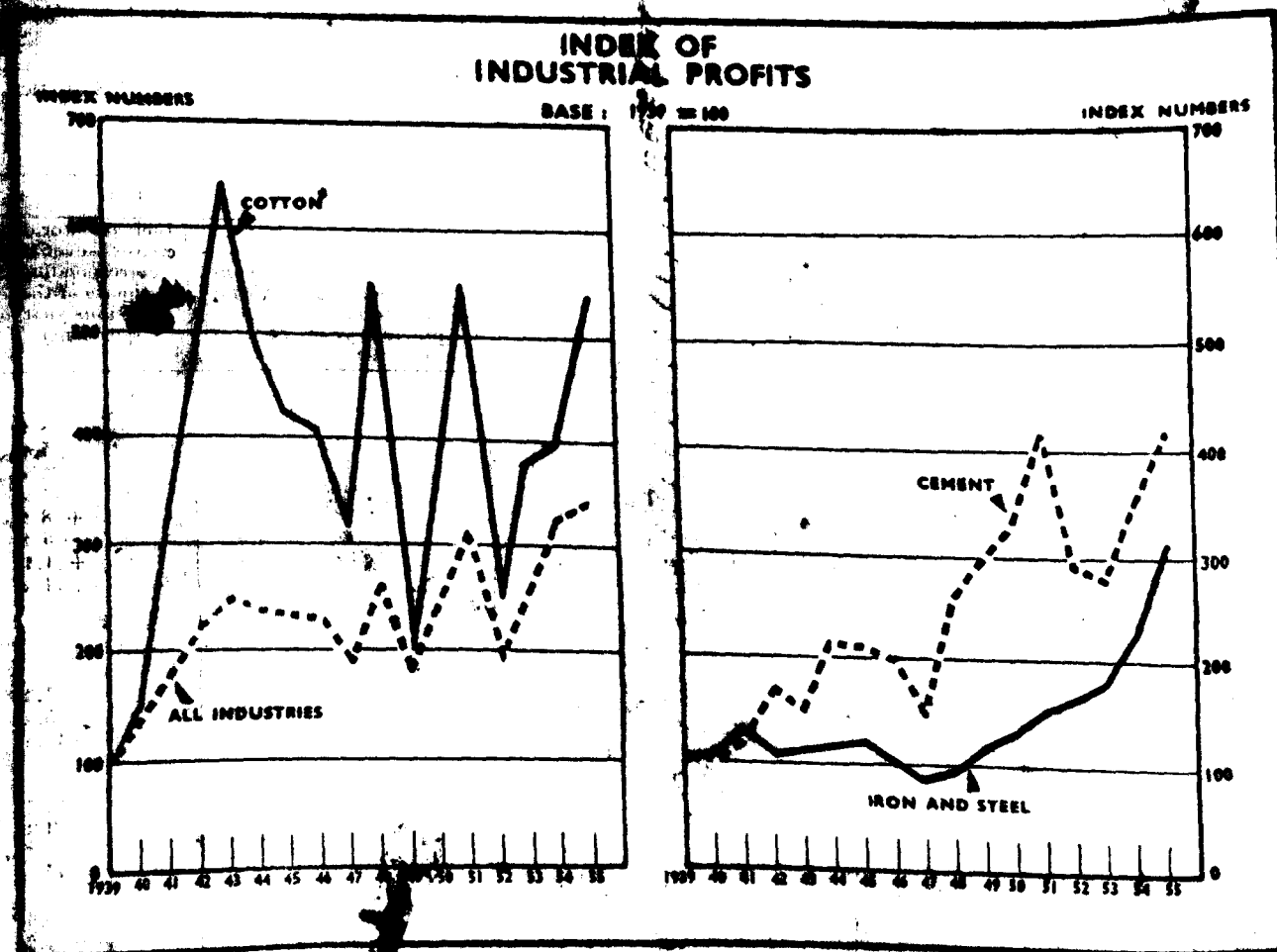
Source: Ministry of Food and Agriculture.

INDEX NUMBERS OF INDUSTRIAL PROFITS

(Base: 1939=100)

Year	Jute	Cotton	Iron and Steel	Tea	Sugar	Paper	Coal	Cement	All Industries
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	221.3
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	218.3	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	262.6	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	335.4	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	—89.8	409.8	566.8	220.4	293.4	190.8
1953	326.2	379.4	179.4	391.4	419.8	512.7	145.5	279.0	261.2
1954	354.7	398.9	226.3	743.8	336.1	666.1	161.0	341.4	320.3
1955	277.5	535.0	307.9	186.1	413.5	747.8	200.4	409.7	334.3

Source: Ministry of Finance



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ONE RUPEE

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Ngo Dinh Diem

THERE is a tide in the affairs of States which, taken at the flood, leads on to friendship. In the case of India and Vietnam we find ourselves at this time on this tide. The main credit for choosing the time and sensing the tide must belong to Mr. Ngo Dinh Diem, President of the Republic of Vietnam, who arrived in New Delhi on November 4, and has just left the country after a most successful series of engagements here and in Nangal. There are few heads of Asian States that have been able, in so short a time, to create so deep a sense of sincerity and of personal independence. It so happens that in India the role of South Vietnam has been constantly obscured, first by the unhappy Bao Dai regime and secondly, by the belief that the President after the Geneva Conference was, in fact, being influenced by anti-Communist forces outside himself. In our days of simple speaking, we now know that the picture of Mr. Ngo Dinh Diem as a creature of foreign powers is false in the extreme. Here, ever, was a representative of an Asian people proud, passionate, and convincing; a man in and of Asia's own heart.

The visit will be significant for many reasons, not the least being the ancient ties of culture and trade between India and Vietnam. Contacts between these two countries — in fact, between Asian countries generally — dimmed away in the 13th and 19th centuries, when the Europeans conquered them. This state of affairs began to end only after the Second World War, when, one after another, India and several other countries of Asia attained independence; gradually, these nations began to look around for the threads which they had dropped during foreign subjugation.

But time had passed; circumstances had changed, and in a world hurtling through the atomic era, the mass of the Asian people fumbled in ignorance, hunger and misery. These are immense problems, common to the newly independent countries of Asia, but they are problems which only independent nations are privileged to encounter. Like other free Asian countries, the Republic of Vietnam is confronted with tremendous social, economic, political and defence problems. They are, in greater dimensions and more

urgent in form, the problems that India herself faces. The common-ness of these problems and the common-ness in the two countries of faith in democracy and individual dignity imply common-ness of purpose and to some extent of the solutions that have to be sought. It is but natural that the two countries should come closer. Mr. Diem's present visit, and the recent visit to Vietnam of Dr. Radhakrishnan, India's Vice-President, are evidence of it. Dr. Radhakrishnan, it may be remembered, had remarked in Saigon that "we (in India) are trying to combat hunger, disease, illiteracy etc. in our country, and we are attempting to do so by democratic process. It is good to know that in the task we have the sympathy of friendly countries like Vietnam. Vietnam is engaged in the same task." This might profitably be put beside Mr. Diem's remarks in the course of his inaugural address at the recent Colombo Conference: "We all face the problem of attaining economic progress, of raising living standards, and of enlarging the volume of trade around the world from which all countries may benefit. How else can we quench our passion for equality, respect and status? How else can we leave behind man's ancient enemies — poverty, disease, ignorance, and political instability?"

Apart from all this, Mr. Diem's visit also has a significance which Indians would do well to ponder — a significance in respect of this country's approach to her foreign alignments and frontier defence. For too long has this country been hoping that words would have the significance of bonds. Bandung and Panchsheel have been the expression of this hope. And so far as she is concerned her own word has indeed been her bond. But India has discovered from experience that the world is not yet ripe for replacing vigilance by verbal assurances. That seems to be the reason for the comparative restraint and wariness which characterizes her attitude to China today. China's dubious attempts to manoeuvre a position for itself in Nepal, and along the India-Tibet frontier generally, have been far from reassuring. If it is true that such a reorientation has taken place then realism would seem to have entered our thinking and policy. In this age of atom-splitting and satellite-rattling, old national frontiers have little meaning. The world has, for good or bad, crystallized into two widely divided blocs; and national frontiers have tended to merge into a single frontier, between democracy and its antithesis: nationalism is now practically an antiquated concept. Non-alignment is, of course, an excellent thing, academically speaking; but let us not forget that, in time of crisis, it is the enemy who will decide whether we remain neutral. And in the present case, the enemy has left nobody in doubt about what is being aimed at: he is committed to aid and abet insurrectionary and subversive activity in a country not to his liking.

It is true that, since 1955, China has not entered into open conflict with any South-East Asian country; but it has certainly not departed from its policy of small-scale military pressure at weak and ill-defined peripheral countries like Burma, Vietnam and Malaya. It has not given up its well-planned proselytizing mission of "world revolution" in the indeterminate future. Considerable evidence of long-term aggressive aims is provided by official maps printed in the People's Republic of China as late as in December, 1956. These maps show as Chinese territory the Kachin and Wa states of Burma, parts of Kashmir, Assam, Afghanistan, the whole of Tibet, and other non-

Chinese territories. Specifically, this means using Communist parties, where they exist, trade unions and front organisation; Chinese communities; illegal immigration; and Chinese newspapers. The recent troubles in Burma, Cambodia and Singapore should help correct the pleasant picture presented by its apologists and partisans.

President Diem should be helpful to us in deciding how to remain uninvolved in power blocs or military arrangements such as South-East Asia Treaty Organisation and the Baghdad Pact without compromising or endangering our economy or political stability. This great Asian has accepted aid from the West, particularly the United States, but he has consistently refused extraneous commitments, without any damage to his country. It will be equally wrong to assert that the stability that we find in Vietnam is due to American aid. Our neighbour, Pakistan, which has received several times more aid from America, is still far away from achieving either political or economic stability. The stability in Vietnam is due to Mr. Diem's deft and clever handling of the tasks and problems facing his country.

Doubtless, India does not show indifference to the issues that ultimately have a vital bearing on her, or any other country's independent nationhood. Only our policies are too woolly and idealistic at times. It is to be hoped that the visit of Mr. Diem will start a new line of thinking in New Delhi. India would, therefore, be acting in her own interest in enlightened manner if she raised her sights higher than the Indo-Pakistan border, with which her leaders seem pre-occupied, and brought her defence strategy abreast of political facts today. For purposes of defence, India's frontier — the free world's frontier — begins from the Caspian Sea north of Iran, goes along the Oxus, loops over Kashmir, comes down along the MacMahon Line, follows the northern boundary of Burma and Indo-China, and cuts through Vietnam at the 17th Parallel. It would be military wisdom for us in this country to consider the 17th Parallel in Vietnam as our strategic defence limit in South-East Asia; and, since war is an extension of politics, it would be political wisdom to remain as friendly with peoples this side of the above delineated frontier, as it is in our power to be, specifically as a warning to a potential aggressor that he will have to face united opposition.

Thus it has come about that India's relations with Vietnam have entered today on a new chapter. It is a chapter fraught with great possibilities, not merely for Vietnam whom we are likely to help in a greater measure in technical co-operation and economic education. Events are compelling us to move from our position of relative isolation in South-East Asia to recognise that we really occupy a fulcrum of a great balance which is held in equilibrium as much by our internal stability as by weights that go into its end-points. Vietnam as a strategic end-point is now, we feel, in safe hands; and pressure on the fulcrum is less whether or not we agree on many details such as the character and expression of Mr. Diem's anti-Communism. In a sense, we have both moved some little distance in the last month. That is in the nature of friendship which requires mutual accommodation on detail when the purpose of friendship is known to both sides to be enduring. To Mr. Ngo Dinh Diem again goes the success of having reached out his hand to us; to us the success of having clasped it well.

The Problem of Productivity

THE Seminar convened on November 1 and 2 by the Ministry of Commerce and Industry of the Government of India to discuss the setting up of a vigorous productivity movement in the country was an imaginative and far-sighted move which deserved fully the warm support that it received. On this particular occasion—which is not the case always—the ground was very well prepared. It will be remembered that a study team had examined the productivity movement in Japan, and its report recommended the formation of a National Productivity Council in India with very specific objects and a constitution which would both generate popular enthusiasm and be effective in detail on the shop-floors of the country. The preliminary papers of the Seminar circulated by the Government of India showed they had gone through this report minutely and added valuable elements to it. In the result, the hundred participants of the Seminar were served with a precise framework for action, which in itself was one of the reasons for the success of the Seminar.

From the discussions at the Seminar, one might, perhaps, be tempted to believe that there was general unanimity. The need for a productivity movement caught every interest in its wide sweep. There were, however, differences of approach not only between employers and labour but between elements in the "other interests" groups. Mr. H. N. Kunzru, in particular, thought that the productivity movement proposed had accorded an insufficient place for consumers. There was substantial discussion on the relation between the National Productivity Council, the Governing Body for the movement, and the Local Productivity Councils. The preponderance of practical advice, whether from employers or from labour, was in favour of placing due emphasis where, surely, it should belong—first, on the shop-floors and then on Local Productivity Councils. It was, however, recognised that for a National Movement there was some gain from a large Council drawing its strength from the country's enthusiasm as a whole. This enthusiasm could create a climate or a consciousness, which could act as a catalytic agent for Productivity enterprises in areas not yet informed adequately about detailed action.

The compromise which was reached was to have a substantial National Productivity Council with a very small but effective, governing body at the Centre; but the National Council would do no more than provide a "model" constitution for Local Productivity Councils. This loose association is likely to be more effective than the original proposals in which much direction was left to the Centre. Much of this realism was induced by the power of good persuasion. Dr. Vikram Sarabhai, who was the leader of the delegation which visited Japan, needs to be given a tribute, not only because of the character of the delegation's report, but because of his insistence in the discussions of the Seminar on the importance of the shop-floor in every productivity movement.

There are, naturally, differences as to how productivity on the shop-floor can be most rapidly achieved. But at least two suggestions which were made deserve special consideration. One of these was the suggestion that productivity teams on the model of those of the Anglo-American Productivity Council should be constituted both on a unit and, if possible, on an industry basis to carry

the impulse of efficiency in the good units into those mediocre or bad. The analogy of the Anglo-American teams was a fruitful one. For these teams give a model not only of organisation, but also a model for precise reports showing exactly what productivity teams have to do and how they can set out their conclusions. The second suggestion was a matter of spirit. The movement was to be essentially an experiment with decentralised authority at the point where managerial decisions were made. The assurance was given by Mr. Manubhai Shah, Minister of Industry, that the productivity movement would never be forced on by the exercise of Government powers and regulation and control. Thus, the principle has been adopted that this is to be a private sector, not a public sector, effort. The movement is essentially permissive, notwithstanding the powers of the Governing Body on the withholding of grants. Thus it comes about that a happy beginning was established both in the spirit and the letter of the new movement.

It was interesting to see from some figures quoted in the process of discussion that productivity in India has already got off to a good beginning, the increase in Indian industry being something of the order of 6 to 8 per cent in each of the last three years. It would be a mistake, however, to suppose that this substantial increase in productivity is at all general. There is room for enquiry why there are so many exceptions.

There is certainly a big job in public relations to be performed, particularly in respect of labour. One forceful labour speaker pointed out that in the last three years profits had fared better out of increased productivity than other contributing elements in production. While this is true of some industries, it is doubtful if it can be shown that as a result of the productivity movement, either here or elsewhere, this is a general danger. One of the remarkable results of the productivity movement in the United States has been the setting up of a trend by which substantial gains have been won for labour in terms of its percentage share of net product of American industry. It is a vital responsibility which rests on managements now to see that workers share adequately in the benefits of productivity increases. We shall build on sand unless labour feels that the productivity movement is its own.

There remain, as always, difficulties of implementation. But the consensus of opinion after the Seminar was that a very happy beginning had been made. It is not necessary that one should ask at this stage for more. But there is, luckily, a general confidence that under the guidance of Mr. Manubhai Shah, who showed great awareness of the problems involved, implementation will be as good as the preliminary preparation. One of these problems is how to remove the apprehension that the productivity movement, by streamlining industrial processes and techniques, would make some labour redundant and thus add to unemployment. The experience of other countries does not warrant any such fear. In any case positive measures could be undertaken to avoid any possible unemployment in the initial stages, and one of these is careful advance planning in the introduction of productivity schemes. If the productivity councils evolve suitable procedures by detailed advance study, implementation should present no insuperable difficulties.

Exports for the Plan

THE extent to which the Export Promotion Committee has acquitted itself of the task set before it may be judged from two angles. The problems posed before it in its terms of reference are basically of a long-range character. It would be reasonable to assess the value of its labour from this angle. This was one of the objectives of the Government in appointing the Committee. But undoubtedly it was not as pressing and urgent as the other objective. The preamble to the Government resolution appointing the Committee makes it clear that the widening gap between the foreign exchange required to execute the second Plan and the volume available for this purpose was the major reason which influenced Government's decision to obtain the expert advice of the Committee. It was, therefore, expected to suggest ways and means for raising the effective contribution of exports in augmenting our earnings of foreign exchange in the immediate future.

Our imports have been cut to the bone; nevertheless, the obligations which have been incurred by virtue of firm commitments on import orders ought to be honoured. There cannot be an iota of doubt that they will be honoured. Only four days before the Committee's report was released, an ordinance was promulgated on October 31, to vary the terms of the statutory requirements of the currency reserve. The new conditions of the statutory reserve, which facilitate larger withdrawals of our sterling balances, are calculated to meet the demands of external payments during the next ten months or thereabout. Withdrawals of this order may not be necessary in all probability. But this exceptional measure which has been undertaken is sufficient to underline the urgency of augmenting foreign currency resources for the Plan. The Committee was called upon to tender an interim report (which it did early in June), presumably to assist immediate measures of policy to stimulate exports. It is, therefore, inescapable that the Committee's report should be scrutinised primarily from this angle.

It is difficult to say that the Committee's report provides an effective answer to this crucial challenge. The chapter dealing with the policy and programme for foreign trade is significant as explaining the Committee's approach to the problem of the immediate future covering the remaining period of the Plan. Almost the entire relevant discussion of the subject reveals either an academic treatment of the subject or lack of clarity in thought in coming to grips with the issue in an objective manner. The Committee envisages two stages in the development of the future pattern of our external trade. What is really surprising is its reluctance to accept the logic of the probable developments in our foreign trade during the first stage. The second stage in which the composition of our exports will be characterized by a distinct change towards diversification, marked by a larger content of manufactured goods and a wide range of consumer goods, is a matter of some distant future.

The first stage which is of immediate relevance is the one through which this country is now passing. Its predominant features are well stressed by the Committee: "At first,

on account of intensive internal development, imports will increase largely due to massive imports of metals, plant, machinery, transport equipment, mineral oils and industrial raw materials, which are the sinews of economic advance, while exports will tend to remain stationary or even show a tendency to decline on account of an increasing proportion of indigenous raw materials and metallic ores being processed within the country and retained for domestic consumption." The legitimate conclusion drawn is that what cannot be met by exports must be met by withdrawals of sterling balances and foreign loans or grants.

There is a little lack of objectivity in the Committee's analysis of this problem. There is too much stress on the creation of an export climate and export consciousness, without enough description of what constitutes these desirable intangibles. Similarly, an exhortation to trade and industry to organize themselves to take deliberate risks and launch an export promotion campaign may not carry the economy forward.

The report is, finally, unreal on the omnibus target which it has recommended. Adverting to the programme of expansion of exports laid down in the Plan, the Committee records its firm view that the target of average annual exports of Rs 593 crores is conservative and actually slightly below the performance in 1955. But it hastens to add a rider that the conservative level at which the export goal is fixed is "right," since a developing economy gives rise to increased incomes and increased pressures on domestic supplies. The challenge of the widening deficit, however, is a stark reality which must be faced. To face it is the function of export promotion. From this premise, the Committee immediately arrives at the conclusion that our exports must be stepped up to Rs 700-750 crores from now on. It emphasises that this is in no sense an ambitious target. How this eminently desirable target is to be reached is not specified in the report. There are no targets set for individual commodities nor is there any amplification about the markets which would provide outlets for exports of the anticipated order.

To point out these grave gaps in the report is not to underrate the importance of a document which is bound to prove a valuable guide for long-range policies to stimulate exports. For the major part, the Committee confines itself to programmes for export commodities in a detailed manner. It also deals exhaustively with aids and incentives which would be essential to promote exports. The modest tax reliefs which it suggests for exports and exporters present a choice between sacrifice of some rupee resources for the public sector in the Plan and gains in foreign exchange resources for the total Plan. How the choice should be made is obvious. The different types of aids recommended by the Committee are all matters involving organizational machinery which can be created over a period of years, if diversification of goods and markets is to be achieved on a secure basis. At least a brief but special treatment of selected commodities for concentrated attention in the export drive in the immediate future would have enhanced the utility of this report.

THE WEEK'S NOTES

MARSHAL ZHUKOV'S DISMISSAL

AFTER A week of inconclusive speculation, the air of mystery about the future of Russia's relieved Defence Minister, Marshal Georgi Zhukov, has cleared: he has been demoted and is in disgrace. Mr Khrushchev's statement, that Marshal Zhukov would get a new post in keeping with his qualifications and experience, indicates another military job. Probably he will be posted in an outlying territory far from the hub of Soviet power in Moscow. This was exactly what Stalin had done in April, 1946, when he recalled Marshal Zhukov from Berlin and sent him to look after the fortifications in Odessa. Little was heard of him until 1953 when, after Stalin's death, he was appointed Deputy Defence Minister. Those were the hey-days of the theory of "collective" leadership. But, as is natural in a totalitarian society, the struggle for power began soon after among Stalin's heirs. Beria was executed and his political police rendered powerless with the support of Marshal Zhukov, who was Russia's war-time hero. It was, again, with his decisive support that Mr Molotov, Mr Malenkov, Mr Kaganovich and Mr Shepilov were stripped of power in July last, after a critical struggle in the Central Committee. The result may well have gone against Mr Khrushchev if Marshal Zhukov had not gathered together from all over Russia the members of the Central Committee to vote for him.

From the time the "anti-Party" group, led by Mr Molotov, had been got rid of, it was generally expected in the Free World that a showdown between Marshal Zhukov and Mr Khrushchev, for first place in the Soviet hierarchy, would begin. Apart from the Communist Party, the only organized body which could exert its influence all over Russia was the Red Army. Perhaps in the very act of helping Mr Khrushchev to power, Marshal Zhukov had sealed his own political fate. With the dismissal of Marshal Zhukov, Mr Khrushchev has apparently emerged as Russia's Number One; the only other member of the old guard, Marshal Bulganin, has fallen far behind. This is evident from his being left out of Russia's recent delegations to the satellite countries. "Collective" leadership, which was resorted to after Stalin's death, has apparently been decollectivized.

But the changes in the Soviet hierarchy do not bear even remote resemblance to Bonapartism—a term which has erroneously been used in the Indian Press. It is not a soldier but a civilian who has captured power. It would be more appropriate to call it Stalinism. Following Lenin's death in 1924, it may be remembered, Stalin took four years, with the support of Mr Kamenev, Mr Bukharin, Mr Zinoviev and Mr Rykov, to oust Trotsky. These allies were liquidated in the "great purges" of the thirties. In 1937, Marshal Tukhachevsky, 374 generals and 34,000 of lower-rank officers were shot after a secret trial. Stalin reigned supreme thereafter. Mr Khrushchev seems to have accomplished the job in less than five years. But the last act is not yet over. Fortune is notoriously fickle but nowhere perhaps more fickle than in a totalitarian society.

RUSSIA SCORES AGAIN

RUSSIA HAS added a golden chapter to the world's scientific history by successfully launching two artificial earth satellites in rapid succession. These two man-made moons are now circling the globe at an orbital speed of five miles per second. The latest "Sputnik"—Russian word for "fellow-traveller", here the natural moon's artificial fellow-traveller—which weighs half-a-ton is, however, an even more spectacular achievement than the first one which took the world by storm early last month. As a scientific and technological feat, the launching of such a heavy body at such a height as 1,000 miles above the earth is truly Herculean. One wonders if the new Hercules who has

taken the half-a-ton sphere to its orbit is some kind of nuclear fuel unknown to the West. If the Russians have discovered such a fuel, it means they must have made giant strides in chemistry. In fact, it is not only in this field that they appear to have advanced greatly but in all such scientific fields as are related to rocketry—namely, ballistics, astronautics and metallurgy. Again, Russian progress in these fields appears to have been made possible by some remarkable basic research in mathematics and physics.

This Soviet progress, remarkable as it is, may not give the Russian scientists any permanent lead over their counterparts in the West in general and in the United States in particular. There is already a great stir among the American scientists, and the National Science Foundation has just recommended a series of energetic measures for promoting the growth of basic research in the United States which has all along devoted greater attention to applied research. The American giant is thus awakened to the need for more basic research, and the recommended scheme of incentives to be provided for industry, private organisations and individuals to increase their gifts for such research is in the best American tradition. If Federal grants for basic research do not also carry undue restrictions on the freedom of scientists and universities, American research performance may soon catch up with the Russian. It is the world's hope that this scientific competition between the two giants—the United States and the Soviet Union—will be a healthy one, making for mankind's happiness.

A MOMENTOUS MEETING

THE INFORMALITY of the recent visit of Mr Harold Macmillan, the British Prime Minister, to Washington does not detract from its urgency. The visit took place under the shadow of the Sputnik, a warning of the technological lead which Russia has obtained over the Free World. The difficulties into which the Eisenhower Doctrine has run in the Middle East have created confusion in American minds; the British tradition of diplomacy, despite the Suez blunder, would possibly be of value to the Americans in that matter. Mr Macmillan's statement at Ottawa, that he and President Eisenhower had been able to work out a new theme—of interdependence of free nations in the interests of the free world—confirms this impression. That the United States administration should think of a change only after the Russian triumph is one more example of this great democracy's unwillingness to recognize its errors until it has suffered its worst consequences. Till now the United States had turned a deaf ear to Britain's plea for sharing of scientific knowledge, even after the latter had perfected and tested nuclear weapons. To what extent Anglo-American co-operation in the political, economic and scientific spheres has actually been ensured time alone will tell.

Strangely enough, the rest of the joint communique issued by President Eisenhower and Mr. Macmillan contains nothing new to signify any change in strategy to meet the challenge of the missile age. It merely reaffirms the old disarmament proposals, the desire to reinforce "local defensive shields" with deterrent and retaliatory power of nuclear weapons and continued reliance on military pacts. It has ignored the main lesson of the new scientific developments: neither the Western nor the Communist powers can any longer base their strategy on negotiating from "positions of strength." As both the blocs are in possession of the absolute or near-absolute weapons, a major war has definitely been ruled out. The only sensible strategy, therefore, seems to be the establishment of the superiority of their respective systems in the various fields of life. The Western Powers should realize that subversion by

totalitarian forces can be effectively checked not by military alliances, but by a better ideology; only a free, prosperous and educated community can recognize and resist the totalitarian appeal. It will be somewhat ironical if the launching of the Sputnik proves a spur to only a more frantic arms race. What the Sputnik age demands is not a new arms race but an arms agreement between the two contenders and a new approach to old problems.

RED CROSS CONFERENCE

THE NINETEENTH session of the International Red Cross Conference which opened at New Delhi on October 26, is the most representative gathering of nations ever to meet in Asia. It is being attended by nearly 400 delegates and observers from as many as 83 countries. That the Conference represents Red Cross, Red Crescent and Red Lion and Sun Societies is not a little significant in the context of the cold war. If there is a lesson to be drawn from the success of the International Red Cross, it is surely this: that the nations of the world should be able to co-operate in other humanitarian tasks such as providing food and clothing for the millions of under-privileged men and women.

Red Cross is, indeed, a child of war. The idea under-lying the movement was born on the field of battle, its primary object being to relieve the suffering of, and provide succour to, victims of war. But gradually its activities have expanded; and these days its hand is visible in the humanitarian activities of every kind. Today, in the context of nuclear war apprehension, the question of relieving distress will hardly arise. The question is one of 'preventing' such a war. It was naturally expected that the Red Cross Conference would give consideration to this question. But some of its proceedings obviously betray a lack of correct understanding, on the part of the delegates of the tasks facing them. For instance, the decisions of the Humanitarian Law Commission suffer from lack of realism. The Commission has recommended to participating Governments a draft, emanating from the (Swiss) International Committee, which is not likely to be observed in time of major war. Surely, no responsible military commander would permit enemy power sources to operate against him even if they are situated in towns. Similarly, it is difficult, if not impossible, both, to define what constitutes a "civilian area" and to limit the operational area in a nuclear war. It would be well to remember that the much less ambitious conventions relating to prisoners of war and civilians were found pitifully inadequate to cover concentration camps and to prevent mass deportations, shooting of hostages and other similar crimes.

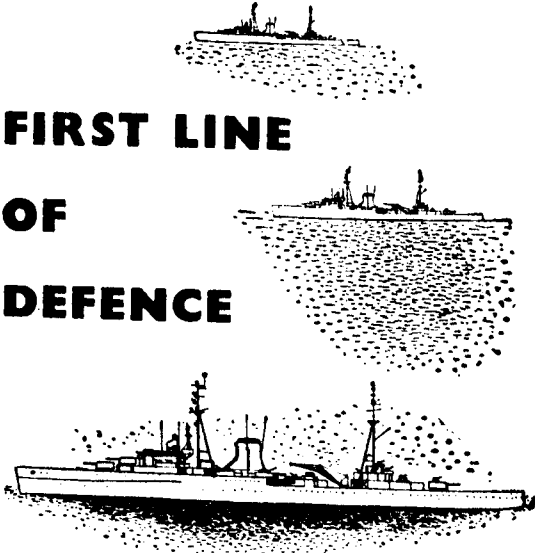
The reason for this abstract idealism of the delegates may be attributed to their effort at pandering to the public gallery. Otherwise, there is hardly any excuse for such a impracticable approach to the most pressing problem of today. This development does not augur well for the great humanitarian movement. The noise of the squabbling at the Conference, in the unseemly wrangle over Formosan representation seemed ominous. Many among those who sympathise with Red China's stand nevertheless found the raising of the issue at such a conference distasteful. We will witness more of such disruptive tendencies if the spirit which prompted Mr. Henrie Dunant to found the movement is allowed to die.

PLANNING CHIEF ON THE PLAN

SOME OF the points made by Mr. V. T. Krishnamachari, Deputy Chairman of the Planning Commission, in a broadcast talk on Sunday last on the Plan call for critical comment. In the first instance, his reference to "the large-scale evasion that takes place in income-

tax" is rather out-of-date in the context of the new structure of taxation of income, wealth and expenditure that is being assiduously evolved. As the income evading tax, according to the meticulous estimate made by the Central Board of Revenue, is only about a third of what Dr. Kaldor has estimated and the new variegated structure of taxation that is being evolved is intended to get at the evading income at different points, even the relatively small-scale tax-evasion will soon be a thing of the past. One wonders, therefore, why Mr. V. T. Krishnamachari wants public opinion to assert itself strongly against this evasion. If public opinion is to assert itself strongly, it should be against the State Governments which, as the Deputy Chairman himself admits, have allowed large arrears in land revenue and fertiliser and other loans and also delayed the implementation of schemes for the assessment and levy of betterment taxes where these have fallen due.

Elsewhere in his broadcast talk Mr. V. T. Krishnamachari has said that "the Plan cannot be implemented unless the nation recognises the need for and accepts the minimum controls called for to maintain prices which would be fair to producers and consumers and which would make possible an expanding economy". What minimum controls are required to hold the price line, the Deputy Chairman of the Planning Commission has not indicated. There can be no guarantee that such controls, when once instituted, will always remain at the barest minimum level. If, for example, the suggestion of some Congress Members of Parliament that both floor and ceiling prices for food grains should be enforced is accepted, what guarantee is there that physical controls like compulsory procurement and rationing will not follow?



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A Window on the World**BALANCE OF PAYMENTS PROBLEMS**

By

ODYSSEUS

A NUMBER of my friends, who read this column more in sorrow than in anger, often have a shot at bringing my economics up to date.

Take the balance of payments problems which are in the news these days, what with India's shortage of foreign exchange to pay for the Five-Year Plan, and what with the European common market and free trade area looming larger every day, to say nothing of the continuing universal shortage of dollars. Now, a school of economists has cropped up, of which Professor Meade of Cambridge is a distinguished example, which favours free rates of exchange. Suppose that the value of the rupee were determined by the day-to-day supply and demand for it, the dollar shortage would, for instance, disappear. Instead of exchange control authorities grudgingly rationing out dollars, they would be available to anyone at whatever price kept the demand for dollars equal to the amount of rupees offered by traders or tourists. Fluctuations in price would keep supply and demand for the two currencies in equilibrium.

The case for free exchange rates, according to my up to date friends, is that they would leave a country free to pursue its own independent national monetary policy. India could expand the supply of money to push forward the Five-Year Plan, or she could contract it in order to restrain inflation or a boom that threatened to get out of hand.

A PRE-HISTORIC MONSTER

This case for free exchange rates is, of course, also the case against the gold standard. To modern economists, the gold standard has all the fascination of the skeleton of a pre-historic monster to an anthropologist. Any country on the gold standard undertook to meet a deficit in its balance of payments by exporting gold. In order to avoid what was regarded as the excruciating international disgrace of being driven off the gold standard, a country raised its bank rate and took other measures to reduce money incomes. With less money in their pockets, people had to cut down their buying of imports. What is more, owing to the reduction in national money incomes and wages, internal prices began to fall and domestic products became more attractive to buy than imports. Exports were stimulated. Of course, if trade unions will not allow wages to be reduced, labour costs will not fall, and then neither internal prices nor the prices of exports will fall. The only way in which a firm can pay the same wages with a smaller supply of money is to employ fewer people. So you get unemployment, and if this snowballs you end in a depression. "All for what?" ask modern economists. "For the pleasure of staying on gold and keeping price levels in all countries stable in relation to each other. Absurd! To uphold the gold standard is to forgo national sovereignty in monetary policy and employment. We must each retain our liberty of national action."

Well, whenever I do not understand a problem I find that it helps to translate it out of abstract or technical terms into concrete every-day language. What, then, is meant by "a balance of payments deficit?" This occurs when a country has been buying abroad more than it has been earning by selling abroad and,

with nations, as with individuals, this cannot go on indefinitely. It must stop as soon as you have exhausted your cash in hand at the bank or your power to borrow from friends. And my comment is: No amount of fiddling with exchange rates or with credit expansion can alter that fact.

Take the up to date economist who favours free rates of exchange; if you do not sell enough abroad to pay for what you want to buy, you must decrease your consumption, and in this case decreased consumption will be enforced by the exchange rate going higher and higher against you until you are only buying what you can afford to buy.

The only difference that I can see between allowing a free rate of exchange and maintaining the gold standard is that free rates, by responding at once, will decrease your consumption quickly, whereas the possession of reserves in gold or hard currencies enables you to buy time in which to decide whether you are going to equalise your imports and exports by decreasing your imports (presumably because your export industries are comparatively inefficient or engaged in the manufacture of commodities for which world demand has permanently fallen) or by increasing your exports, which means raising your productivity by longer hours of work, or lower wages and salaries, or a lesser return on capital, or by increasing the amount of capital invested per worker, or by some combination of these methods.

YOU CAN'T EAT CREDIT

Suppose you have a balance of payments deficit because a slump has started in the USA and Americans are buying less of your exports. For the life of me, I cannot see how pumping credit into your national economy will prevent your standard of living from falling. If you're selling less, your income has fallen and you cannot import as much. Your consumption must come down. You can only isolate yourself from a fall in world demand if your economy requires you to sell no exports because you need no imports. But, ex-hypothesi, you are an exporting and importing nation because you are worrying about exchange rates and gold standards. The only nation which can contract out of a world slump is some happily obscure country, such as Tibet (before liberation), and even Tibet had some foreign trade which made its contribution to the Tibetan standard of living.

Of course, the extent to which your national income must fall after some fall in world demand before you find a new point of balance between your exports and your imports will depend on the kind of goods in which you trade internationally. Before the war, luxury goods—like Scotch whisky, Rolls Royces, and quality textiles—formed a large proportion of America's imports, so that when her national consumption fell by only 4 per cent in 1938, her foreign buying fell by 25 per cent and inflicted serious losses on overseas exporters. If you are a country like the UK which imports most of the raw materials for its export industries and most of the food that it eats, then a sizeable reduction in the internal supply of money may be

needed to bring about a 10 or 15 per cent cut in import-consumption.

The case for retaining national control of credit is that if world demand for your exports falls, then you set to work creating alternative employment for those who would otherwise have either been thrown out of work or forced to take wage cuts. Again, I cannot see how this enables you to avoid a decrease in consumption and a fall in your standard of living, since I assume that international trade takes place because the two (or more) countries exchanging goods gain through economies achieved by specialisation. If, by expanding credit, you switch capital and labour from the production of bicycles (the export market which you have, say, just lost through a change of taste or a slump abroad) to the growing of more foodstuffs and to the manufacture of previously imported typewriters, you are ex-hypothesi re-allocating your national resources in a manner less efficient, less productive than before, and your price level will rise. Whatever happens to money incomes how can you be richer?

The disadvantage of free rates of exchange or devaluation is that they make it difficult for politicians and public alike to follow the elementary truths behind a balance of payments deficit. They focus attention on symptoms, such as "the rise in the cost of living", whereas the discipline of the gold standard focuses attention on the facts, e.g., that, for whatever reasons, certain national export industries are no longer competitive. The cure for this is either to resign oneself to consume less or else to make efforts to raise productivity. A devaluation—providing other countries let you get away with it and do not devalue in step with or faster than you—can give you breathing space to set your economy in order, but the likelihood is that as the real issues are obscured, wages and other money incomes will be allowed to rise until they cancel out the effects of your devaluation and you are back again where you started, with people with more money to spend buying more imports than they are earning. One of the £'s troubles this year was that because the UK devalued in 1949, the rest of the world suspects that every time a persistent sterling area deficit appears, the line of least resistance will be taken and another devaluation occur.

The disadvantage of devaluation is precisely the lack of confidence it spreads, which in turn tends to contract world trade to the detriment of all. The advantage of the gold standard is that it creates confidence and promotes international specialisation—the most profitable allocation of capital and labour within each nation—and, a point of interest in India, it steps up international investment.

The modern economist rejects deflation to remedy a deficit. But what else is there? Back to the 1930's when each country thought that it could contract out of the depression by setting up ever higher tariffs, import restrictions, and quotas, or depreciated its money (as France did thrice between 1936 and 1938)? Such measures merely reduce all national standards of living. You cannot consume more than you produce, and what the gold standard does is (1) to ensure that your share of world income is equal to your individual output, and (2) to give you a strong incentive to increase your output. Whereas devaluations and inflations by focusing attention on the rising cost of living let loose debates on "fair shares" and promote the egalitarian outlook which emphasises consumption and tends to make increased production more difficult.

Certainly the size of the US economy is such that an American slump could have dire world repercussions, but (a) as I said before, unless you are Tibet you can't insulate yourself, and (b) it is gratuitous to believe that the Americans have learned nothing from Keynes and would be as inept today at dealing with

a slump as we all were in the 1930's. Which leads me to my final point: If it is international co-operation on monetary and employment policies that we seek, we shall not get this as long as we all proclaim our sovereign rights to promote our individual policies. By professedly adopting the gold standard we would make international co-operation easier and more effective. A straw in this wind is the European common market which is in process of being set up. By whatever name they call the monetary system on which it is to be worked, it will not work unless it observes gold standard rules in fact. The Treaty recognises this and provides for machinery to ensure unity of European policy.



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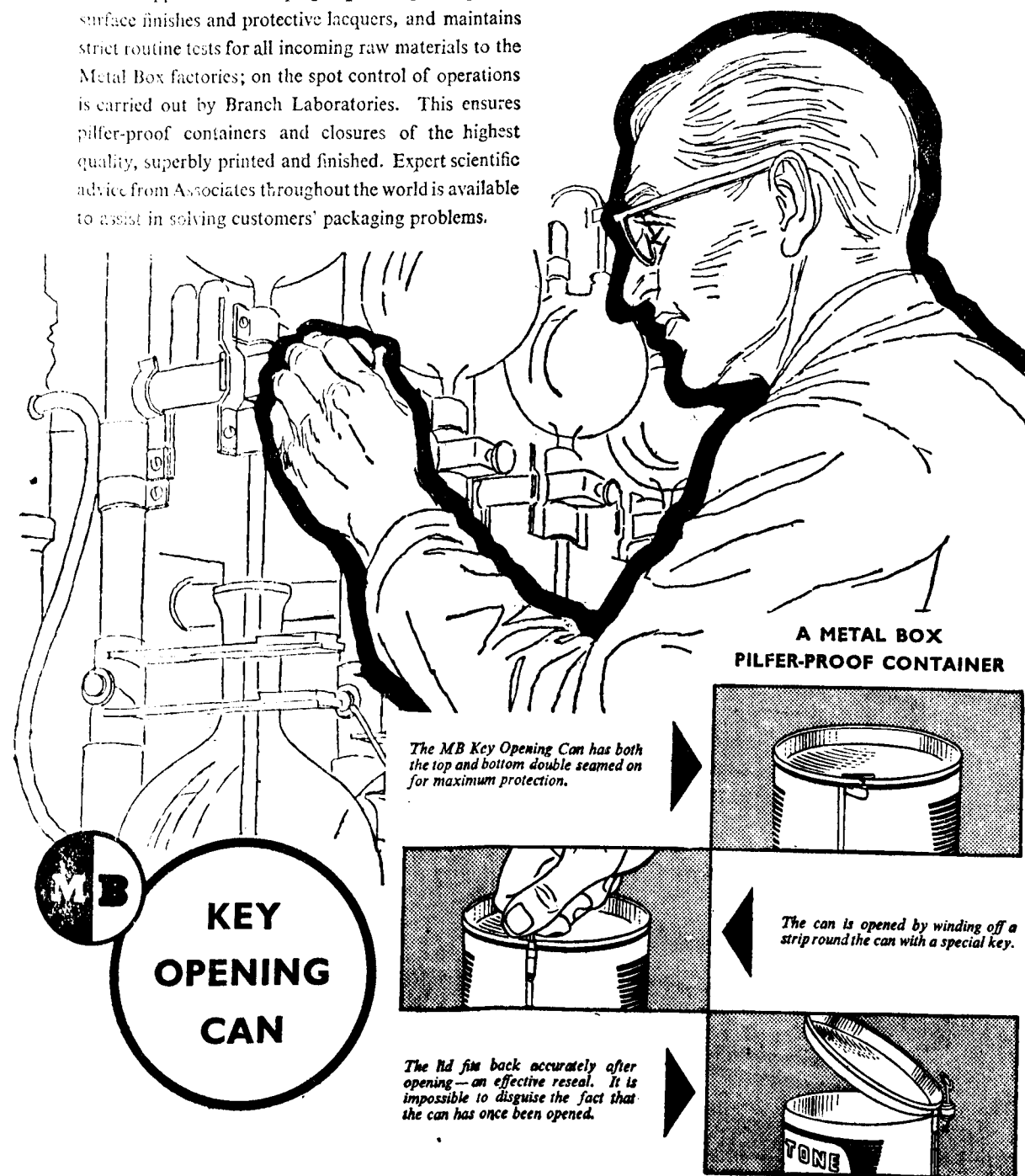
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HISTORY OF A WAR

(From Our Special West European Correspondent)

PARIS, November 1.

THREE years ago today the armed rebellion broke out in Algeria. Attempts were made on the lives of Europeans in various parts of the country, and the first "maquis" was begun in the Aures. The order to transform Algerian political demands into systematic violence was given by the Revolutionary Committee for Unity and Action, which had been formed a few months before, after the split in the Movement for the Triumph of Democratic Liberties. The war had begun, but no one in France noticed it. The incidents were reported, naturally, but were taken to be another outburst of sporadic terrorism such as had occurred before and such as had been easily stamped out. The Prime Minister of France at the time was Pierre Mendes-France: in July of that year he had signed the armistice that put an end to a seven-year war in Indo-China; he had promised the Tunisians "internal autonomy" which he knew, as well as Bourguiba, would be the first stage toward that complete independence they have obtained since; he had not yet had time to take up the Moroccan dossier but it was evident that he would negotiate a similar dispensation for that country. As for Algeria, he had time only to appoint as Governor-General a brilliant young anthropologist, Jacques Soustelle, whose liberal views were so well known that he was received in Algiers by the European community with sullen hostility. Soustelle was an advocate of integration, or the complete and literal equality, economic and political, of all the people of Algeria and metropolitan France; and in this he had the support of Algerian leaders such as Ferhat Abbas.

The war still had the appearance of random acts of terrorism when in February 1955 the Mendes-France government was overthrown. Its successor, the Edgar Faure cabinet, confirmed Soustelle in his post, and for eleven months Soustelle sought to limit the progress of terrorism and to carry through his policy of integration against increasingly effective opposition from the local European community. But by August of 1955 the rebellion had assumed alarming proportions and in that month there occurred an uprising in the Constantine in which more than 100 Europeans were massacred. Shocked by this violence, the French socialists and radicals began to agitate for recognition of "the Algerian personality", i.e. the abandonment of integration in favour of negotiations for some sort of autonomy; while Soustelle, on the contrary, began to evolve toward the Right, becoming the popular prisoner of the European community that had at first detested him. Spectacular violence succeeded also in carrying the affair to the international scene, and in September 1955 the UN General Assembly voted Algeria on to its agenda. France quit the UN and two months later the General Assembly unanimously decided to drop the Algerian question.

The Faure government was overthrown at the end of 1955, parliament was dissolved and in the ensuing electoral campaign the socialists and radicals formed the Republican Front, led by Mollet and Mendes, which fought and won the elections on the slogan "peace in Algeria". Thus, at the beginning of 1956, there was no doubt that the majority of the French people were in favour of liberal courses in North Africa. Mollet, become head of the new government, sacked Soustelle, then judged too far compromised with the reactionary

section of the Algerian Europeans, and named in his stead a liberal general, Catroux, who had the confidence of the North Africans. But when Mollet visited Algiers on February 6, 1956, he was the victim of a violent demonstration by the Europeans which either broke his nerve or else revealed to him for the first time the vigour of the reaction he would have to fight in order to increase the political rights of the Arabs. At all events, Mollet at once began that retreat from the Republican Front programme that has been so disastrous. He abandoned Catroux and named Lacoste Minister-Resident, and in March he obtained from the French Assembly "special powers" to intensify the war in Algeria; these special powers were voted him by the French Communists, just as eight years before they had voted in favour of the beginning of the Indo-Chinese war.

During the remainder of 1956, the war increased in violence and horror. It became clear that the rebels had support from outside the country, that they had a large measure of sympathy in the UN and that they were being aided by both Communists and Catholics among the Algerian Europeans. Disillusioned by the unrelenting concentration of the Mollet cabinet on a military victory, supporters of the Republican Front began to take their distance. Mendes-France resigned from the Cabinet, Ferhat Abbas rallied to the rebels in Cairo, the few remaining Algerian leaders not involved in the armed uprising started to give pledges to the rebels and the Socialist Party itself was split by an anti-Mollet faction. Mollet and Lacoste were left hostages to the French Right, trying to implement a two-faced policy whose sterility Mollet has only this week admitted: the deal was that the socialists should fight an unpopular war for the Right, while the Right should suffer him to put through social reforms at home. He was indeed allowed to raise old-age pensions and increase paid holidays but for this he was obliged to pay the fantastic price of the Algerian and Suez wars. When, in his bid for investiture during the current cabinet crisis, he sought to increase his share by giving workers' committees greater powers in the management of industry and by extending socialised medicine, the Right refused to play any further. Mollet calls this ingratitude but it is also common sense because the package deal he was offering entailed a roaring inflation, caused by war abroad and socialism at home, which has brought France's prosperous economy to the verge of bankruptcy.

Meantime, toward the end of 1956, international anxiety about the deterioration of the Algerian situation grew. The governments of Tunisia and Morocco called the rebel leaders to a conference in Tunis, while the UN for the second time wrote Algeria on to its agenda. The response of the French to the first gesture was to kidnap the rebel leaders and thus put an end to the only useful attempt at mediation that was possible. The UN's attempt in the same direction was defeated with US help. By the beginning of 1957 it was apparent that not all the military vigour of Lacoste and Mollet had disarmed the suspicion of the Algerian Europeans; an extremist plot to seize power in Algiers with the aid of a section of the French Army was uncovered, while a general judged too lenient to the rebels was the target of an assassination attempt.

The rebels' military power had not ceased to grow and during last winter they launched the battle of

Algiers, a ghastly series of terrorist outrages in the Algerian capital. The French won this battle but at what price has only lately begun to emerge. First they were obliged to use Gestapo methods to put down urban terrorism, to an extent that revulsed the greater part of French national opinion, severely shook the morale of the army itself, destroyed what faith French liberals still had in their right to hold out in Algeria and lost France much international sympathy. Worse from the immediate point of view, they were obliged to concentrate their forces in Algiers, leaving the rebels free in the countryside to organise in peace an army that is now probably the best in the whole Arab world. Meantime the Mollet government fell when the financial results of its combined nationalist and socialist policy became clear, and in the succeeding Bourges-Maunoury cabinet the most reactionary elements of the Centre parties were left free to worsen the situation in Algeria. The hopelessness of this arrangement was quickly realised when the Bourges-Maunoury cabinet sought to introduce a "framework-law" of reforms for Algeria which split its patchwork majority into those who thought the law too liberal and those who thought it too timid, both agreeing to vote against it. This produced the impasse of an five-week cabinet crisis which as I write has not yet been resolved.

Three obvious opportunities to end the war have been spurned by the French. First, the despatch of massive reinforcements to Algeria when the Mollet government obtained its special powers provided a chance to persuade the rebels to negotiate; instead, contacts were left until the rebels saw that they could succeed in containing even an army of half a million men. Second, the Tunis conference between Bourguiba, the King of Morocco and the rebels could have been

expected to produce some sort of compromise offer; instead, Ben Beila and his lieutenants were kidnapped, once again destroying Algerian faith in French sincerity and estranging the former protectorates. Third, Bourguiba's offers to mediate contained, and may still contain, the hope of a settlement; instead, Bourguiba was rebuffed as an interloper and Tunisian sovereignty was invaded by the despatch of French troops across the border in pursuit of fleeing rebels. But the refusals have come just as often from the rebel side; every offer of a cease-fire by Paris has been rejected and the moderating influence of Bourguiba and the Moroccans has been refused.

So the third anniversary of the Algerian war sees the opponents entrenched in more extreme positions than when it began. French capacity to continue the struggle is undiminished, despite economic and political troubles at home; it is physically possible for France to maintain her present effort for at least another ten years. The rebels' capacity has, on the other hand, much increased; they have an excellently organised army of 65,000 men which is expected soon to attain 100,000—at which level it becomes a force not only for the French to reckon with but a factor that will quite upset the disposition of power in the Arab world and all around the Mediterranean. The Algerian war will quite likely see a fourth anniversary but if it does France's position not merely in Algeria but in all Africa is doomed. It has often been said on this page that there exists no Algerian nation for the French to liberate. That was true, then. But the French have succeeded in forging an Algerian nation. If they continue to contribute to its strength and unity by fighting it they will have called up a force that will burst their African empire and dominate the fate of the other independent nations of North Africa.

WORLDGRAM

AGRICULTURE

Co-operative Development During 1956-57: The co-operative year 1956-57, which was also in a large measure the first year of the second Five-Year Plan, came to a close on June 30, 1957. Information is now available with regard to the progress of co-operative development in the agriculture sector in various parts of the country. The co-operative year 1956-57 was marked by significant developments, like the enactment of the Agricultural Produce (Development and Warehousing) Corporations Act, 1956; establishment of the National Co-operative Development and Warehousing Board, formally inaugurated by the Prime Minister on November 7, 1956; and the establishment and maintenance by the Reserve Bank of India of the National Agricultural Credit (Long-Term Operation) Fund with an initial contribution of 10 crores and annual contribution of 5 crores; and the setting up of the Central Warehousing Corporation. The Second Conference of the State Ministers of Co-operation held in Mussorie in July, 1956 made important recommendations for the organization of large-sized societies and marketing societies and stressed that this should be accelerated with a view to its completion within the first four years of the second Plan. Reports about Co-operative activities during 1956-57 in the fields of credit, marketing, processing, storage and warehousing of agricultural produce, indicate that satisfactory progress was made and fresh ground was broken in several new directions.

Jammu and Kashmir Irrigation Projects: Nine irrigation and multi-purpose projects, which will benefit certain areas in Jammu and Kashmir State, have been included in the second Five-Year Plan. The total cost of the scheme, some of which will be completed in the third Plan period only, including surveys, is estimated at about Rs. 301.20 lakhs. Of this amount, Rs. 200.70 lakhs will be spent during the second Plan period.

State Warehousing Corporation to be Set Up at Jaipur: A State Warehousing Corporation with a share capital of Rs. 20 lakhs will be set up by the Rajasthan Government at Jaipur shortly. The Board of Directors of the Central Warehousing Corporation, which met here recently, has also decided to contribute 50 per cent or Rs. 10 lakhs to the share capital of the State Corporation. It was stated at the meeting that five warehouses for storage of "kharif" crops at Amravati, Gondia, Sangli, Gadag and Davenagere in Bombay and Mysore States have been acquired by the Central Corporation, and were expected to start functioning by the end of November. The Corporation is also likely to acquire one warehouse each in Orissa, Andhra Pradesh and Madras soon.

Andhra Pradesh Flood Control Schemes: The Government of India have allocated a sum of Rs. 3 crores to the Andhra Pradesh Government for the execution of flood control schemes during the second Five-Year Plan. During 1957-58 the State Government proposes to continue work on the Budameru division scheme, started last working season, and to take up two more flood protection works involving the building of flood banks on both sides of the Budameru. Earth-work to the extent of 45.3 per cent was completed on the Budameru division scheme up to the end of April, 1957. A sum of Rs. 11.65 lakhs was spent during 1956-57 on the various flood protection works. Investigations for a dam on the Godavari at Ippur, a reservoir across the Bodderugedda near Godigummi, two reservoirs across the Tandava near Gautavani Kothagudom and Rekhanipalem, the Raivada reservoir on the Saraha river,

the Kalayana-Pulwa reservoir on the Baraha river and a detention reservoir across the Tammilleru near Yerrampalli have been completed. Survey work for improving and widening the Upputeru river channel and for a reservoir across the Yeerakalva near Appalara—Jaguden has also been finished.

INDUSTRY

Pilot Centres for Development of Handicrafts: Eighteen pilot centres for training and research in traditional Indian handicrafts have been set up by the All-India Handicrafts Board to foster the development of handicrafts on modern lines. Six more centres are being opened during the current financial year. Of the 18 centres already in existence, 6 are for training, 3 for training and production, 7 for research and experimentation and 2 for production. The centres have been so chosen as to suit the needs of the handicrafts peculiar to different areas. The All-India Handicrafts Board, which advises Government on the development of handicrafts, has been in existence since 1952. The Board examines schemes for improvement of handicrafts received from State Governments and recommends financial assistance from the Centre. In addition, the Board itself formulates plans and implements them. Apart from pilot centres other schemes being implemented by the Handicrafts Board include the setting up of design centres, holding of exhibitions of handicrafts in India and abroad, publicity, provision of marketing service for handicrafts and research.

Development of Silk and Woollen Handloom Industry: Scheme to develop the silk and woollen handloom industry in a number of States have been approved by the Government of India. For implementing these schemes, the States have been sanctioned loans and grants amounting to about Rs. 7.6 lakhs by the Central Government. The schemes for silk weaving industry include financing of the share capital of over 3,500 weavers for joining co-operative societies and supply of better equipment for handlooms for increased production. Of the 3,500 weavers to be brought in the co-operative fold, 1,500 weavers are in Bihar, over 900 in Madras, 400 in Madhya Pradesh, 200 each in Uttar Pradesh, Orissa and West Bengal and 100 in Andhra.

Development of Handloom Industry: Seventy-three schemes involving an expenditure of Rs. 1,20,57,839.75 for the development of handloom industry in different States of India were recommended for sanction by the Schemes Committee, appointed by the Government of India to scrutinise handloom development schemes. The committee held eight meetings on different days during September and considered ninety-six schemes received from State Government. The total amount sanctioned to State Governments for the development of handloom industry during September 1957, was Rs. 39,29,508.67, whereas the total amount sanctioned between April 1, 1957 and September 30, 1957 stood at Rs. 1,30,23,473.34. The estimated production of handloom cloth from indigenous yarn during seven months from January 1957 was 1,077.62 million yards, while production during the corresponding period in 1956 was 935.70 million yards.

New Foaming Agents for Production of Foamed Concrete: The Central Building Research Institute, Roorkee, has developed a new process for preparing foaming agents from indigenous resources which are stable and need no settling accelerator. The low-density foamed concrete prepared by using these foaming agents has properties which compare favourably with those of foamed concrete prepared by using imported pro-

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proprietary brands. Besides, the use of this indigenous foaming agent is expected to result in about 60 per cent saving in respect of cost of foaming agent as well as saving in foreign exchange. The foaming agent is also suitable for production of high-density foamed concrete used for making non-load bearing pre-cast slabs, thermal insulating floor screeds, etc. Low-density foamed concrete (insulation concrete) is used for heat insulation in cold storage structures and air conditioned buildings and is a good substitute for cork which is mainly imported into India. Foaming agent is one of the important ingredients for producing foamed concrete. Up to now only foreign proprietary foaming agents have been used for preparing foamed concrete. The Government Housing Factory at Delhi has been given the right to exploit the products.

TRADE

Protection to Machine Screw Industry Extended: Government have accepted the Tariff Commission's main recommendation that protection to the Machine Screw Industry should be continued for a further period of two years, that is till December 31, 1959, at the existing rate of protective duty, namely, 50 per cent 'ad valorem' or 60 naye Paise per gross, whichever is higher. Government have also taken note of certain ancillary recommendations made by the Commission for assistance to the industry and will take suitable action to implement them.

*

US World Trade on the Rise: US world trade is booming in most areas and is at a record or near-record peaks in some regions, the US Department of Commerce has reported. The department stated that US trade with the Far East this year is expected "to considerably surpass the 1956 level." The report said that exports to Far Eastern countries, accounting for almost 17 per cent of the US total, rose in the first half of 1957 to an annual rate of \$3,300 million, compared with \$2,300 million for 1956. Imports from the Far East area, now running at 13 per cent of total US imports, are at about the annual rate of 1956, a total of about \$1,700 million. US exports to the 20 Latin American Republics in the first five months of 1957 totalled \$1,200 million, while US imports from the area during the same period amounted to \$1,700 million. Both exports and imports were higher than in the comparable period in 1956. US imports from Western Europe in the first half of 1956, were valued at \$1,500 million, while US exports to Western Europe amounted to \$3,100 million during the same period. US trade with the Near Eastern area, including Egypt, Greece and the Sudan, declined in the first half of 1957, with exports at \$368 million and imports at \$131 million, compared with \$384 million, \$206 million in the first half of 1956.

*

Protection to Diesel Fuel Injection Equipment Industry to be Continued: Government have accepted the Tariff Commission's main recommendations on the continuance of protection to the Diesel Fuel Injection Equipment Industry. These are that the existing protective rates of duty of 60 per cent 'ad valorem' on single cylinder pumps, and 60 per cent 'ad valorem' (standard) and 52½ per cent 'ad valorem' (preferential) on nozzleholders, should be continued for a further period of two years ending December 31, 1959, and that these rates of duty should also be applied to elements, delivery valves and nozzles. Government have also taken note of certain ancillary recommendations made by the Commission for assistance to the industry and will take suitable action to implement them as far as possible.

FINANCE

Customs and Excise Revenue Collected in Indian Union Statement for July: According to the returns received in the Department of Commercial Intelligence and Statistics, the total gross sea and land customs revenue collected in the Indian Union during July 1957 amounted to Rs. 16,63 lakhs as compared with Rs. 11,77 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. 15,05 lakhs as against Rs. 10,28 lakhs, export duties for Rs. 129 lakhs as against Rs. 124 lakhs and land customs and miscellaneous for Rs. 29 lakhs as against Rs. 25 lakhs. The total gross collection of Union excise duties amounted to Rs. 20,63 lakhs as compared with Rs. 14,41 lakhs. During the four months, April to July, 1957, the grand total of gross customs and Union excise revenue realised was Rs. 141,89 lakhs as compared with Rs. 107,91 lakhs during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 55,59 lakhs as against Rs. 43,14 lakhs, export duties for Rs. 532 lakhs as against Rs. 703 lakhs, land customs and miscellaneous for Rs. 131 lakhs as against Rs. 95 lakhs and Union excise duties for Rs. 79,67 lakhs as against Rs. 55,89 lakhs.

*

UK to Pay Off £503-Million Loan: The British Government is to pay off a £503 million debt. A Government 2½ per cent loan issue, which matures on November 14, is to be paid off, although financial circles were anticipating that stockholders would be offered a new security in exchange. The Government's decision is in line with the official policy of preventing an increase in the floating debt and of trying, whenever possible, to reduce it. So far, during the present financial year, three loans amounting to more than £900 million will have been repaid. Only one small loan of £100 million has been issued in their place.

GENERAL

Family Budget Enquiries: The Government of India have selected 50 industrial centres where family budget enquiries are to be conducted on an all-India basis. The first phase of the enquiries, which will be undertaken by the Labour Bureau of the Central Government, with the help of the National Sample Survey Organisation, is expected to begin in November. The object of these enquiries, which will cover factory workers, miners and plantation labour, is to compile a new series of consumer price index numbers on a uniform basis. The existing series of consumer price index numbers, it is pointed out, are based on old and out-of-date enquiries and therefore do not reflect correctly the present cost of living of industrial workers. Besides, the bases of the consumer price index numbers, which are being compiled by the Central and State Governments, vary.

*

Employees' State Insurance Scheme Extended: The benefit provisions of the Employees' State Insurance Act, 1946, have been extended to Beawar in Rajasthan from the midnight of October 26, 1957. About 5,000 factory workers in the Beawar Municipal Area will benefit by the scheme. Medical care will be provided by the State Government and a whole time dispensary has been opened for this purpose. Besides, it is proposed to utilise a mobile dispensary to cater to the needs of workers in outlying areas. For the payment of cash benefits under the scheme, a local office has been set up. The employers of factories covered by the Act in this area will be required to pay their special contribution at 1½ per cent of the total wage bill.

NEWS IN BRIEF

INDIAN

By an Ordinance issued by the President the Reserve Bank of India Act has been amended to reduce the minimum currency reserve in foreign securities. Under the new arrangement, the overall minimum reserve to be maintained by the Reserve Bank for backing the currency will be Rs. 260 crores of which not less than Rs. 115 crores will be in gold coins and bullion.

*

The Government of India have decided to remove the export duty of Rs. 50 per ton leviable on de-oiled groundnut meal with immediate effect, says a Ministry of Commerce and Industry Press note.

*

The Government of India is understood to have appointed Messrs. Foster Wheelers Corporation of U.S.A. to prepare project reports for Gauhati and Barauni for the proposed oil refinery in Assam.

*

The Khadi and Village Industries Commission, New Delhi, has urged the Union Government to sanction Rs. 14 crores during 1958-59 for the execution of development programmes of the village oil industry.

*

Mica exports from three major ports of Calcutta, Bombay and Madras in September, 1957, were well maintained at 21,812 cwt. as compared with 21,797 cwt. in the previous months.

*

A list of priorities has been drawn up by the Development Council for sugar industry for research in and investigation of problems relating to sugar industry.

*

Negotiations are reported to be in an advanced stage between the State Trade Corporation and a group of Swiss firms specialized in mineral ore and fertilizer exports on a two way deal on setting up a shipping line of about 10 or 12 vessels and stimulating India's exports of ore.

*

The Government of India have decided to remove the export duty of Rs. 200 per ton leviable each on nigerseed oil and kardiseed oil and of Rs. 230 per ton leviable on groundnut oil cake, with immediate effect.

*

India might buy from Egypt part of her cotton import quota of 15,000 bales earmarked for purchase from soft currency areas. This would be in addition to the 10,000 bales of Egyptian cotton she would be purchasing from the current year's crop under the Indo-Egyptian Payments agreement signed in New Delhi in March this year, settling up a rupee account.

*

The Indian Standards Institution has published an Indian standard specification for white oil, light technical (IS: 1083 — 1957). This standard prescribes the requirements and methods of test such as kinematic viscosity, flash point, pour point, neutralization value etc.

*

A sum of Rs. 14,507.37 was received in the Prime Minister's National Relief Fund during the period July 1 to August 31, 1957. Outstanding contributions from abroad were Rs. 3,605.44 and Rs. 3,591.84 by the Indian Community in Sudan and Madagascar.

*

Employment in the private and public sectors in Delhi showed an improvement during the quarter ended June 1957. The index of employment (January 1956 = 100) for the private sector, excluding construction, went up from 103.9 at the end of March to 105.3 at the end of June, while the index for the public sector rose from 115.0 to 117.0 during the same period.

FOREIGN

The Ceylon Government proposes to increase the export duty on rubber from 55 cents to 88½ cents for 100 lbs. from January next. The enhanced levy will go to expand the Rubber Research Institutes special plant breeding division.

*

Net profits of the U.S. Shell Oil Company amounted to \$30,475,725 or \$1.01 per share, in the third quarter of 1957. This compares with \$32,871,344 — \$1.12 per share — for the second quarter and \$41,449,505 — \$1.37 per share — for the first quarter of 1957.

*

It is reported a rise in Belgian coal prices has been approved by the High Authority of the Coal-Steel Pool for the third time this year.

*

The U.S. Government's Export-Import Bank, along with U.S. commercial banks and two aircraft companies is to grant Air France a loan totalling \$78.5 million to assist the purchase of 17 Boeing and 707 jet airliners costing \$105 million.

*

Argentina and the US Export-Import Bank have agreed to the release of \$15 million of the bank's funds to develop private industry in that country.

*

It is reported a \$3 million factory will be shipped from the U.S. directly to Dublin as soon as shipping space is available.

*

In an effort to improve Italy's position in the European Common Market, the Italian machine-tool industry is aggressively seeking increased exports to Holland.

*

Israel's exports increased by over 25 per cent in the first eight months of this year, while her imports rose by less than 10 per cent as compared with the corresponding period of 1956.

*

A pulp and paper mill to be conducted in Mozambique, between Larnego and Vila Macado, at a cost of £2 million will have an initial production of 9,000 tons of paper products annually.

*

A trade agreement between Israel and Poland covering a period of one year as from November 1, 1957, has been signed in Warsaw.

*

Formation of an electronics industry in South Africa has been made possible by a Cabinet decision guaranteeing that the Government will purchase a certain amount of the Union-produced equipment.

*

Belgium's 1958 Budget estimates show a Frs. 5,013 million (£35.8 million) surplus of ordinary receipts over expenditure. This will be applied in financing part of the extraordinary budget in which expenditure on capital account is estimated at Frs. 12,660 million.

*

Among the proposals on a wide variety of important economic matters before the General Assembly's Economic and Financial Committee are for the early establishment of a U.N. regional economic Commission for Africa, and for the setting up of the proposed special U.N. Fund for Economic Development (SUNFED) by January 1, 1960 at latest.

Special Articles

INDUSTRIAL GROWTH IN THE UNITED STATES & THE SOVIET UNION

THE basic goal of Soviet planners has all along been to catch up with the United States in industrial production and ultimately to surpass it. Despite the tremendous driving force behind the economic programme, Soviet industry — manufacturing, mining and electric power — could produce (as of 1955) only about a third of the quantity of goods produced by United States industry. This absolute gap (amounting to two-thirds of United States' output) between the levels of output in the two countries may or may not be closed completely at some point in the decades to come. It may be closed only on the two-fold assumption that the annual average rate of Soviet industrial growth (11.5 per cent according to official Russian estimate and 7.7 per cent estimated in a recent study on behalf of the Joint Economic Committee of the U.S. Congress) in the period 1928-55 will get accelerated in the future and the annual average rate of American industrial growth (3.6 per cent) in the same period will decline considerably in the years to come. Any such assumption, however, would be too large a one to make and cannot be validly based on the short-term (1950-55) trend either. Incidentally this short-term growth trend, expressed as an annual average rate, has been 13.1 per cent in the Soviet Union according to official Russian estimate and 9.9 per cent according to the estimate of the Joint Economic Committee staff, and 4.4 per cent in the United States.

On the other side, it cannot also be confidently postulated that American economy "will suffer either stagnation or collapse" although it is the doctrinaire hope of Soviet Communists that this will happen — and so the absolute gap between the levels of output in the two countries may not come to be completely closed in the near future. But there is also the probability, according to the Joint Economic Committee staff, that "Soviet growth rates may continue enough higher than those of the United States that in time the levels of output in the two countries could begin to close." Although thus the gap may begin to close in the long period, it may not completely close at all. For, if the absolute gap is to narrow to about half the output of the United States by 1965, the annual average rate of growth in Soviet industry will have to be round 16 per cent in the period 1955-65 as against an assumed growth rate of 3.5 per cent per annum in American industry in the same period. That Soviet industry will not be

able to accelerate its rate of growth to that extent may be inferred from the fact that the gap between the output of the United States and that of the Soviet Union has somewhat widened and not narrowed in recent years, according to the finding of the study prepared for the Joint Economic Committee.

This comparative picture of industrial growth rates in the two countries is thus not too favourable to the Soviet Union or too unfavourable to the United States. It is, however, the picture of growth rates pertaining to individual commodities that is more relevant from the point of view of Russian capacity to support a formidable military machine. Table 2 gives this comparative picture in respect of selected commodities. It is found, for example, in the case of such strategic industries as lumber, coal, petroleum, steel, cement and machinery, the growth rates have been far more favourable to the Soviet Union than the general industrial growth rates in the long and short periods alike. At the same time it may be noted that the Soviet/United States production ratios are generally higher in heavy or producer goods industry, and lower in light or consumer goods industry. Some of these ratios covering production in 1955 are: In the case of pig iron, 0.47; steel ingots and slabs, 0.43; copper, primary refinery, 0.33; cement, 0.44; presses and forges, 0.80; ships, 0.82; radios and television, 0.18; refrigerators, 0.05; washing machines, 0.02; automobiles, 0.01.

United States industry, on the other hand, produces a much larger share of its output for direct personal consumption. In the case of steel and petroleum in particular, the finding of the Joint Economic Committee Staff may be quoted here to complete the picture: "In 1955, for example, the U.S.S.R. produced about 43 per cent (45.3 million metric tons) as much steel as the United States (106.2 million tons). In the Soviet Union, however, only an insignificant proportion of that steel goes into satisfying consumer needs for automobiles, washing machines, refrigerators, etc. The bulk of it — perhaps as much steel as in the United States — is available for production of military goods or for items conducive to further economic growth. The same kind of comparisons may be made for petroleum. The relative absence of private automobiles leaves a very large share of petroleum for military purposes as well as heavy industry and agriculture."

1. ANNUAL AVERAGE RATES OF INDUSTRIAL GROWTH IN U.S.S.R. AND U.S.A.

	U.S.S.R.				U.S.A.			
	Official		JEC Staff		1928	1955	1867	1907
	1928	1955	1928	1955				
Index of output	100	1,900	100	750	100	262	100	773
Annual average rate of growth in per cent	11.5		7.7		3.6		5.2	
	1950	1955	1950	1955	1950	1955	1922	1927
Index of output	100	185	100	160	100	124	100	130
Annual average rate of growth in per cent	13.1		9.9		4.4		5.3	

2. ANNUAL AVERAGE RATES OF GROWTH OF PRODUCTION FOR SOME INDUSTRIAL COMMODITIES IN U.S.S.R. AND U.S.A.

(In Percentages)

	U.S.S.R.			U.S.A.	
	1928-55	1950-55	Plan 1955-60	1928-55	1950-55
Lumber	6.3	7.1	6.7	0.2	0.6
Coal	9.3	8.4	8.7	-0.5	-3.8
Crude Petroleum	6.9	13.3	13.8	3.8	4.7
Natural Gas	14.0	10.9	31.2	6.8	8.3
Steel	9.1	10.7	8.6	2.7	3.9
Electric Power	14.0	13.3	13.5	6.7	10.0
Cement	9.8	17.2	19.6	1.9	5.1
Paper	7.1	9.6	7.9	3.6	2.1
Tractors	19.6	8.6	26.3	3.0	-7.9
Trucks	25.6	2.3)		2.9	-1.4
Automobiles	—	12.3)	7.9	2.8	3.4
Machinery	14.9	16.8	12.8	5.5	6.4
Cotton fabrics	2.9	8.6	4.2	1.2	0.2
Wool fabrics	4.2	8.4	7.7	0.0	-5.9
Foot-wear	5.9	6.2	8.7	1.6	2.8
Meat	0.3	5.2	12.2	1.7	3.5

How the Soviet Union has been able to maintain a higher rate of industrial growth than the United States in comparable periods can also be inferred from the figures of gross national product by use in the two countries. According to Table 3 which gives these figures, gross investment in the Soviet Union accounts for (as of 1955) 26.9 per cent of gross national product as against 18.7 per cent in the United States, although the Soviet national product as such is only about one-third that of the latter country. But a relatively smaller share of Soviet investment is allotted for the development of consumer goods industries, and this accounts for the lower level of living of an average Russian. The per capita availability (as of 1955) of some consumer goods in the two countries is revealing in this connection. The relevant figures are: 30 linear metres of cotton fabrics per average Russian and 72 linear metres per average American; 1.5 and 2.4 metres respectively of wool fabrics; 0.5 and 18.7 metres respectively of rayon and synthetic fabrics; 3.9 and 11.0 pairs respectively of hosiery, 1.7 and 5.7 numbers respectively of knit underwear; 1.4 and 3.9 pairs respectively of shoes; and 4.8 and 32.0 square metres of housing. As for durable consumer goods, their per capita availability is far greater in the United States than in the Soviet Union except in the solitary case of motorcycles. How long it will take for Russia to catch up with the United States in consumer goods production is anybody's guess.

But there is one field—the field of science and engineering—in which the Soviet Union will have nearly overtaken the United States by 1960. (Incidentally the rapid rate of progress in this field may well be a major factor in maintaining a high rate of industrial growth in the foreseeable future although the absolute gap in the levels of output in the Soviet Union and the United States may still not be closed.) By that year the number of engineers and other professionals in the natural sciences will be about 800,000 and 260,000 respectively in the former and 750,000 and 320,000 respectively in the latter. This will be hardly surprising in the context of the American preference

for the social sciences in which as many as 72 per cent of that country's graduates received training in 1955. On the other hand, the Russian preference for the natural sciences is truly amazing, what with 52 per cent of that country's graduate students having taken to those fields as against 16 per cent in the United States. It is no wonder, therefore, that the Soviets have succeeded in creating a wide scientific base which has made possible such scientific marvels as space satellites and which, by enabling a still higher rate of scientific progress to be maintained in the years to come, may well make even space travel possible. All this achievement may still not mean a richer and fuller life for an average Russian as compared to an average American in the foreseeable future. If simple living and high thinking can go together, then surely great scientific achievement and low standard of living may go hand-in-hand!

3. GROSS NATIONAL PRODUCT BY USE IN U.S.S.R. AND U.S.A.

(Percentages only from Current Prices)

	1928		1929		1955	
	USSR	USA	USSR	USA	USSR	USA
1. Consumption	71.5	78.6	57.0	68.6		
(a) Household expenditure	66.3	75.7	48.7	65.0		
(b) Government services to households	5.2	2.9	8.3	3.6		
2. Government administration	2.4	1.6	1.9	1.6		
3. Gross investment	23.2	18.9	26.9	18.7		
(a) Private domestic, net foreign	6.4	16.3	—	15.1		
(b) Government domestic	16.7	2.6	—	3.6		
4. National Security	2.8	1.1	14.2	10.9		
(a) Defence	2.5	0.6	13.4	10.0		
(b) Other security	—	—	—	0.4		
(c) Internal security	0.3	0.5	0.8	0.5		
5. Gross national product	100.0	100.0	100.0	100.0		

PUBLIC RELATIONS ABROAD

(CONTRIBUTED)

THOSE who think that propaganda abroad by various governments is a novelty are very much mistaken. Any reader of history will have come across innumerable instances of propaganda of all sorts and gradu-

ations. Then as now there was good and bad propaganda; sincere efforts to make other peoples understand one's own country's or government's point of view; information for foreign consumption, perhaps some-

times a little too florid, to convince the foreigner of the advantages of one's friendship. And at times, lies shod in half truths, or open threats, to lure those at whom they were aimed into false beliefs or simply to intimidate them.

Over the past quarter of a century a special type of propaganda has been set apart, with its own techniques and limitations. Somewhat maltreating the English language we call the specific actions of "influencing of public relations", by the same nouns by which we also name the state which we do wish to create, i.e. "Public Relations".

Up to the first World War the task of creating the "right" public relations with foreign governments and peoples, and to nurse them, was that mainly of the ambassadors and envoys sent abroad, supported, maybe, by individual travellers and missionaries (religious and others). The public representatives abroad—ambassadors, ministers, consuls, etc.—still are the top ranking "Public Relations Officers" of their countries. But their radius of action is today even smaller than it was in the past. And more often than in the past they are very much restricted in their task by their political heads at home.

Now, however, every mission abroad has attached to it a special "public relations" section. Listening to the judgment of most pressmen abroad one would come to the belief that their own country's public relations set-up is either bad, certainly not good, at best passable.

Let us admit immediately that such criticism is based mostly on the particular, and always too optimistic expectations of the critics. Whether a public relations section can do its job well depends in the first instance on the guiding instructions it receives and, secondly, on the co-operation it gets, from its hive—in other words, from the Ministry to which it belongs. The extent of the work of any such section must vary, too, according to the specific circumstances of the moment.

There are times when nothing more is required than the giving and spreading of straightforward information about men and matters of one's country. When that task is not well done by the information and public relations officers one can take it almost as axiomatic that certainly part of the failure is in the first instance caused "at home"; the failure, namely, for the particular department of the government concerned to provide the essential facts, be they figures, descriptions of happenings, or important announcements of Ministers, as soon as they are available. It is less than useless to wait half a week after the Prime Minister, or the Minister of Finance, has made an important speech, then to send the text by air mail. That speech (or whatever the pronouncement was) should have gone by cable to all the missions, as the journalists say, "before it happened"—in other words, without a minute's delay. That would enable public relations officers to have the news distributed 'in extenso' to the press of their locality before shortened and therefore often misleading reports have led to misinformed or badly informed comments in the foreign press. Again it is little help to your propaganda for increased trade if the public relations section abroad receives ONE copy of a report, or ONE set of statistical information, by "sea mail" six weeks after the thing has been published at home. And these things do happen, as this writer knows from his long experience. So don't shoot the P.R.O. until you know "why" he failed to come up to scratch.

A few weeks ago an Indian Editor was the guest of a small dinner party. After dinner the guest was subjected to a cannonade of questions relating to the financial and exchange difficulties in which the directors of the second Five-Year Plan find themselves. All the diners were people who knew a fair amount of India's economy and commerce; some of them had been out in India for years, the rest were connected in one way or another with India. Every one of them a friend of India. Yet their questions were clear evidence of the insufficient information they had on the subject. "How", said the editor after the party had dispersed, "will those be able to understand our problems who are not our particular friends, when our best friends harbour such 'bearish' views?"

The answer to that question is (a) there are evidently too few people abroad who are able to judge the situation fairly, simply because only the bare facts have been made public but little or no real guidance was given as to how to interpret those facts. In other words, insufficient Public Relations abroad; (b) people and nations abroad also have their problems and these, quite naturally, engage their minds more immediately; (c) the third and perhaps most important point for any public relations work is the fact—as was very clear from that dinner party discussion—that if you want to get your own point over, first make sure what your opposite wants to know.

The problem of foreign exchange and investment is no doubt a specially difficult one for the Public Relation Officers, whoever they are. The only section of officers of whom one may fairly expect that they should know the subject, are the heads and some of their staff of the Commercial Sections of our missions abroad. They, however, have quite a lot to do within their own particular compass of duties. Nor are they necessarily trained for general public relations work. On the other hand, it is not only on economic matters that straight propaganda has failed. There are some political matters where even now there is, except perhaps in Foreign Offices, confusion about what, or what not, the Government of India is intent on.

When one thinks of the variety of problems which must arise from time to time, on which it is important that people (not only Governments), certainly some sections of other nations should be well informed, it immediately becomes clear that no one person, however keen and intelligent, can possibly disseminate really useful and effective informative propaganda unless he is briefed on "how" to present the facts. The good public relations officer is a person with a flair for judging the outlook of those whom he wants to convince; a person with a vivid mind which easily grasps the fundamentals of ideas, facts and theories and is able, when properly briefed, to "get over" a convincing story; but he can only do it if he has a "proper line."

Let us not be prevented from studying this problem of Public Relations abroad by saying, as is perfectly true, that few, if any other nations have been exceptionally successful at it. Practically everywhere it is the segregation of the departments which are barriers to the proper functioning of the Public Relations Sector. The P.R.O. must have the active, indeed very active, co-operation of the department for whom he has to act as P.R. Counsel and Advocate at the court of world opinion. It is for the foremost brains of the department concerned to provide all the material, then discuss with the P.R. personnel all probable and useful angles of interpretation to the various publics or sections of the public abroad. It is for the P.R.O. to detect the best line of attack. All this should be done before any major information projects are started.

Economic Report from the U. S.

FOREIGN INVESTMENT GUARANTEE PROGRAMME

(By GUY SIMS FITCH)

WASHINGTON, October 29.—Indicative of the growing interest abroad in private capital from the United States is the expansion of a U.S. Government programme designed to encourage just such investment. It is the foreign investment guarantee programme administered by the International Co-operation Administration (ICA). Actually, the investment guarantee programme is a deep-rooted element in the post-war foreign economic policy of the United States, dating back to the time the Marshall Plan was launched in 1948. But only in the past few years has gained full recognition here and abroad as a major instrument of economic development.

The reasons for this new interest are not hard to find. They begin with the acute shortage of capital, particularly of dollars, around the world. Many countries, especially the less developed, are caught in a squeeze between the mounting demands of economic growth and inadequate capital resources — a squeeze which has become increasingly evident in recent years. As a result, they are investigating worthwhile methods of attracting constructive private investments from external sources. Obviously, a bilateral government guarantee agreement with the United States — the most fruitful source of private development funds — is one such method. It offers the American business man protection against the kind of risks which have prevented or discouraged some foreign investors in the past. Thus, it can help overcome the reluctance — justified or not — of many American business men to invest in productive enterprises in other lands. This reluctance, coupled with the demand for capital at home, undoubtedly has caused American business men to pass up some worth while investment opportunities

abroad from which both they and the foreign countries involved could have benefitted. Even so, American private investments in other countries registered a record \$4,000 million rise last year. This receptivity to U.S. capital reflects the willingness of American business men to be "good citizens" in the lands in which they invest. It also is evident, of how great potential there is for an expanded international flow of needed private capital.

To help speed this flow, Congress has authorized ICA to step up the total value of its investment guarantees to slightly more than \$500 million. Until last June 1, ICA already had issued guaranties amounting to more than \$147 million, covering investment abroad by 118 companies and individuals in 18 countries. What is more, applications are pending in the amount of \$646 million. Another encouraging factor is the low cost of the investment insurance. It is generally available at only one half of one per cent of the value of each investment, and runs for periods of up to 20 years. All told some 36 countries in nearly every part of the world have entered into investment guarantee agreements with the United States. One of the most recent to do so was India, a country which is making a whole hearted effort to meet admittedly ambitious development goals. Only last month, Indian officials visiting the United States expressed the view that private American investment could contribute importantly to India's economic progress. By helping to stimulate this type of investment, ICA's guarantee programme becomes a significant factor in increasing the production of wealth, expanding employment and raising living standards abroad — particularly in areas where private American capital otherwise might not venture.

A Letter to the Editor

'DRY' FACTS

Sir,

"The Week's notes" in your issue of October 25, carries a note under the above head which I have read with considerable interest. After your able analysis of the reported stand of the Union Government and of the A.I.C.C., viz., "the annual saving of about Rs. 110 crores by the community as a result of prohibition is more important than the loss of about Rs. 40 crores to State exchequers consequent on the elimination of excise on liquor," you have drawn the conclusion: "the myth that the community would save Rs. 110 crores as a consequence of prohibition cannot be sustained."

In dealing with this question, it would appear to be assumed that the sum of Rs. 110 crores, which is presumably the total amount spent on liquor, would be available to the community as savings, if there was total prohibition. To start with, is not this presumption of rather doubtful validity? In considering this question, the consumption of liquor by the community deserves to be analysed under two heads viz., foreign liquor and country liquor. I have no idea as to the actual amount spent on each category; but, even assuming that about 25 per cent represents foreign liquor, the gross amount spent on this would be, say, Rs. 25 crores. This figure would include the import duty, excise duty and other local taxes which go into the Government coffers, as

well as profits earned by the dealers in India, all of which remains within the community. Hence probably less than half of this amount, or say, Rs. 10 crores might represent the amount actually paid out to the foreign suppliers and irretrievably lost to the community. However, the balance of about Rs. 100 crores out of the total consumption would represent money spent in the country. A considerable portion of this represents Government revenue in the form of excise duty, sales tax etc., and remains within the community. As far as the remaining portion is concerned is it not merely a question of distribution within the community? What is a debit in the case of the liquor consumer is, per contra, a credit in the hands of the various elements of the community concerned in the production and distribution of the liquor. Thus what 'A' pays provides the income (or even the livelihood) of several persons say, 'X', 'Y', 'Z'. If 'A' refrains from spending, it follows that 'X', 'Y' and 'Z' will cease to have a corresponding income. Therefore, even though individuals, as such, may save or lose, for the community as a whole, there can be neither any saving nor loss as far as the Rs. 110 crores are concerned.

Yours faithfully,

"A READER"

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The Business World

THE FUTURE OF MOTOR TRANSPORT

By K. SANTHANAM

IN 1939, when the Motor Vehicles Act was passed, Motor Transport in this country was in its infancy. India was just recovering from the great economic depression. That Act was based on three main assumptions. (1) Railway revenues should be safeguarded against motor competition; (2) Motor transport should be private enterprise; and (3) It should be operated as far as possible by small operators so that there would be competition and the public might benefit by low fares and efficient service resulting from such competition.

When the present writer became Minister for Transport, conditions had greatly changed as a result of World War II. Movement of goods had increased to such an extent that there was more than enough work for Railways and Motor Transport and the fear of the Railway revenues falling as a result of motor competition had disappeared. It was also clear that the small operator with a few buses could not provide satisfactory or efficient service. Without an up-to-date workshop, reserve vehicles, stock of spare parts, and well trained and well paid staff, the small operator could not maintain his buses in sound condition or provide punctual or comfortable service. Everywhere, there were loud complaints about the state of motor transport, the only exceptions being big operators who had a fleet of buses and sufficient capital resources to operate them efficiently. The State Governments had, therefore, to enter the field. Though in some cases the remedy proved worse than the disease, there were significant successes in some States like Bombay and U.P.

In the Industrial Policy Resolution adopted by the Government of India on April 30, 1956, motor transport has been included in Schedule B. The general policy laid down for the items included in this schedule is as follows.

"With a view to accelerating future development, the State will increasingly establish new undertakings in each industry. At the same time, Private Enterprise will also have the opportunity to develop in this field either on its own or with State participation."

Thus, though motor transport is a legitimate field for State enterprise, there is no justification for replacing private enterprise in areas where efficient service is provided.

The time has now come for a comprehensive review of the policy regarding Motor Transport. It appears that the future development should be on the lines laid down for Banking. The present banking structure consists of the Reserve Bank and the State Bank of India and its branches which are entirely under State management. There are again the big scheduled banks which are managed by private enterprise but which are controlled and assisted by the Reserve Bank. Lastly there are the minor banks. Similarly in the case of transport in each State, there should be a field of State Transport which should be run as an autonomous concern on business principles. Side by

side, there should be areas where motor transport is managed by well organised, big operators with a minimum fleet of about 100 units and the requisite workshops, capital and other resources. While minor operators working in this field should not be normally hurt, new licences should not be given to such operators except in special circumstances and every encouragement should be given for the merger of existing small operators into bigger concerns.

It may appear surprising to some to plead for the big operator against the small capitalist. On abstract theory, the small capitalist is to be preferred to the big and, no doubt, in some fields like processing and light consumer industries ways and means should be found to give active preference to the small capitalist. But there are industries in which the small capitalist cannot function effectively and motor transport is one of them.

A word may be said about motor taxation. It is admitted that Madras has the highest taxation in the country. However, this high taxation has not only helped the revenues of the State but also made motor transport in this State more efficient than elsewhere. It requires great ability, skill, organisation and economic management to make motor transport paying in spite of this heavy taxation. That Madras can boast of many concerns like T.V.S. and Sri Rama Vilas is an indirect result of this heavy taxation. There is little doubt that other States will slowly come up to the Madras level. It should not, however, be misunderstood to suggest that the existing taxation in this State can be further increased. That will be killing the goose that is laying golden eggs.

The Railways are unable to handle the traffic which is growing on account of our development plans. It requires urgent relief and this can be provided by motor transport which can be expanded more quickly and easily than the Railways. If ways and means can be found to co-ordinate railway and motor transport so that the bulk of short distance traffic, both passenger and goods, is transferred to motor transport, the pressure in the railways may be eased. Central legislation has provided for railways participating in State Road Transport Corporations. It should be possible to extend this partnership to well organised private corporations. If this can be done, minor Railway stations may be handed over to the motor transport concerns and Road-cum-Rail tickets and way-bills can be issued so that passenger and goods trains need not stop at short intervals.

For the State Governments, expansion of irrigation facilities and development of electric power are the most important tasks. Motor transport can only take the third place. It should be hoped that the State Governments will permit such concerns as are established to continue and expand their services and concentrate State enterprise in non-transport areas where new services have to be provided or existing services are unsatisfactory.

CO-OPERATIVE CREDIT: POSSIBLE PITFALLS

By CROESUS

AT the rate at which the Government has been increasing financing agencies and expanding the scope of operations of the existing ones, one fears, there may soon develop a very keen competition and a stage may

even be reached when the weaker among them, especially if they happen to be in the co-operative sector, will seek special Governmental protection. As a matter of fact, the process has already begun with the establish-

ment of the higher interest rate monetary pattern which finds co-operative banks lagging behind in the race for deposits. Even sound and well-established units like the Bombay State Co-operative Bank, Ltd. are not unaffected, so much so that its Chairman, Mr. R. G. Saraiya, felt compelled, the other day, to appeal to all co-operative institutions, particularly banks, to stand by the co-operative movement by ensuring that their surplus funds are not kept outside co-operative banks. For quite some time past, if I remember my facts, the Registrar of Co-operative Societies has been insisting on this, but he does not seem to have suggested so far that it is only thus that these institutions would be deemed to have maintained co-operative discipline.

Be that as it may, after making such an appeal, I wonder whether it can lie in any co-operator's mouth to complain that commercial banks are proving to be serious competitors and are attracting deposits from both the general public and the co-operative sector at the cost of co-operative institutions. Surely no co-operator can insist that joint-stock banks shall not offer a higher rate of interest on deposits than the co-operative banks. This would mean that co-operators are not satisfied with merely asking co-operative institutions to transfer their deposits from joint-stock banks to co-operative banks but that they would also want the general public to entrust their idle funds to co-operative banks. What, for instance, would be the reaction of co-operators, one would like to know, if, as a 'quid pro quo', joint-stock banks were to ask co-operative banks to raise the rate of interest on advances to their clients, as the relatively low rates at which these co-operatives advance loans operate as a source of serious competition to them? It is not enough to dismiss this — as I know will be done — by saying that co-operative banks and joint-stock banks don't work on the same principles.

By the way, let me not be mistaken as trying to put any new suggestion into the heads of joint-stock banks. They don't need it though. Recent developments themselves have been such as are certain to compel them, sooner or later, to complain against the slow and steady encroachment of the State-cum-co-operative sector into their domain. Meanwhile, it looks as though all canons of sound banking, such as that commercial banks should confine themselves to short-term credit and provision of trade finance, and not dabble in mixed banking by indulging in long or even intermediate term credit, are meant only for joint-stock banks. For co-operative banks bid fair to enter the banking arena in a big way. They are no longer required to restrict their activities to agricultural credit. They are now encouraged to take up the financing of even industrial co-operatives, especially those interested in small and medium scale industries, although I am not quite sure whether one is right in regarding a sugar factory, even if it be under the co-operative umbrella, as a small or medium scale industry. Sugar co-operatives or any industrial co-operatives, for that matter, would need several facilities, such as the provision of working capital and capital expenditure, not to speak of guarantees to other banks against deferred payments for plant and machinery, both imported and indigenous. So long as the Government of India, the State Government, the Reserve Bank and the State Bank of India continue to provide funds to co-operative banks, it would be feasible for these institutions freely to provide intermediate credit facilities to these co-operatives, but the difficulty would arise when the flow of funds from this pipeline stops, as it must needs do sooner or later, sooner perhaps than some may be inclined to concede. If such a contingency should arise, would there not be a conflict on the part of these co-operative banks as to whether they should prefer their new-found and, often times, prosperous industrial clients or

their age-old agriculture clients who would be content if they could just make both ends meet?

There is one other aspect to extension of co-operative credit or credit by urban co-operative banks to small and medium industries. When the State is out to encourage these industries, it follows that considerations of whether or not financing a particular case is economically sound cannot arise. Viewed thus, it seems a sound policy that, rather than canalise such credit through the normal competitive channels of commercial banks, such should be routed through co-operative credit institutions, compensating them against losses or even subsidising them to some extent to make the work worth their while. Here, again, this cannot last indefinitely or even for a reasonably sufficiently long time. Suppose a stage is reached when, for financial reasons, the State cannot afford to extend these facilities, what will happen to the industries concerned, especially if they have not grown strong enough betimes to stand on their own feet?

Finally, does it not appear somewhat of a contradiction if unrestricted credit is made available to one sector when the purse strings are deliberately being tightened to restrict it in respect of others in the name of credit control? The difficulty with regard to the new lines of co-operative credit which the Government has embarked upon, doubtless with the best of intentions, is that they don't lend themselves to be judged by the same type of rigorous tests as other credit lines so that the brake may be applied whenever the exigencies of the situation demand such a course. Co-operation is undoubtedly entitled to State aid and support, commensurate with the risks it has to shoulder as an instrument of development in accordance with the State policies, as Mr. Saraiya observed, but it should not be forgotten—and he also stressed this—that its intrinsic worth lies in its own inherent strength. It is here, more than even in ensuring that all deposits of co-operative agencies are diverted to co-operative banks, that the solidarity of co-operators is needed.

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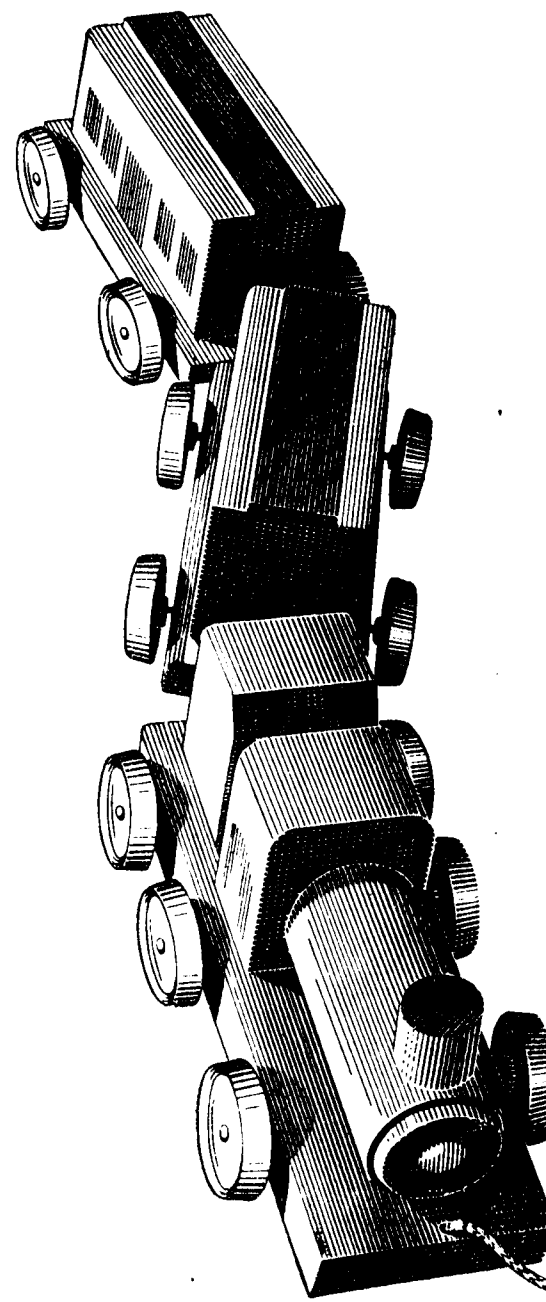
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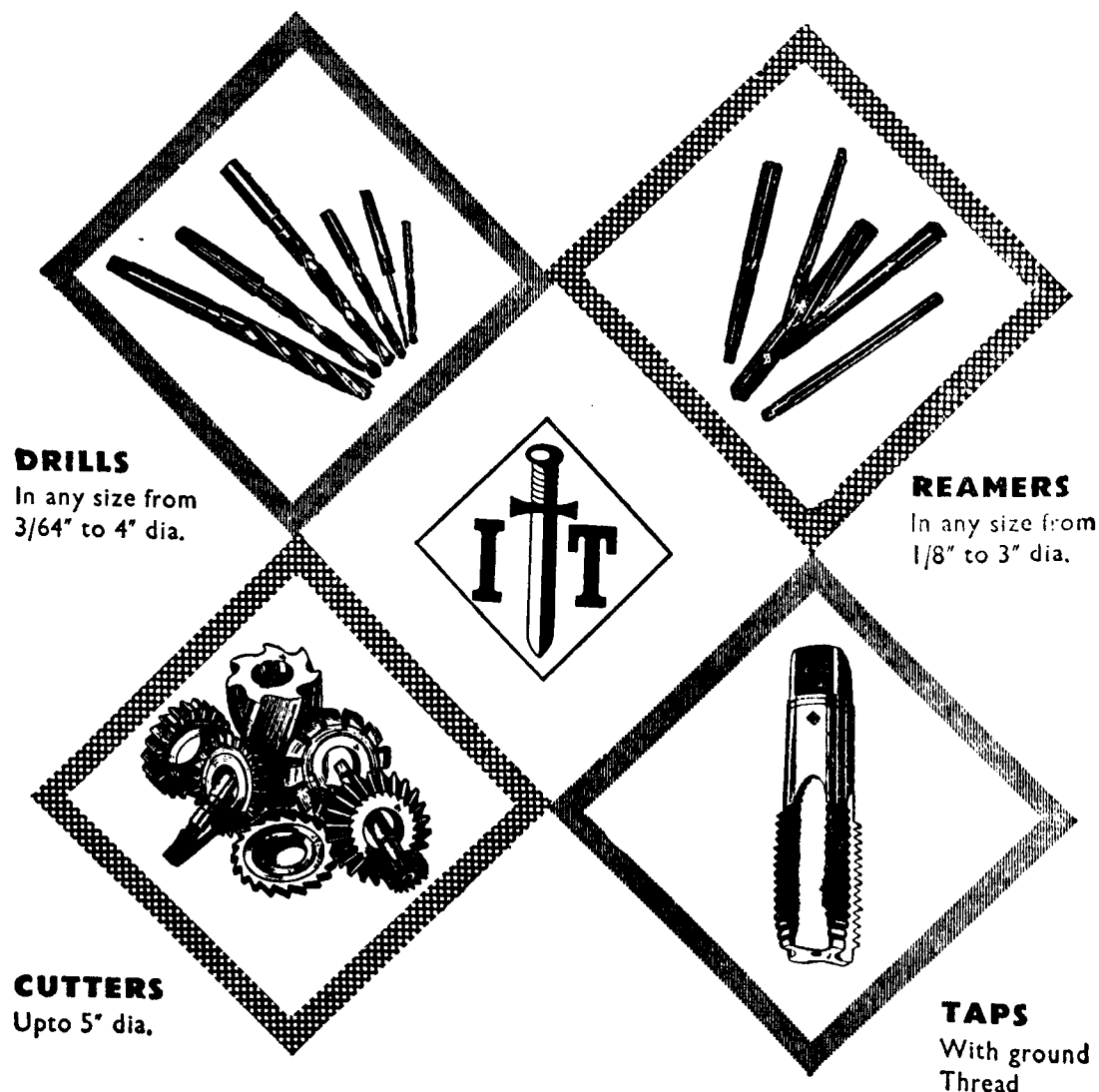
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BUSINESS NOTES

NEW FLOOR FOR THE CURRENCY RESERVE

THE ORDINANCE issued by the President on October 31 last amending Section 33(2) of the Reserve Bank of India Act did not come as a surprise at all. On October 25, our sterling balances reached the all-time low of Rs. 323 crores. There was thus a bare margin of Rs. 23 crores which could be further drawn upon under the then existing position of law. The current rate of the withdrawals of the sterling balances is approximately Rs. 8 crores per week. It was thus obvious that an ordinance was quite essential to facilitate foreign payments.

Under the amendment introduced by the ordinance a new floor limit has been laid down at Rs. 200 crores for the total currency reserve. The old distinction between the backing in gold and backing in foreign securities (mostly held in sterling) has been done away with. Under the old dispensation the currency reserve had to consist of Rs. 115 crores in gold and Rs. 400 crores in foreign securities. The ordinance now provides that the total backing is to be a minimum of Rs. 200 crores. In theory the entire backing might consist of gold. But in view of the fact that there is little likelihood of any additions in the foreseeable future to the present gold reserve of Rs. 118 crores, foreign securities of at least Rs. 85 crores will have to be maintained untouched. It means that out of the present sterling balances of Rs. 323 crores we can draw upon Rs. 243 crores. This amount would be enough at the current rate of withdrawals for a period of 10 months. But it need not be presumed that the entire permissible margin of withdrawals will be used up. The firm commitments of imports which India ought to honour have been the main factor in determining the size of the currency reserve. The foreign assistance which may be available from the World Bank, the US Development Fund and West Germany has not been taken into account in this behalf.

The reaction abroad to the change in India's currency reserve requirements, particularly in the UK which is directly affected by it, recognizes the circumstances under which it has been brought about. There is no element of surprise in it. In the UK there is appreciation of the fact that, since a loan for India in sterling did not materialise, rapid withdrawals of sterling balances would be the only available means of tiding over the temporary balance of payments difficulties. But concern is expressed in that country that strain will be imposed on the reserves of the sterling area. This is true. However, it ought not to be forgotten that during the first Five-Year Plan India added to her sterling balances. In fact, the war-time build-up of sterling balances imposed an abnormal strain on the Indian economy. It is implied in the understanding among the members of the sterling area that they should pursue sound policies and exert their utmost to maintain even balances, but particular situations may involve strain for some.

HOUSING: A BIG QUESTION MARK

IF RECOGNITION of a problem should mean that part of the problem is over, then the frank admission, recently by the Union Minister for Works, Housing and Supply, of less than necessary progress in India's housing activities is welcome. As in other fields, like, for example, employment and food production, in housing also, the country needs to run faster and faster if only to keep to the same place. This is sufficiently illustrated by the figures given by Mr. K. C. Reddy at the

second Housing Ministers Conference, which was held at Mysore. In 1951, shortage in urban housing was assessed at 2.5 million houses. (In the first Plan period the number of houses built in urban areas is estimated to be 1.3 million). By the end of the second Five-Year Plan, this shortage is expected to double, reaching the figure of some 5.7 million units. This is after account is taken of the construction during the decade 1951 to 1961 in which well over 3 million houses will have been built. The calculation is based on the assumption that urban population would register an increase of 20.6 million in the same period. So far as the assumption of increase in population is concerned, there are no indications at the present time to show that this is liberal. It, therefore, only underlines the tremendous magnitude of the problem facing the country.

Much more staggering than this is the problem of rural housing. In nearly 5.59 lakh villages in the country, as many as 295 million people live in no more than 54 million houses. On an average, this works out at between five and six persons to a house. Perhaps this would not sound very shocking if only the houses were habitable in the real sense. As it is, the vast bulk of 50 million houses are admitted to be in urgent need of being either rebuilt or improved considerably. Again, the condition of schools, dispensaries and similar other necessary amenities is too well known to be mentioned. Not even in all the community project areas has the face of the country been substantially changed.

It is true that large amounts of money have been earmarked for the purpose of improving housing conditions. In the case of slum clearance alone, the second Plan provides Rs. 20 crores made up of Rs. 15 crores from the Centre and Rs. 5 crores from the States. It is unfortunate that not much solid achievement can be written against this black spot in the nation's life. Not very dissimilar is the case of low income housing schemes. It is not so much due to the inertia of the people that not full advantage of the scheme is being taken as because of the very difficult and circuitous conditions for obtaining advances. This perhaps explains why out of Rs. 21.53 crores offered to State Governments for loans under this scheme in the first Plan period, a mere Rs. 11.10 crores was utilised. Three months back, that is even after 1½ years of the second Plan, this figure was no more than Rs. 18.41 crores. Whether it is subsidised housing, rural housing or slum clearance, the important thing is to devote more time and energy to coming to grips with the practical problems rather than sit in conference halls and research centres. It must be constantly remembered that the problem over the whole country is not necessarily uniform. Different regions present different conditions and must be attended to likewise. There is no doubt, however, that in any such scheme, the full co-operation of the people is essential for achieving real success.

1953 CLOTH STOCKS CRISIS REPEATS

THE FOREWORDS to the Reports of the Committee of the Millowners' Association, Bombay, always make interesting reading and that to the Report for 1956, the latest, is no exception. For, apart from the authentic statistical data about cotton mills all over India that it customarily provides, the Report not only discusses the domestic problems of the Bombay cotton mill industry, but, what is important, it does so against the background of important national and international events. Obviously, by the time of actual publication, many of these cease to be of topical importance, although their value for purposes of record (which is,

indeed, what the Report is intended to be) cannot be gainsaid.

The observations in the Foreword to this year's Report on the present state of the industry, however, hold good even today, thanks to the leisurely way in which the authorities in our country are sometimes want to treat even the most pressing economic issues. The problem that has been exercising the cotton mill industry most for some time past is the mounting cloth stocks with mills, both unsold and sold but not taken delivery of by wholesalers. It is the considered view of the B.M.A. that, in this respect, the industry has drifted back to the position as it existed in 1953, when special measures were taken by the Government to assist the mills in clearing their stocks. It is felt that similar relief is again needed and, in this connection, the Association opines that "perhaps no measure could be more effective than a judicious scaling down of the excise duty."

Referring to the export target of 1000 million yards, the Association says this will remain an elusive goal, unless strenuous efforts are made to improve the competitive power of Indian cloth in the world market. Apart from the competition from the traditionally exporting countries, it says, India has to contend with such newcomers as China and Pakistan which enjoy a distinct advantage over her with their comparatively new and up-to-date productive equipment. Notwithstanding these handicaps, the Indian mill industry feels confident it can score over most of its overseas competitors if the industry is encouraged to modernise its machinery and thus impart greater competitive strength to its products.

EXPORTS TO WEST GERMANY

AT THE time when export promotion drive is being launched to earn extra foreign exchange for the country, the report of the trade delegation which visited West Germany recently is of paramount importance. This brings to light the possibilities of increasing our exports to that country. It is surprising that there is considerable lack of publicity in that country about the goods which India can export there. It also shows at the same time that very little advantage has been taken of the trade fairs and exhibitions held in Western Germany to display our goods. To add to it to all, the most interesting aspect is that even the visit of this Indian delegation to West Germany was prompted largely by Germany's own anxiety to ensure that India's increasing adverse trade balance does not stop her from being a large-scale buyer of German products.

In recent years West Germany has been claiming an increasing share in the import trade of India. At present it is the third largest supplier of goods to this country. In 1956, the value of imports from West Germany totalled Rs 81.8 crores against exports worth Rs 15 crores. In 1955, India exported goods worth Rs 15.8 crores and imported goods valued at Rs 53.8 crores. This shows an adverse balance of trade of Rs 18 crores in one year. With the impact of a heavy programme of industrial expansion, in the current Plan, it seems certain that the adverse balance of trade would continue to grow in the years to come. The approximate estimates are that the imports may soon rise to the tune of Rs 100 crores annually. This adverse trade balance obviously calls for boosting exports to West Germany towards which the Indian delegation has drawn greater attention. The delegation suggests the setting up of a permanent trade promotion organisation in West Germany by different Indian organizations interested in the export of special commodities. The proposed organization would "provide necessary commercial intelligence, promote business and help build a network of agencies for Indian products." Since India has no effective and continuous means of studying market conditions, trade

promotion organization as suggested by the delegation would undoubtedly be of immense help in increasing our exports to West Germany.

While the establishment of such an organization deserves high priority, there is at the same time need for more individual contacts between the traders of the two countries. The delegation has also brought to notice the high protective tariffs levied by the German Government and has urged for its revision for it helped merely one trade at the expense of the other. Increased possibilities have been indicated in the export of items like manganese and iron ore, handicrafts, tea, coffee, tobacco, cashewnuts and black pepper, hand-made fabrics both silk and cotton. Improved quality and producing according to specifications is, of course, called for as without it the Indian made goods will not be able to compete successfully with the goods of the other countries. The delegation is understood to have qualified its report by the important finding that the scope for expansion of India's exports there is modest.

INEFFICIENCY IN THE P. & T.

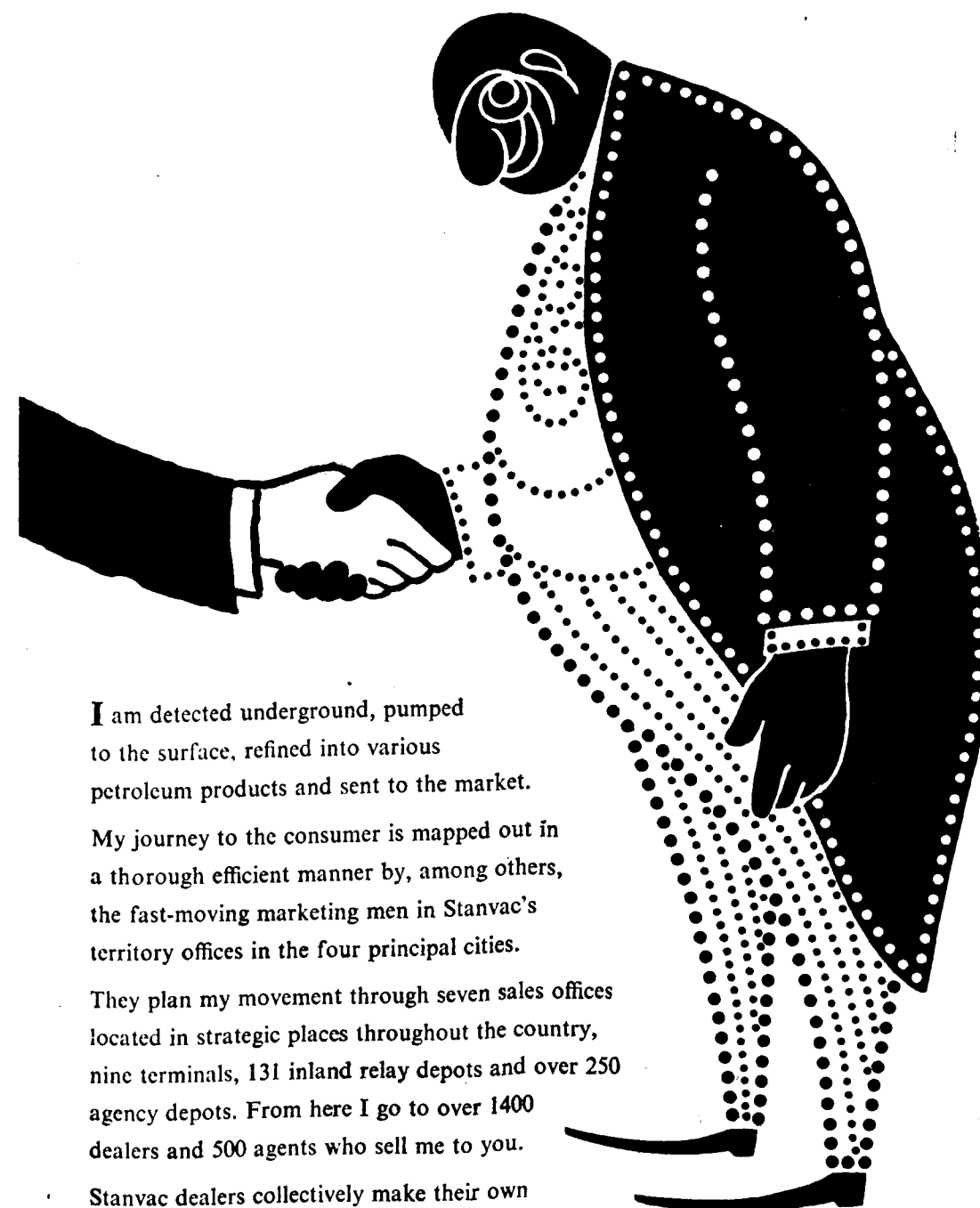
THERE IS real urgency for improving efficiency in the Posts and Telegraphs Department. Indeed, it will be more in order to say that the Department needs to be rid of the inefficiency it has acquired over the past years. The P. & T. Department had established a high reputation in competence and expedition which has unhappily been on the decline in recent years. It may be argued that the post-partition confusion and, later, the tremendous increase in the pressure of work have been mainly responsible for the increasing inefficiency. While this is true, it provides only partial explanation. The Department, as almost all other Government Departments, has been gradually over-burdened with a bureaucratic structure which hampers its quick and efficient movement. Ample evidence of this is found in cases of great hardship caused by delays which are ventilated in the Press. It should be admitted that all cases of genuine hardship do not find expression for one reason or another.

It is not entirely proper always to blame the paucity of funds for delay in all types of services. As Mr. Lal Bahadur Shastri, Minister for Transport and Communications, pointed out recently in a conference of the heads of P. & T. Circles, in many branches and in some works amounts provided had lapsed. It is also known that where such amounts do not lapse, they are not always put to the best use. Not unoften, large amounts are expended hurriedly only towards the end of the financial year with little consideration for productivity. Even otherwise, increase in efficiency and productivity should sometimes also mean better and quicker service in the same time and with the same equipment and personnel. This is particularly true for India at the present time when "better utilisation" of each rupee should yield place to "the most urgent".

It is gratifying that there is some recognition of the factors responsible for the present unhappy conditions. For example, there is a single residential training institute for the entire country. This speaks eloquently for the extreme inadequacy of training facility which is one of the factors making for efficiency anywhere, more so in Posts and Telegraphs where the nature of work is not simple. Again, there must always prevail a sense of urgency in disposing of the legitimate grievances of workers if only to help them realise and understand their own responsibilities for quickness. This calls for a thorough overhaul of the whole administrative set-up. It must be the aim of the authorities to run the Department on commercial lines in all respects. Efficient service is among the hallmarks of a commercially operated undertaking.

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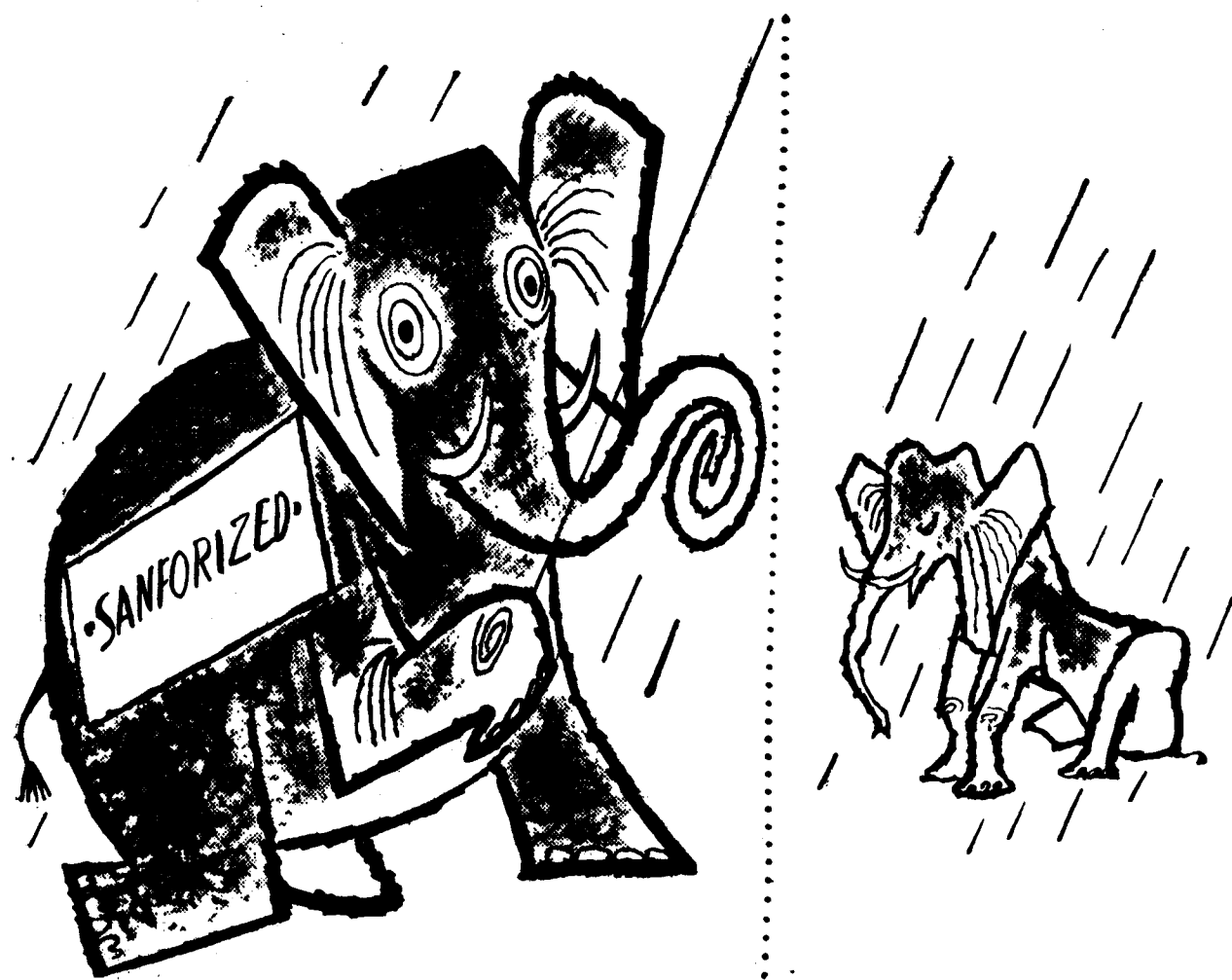
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ACP. 4361 (Rev.)

COMMODITY NEWS AND NOTES

NORTH INDIAN TEA EXPORTS

Tea exports from North India again suffered a severe setback in September this year. Total exports during the month were only 39.2 million lbs., as compared with 51.91 million lbs. in September, 1956. The decline of 12.61 million lbs., has to be viewed in the light of increased offtake by Russia, which was 1.9 million lbs., last month. There was no shipment to that country in September last year. The UK, the largest consumer, mainly accounted for the fall in exports, but the loss suffered by the North Indian tea in other markets was also considerable. Offtake by the UK amounted to only 29.05 million lbs., as compared with 33.27 million lbs., in September, 1956. Tea shipments to Egypt during September at 734,960 lbs. showed a fall of more than 2 million lbs., and those to Canada at 1.11 million lbs., were less than half as compared with September last year. Offtake by the USA also fell to 1.46 million lbs. from 2.15 million lbs. Similarly exports to the Continent, countries in the Middle East and Australia also recorded a marked decline. The only exceptions were Iran and Turkey, which increased their offtake 1.48 million lbs., and 618,018 lbs., from 866,051 lbs., and 344,858 lbs., respectively, in September, 1956. Total shipments in the first nine months of the current year at 237.18 million lbs., showed a decline of 57.17 million lbs. over the corresponding period of 1956.

US DEMAND FOR HESSIAN EXPANDING

India has not been able to take full advantage of the expanding US demand for hessian. Total imports of burlap into the USA, which were steadily rising since 1953-54, reached the record level of 256,400 tons in 1956-57, showing an increase of 33,700 tons or 17.8 per cent over the previous year's figures. Supplies from India also increased but not in the same proportion to those from other countries. While imports from India into the USA increased from 181,800 tons in 1955-56 to the record level of 201,400 tons the next year those from other countries at 55,000 tons showed a rise of 19,100 tons. Thus, nearly half of the increased imports into the USA came from countries other than India, and although the 1956-57 figures reached an unprecedented height, India's percentage of total imports fell by nearly 5 per cent from 83.7 per cent in 1955-56 to 78.7 per cent during the year under review.

IMPORT OF COTTON FROM EGYPT

The Government of India has announced that the ceiling of 15,000 bales fixed for import of Egyptian and Sudan cotton of staple length over 1-3/8 inches had been reached and hence no further applications would be entertained. The Joint Chief Controller of imports and exports announced on October 22 last that 15,000 bales of this variety of cottons would be permitted to be imported on a "first-come first-served basis."

EXPORTS OF TAPIOCA

Exports of Tapioca from Singapore this year were negligible because the overseas Tapioca business is concentrated in Penang. The year opened with dull market and this state persisted through the six months under review. The main overseas market, the United Kingdom, was well stocked at the beginning of January and this coupled with slight over-production contributed largely towards the dull trend. Prices were comparatively low in January at \$17.50, \$19.00 and \$25.00 per picul for No. 1 Seed, Pearl and Flake respectively but fell steadily to \$14.50, \$16.00 and \$20.00 by the middle of May, the lowest levels recorded for several years. Total exports show an increase of some 17 per cent compared with the same period last year due

mainly to increased shipments to the Australian and Asian markets.

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. 3.30 per pound as against Rs. 3.48 per pound in force from October 1, 1957. There is no change in the existing rate of duty of Naye Paise 38 per pound.

PROMOTING EXPORT OF GROUNDNUT OIL

A scheme for promoting export of groundnut oil against the import of coconut oil has been submitted to the Development Wing of the Union Ministry of Commerce and Industry by the oil trade. If implemented, the scheme will, it is contended, ensure in the country an adequate supply of some edible oil at a reasonably low or fair price and also earn at the same time much-needed foreign exchange. It is stated that the margin that will accrue to the country by the transaction of this nature will bring Rs. 533.2 a ton. An addition to the foreign exchange, India will also be able to retain the market abroad for Indian groundnut oil. The Development Wing has, it is learnt, asked for more particulars and statistics from the trade to enable the Government to take a decision on the matter.

REGULATING SUPPLY OF GRADED HIMACHAL PRADESH SEED POTATOES

The Government of India has issued a notification regulating the purchase, sale or storage for sale of seed potatoes in the Union territory of Himachal Pradesh. Under this Order—known as the Himachal Pradesh Seed Potato (Control) Order, 1957, which has been published in an Extraordinary issue of the Gazette of India—any person selling seed potatoes or storing them for purposes of sale is required to obtain a licence, to be issued by the Director of Civil Supplies of the Territory. The object of issuing the notification is to ensure supply to growers in various States of improved and graded seed potatoes from Himachal Pradesh, which is the main hill potato-producing area in the country. The Order further provides for grading of seed potatoes according to the variety or size. The Himachal Pradesh Administration has also been empowered to examine seed potatoes in storage or transit, and seize stocks if it apprehends contravention of the Order.

NICKEL RECOVERY FROM SPENT CATALYST

A new method for the recovery of nickel from spent nickel catalyst obtained as a waste in the fat hydrogenation industry has been developed at the Department of Chemical Technology, University of Bombay. The recovery of nickel is 90-93 per cent when using theoretical amount or a slight excess of mineral acids such as sulphuric, nitric or hydrochloric acid. Fat is removed from the acid digestion by extracting with commercial hexane. Iron, an impurity, is removed by oxidising it with hydrogen peroxide before precipitating it as hydroxide. Excess of acid is neutralised with sodium carbonate and calcium carbonate. After removing fat, iron and excess of acid, the purified nickel salt is treated with sodium formate to give nickel formate which is crystallised in monel evaporator. The prepared samples of formate compare favourably in activity with commercial samples of nickel formate. Considerable quantity of nickel catalyst is used in the fat hydrogenation industry in India. Due to the shortage of nickel in India, attention is now being paid to the utilization of all available sources. Recovery of spent nickel catalyst obtained as a waste in the fat hydrogenation industry is one of them. Fuller details of the process are published in the September 1957 issue of the 'Journal of Scientific and Industrial Research'.

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RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

LIABILITIES				ASSETS						
PERIOD	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182.36	28.23	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62	1,253.86
	(5.58)	(-)	(5.58)					(90)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	564.10	604.12	52.89	80.22	438.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.89	92.83	430.11	1,156.97
1954-55*	1,196.19	22.98	1,219.18	40.02	618.81	658.83	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
1956-57*	1,475.77	18.75	1,494.52	44.42	545.61	595.63	39.93	115.61	755.22	1,494.52
				(117.76)		(663.37)	(44.37)			
Average of Fridays										
March 1957	1,521.09	13.54	1,534.64	117.76	412.52	530.28	34.55	121.37	882.98	1,534.64
April	1,569.25	11.86	1,579.11	117.76	412.52	530.28	33.58	126.41	922.42	1,579.11
May	1,582.22	17.53	1,599.75	117.76	412.52	530.28	33.35	125.60	943.87	1,599.75
June	1,567.48	29.03	1,596.51	117.76	412.52	530.28	33.28	125.17	941.06	1,596.51
July	1,527.79	34.84	1,562.62	117.76	406.52	524.28	33.55	127.54	910.81	1,562.62
August	1,495.65	30.71	1,526.37	117.76	369.52	487.28	31.92	131.22	907.87	1,526.37
September	1,477.66	36.41	1,514.07	117.76	338.60	456.36	30.14	133.82	923.89	1,514.07
October	1,487.74	26.43	1,514.17	117.76	317.92	435.68	28.78	133.92	944.57	1,514.17
Week Ending										
27-9-1957	1,471.11	44.33	1,515.44	117.76	326.62	444.38	29.32	135.20	935.87	1,515.44
4-10-1957	1,487.47	26.98	1,514.45	117.76	326.62	444.38	29.34	134.21	935.87	1,514.45
11-10-1957	1,493.49	20.41	1,513.90	117.76	321.65	439.41	29.03	133.66	940.84	1,513.90
18-10-1957	1,483.81	30.54	1,514.35	117.76	311.71	429.47	28.36	134.10	950.78	1,514.35
25-10-1957	1,486.20	27.77	1,513.97	117.76	311.71	429.47	28.37	133.72	950.78	1,513.97

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*	14.30		16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.34	90
1948-49*	222.17	16.93	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	64.30	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	860.54	4.34
1950-51*	148.80	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	62.89	61.93	259.02	33.69	292.71	28.03	6.64	138.56	2.85	19.03	88.77	12.83
1953-54*	105.44	23.40	46.52	57.45	232.80	33.31	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.61
1954-55*	89.13	20.68	55.20	30.29	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
1956-57*	57.52	14.10	52.46	19.73	143.81	101.21	246.92	18.91	5.69	64.77	4.89	85.34	57.82	13.60
Average of Fridays														
March	56.01	19.27	53.28	61.44	189.99	147.48	347.47	13.74	3.33	114.30	8.42	115.24	79.07	13.37
April	54.61	6.37	67.33	74.63	201.91	150.10	362.01	11.99	14.03	102.31	16.46	101.37	102.55	13.30
May	52.89	4.38	63.37	83.53	204.18	152.64	366.82	17.67	4.45	64.50	18.91	111.31	136.36	13.62
June	53.09	3.29	71.77	42.40	204.55	153.86	404.41	29.16	3.82	46.96	24.53	98.02	188.36	13.57
July	53.64	2.79	86.56	149.26	292.27	120.01	422.28	34.97	3.10	29.21	26.99	74.82	241.04	12.16
August	65.46	7.39	90.60	126.86	290.32	121.20	421.51	30.84	3.38	20.94	31.46	81.90	244.50	8.50
September	51.52	7.96	101.67	110.31	271.45	124.16	405.61	36.49	5.99	27.33	42.90	68.80	211.07	12.99
October	51.86	7.91	98.04	112.25	269.12	131.60	410.72	26.54	3.04	18.34	49.26	72.21	223.35	17.98
Week Ending														
27-9-1957	52.19	7.63	100.01	109.97	269.69	125.34	405.03	44.46	57	25.90	41.79	73.38	201.27	17.68
4-10-1957	51.31	10.14	94.15	110.48	266.07	127.63	403.70	27.95	97	18.64	44.77	78.65	215.86	17.77
11-10-1957	53.84	3.61	90.61	111.25	259.32	133.58	402.90	20.54	3.30	20.55	51.27	73.50	215.90	17.84
18-10-1957	50.02	6.85	100.47	111.54	268.88	132.36	411.24	30.66	4.12	18.79	51.08	68.93	219.80	17.97
25-10-1957	52.55	11.02	106.91	111.73	282.21	132.81	425.02	27.89	3.75	15.39	49.92	67.87	241.84	18.35

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. † 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 gold reserves of Issue Department are revalued at Rs. 62.50 per tola from October 6, 1956.

THE CO-OPERATIVE MOVEMENT IN INDIA, 1955-56

(Rupees in thousands)

Total number of Societies	2,40,395
Membership of primary Societies	1,76,21,978
Working capital of all types of Societies	Rs. 4,68,81,69
Loans advanced by primary Societies	1,40,78,42
Profit earned by all types of Societies	6,26,95

State Co-operative Banks

Number	24
Membership	36,894
Loans advanced	Rs. 67,86,38
Working capital	Rs. 63,33,93

Primary Agricultural Credit Societies

Number	1,59,939
Membership	77,90,850
Loans advanced	Rs. 49,61,72
Working capital	Rs. 79,10,18

Central Banks and Banking Unions

Number	478
Membership	2,99,555
Loans advanced	Rs. 79,83,43
Working capital	Rs. 92,66,65

Primary Non-Agricultural Credit Societies

Number	10,003
Membership	30,72,600
Loans advanced	Rs. 72,06,22
Working capital	Rs. 85,73,67

Grain Banks

Number	8,169
Membership	7,30,423
Loans advanced	Rs. 56,42
Working capital	Rs. 2,42,11

State Non-Credit Societies

Number	82
Membership	22,894
Value of goods received	Rs. 13,67,32
Value of goods sold	Rs. 14,65,41
Working capital	Rs. 9,20,41

Primary Agricultural Non-Credit Societies

Number	30,268
Membership	23,91,826
Value of goods received	Rs. 31,25,95
Value of goods sold	Rs. 31,16,20
Working capital	Rs. 28,40,89

Central Land Mortgage Banks

Number	9
Membership	90,786
Loans advanced	Rs. 2,83,04
Working capital	Rs. 18,52,63

Central Non-Credit Societies

Number	2,764
Membership	19,14,715
Value of goods received	Rs. 57,55,19
Value of goods sold	Rs. 57,85,12
Working capital	Rs. 19,93,87

Primary Non-Agricultural Non-Credit Societies

Number	27,745
Membership	33,22,447
Value of goods received	Rs. 41,62,44
Value of goods sold	Rs. 44,73,34
Working Capital	Rs. 58,12,50

Primary Land Mortgage Banks

Number	302
Membership	3,13,827
Loans advanced	Rs. 1,73,64
Working capital	Rs. 11,34,85

Source: Reserve Bank of India.

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Editors in Conference

THE Thirteenth Annual Session of the All-India Newspaper Editors' Conference held last week would not call for special notice if it had been only the hardy annual affair which Delhi, as the country's political and social centre of gravity,

sees all-too-frequently. The present session of the Conference, however, was invested with quite unusual interest and importance and not merely because of the unhappy dispute on the Wage Board Award, which threatens to disrupt all good

relations inside the arena. The Time Spirit is on the side of the Press. It is quite clear that the Indian Press has now to handle more exacting duties than it has had to face "in the age of the revolution." The Prime Minister seemed aware of the critical point which the Conference had reached by choosing to make this platform—too often neglected in recent years both by Government and proprietors—a place to make a vital policy announcement.

In a sense it is the Prime Minister's speech which was the kernel of this Conference. This is not to do any injustice to other speeches or to the Resolutions. The speech of Mr. J. Natarajan, President of the Conference, was full of constructive interest and conceived in a critical way. As he put it, "there has been a steady decline of the Conference for the last five years" and "had fear not clouded our vision, the decline might have served as a warning against the dangers inherent in strength being dispersed into its components of power among sectional sister associations." There is, indeed, a major crisis in the A.-I.N.E.C. Organisation. But its roots lie outside the Conference, and are concerned with the state of the Indian Press as a whole. If the surrounding country had been free from clamour and controversy, the right of Editors to speak for their newspapers might never have been called into question.

While, therefore, there needs to be criticism of both Government and proprietors when they have tended to detract from the power and responsibility of Editors, the real solution to the present crisis in the Conference lies elsewhere. It is, in fact, in the restoration of internal harmony in the industry that a solution can be found; and internal harmony can only be attained when there is general agreement that growth, not its opposite, is essential. This is what invested the Prime Minister's speech with particular force. He asserted that the Government would approach the problems in the belief that it was necessary that newspapers should grow in quality as well as in quantity. He was particularly anxious to ensure that small and medium newspapers were not only able to survive but also to prosper. While he wanted journalists to have a fair deal, he could not acquiesce in burdens being placed on small newspapers which involved their closure. In as many words the Prime Minister said that, while the Wage Board Award for Working Journalists would need to be implemented if the Supreme Court found it in order, the Central Government's attitude to all problems raised would be flexible, based on the two principles of the necessity of improvement in quality and quantity of all newspapers and the survival of small and medium units.

Because the Prime Minister's lead indicated the opportunity for their good offices, the Editors in plenary session decided on a resolution requesting the Government to appoint a commission of enquiry consisting of a High Court Judge and a Chartered Accountant to look into the finances of newspapers as they will be affected by the Award. This was not, as has been represented, a dilatory move. All that is intended is that there should be a quick survey which would give findings almost at about the same time when the Supreme Court's decision was available for enforcement. Thus the promise of the Prime Minister to consider real difficulties which militated against growth

could be placed, so to speak, in operation by recourse to the facts which might induce moderation being available at that time. It is sincerely to be hoped that the Government of India will act quickly on this resolution, which is, in a sense, no more than the implementation of the Prime Minister's general approach.

While this dispute inside the industry to which constant reference was made by the President of the Conference and the Prime Minister is central to the development of the Indian Press, it is obvious that its long-range responsibilities are not less important than its immediate obligations. The Chairman of the Reception Committee put these problems in historical context in the following words:

"In the period of the great national struggle, the Press of India made a great, but not a unique, contribution to this nation. In a sense, the Press in those exciting days had no separate existence. It was carried along within the broad current of national passion; that current was not principally of our making and we may be said to have climbed on the country's bandwagon or, to vary the metaphor, we arrived at success on the crest of a popular wave. But favourable elements—the tremendous force of a truly national current and the capacity of the Press to borrow its garments and even all its ideas from the popular heroes of the Revolution—will naturally decline as the Indian Revolution recedes. It can be no serious complaint that the Indian Press, as the child of the Indian Revolution, should have acted as it has done; but it would be a serious error for us not to realise the extent to which, in the age which is now dawning, we will need to justify ourselves by our deeds on a different plane. The Fourth Estate of the Realm needs to become the Socratic midwife, bringing to life in a complacent society the constructive elements of new, and possibly passionate, thought. We can no longer remain merely the channel of interpretation or communication of the thinking and acting of representatives of the people."

It would appear that the fulfilment of the heavy obligations that rest on the Indian Press to think for itself as well as for the country cannot be fulfilled except over a long period of time and after a long period of preparation. The formation of the Press Club of India was happily announced at this meeting and it was resolved that it would contain a Research Institute within itself to assist journalists to prepare themselves for the challenge. It is sincerely to be hoped that every effort will be made to place the Press Club of India on sound and enduring financial foundations. On this last question some doubt still remains.

It was generally agreed that this Conference was one of the most valuable in reviving the prestige of the All-India Newspapers Editors' Conference and in turning its light inwards. There is always a danger that commentators will become preachers; it is not unhealthy for them to take a quick, and not too favourable, look at themselves. Will this cursory examination of conscience bring forth fruit in the next few years? That question is being asked. It is for the Press to answer; it is by their deeds only that we will know them. Meanwhile the country can afford to wait and see: here as elsewhere.

The I.L.O. in Delhi

FOR the second time in ten years the Asian Regional Conference of the International Labour Organisation is meeting this week at New Delhi. In a sense this conference constitutes a milestone in the regional work of the I.L.O., for it synchronises, more or less, with the beginning of a period of more intensive industrial development in Asia. This industrial development in the region has generally involved relatively greater investment up till now in what is called the "infrastructure" of the economy, particularly power and transport, although in some countries, notably India, China and Japan, manufacturing industries have expanded significantly in recent years. More ambitious plans of development are just under way in most countries of the region; these may well reduce the disparity between Asia and the rest of the world in living levels which have widened in recent years as *per capita* commodity output in the larger part of the region has not regained its pre-war level. But the second phase of development, now beginning, is also bringing in its train many problems in the labour and social fields — problems which are so succinctly and ably discussed in the report of the Director-General, Mr. David A. Morse.

It is to some of these problems that the regional conference is now addressing itself. Perhaps the most important of these is the problem of labour-management relations in the context of industrialisation of under-developed countries whose traditional systems of social and family life are being dislocated in the process. With rising industrial tempo, the problem is gaining in importance, and there is now, as Mr. Morse says, "a conscious endeavour to focus labour-management relations in the industrial rather than the political field, to seek the bases for collective dealings between the two parties to industry, and to find new methods needed to promote industrial peace and industrial democracy during a period of transition towards industrialisation." And the need for good labour-management relations is being recognised best in those countries which are undertaking extensive industrial programmes.

The Asian labour-management situation is thus changing in a manner that augurs well for the future. For one thing, expanding trade union membership is accompanied by a certain amount of trade union consolidation under more experienced leaders who are getting into closer touch with the problems of management. For another, the improvement in labour-management relations is, at least in part, due to the changing attitude of management; this is evident from the fact that more and more employers are recognising trade unions and some of them are also paving the way for joint consultation and co-operation. The increased availability of trained and experienced managers is also accelerating the tendency to work with trade unions instead of fighting their right to exist. Yet another hopeful trend in a number of Asian countries is in the direction of tripartite co-operation to solve common problems facing labour, management and government. Collective bargaining is also making headway, although slowly; so in most Asian countries very few workers are now covered by collective agreements. Such agreements as have been concluded in recent years — for example in India and the Philippines — are, however, a good beginning. One of these agreements — that between Tata Iron and Steel Co. in

Jamshedpur and the workers' union in 1956—has won the praise of Mr. David Morse who describes it as "a significant example of an up-to-date agreement worked out after detailed consultation between the two parties and covering a very wide range of matters of common concern" and thinks that its provisions "are of outstanding interest in the industrial history of Asia."

All this is evidence of the progress towards better labour-management relations although such progress is not accompanied by an immediate drop in industrial disputes. Ultimately these disputes are bound to decrease in number, but they are currently on the increase on account of the fact that the number of trade unions has increased. At the same time it cannot be said that industrial strife is increasing in importance. With "the increasing recognition that legislation and public machinery and supervision of industrial relations are not sufficient to bring about the desired improvements in this important area of industrial and social policy" and that "the real onus lies on the employers and on the workers, in their own sphere of responsibility and jointly through co-operative effort", there is slowly but surely coming about in Asian countries a shift in emphasis to collective negotiations.

No less important than the problem of labour-management relations — discussions on which would be facilitated by a report prepared for the regional conference — is the one relating to small and handicraft industries in the context of Asian industrialisation. On the latter problem, too, the conference is having the benefit of a report which analyses "the social and economic implications of the increasing competition by modern forms of factory production in the traditionally small and handicraft industries in Asia." As this is a problem which is still being discussed with not a little heat in this country, what the report has to say on it is of great interest. The report, of course, declares emphatically that "economic development in Asian countries is synonymous with industrialisation" because their land resources are inadequate to provide full employment to their population. At the same time the question is raised "whether plans for the promotion of manufacturing should emphasise the development of new large-scale factory units or the fostering of the small-scale industries — when the choice is possible."

This question is answered in the report in a manner which suggests preference for small-scale industries which can employ relatively more labour and which need less capital and a more modest level of organisational and managerial talent than large-scale factories. And so the report concludes that "more extensive enquiries in the field might be particularly rewarding in view of the fact that in principle small industry seems to fit into the economic and social conditions of most Asian countries better than large-scale production." Even this cautious preference for small and handicraft industries — where choice is possible — may not be sustained by the suggested enquiries if the multiplier effect of investment in large-scale industry and the secondary and tertiary employment opportunities arising from such investment are fully estimated. After all, the experience of industrialisation in the West and in the Soviet Union suggests critical shortages of labour for large-scale industry and not the continued existence of a vast reserve army of labour.

Indo-Vietnamese Co-operation

PRESIDENT DIEM'S visit to this country has much greater significance than a goodwill visit in response to the invitation extended to him by Dr. Radhakrishnan at Saigon. It was undoubtedly motivated by a keen desire on the part of the President of Viet-Nam to revive active contacts with neighbouring Asian countries, while intimate and fruitful contacts were being established with friendly countries in the West. The importance of both needs to be realised in a full measure. Shrinking distances are bound to draw nations of the world closer, but the value of fraternal ties on a regional basis does not diminish for that reason. The President's visit will serve to fulfil this objective. There was, however, much more in it.

The joint communique issued over the signatures of President Diem and Prime Minister Nehru and the statements made by the former at a press conference on the eve of his departure to his home country lay a frank emphasis on the imperative need for newly liberated Asian countries to give a solid economic content to their political freedom. In this era of growing inter-dependence, economic prosperity cannot be achieved without international co-operation. The joint communique announces the keen desire of the two countries to broaden the basis of such co-operation. An important fact which has not received due publicity in the Indian press is the inclusion of a team of thirty technicians and experts in the President's party. Their silent work is sure to prepare the ground for a new phase of wider economic co-operation between the two countries.

The potentialities of economic co-operation will naturally be influenced by the degree in which political stability can be maintained. Events in the last three years show that the period of peace since the Geneva Agreement became operative has been turned to effective use in putting an end to internal disorder in Viet-Nam. Under the dynamic leadership of President Diem much has been achieved besides restoration of order through the suppression of armed resistance led by Ba Cut. Vice and corruption so widely rampant under the Bao Dai regime were rooted out. The country, blessed with peace, order and a clean administration, but above all a Head of State inspired by a profound religious spirit of dedication, gained a new confidence with which to face the challenge of the future. Within four months of the declaration of Viet-Nam as a Republic on October 26, 1955, general elections were held throughout Viet-Nam and a Constituent Assembly was elected to draft the Constitution which was inaugurated on the first anniversary of the Republic. The broad-based policies which were adopted ever since the assumption of power in June 1954 by President Diem were now vigorously pursued in a drive for the reconstruction of Viet-Nam's economy.

The prospect for economic co-operation between Viet-Nam and India, and for that matter any other country, must be viewed in the correct perspective of the economy of the former. Its economy stands very much disrupted by the war-time damage and the destruction inflicted by the post-war Communist ravages. Constant state of terror from Communist insurgents virtually paralysed agricultural operations and other economic activities in the country-side. In approximate

terms, not less than 50 per cent of the pre-war cultivated area was abandoned and over 50 per cent of agricultural production, and the production of rice in particular, disappeared. Small-scale industrial equipment in semi-urban areas was destroyed and rice mills in the towns were dismantled. What was worse, river transportation in active operation was reduced to a mere 20 per cent of pre-war. With the return of peace after the Geneva Armistice new problems of a great magnitude arose. The influx of refugees began to pour at a rapid rate. Viet-Nam has to provide for a refugee population which is about one-tenth of its normal population of 11 million. With the tapering off of boom conditions unemployment has reared its head.

The magnitude of these problems has only put President Diem's administration and the country to their mettle. As a staunch realist, the President has lost no opportunity to impress upon his people the basic fact that agriculture must remain the foundation of their economy. Reconstruction of agriculture has proceeded apace. The problem of refugee resettlement has been very nearly solved by the Commissariat of Refugees which has under its charge 300 out of 325 villages in which they are to be rehabilitated. The broad and imaginative agricultural experiment of the Cai-San project in Viet-Nam's rice bowl — the Mekong River Delta — has shown a new way of life on the modern pattern. It is a major integral part of the Vietnamese programme of rehabilitation and development to devote energy and resources to the construction of dams and multi-purpose river projects for the expansion of agriculture and industry. In the sphere of industry, President Diem is absolutely clear that ambitions in the near future ought to be limited to the establishment of a wide range of light industries. Foreign capital has been offered all reasonable protection and assurances, including facilities of remittance of profits within the availability of foreign exchange. Viet-Nam is free from ideological fads. Its firm aim is to achieve progress through greater production under the auspices of free private enterprise.

This picture of the economic outlook and policy indicates the broad lines on which co-operation can be strengthened between Viet-Nam and India. At the present time the Planning Bureau of that country is engaged in preparing a five-year plan of development. India is associated with the U.N. personnel who are assisting the Government of Viet-Nam in the formulation of the plan. President Diem and his advisers had valuable discussions with the Planning Commission, and it appears that the Indian technique and objectives of planning will prove of direct use to Viet-Nam. More specifically, Indian assistance will be required in the spheres of hydro-electric engineering, community development projects, programme evaluation and statistics, and the establishment of light industries. One of the concrete achievements of President Diem's visit was an understanding reached between the two Governments whereby Vietnamese students are to be provided with facilities for technical training in this country. As the next step of deputing Indian technicians in the required spheres to Viet-Nam is taken up, economic co-operation between the two countries will gather momentum.

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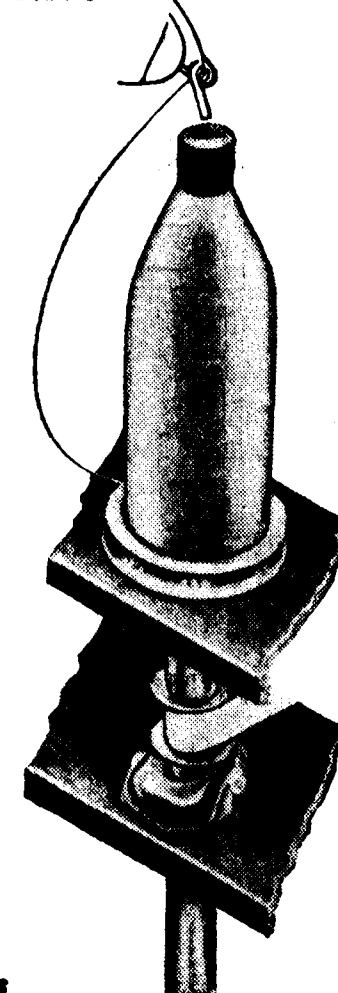
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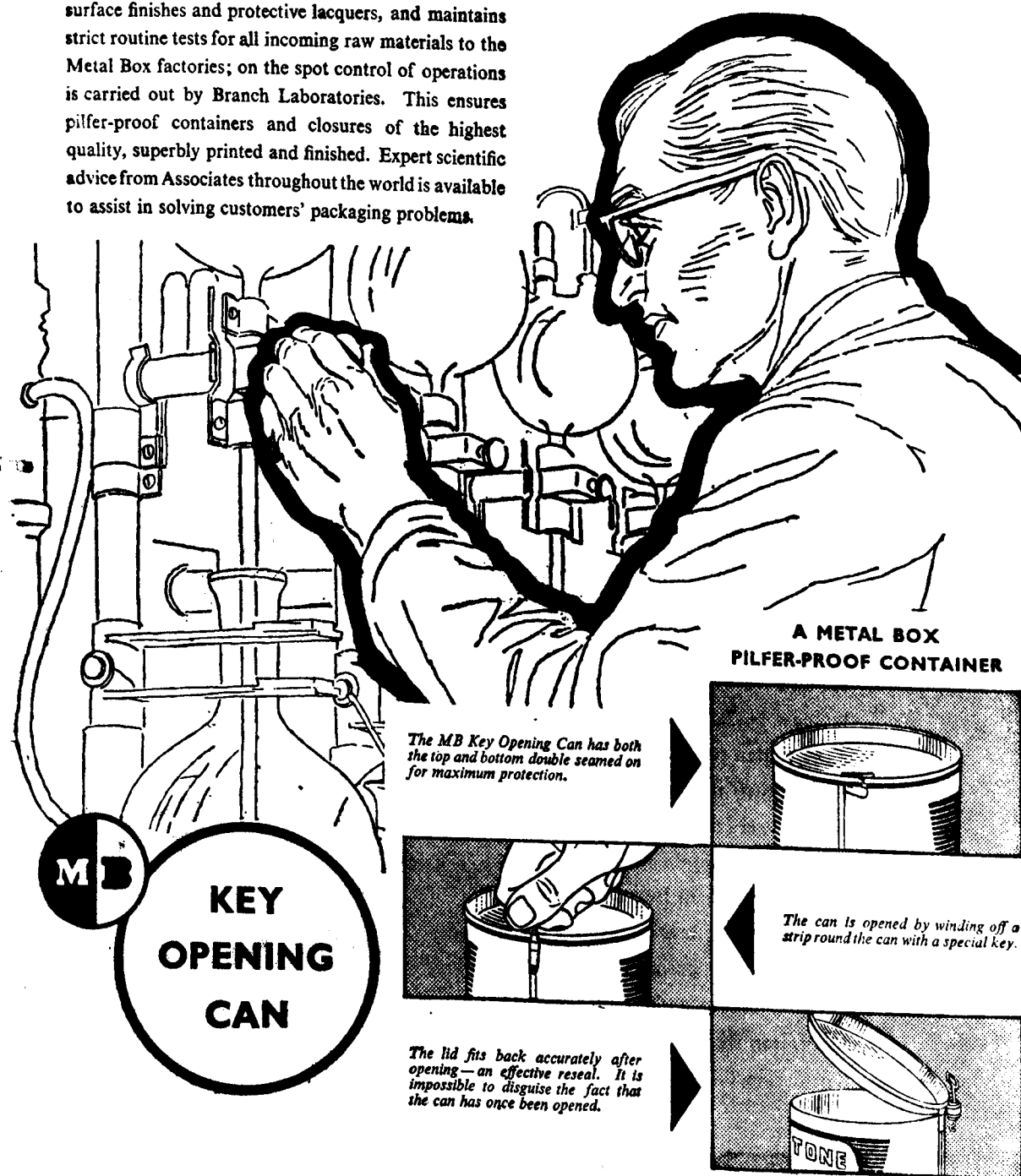
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THE WEEK'S NOTES

J.P.'S TESTAMENT OF FAITH

MR. JAYAPRAKASH NARAYAN'S reiteration of reasons for his exit from active politics need cause no surprise. He expressed his intention, to that effect, some four years; devotion to the ideals of Sarvodaya has ever since been his almost exclusive pre-occupation. His continuation, nevertheless, as a sort of elder statesman of the Praja Socialists has kept Mr. Narayan's announcement this side of a sensation. But what is yielded up by way of excitement is perhaps more than compensated for by the profoundness of his reasons for the decision.

Mr. Narayan has described at length his transition from Marxism, "the Popular Front fallacy," State Socialism and the politics of party and power to Sarvodaya. In that process he found that amoral politics and the mechanical replacement of the "bourgeois" State by a "Socialist" State would not have the consummation desired; equality and brotherhood would remain mere ideals. Indeed, where the replacement has taken place, parties have become monolithic and all-powerful; the State, instead of withering away, has become more firmly entrenched and its grip tighter; instead of a classless society, a new class, more ingrown, exclusive and tyrannical, has risen to subdue man as an independent entity. Western Socialism has failed, he says, to offer anything significant or worthwhile to backward countries, because of its evolution in a different environment. Disillusioned, Mr. Narayan has sought the secret of a new order and found the way to the "beautiful" revolution—Sarvodaya. Although he now regards Sarvodaya as the best idea, he is not dogmatic. He concedes that "many flaws in Sarvodaya thought and practice will be discovered and removed in future."

Mr. Narayan seems to hope that political parties will take up the cause of Sarvodaya, which pre-supposes a radical change in their conception of politics and Government. What he appears to have overlooked is the fact that while organised parties suffer from intellectual inertia, the large loose mass of the Indian people is still impressionable enough to be carried away by slogans. In these circumstances it is difficult to see how the implications of the Sarvodaya approach would be appreciated. The citadels of power having been thrown open to those who can muster the largest number of votes, political thinking has yielded place to political manoeuvring, ideals to chicanery. However, without going into the question of whether politics in the modern world is all-pervasive or not, it has to be accepted that Sarvodaya, too, as its very name implies, embraces politics. It would, therefore, be impossible for Mr. Jayaprakash Narayan completely to renounce politics. Besides, he himself has explicitly stated his path and that of his political colleagues "will often meet" and that at the journey's end, they will perhaps merge. The country will, we therefore hope, continue to have Mr. Narayan's advice on political matters even though he may not figure in partisan political controversies.

At the present stage of political evolution in India, one cannot help contemplating possible implications of Mr. Narayan's decision. Now that he has decided to devote his life entirely to Sarvodaya, it is possible, that the movement will gather momentum. It will not be surprising if Mr. Narayan succeeds in capturing the imagination of the people. Mahatma Gandhi's success is a proof that Mr. Narayan is dealing with a mass of people amenable to sincerity and that saintly, renunciational gesture, which would be an oddity in politics as it is normally understood, in India is not impossible to hope for. Gandhiji visualized in his last phase a political pattern free from domination of political parties. Mr. Narayan begins where the Saint involuntarily ended—in tragic circumstances.

KERALA ON THE MARCH?

THE COMMUNIST Government of Kerala has been in power for more than six months now. It may, no doubt, be too early to say whether the Government has succeeded or failed to solve the State's problems. The Chief Minister, Mr. Sankaran Namboodiripad, has just claimed that some initial steps have been taken towards success. What, in the main, are these initial steps? In the first instance, the Government has pleaded with the Planning Commission to increase the second Plan's allocation for the State from the original figure of Rs. 87 crores to Rs. 200 crores at one stage and to Rs. 125 crores subsequently in view of acute unemployment there, but has failed to get an assurance that the original allotment itself may not be reduced. Thus the first step in persuading the Centre to agree to a larger State Plan for Kerala has failed. There is, therefore, no question of the Communist Government (assuming it runs its full five-year term) realising even partially its objective of "mobilising all the resources in the development of a modern industrial-cum-agricultural economy so as to enable the people to lead a prosperous life". But it is refreshing to find that the Chief Minister has not only not taken this failure to heart but has shown his full awareness of the financial and price difficulties already besetting the national Plan as a whole.

The second major step taken by the Kerala Government in pursuance of its "basic goal of recasting the mode of distribution of wealth so as to give a larger share of it to the basic masses producing it" is by way of a new (neutral?) role assigned to the Police in industrial and agrarian disputes which inevitably result from the Government's efforts "to enable the working class, the peasantry and other sections of the working people to more effectively carry on their struggle for the improvement of their working and living conditions." Mr. Sankaran Namboodiripad claims that "far more industrial disputes have been settled in this period than in any previous period". But they appear to have been settled in such a manner and in such conditions that private capital (which is as much a basic factor of production as labour) is being frightened away from Kerala. If private enterprise thus does not come forward enthusiastically to do its part in possible mobilisation of the State's resources, it can only mean that the magnitude of Government's failure in the matter of its first basic objective will be still greater. The Government's third major step is the appointment of an Administrative Reforms Committee to recommend changes in the present administrative system which, according to Mr. Sankaran Namboodiripad, "is inefficient in the matter of properly mobilising and utilising the resources (of the State), while it is unjust and oppressive in its relations to the basic masses producing the wealth." It may be that the reforms which are likely to be recommended by the Committee will be such as not to subserve the first basic objective of greater production in the context of a mixed economy. The reforms may, of course, be informed by familiar Communist ideas which, however, cannot work without disrupting the current constitutional and economic framework and without producing class conflicts. How can Kerala, then, be on the peaceful march?

A NOVEL EXPERIMENT

ONE YEAR after the re-organization of Indian States, the President has issued an order setting up two Regional Committees for Punjab—one each for the Punjabi and Hindi regions—and defining their tasks. Under the new scheme, the Regional Committees will primarily concern themselves with development and

economic planning within the framework of the general development plans formulated by the State legislature. They shall also deal with matters of local self-government, public health and sanitation, primary and secondary education, agriculture, cottage and small-scale industries and a few others. Should the assembly reject or change substantially any Bill coming up from a Regional Committee, the Governor will send a message to the Assembly asking either for withdrawal of the Bill or for its passage in its original or amended form; the message will have the force of a decision of the legislature. Thus the Governor of Punjab will enjoy power that no other Governor enjoys in the country.

The constitutional experts have found an indication of triarchy in the present scheme, comprising as it does the State Assembly, the Regional Committee and the Governor, and are of the opinion that the conflicts among the three are inevitable. It is also probably true to say that the new scheme will complicate administration, lengthen discussion, and delay work. But perhaps these Regional Committees were necessary to meet the developmental needs of linguistic minorities in a bilingual State, to allay fears of the minorities in respect of possible neglect by the majority, and to ensure the removal of existing social, economic and educational disparities. Moreover, such a scheme is surely preferable to separate States based in theory on language, but actually on communal considerations.

The experiment is certainly novel, and full of possibilities. But communal and regional amity is essential for its success. If the members look upon themselves as the custodians of their own areas, without developing ~~politics~~ and rivalry, the Regional Committees can be of real help in the development programme. If, however, they begin to encourage separatist tendencies, they may do more harm than good. By working the new scheme effectively an example can be set for other bilingual States in the country.

SOVIET SCIENCE AND INDUSTRY

AS MORE details are coming in about the scientific and technological discoveries that have made the launching of Sputnik II possible, interest is naturally being focussed on their bearing on the future development of Soviet industry. The discoveries in metallurgy, for example, have included the making of special metals to contain unusually corrosive chemicals used as rocket propulsion fuels, to resist high temperature in the rocket motors, to resist friction and high temperatures on rocket skin and to insulate the dog-carrying cabin. In the field of chemistry the discoveries have included high energy producing fuels — probably pentaborane and diborane or monatomic hydrogen — and solid fuels for separation of burnt-out rocket stages and final ejection of satellite. And in the field of physics the discoveries have included the making of high precision radar capable of controlling the initial stages of launching rocket's flight up to 100 miles and radar detection apparatus capable of following satellite during flight — vital for accurate prediction of orbit; electronic units inside rocket for overseeing flight control, for regulating separate rocket stages and for final ejection of satellite on course; special equipment for controlling dog's living conditions and electrocardiogram and electromechanical devices for recording dog's heart rate, breathing and blood pressure; Geiger counters and photo-electric cells for recording cosmic and solar radiation; radio-communication and telemetering devices — satellite to earth signals — for collecting information recorded by satellite during flight; and computers for designing rocket and satellite, for interpreting coded signals and analysing information and forecasting orbit.

Some of these discoveries of Soviet science are probably not new or unknown in the West. It is, however, freely acknowledged that the Russian discovery of special metals, rocket fuels and electronic devices is something extraordinary, and may well accelerate the

growth of Soviet industry in the years to come. The well-known commentator on Russian affairs, Mr Isaac Deutscher, for example, thinks that with atomic energy harnessed to production, with automation covering ever wide areas of industry and with electronics opening up new vistas, further Soviet progress may be much quicker than Western and even Soviet opinion anticipates. The Soviet Union may not have to imitate and assimilate American technological achievements any more. Soviet progress is now likely to proceed, in the opinion of Mr. Deutscher, by leaps and bounds, overtaking many intermediate stages of Western industrial development. This forecast of more rapid industrial progress in the Soviet Union in the coming decades is also in accord with the finding of a study prepared for the Joint Economic Committee of the U.S. Congress. Whether or not the present absolute gap (amounting to two-thirds of the United States output) in the levels of industrial output of the U.S.S.R. and the U.S.A., comes to be completely closed in the foreseeable future, there is no gainsaying, as Mr. Deutscher thinks, that "Communist parties (all over the world) can look forward to a time when the appeal of Communism may be as much enhanced by Soviet wealth and technological progress as the attraction of liberal democracy has in our days been enhanced by the fact that it has had behind it the vast resources of the United States."

PROMISE AND PERFORMANCE

LAST WEEK Communists all over the world celebrated the 40th anniversary of the "Great October Revolution". Even its worst detractors would not deny that during these forty years Russia has made remarkable progress in numerous directions. While in 1917 Russia was the most backward country in Europe, now it is second only to the United States in industrial and agricultural production. The Sputniks are certainly a mighty achievement of which even the United States cannot help feeling envious. These man-made moons hurtling through space, certainly speak volumes of Russian progress in science and technology. At the moment Russia's progress in the field of nuclear science compels the world's utmost admiration and apprehension.

It would, however, be wrong to infer from Russia's momentous and spectacular scientific and technological achievements that its totalitarian political and economic system is superior to democracy. Doubtless, considered in terms of production, an authoritarian regime has advantages over a democratic State because heavy industry can be built up to the exclusion of everything else — through terror and regimentation. But since the 20th Congress of the Communist Party of the Soviet Union even Russia's ardent partisans cannot deny the incredible "mistakes" made by the Soviet planners, the evils of bureaucracy prevalent in the Soviet system, the folly of collectivization which led to the liquidation of millions of peasants and cattle-heads, and the hardships the people had to undergo to attain the plan targets. The apologists of Russia will not also deny that forty years after the Revolution, Russia is politically still unstable and totalitarian. Mr. Khrushchev, like Stalin before him, is continuously trying to get rid of all his rivals, without violence if possible, with violence if necessary. The State has neither withered away to usher in a classless society, nor ceased to be a Leviathan. It will be, therefore, not wrong to say that between the ideals of the October Revolution and the reality of Soviet development remains a vast margin cluttered up with cruelty, intrigue, and tyranny.

This has resulted in heart-searching even among Russia's zealous admirers. There is now questioning of the very foundations of the Soviet system which is neither what Marx had visualized nor any other version of a humane society. The advocacy of "different roads to socialism" increasingly being heard is evidence of the cracks in the monolithic structure of Lenin's dream-land.

A Window on the World

INDIA, SOCIALISM, CREDIT, AND INFLATION: GERMAN VIEWS

By
ODYSSEUS

IN the course of a tour through Dusseldorf, Cologne, Bonn, and Frankfurt, to study Germany's economy and European common market problems, I caught echoes of Mr. T. T. Krishnamachari's discussions with the German government. Unfortunately when I was in Bonn, Professor Muller Armack, Dr. Gocht, and other members of Germany's economic Brains Trust were in Brussels, so I was unable to get any authoritative background on the German government's financial intentions towards India. I did, however, have the good fortune to have, on your behalf, interesting talks with German leaders in business, industry, and banking, some of whom were men of influence in their spheres. Several had met Mr. T. T. Krishnamachari.

Our Finance Minister created a favourable impression and, as far as intelligence, charm, and capability carry weight, he did a splendid public relations job for India. His aide, H. M. Patel, was also liked and respected. The personal popularity of our two representatives seems to have caused such a degree of rosiness in news reports to India that I fear that national good manners and international good will may lead some in India to expect too much in concrete results.

That India will receive some aid from Germany is certain and by the time that these words are in print you may perhaps know how much, but this article will deal not with the figures of German aid but with the ideological background, which is important.

The German government has in the nine years since the reform of the currency staged the most spectacular demonstration of the efficacy of free enterprise in creating order out of chaos, and prosperity out of poverty, that the world has ever seen—and I do not forget twentieth century USA or nineteenth century Britain. Germany's leaders, political and industrial, feel no need to argue the objections to state planning and the strengths of free enterprise. "Look around," they say. "Study the pre-war indices of production, national income and distribution of wealth. Compare them with those of today. What Socialist country, including the USSR, can compete with our record?" The combination of a stable currency, an uninflated economy, and the prospects of profits for all, led to a rise in the index of industrial production (1936=100) from 54 in June, 1948, to 136 by June, 1950, with an export surplus which has (notoriously) been mounting ever since. That was what free enterprise achieved in Germany within two short years. Today the index of industrial production stands at 212 compared with 54 in 1948 and 100 in 1936.

Consequently, when the Government of India asks for financial help to bolster its "Socialistic pattern" Five-Year Plan, the Germans' first reaction is: "Why should we help to bolster a system which has proved itself pernicious in other countries, which is apt insidiously to lead to dictatorship, and which has been proved less efficient than free enterprise in raising the standard of living of the masses? If we help to bolster India's Five-Year Plan, shall we not be boosting the state-controlled sector of Indian economy at the expense of the free enterprise sector?"

WHY HELP SOCIALISM IN ASIA?

Several influential Germans argued that whereas the Western world knew that it owed its original deve-

lopment of wealth to free enterprise which thus formed part of its national experience, so that there was reasonable hope that the growth of socialism could be kept in check in the West by appeal to that experience, in Asia, on the other hand, free enterprise was a tender plant which had not yet had time or real opportunity to prove itself. All the more reason to try to help free enterprise, not Socialism, in Asia.

My German informants were discretion itself as to what line Mr. T. T. Krishnamachari and Mr. H. M. Patel had taken on these matters, although one informant told me that they had been much more modest, less dogmatic, and readier to listen, than Pandit Nehru had been on his earlier visit. They also referred me to the issue of "Time" dated October 28, 1957, which, reporting the International Development Conference which assembled in San Francisco 551 bankers, government officials and business leaders from 62 countries, said: "But while the conferees differed hotly on ways and means of boosting productivity, there was general agreement, even by delegates from socialist-minded nations, that private enterprise should and could shoulder an increasing share of the burden. The most dramatic evidence of renewed faith in free enterprise came from Reserve Bank of India Governor H. V. R. Iengar, close friend and advisor of Prime Minister Nehru. Disavowing the tepid brand of socialism long preached by Nehru, Iengar emphasised that India is looking for private capital and free enterprise to develop its resources and industrialise the nation."

A QUERY FOR PANDIT NEHRU

My German friends said that Mr. H. V. R. Iengar's conversion to free enterprise was, if accurately reported, most satisfactory, but was sudden enough to arouse reflections on its possible duration. They urged me to enquire whether Pandit Nehru would now disavow (a) socialism or (b) Mr. Iengar. Frankly, the Germans find it less easy than "Time" to believe that the Indian leopard has changed its socialistic spots.

Mr. T. T. Krishnamachari was reported as having told the German paper "Die Welt" that he could hardly prevent a certain rise in prices in India. This created a poor impression on my informants who bluntly asked "Why not?". The German horror of inflation has hitherto been unfashionable among other European (and indeed most Asian) countries, which have laughed at this peculiar German phobia. But enough countries have now been hit by inflation for the laugh to be with the Germans. The table given on the next page, showing the inflation in 18 countries, was given me by the German Central Bank.

My informants observed that Japan, Sweden, Norway, Finland, Denmark, Holland, and Italy had halted inflation, while the UK was engaged in a determined battle, the outcome of which could not as yet be foreseen, but about whose chances German banking circles felt soberly confident. Although India stood satisfactorily low in the list, my informants pointed out (a) that India's average annual rise in these eight years of 2.3 per cent had accelerated to 3.4 in 1957, that India was one of the countries which was making no effort to halt inflation, and that Mr. T. T. Krishnamachari apparently is reconciled to its acceleration. The point may seem

of small importance in India and irrelevant to the case for securing German help for the Five-Year Plan. In German eyes, it is relevant and important. The Germans have suffered two disastrous inflations and they are understandably fearful of them. They argue that most of their average price rise of 1.9 per cent a year has been due to imported inflation. When faced with their rising export surpluses, other countries tell the Germans to up value the mark or to allow the full effects of the export surpluses to be felt internally in credit expansion. The Germans reply "why should we inflate and risk currency stability just because you other countries cannot keep your economies in decent working order?" Although I do not think that the German authorities have fully explored the alternative policies open to them, I sympathise with their attitude towards inflation.

RISE IN RETAIL PRICES

	June 1950 to June 1957	June 1956 to June 1957
Greece	72.7	2.2
Austria	56.4	.6
Japan	48.3	2.4
Norway	46.4	1.3
United Kingdom	43.8	3.2
Sweden	43.6	4.3
Finland	40.2	10.9
France	39.4	1.3
Denmark	35.6	4.5
Spain	33.3	8.2
Holland	32.7	11.1
Italy	31.3	5.2
Belgium	20.3	5.2
Canada	19.3	3.2
India	18.6	3.4
USA	18.1	3.4
Germany	15.5	1.4
Switzerland	12.4	1.5

All authorities agreed that German industrialists would not invest in India unless the German government guaranteed them against expropriation and ensured, by treaty agreement, that profits were freely exportable from India. They pointed out that in any case (1) the amount of capital available for export was small, since Germany was short of capital at home, and (2) current rates of earnings for domestic capital were 12 to 15 per cent, so that substantially higher returns would have to be available from India before German capital went there.

But when all this had been said, my informants were confident that some help would be given India. There was naturally the desire to strengthen a democratic country in Asia, but the motive which, it was emphasised to me, carried weight with the German authorities was their desire to ease the difficulties of the sterling area.

There are still some countries whose policies are apt to be influenced by irritation at the persistence of the sterling area. The Germans are not among these. Two crushing defeats in war and two terrible inflations condition their thinking, so that they seek to promote stability and international co-operation wherever they

can. Unfortunately their past record—the Kaiser's war of 1914, Hitler's inter-war aggressions and final madness of 1939—make it hard for many people to credit Germany's present good intentions. This is a pity, for there is ample factual evidence of Germany's sincerity. This is the moment to cash in on it and to integrate Germany's interests with those of the free world. Her economic policies are such that one sees her going from strength to strength. If she is rebuffed today, it may be less easy to secure her co-operation tomorrow. Fortunately, more and more of the free world's leaders recognise Germany's potentialities.

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TERRORISM IN FRANCE

(From Our Special West European Correspondent)

PARIS, November 9.

AN aspect of the Algerian nationalist struggle that gets little notice abroad (and, to tell the truth, got little notice in France until recently) is the atrocious conflict within that large section of the Algerian working class that has migrated to metropolitan France. If one thinks back to the Indian community of pre-1947 London and then compares it with Algerian community of present-day Paris, one realises what contrasting activities can be lumped together under the heading of nationalist politics. So far this year in France (mainly in Paris and the industrial north) two Algerians per day have been murdered and nine others per day have been attacked with murderous intent. All of these aggressions have been committed by fellow-Algerians and all of them have been political crimes connected with the nationalist struggle in North Africa. The victims are either working men who have "forgotten" to pay their regular heavy subscription to the cause and are therefore shot down by terrorist commandos, or are members of one or other of the two rival wings of the nationalist movement, the FLN (National Liberation Front) and the MNA (Algerian National Movement). These two movements are at present carrying on a war of extermination on French soil, parallel to the war they are waging against each other in Algeria itself and of which the massacre of Melouza was an incident.

During the whole of last year, 70 Muslim workers were executed by their fellows in France. In the first ten months of this year, almost 600 have been murdered and 2,200 injured. Since there is no reason to suppose that Muslim workers in France have become more reluctant to pay their terror-taxes to the nationalists, this vast increase must be due to the embittered strife between the two branches of the independence movement. Indeed this is clear in the recent outburst of shootings, which has decapitated the Muslim workers' unions that admit allegiance to the MNA and for which the FLN has not hesitated to claim the "credit".

As long as this fratricidal warfare among the Muslims working in France was of limited proportions, it was a matter for the French police, though even then it threw grave discredit on the Algerian cause. But the reckless extension of the struggle this year, the horrible proportions of the bloodshed, the overflow of terrorism from the medinas and casbahs of Paris on to the streets of every part of the city, the deliberate concentration of the FLN killer-gangs on trade-union leaders, and the involvement of other North Africans (Tunisian and Moroccan workers) who have no part of the Algerian quarrel, have all combined to give the matter a seriousness far exceeding the maintenance of law and order in France. The MNA is seeking help to bring the case before the United Nations, the international trade union movement is discussing it at the current W.C.F.T.U. meeting in Brussels, and the leaders of Morocco and Tunisia are to confer on ways of bringing pressure on the FLN to cease the slaughter.

The FLN has so far been quite insensitive to all appeals in this sense, though they have come from quarters not remotely connected with French colonialism. The French Communist Party has been publicly urging the FLN to cease terrorising Muslim working men; the trade unions of all faiths have been outraged by the systematic assassination of union leaders;

Messali Haj the imprisoned nationalist leader has issued an appeal to the nationalists to desist from atrocities that damage their own cause; and this week the Tunisian Ambassador, obliged to intervene because his citizens in this country are being mistaken for Algerians by both sides in the gang war and by the French police, denounced the wave of "criminal irresponsibility". (This last expression is the strongest condemnation of Algerian methods so far expressed by an Arab diplomat.) The response to these warnings from the friends of the Algerian nationalist cause was a communique from the FLN stating that it was not going to be influenced in its "sacred" effort by the "snivelling of the accomplices of colonialism". In other words, the Algerian nationalists are showing in this affair, as throughout the war in Algeria itself, a political stupidity and callousness that handicaps the progress of their cause and makes it more difficult for the liberal section of French opinion to declare its opposition to the rigid policies of the Paris Government.

Most Parisians by now have seen some incident or other in this gang warfare within the Algerian community, especially since the terrorists have begun shooting down their victims in the main boulevards in the centre of the city, in cinema foyers, in underground stations or sports arenas. (Your correspondent, for instance, saw a Muslim working man stabbed recently in a main thoroughfare on the Left Bank). It is evident what conclusions French people draw from such events, because the whole problem in Algeria is whether the minority community of Europeans and Jews would be safe in an independent Arab state. The Right in this country can complacently argue that the nationalists are providing evidence each day in the heart of Paris itself that minorities would not be safe in a free Algeria. And not only the Right: this week the New Left, a dissident Communist movement that has ardently campaigned for Algerian independence, says in a statement condemning the wave of terrorism that it "causes serious anxieties about the future of the Algeria of tomorrow and particularly about the fate of political and racial minorities." Since it is certain that Algerian independence cannot be won by a straight-out military victory over the French army in North Africa but must ultimately be achieved by negotiation, it is tragic that the Algerians are dissipating the political sympathy they enjoy in metropolitan France, especially among the working classes.

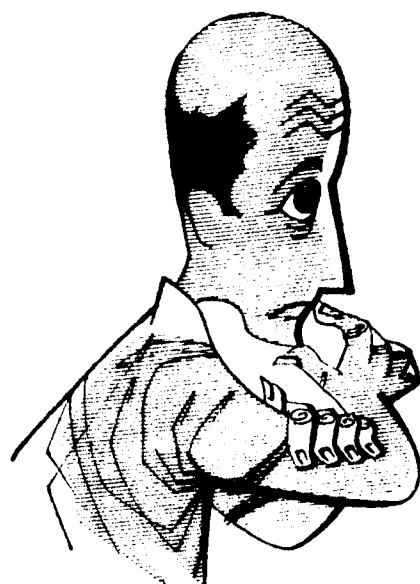
The victim of this terrorism is the body of 400,000 North Africans who have come to work in France, and the prize of the struggle is their wages. Algerians working in France receive French pay and benefit from the same working conditions as the metropolitan working class. They are thus much better off than their fellows at home; in fact their revenues would probably exceed the income of all the other eight million Algerians put together. This makes them the rich aristocracy of the Algerian people and thus they are called upon by the nationalists to pay the greater part of the cost of the war against the French. The mass of them, while no doubt sympathetic to the national cause, are not politically active—otherwise they would have joined the rebel army rather than coming to France to work. Thus their contributions have to be extorted by force and terror, especially because the nationalist levy is not light but on the contrary claims a large part of their weekly pay-packet. (The contribution de-

manded of an Algerian cafe owner in Paris, for instance, exceeds 1,000 rupees a month). The funds thus collected are sent to the Egyptian Embassies in West Germany and Switzerland, whence they go to buy arms for the rebel army.

But the Algerian nationalist movement is split into the FLN which does most of the fighting in Algeria and thus needs most of the money, and the MNA which, as a working-class party, has most of its strength among the migrant workers in France. So the struggle in this country is between FLN terror squads who are seeking to raise money from workers who mainly support the MNA, and the counter-terror gangs of the MNA who seek to protect their own supporters so that they can go on collecting taxes from them. The active members of these rival terrorist parties probably number about 50,000 at the outside; the remaining 350,000 North African workers live in sullen fear of the politicians. They dare not, and from solidarity do not even wish to, seek the support of the French police who are thus powerless before a crime wave that is making France the bloodiest country in the civilised world. Many of the murders are committed by men who are forced to shoot down a compatriot by the threat that if they do not, they themselves will be executed; even when such killers are caught, the police are no nearer tracking down the instigators of the terrorism.

To meet this wave of political crime, which has no parallel since the days of the Spanish Civil War when rival sections of the working class parties exterminated each other in Barcelona for Franco's ultimate benefit, the French authorities have resorted to exceptional methods of administrative detention, just as were used in India at the height of the Communist terrorism. This extension of the special powers used in Algeria to the French Republic was opposed here by the Left as the institution of concentration camps, but since the common law was powerless to deal with the case and since in fact only 20 Algerians have been thus interned, the measure seems inevitable. Nevertheless, the FLN which has so far refrained from acts of terrorism against Europeans on French soil (limiting itself to terrorist attacks on Europeans in Algeria) has announced that it regards this extension of the special powers to France as a challenge to it to carry the war across the Mediterranean. How seriously this threat needs to be taken is not yet clear; in recent weeks there have been nine French people assassinated and 30 injured, including ten policemen, and an attempt was made last month to shoot down in the street a prominent French Right-wing politician. Is this the prelude to the extension of the Algerian war to the French homeland?

The Algerian nationalists have probably not yet decided on that terrible course but it is plainly a possibility if the war in Algeria takes a turn for the worse. The results of an organised campaign of sabotage and terror against metropolitan French people are incalculable; the murderous vigour which the FLN has brought to similar campaigns directed against the Algerian French and against their own compatriots in France suggest the scale on which such operations could be conducted. The Lacoste administration and the FLN leadership have shown over the past few years a common and equal political stupidity, and both are equally to blame for the deterioration of the Algerian nationalist struggle into a series of atrocities and assassinations. In the wholesale extension of these methods to metropolitan France the FLN has taken an initiative that could have fearful consequences for both sides.

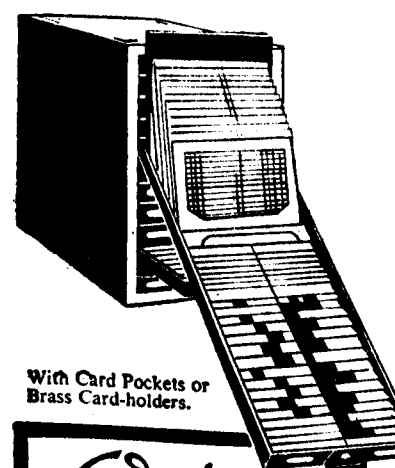


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WORLDGRAM

AGRICULTURE

Aerial Spraying Against Pests: An area of 1,282 acres of sugarcane crop in Sehore in the Bhopal region of Madhya Pradesh was recently sprayed with insecticides by a Beaver aircraft of the Directorate of Plant Protection, Quarantine and Storage of the Ministry of Food and Agriculture. This operation — the fifth since the aerial unit of the Directorate started functioning in May last — exterminated the pests which had attacked the crop. No ground operations could have been carried out in this area, as the crop had a dense growth and had attained a height of about 10 feet. So far a total area of 8,461 acres — 3,134 acres of sugarcane and 5,327 acres of cotton crops — has been aerially sprayed in five separate operations for elimination of pests during the last six months. The first operation was carried out in the Plassey area of West Bengal and three in Dhuri and Fazilka region of Punjab. The average area sprayed by the aircraft in one flying hour is about 100 acres. On a rough estimate, the total additional net income the cultivators will secure as a result of these operations, will be about Rs. 4 lakhs — Rs. 2.3 lakhs in cotton and Rs. 1.7 lakhs in sugarcane. The additional average yields per acre in cotton and sugarcane are estimated at 3 maunds and 45 maunds respectively.

Wheat Sales in U.P., Punjab: The Government of India has, for the first time, applied the amended provisions of the Essential Commodities Act in respect of wheat, in order to arrest the upward tendency of wheat prices which has of late been noticed in U.P. and Punjab. Government will now have powers to require any stockist in these two States to sell his stocks at the average price of the past three months — not the market price prevailing on the day of sale. These powers are already exercised by Government with respect to rice in the States of Andhra Pradesh, Assam, Bihar, Bombay, Madhya Pradesh, Madras, Mysore, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal, and the Union Territories of Delhi, Himachal Pradesh and Tripura.

C.D. Programme as Subject for University Degrees: The Ministry of Community Development has requested the Vice-Chancellors of all Universities in India to include the subject of Community Development in the syllabus for the degree and post-graduates examinations in Economics and Education, and the subject of extension in the syllabus for degree in subjects such as Public Health, Agriculture and Veterinary Science. To meet the shortage of personnel by reorientating the personnel recruited and the officials already serving in the various departments for the implementation of the vast social experiment of the dimensions of Community Development all over the country, the Union Ministry has established a number of Extension training centres. To ease the problem of training the vast numbers of workers engaged in the implementation of the programme the Estimates Committee had recommended a greater co-ordination between the Community Development programme and the Universities through the inclusion of the subject of Community Development in the curriculum for the degree and post-graduate classes. Already, some of the Universities, such as Delhi, have made Community Development programme a part of the course for degree in Social Work. Certain other Universities, like Aligarh and Patna, have carried out research in regard to reactions of the people in the countryside towards the programme.

INDUSTRY

Cloth Production: The production of cloth, in the organised mill sector as well as in the decentralised

sector, has recorded a progressive increase in the last six years. The total production in 1956, which was over 7,124 million yards, was some 54 per cent higher as compared with the production in 1950, which was 4,618 million yards. The production of yarn also increased considerably. The production in 1956 was 1671 million pounds as against 1174 million pounds in 1950. The production of handloom cloth increased by over 90 per cent in 1956 as compared with that in 1950. Over 1540 million yards of handloom cloth was produced in 1956 as against 804.8 million yards in 1950. In the case of powerloom cloth, the output stood at 278 million yards in 1956 as against 148.25 million yards in 1950 — an increase over 88 per cent. The production of mill-made cloth increased from 3,665 million yards in 1950 to 5,306 million yards in 1956 — an increase of over 45 per cent. In the first half of 1957 the production stood at 2,709 million yards as against 2,583 million yards in the comparable period of last year. The target of the total production of 6,400 million yards by mills and handlooms with a per capita consumption of 15 yards of cloth, envisaged in the first Five-Year Plan, was reached in 1954 itself. The total production in that year aggregated to about 6,560 million yards.

Economy in Use of Steel: The Indian Standards Institution has published an Indian standard specification for rolled steel beam, channel and angle sections (IS: 808-1957). This Standard lays down the nominal dimensions, weight and basic geometrical properties of rolled steel beam, channel and angle sections produced in India prior to 1954 was based almost entirely on British standard specifications. As part of the Steel Economy Programme, the Indian Standards Institution undertook a detailed study of sections produced in India as well as throughout the world to determine whether more efficient and economical sections could be evolved for production in the existing and future mills to be erected in India. A memorandum outlining the study made, is given in appendix A to this standard. As a result of this study rational, efficient and economical series of Indian standard rolled steel beam, channel and angle sections have been evolved which would result in considerable savings in steel used for construction purposes.

Training of Tribals in Cottage Industries: Nearly 10,000 persons from Tribal Areas will be given training in various cottage industries during the next Five-Year Plan. The cottage industries are bamboo and cane-work, mat weaving, tanning, soap manufacture, hand-paper making, blacksmithy, bee keeping, fruit preservation, umbrella making, knitting, footwear making carpentry, etc. The State Governments have also been suggested to introduce ambar charkhas in the multi-purpose project areas wherever feasible. In addition, 20 craft centres and 20 co-operatives will be established in Kerala for the development of cottage industries. In Manipur 20 training centres for tribal youths, in Tripura 3 and Himachal Pradesh 4 such centres will be established. A provision of Rs. 1.19 crores has been made in the State sector and Rs. 1.44 crores in the Central sector of the second Five-Year Plan for the development of cottage industries and opening up of training-cum-production centres in Tribal Areas.

Industrial Production in Sweden: Industrial production in Sweden during the first six months of 1957 is estimated to have risen by 5 per cent in comparison with the corresponding period in 1956, according to the Swedish Economic Research Institute. As previously, capital goods account for the major part of this rise. The engineering and metal-working industries report increased domestic demand, while the export

figures seem largely constant, with the exception of those for the electro-mechanic industry which show a slight decline. The total amount of export orders in hand and the sales prices for export in the engineering industries in the second quarter were on a level with those of the first three months. The exception was the iron and metal-working industry, which experienced a slight reduction in foreign demand, this trend is expected to remain during the third quarter, probably resulting in falling prices. The electro-mechanic industry reports increased stocks, whereas stocks in other branches of the engineering and metal-working industries are maintained at about the previous level or have been reduced somewhat. Liquidity as a whole improved during the first six months of 1957, although the improvement is almost entirely accounted for by the mechanical engineering industry.

TRADE

Import Policy for Steel Announced: In view of the restricted availability of foreign exchange, the Government of India have decided that for the licensing period, October, 1957 - March 1958, licences for the import of steel will be issued for certain special categories only. Licences to importers who import for sale will be issued on the basis of their past imports. Certain actual users will be granted licences on the basis of their minimum requirements. The following categories of steel will be licensed to those who have imported these categories during at least two of the three years ending March 1955, 1956 and 1957: tin plate secondaries, steel wire, box strapping, industrial and rerollable scrap and tool, alloy and special steel. Importers who fulfil these conditions should apply to the Iron and Steel Controller, Calcutta, or the Deputy Iron and Steel Controller, Bombay or Madras, before November 20, 1957, giving the necessary data. The following categories of steel will be licensed to actual users who import for their own use and have imported before as actual users: Prime and secondary tin plates, terne plate, steel wire, skelp, wheels, tyres and axles, forgings and tool, alloy and special steel. Actual users should apply through the sponsoring authorities concerned to the Iron and Steel Controller, Calcutta, or the Deputy Iron and Steel Controller, Bombay or Madras, before November 20, 1957, giving the necessary data. Fuller details of the licensing procedure have been notified in a public notice published in the Gazette of India.

Import Requirements of Small Industries: Attention of actual users in the small scale sector is invited to the provision made in the Import Policy for the current half year (para 46 of the Red Book) under which applications from small scale industries for import of essential raw materials, machinery and components will be considered by the licensing authorities on an 'ad hoc' basis. To assist these industries, the form of the Essentiality Certificate, to be obtained from the State Director of Industries concerned, has been simplified and published in the current Red Book. Applications from small scale industries, duly supported by the Essentiality Certificate, should be made to the licensing authority concerned through the Regional Joint Development Commissioner for Small Scale Industries. Applications should be submitted to the licensing authorities direct. Suitable instructions to the Directors of Industries and the Joint Development Commissioners have also been issued in this connection.

Protection to Oil Pressure Lamps Industry to be Discontinued: The Government of India have accepted the Tariff Commission's main recommendation that protection granted to the oil pressure lamps industry may be discontinued when the present period of protection expires on December 31, 1957. In the Commission's view the industry no longer stands in need of protection. The attention of oil pressure lamps manufacturers, who

import brass rods and tubes and finished components like pressure gauges, mantle holders, nipples, pump valves, etc. has been invited to the Commission's recommendation that they should take immediate steps to meet their requirements of these articles from indigenous sources. The attention of manufacturers, who do not have candle power testing equipment, has also been drawn to the Commission's recommendation that they should take steps to instal such equipment without delay.

FINANCE

Evacuee Deposits: The Governments of India and Pakistan have agreed that movable property including money deposited by evacuees in criminal courts of either country, should be restored on reciprocal basis. Displaced persons interested in such deposits are, therefore, advised to furnish the following particulars of their deposits in criminal courts in West Pakistan to the Custodian of Deposits, Jammagar House, New Delhi, not later than January 1, 1958:

1. Name of depositor.
2. Particulars of the court including the name of Tehsil and district in which the deposit was made.
3. Particulars and value of the deposit, for instance, cash security etc.
4. Date on which deposit was made.
5. Case number.
6. Any other relevant information.

Soon after January 1, 1958, a list showing details of the deposits will be exchanged between India and Pakistan for verification by the courts concerned. Applications received after January 1, 1958, will not be entertained.

GENERAL

U.N. to Set Up Regional Housing Centre in New Delhi: Shri Anil K. Chanda, Deputy Minister of Works, Housing and Supply, disclosed in Mysore recently that the Government of India had agreed to the proposal of the United Nations that in addition to its functions the National Buildings Organisation should also serve as a Regional Housing Centre for the dry tropical areas of the ECAFE region. A U.N. team of experts had made recommendations to this effect after examining the set-up of the Organisation. A formal announcement from the U.N. regarding the opening of the centre at New Delhi was now awaited. Shri Chanda also told the Council that a tentative scheme for a housing census with the next population census had been drawn up by the Organisation in collaboration with the Union Ministry of Home Affairs. The details of the scheme were now being examined by the Planning Commission. The organisation had also formulated the lines on which statistics of housing and building materials might be collected in the States through housing cells.

Bombay Slum Clearance Schemes: The Government of India have sanctioned two slum clearance schemes of the Government of Bombay. The projects are the Bhamburda and Kashiwadi slum improvement schemes whose approved cost is Rs. 16,07,000. Of this amount, Rs. 8,03,500, i.e., 50 per cent, will be given to the State Government as loan and Rs. 4,01,750 (25 per cent) as subsidy. The balance of Rs. 4,01,750 (25 per cent) is to be provided by the State Government as a matching subsidy. It is proposed to build 548 pucca tenements under these two schemes for 548 families now living in slums. The Bhamburda Slum Improvement scheme envisages the construction of 424 one-room single-storey tenements at a cost of Rs. 11,97,800. The Kashiwadi Slum Improvement scheme provides for the construction of 124 one-room single-storey tenements at an estimated cost of Rs. 4,09,200.

NEWS IN BRIEF

INDIAN

Total production of iron and steel by the Tata Iron and Steel Company at Jamshedpur during October, 1957, was 95,100 tons of pig iron against 38,600 tons in September and 96,500 tons steel ingots against 92,500 tons.

The Government of India have decided to release a quota of 2,00,000 lb. of Madras Mysore silk waste for export up to the end of February, 1958, says a Press Note. Details of the licensing procedure are being notified by the Joint Chief Controller of Imports and Exports, Madras.

Egypt has contracted to buy 2,000 tons of Indian tea for immediate delivery. Negotiations for the purchase of finer quality of Indian tea for which there is a smaller demand are in progress between the Egyptian Government and the Indian Charge d'Affaires.

India imported from Japan 1,67,829 yards of woollen and worsted fabrics in the first three months of 1957, as compared with 1,28,572 yards in the same period of 1956, according to trade statistics.

The Andhra Pradesh Government will soon appoint a committee to recommend measures for effecting uniformity in the land revenue structure in the Andhra and the Telengana regions of the State.

The Government of India by a resolution dated October 12, 1957, have accepted all the major recommendations of the Tobacco Expert Committee.

The period of licensing and shipment for the import of 50,000 bales of East African raw cotton permitted by the Government of India on July 26, 1957, has been extended up to the end of December, 1957.

Time-loss due to industrial disputes during August 1957, decreased by 1,67,155 man-days as compared with the previous month. The average duration of disputes current at any time during August was 6.7 days as against 8.6 days in July.

The Indian Standards Institution has circulated, for eliciting comments, a draft Indian standard specification for three pin plugs and sockets.

Employment Exchanges secured 18,052 placements during August 1957 as compared with 19,934 in the previous month. A comparatively large decrease in placements was recorded in Madras, Delhi, Uttar Pradesh and Punjab, while Rajasthan and Kerala reported an increase.

India is likely to import some quantity of rice from South Vietnam.

It is reported Philips India Private Ltd., has been converted into a public limited company. The decision followed the recent approval of the Government of India for an increase of Philips, which was applied for to enable the company to give effect to the second part of the expansion programme, which was taken up a number of years ago.

FOREIGN

The sterling area's gold and dollar reserves rose by \$243,000,000 during October and stood at \$2,093 million on October 31. A sum of \$130,000,000 was paid to the European Payments Union (EPU) in respect of September and \$3,000,000 was paid to creditors of the Union in bilateral settlements.

Eleven countries including Japan, Egypt, Czechoslovakia, Germany, France and the United Kingdom will be represented through their jute associations at the International Jute Conference scheduled to open in Dacca on November 25.

The World Bank is granting a loan of \$600,000 to Ecuador for repairs on the State Railways.

It is reported that the recent London negotiations between the U.K. Treasury and Iraq's Minister of Finance, resulted in Iraq's obtaining an additional £10 million worth of gold bullion to cover the Iraqi currency.

Russia bought about 100,000 lb. of tea at the auctions through a firm of Ceylon brokers. This is the first Russian entry to the Ceylon tea auctions in the post-war period. In 1936 Russia bought about 3.25 million lbs.

It is reported West German-Iranian discussions have reached an advanced stage regarding the building of a steel works at Aznak, 250 miles south of Tehran.

The Canadian Treasury had a surplus of \$6.9 million in September compared with a deficit of \$71.8 million in September last year.

Australia's export wool income in the three months to September 30 at £A80 million was up by some £A15 million on the same period of the previous year.

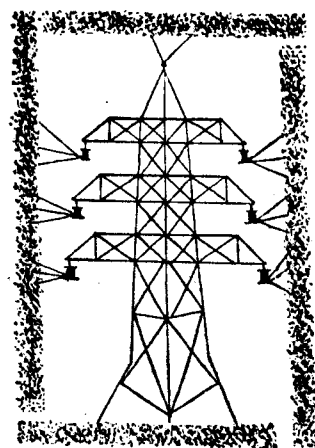
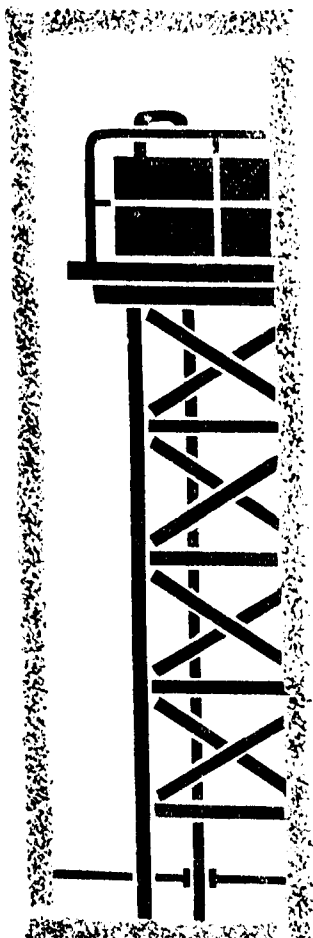
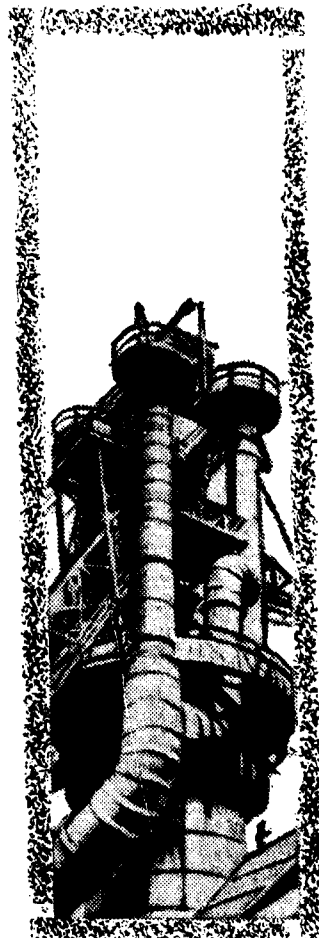
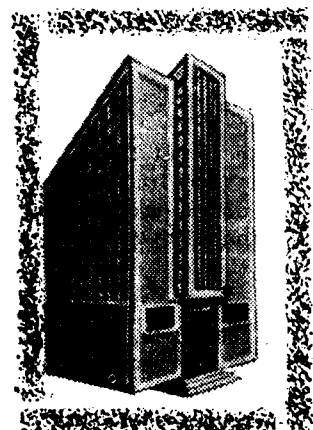
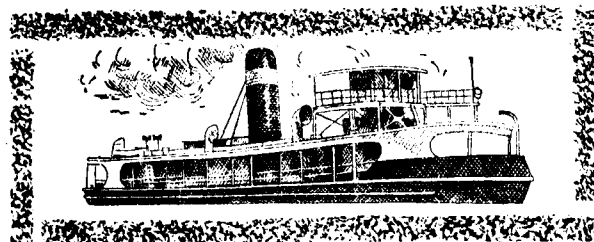
West German machine tool exports during the first half of 1957 were worth £36 million against £27.3 million during the corresponding period of 1956.

It is reported the U.S. Government is to offer \$500,000 to O.E.E.C. in the current financial year for the training of West European scientists and technicians.

While rubber production in Malaya and Singapore declined by 3,311 tons, stocks at the end of the month were higher even than in August.

A German concern has indicated interest in British Guiana's silica deposits. A representative of Ernest Leitz and Co. has visited British Guiana to explore the industry and to discuss the establishment of a glass industry.

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Special Articles

FOREIGN EXCHANGE THROUGH SUGAR EXPORTS

THE pressure on India's foreign exchange resources has directed attention to commodities which, with a little sacrifice in so far as the domestic market is concerned, could easily be put on the export list. White sugar is one such commodity. An encouraging rate of growth during the last two years and prospects of a better yield in the current year have emboldened both the Government and the private sector to recommend expansion in exports of white sugar in a bid to earn foreign exchange for capital goods so as to keep the pruning of the second Plan to the minimum.

It needs to be remembered that during the last two decades sugar never enjoyed the status of an export commodity in India's foreign trade accounts. The small quantities exported in 1951-52 and 1952-53, as shown in the table below, were a mere fraction of the imports of sugar in the following years. As a matter of fact, sugar has in the past been a drain on our foreign exchange resources. During the three years ending 1955-56, the imports of sugar were valued at a little over Rs. 42 crores. It is only in the year 1956-57 that the Government of India allowed exports of white sugar to the tune of 200,000 tons. This had been made possible by domestic output at 20,50,000 tons, which, incidentally, was an all-time high in the history of the sugar industry in this country. Total exports in 1956-57 have not been more than 170,000 tons, the shortfall being mainly due to non-availability of shipping space.

The estimates for the year 1957-58 put yield of white sugar anywhere between 21,50,000 and 22,00,000 tons. With the carry over from the preceding season at 4,70,000 tons, the total estimated supply for the current year may be put at nearly 27,00,000 tons. According to the most optimistic estimates, the internal consumption of sugar is not expected to exceed two million tons. That naturally leaves a surplus of 7,00,000 tons of sugar at the end of the current season in case no exports are allowed.

Recently, the Export Promotion Committee recommended a further quota of 200,000 tons of sugar to be exported. There are suggestions that the quota for exports could be doubled to 400,000 tons without disturbing the domestic stability of sugar price. In case it were possible to export 400,000 tons of white sugar, the estimated yield of foreign resources would be nearly Rs. 20 crores which is not a mean sum in view of the acute shortage of foreign exchange.

The only complication which arises in case a decision is taken on accelerating the volume of exports in the current year is in regard to the gap between the domestic and the international price levels of white sugar. It is estimated that the highest price per maund which Indian sugar could obtain in the international market would not be more than Rs. 20 per maund. On the other hand, the fair internal price of sugar may be put at nearly Rs. 27 per maund after excluding the excise duty, the cane cess and the sales tax. The loss in this way works out to nearly Rs. 7 per maund in addition to the loss of revenue to the Government because of the excise duty, cess and the sales tax. Assuming for the sake of argument, that the Governments both at the Centre and in the States are willing to forego the revenue on the volume of sugar exports, how is the wide gap of Rs. 7 per maund to be bridged?

Once a decision is made that larger volumes of sugar ought to be exported as a matter of expediency as well as on the ground of long-term policy, a solution must be found to close the gap which now exists between the domestic price and the international price. Two solutions have figured in the recent discussion of this problem. One of them is that approved sugar units, selected on the basis of their proved production performance in the past, should be permitted to produce larger quantities than their present installed capacity allows. They have already reached the limit of capacity in actual output. To enable them to produce increased quantities, it will be essential to permit expansion of their capacity. This sector of the industry is prepared to bind itself by an assurance that in case it is allowed to produce more quantities it will utilise an adequate part of it for export and cancel out its losses on exports out of its higher earnings from domestic sales. This proposal involves a complicated machinery of supervision and, besides, it is bound to create discontent and discord in the industry.

In the alternative, it has been suggested that the domestic price of sugar should be raised by Rs. 2-8-0 per maund so that on the current volume of production, domestic sales would suffice to provide subsidy for exports. The urgency for stepping up export earnings is so pressing in the present crisis of foreign exchange that the contention to the effect that it will involve an additional dose of inflation in domestic sugar prices will not carry much force. The choice is between a higher price at home to earn something like Rs. 20 crores of foreign currency and loss of this opportunity. There can hardly be two opinions that the exigencies of adding to our foreign exchange earnings override the other consideration. Moreover, a higher domestic price may go to discourage consumption at home and save larger quantities for export. On balance, the practicable solution seems to lie in putting up the home price of sugar by something like Rs. 2-8-0 per maund to make exports possible.

WHITE SUGAR: PRODUCTION, IMPORTS, EXPORTS, AND RECOVERY (PER CENT)

1948-49—1956-57

Year	Factory Production (^{'000} tons)	Imports		Exports		Re- covery per cent
		Quan- tity (^{'000} tons)	Value (^{'000} Rs.)	Quan- tity (^{'000} tons)	Value (^{'000} Rs.)	
1948-49	.. 1,008	11	6,590	26	13,181	9.97
1949-50	.. 979	—	23	7	4,281	9.89
1950-51	.. 1,100	7	6,290	2	1,544	10.03
1951-52	.. 1,483	10	8,494	10	5,735	9.57
1952-53	.. 1,316	—	11	88	43,958	9.98
1953-54	.. 1,001	28	15,740	1	1,132	10.08
1954-55	.. 1,590	675	373,611	11	4,417	9.92
1955-56	.. 1,856	81	38,834	26	9,586	9.83
1956-57	.. 2,050	4*	2,115*	14*	6,932*	9.76

* Nine months April to December.
—Very small in quantity.

LIVELIHOOD TRENDS IN TOWNS IN UTTAR PRADESH

By DR. G. RAGHAVA RAO

A KNOWLEDGE of the general nature of the trends in the means of livelihood of population over a fairly long period is essential for comprehending fully the significance of the present pattern of living. It is essential to understand how an increase or decrease in the number of persons in one of the means of livelihood affected the number of persons in the other means of livelihood. An attempt is made to study the nature of the trends during 1911-51 in the means of livelihood of the population in fifteen towns in the U.P. and the relationship among the different means of livelihood viz. production other than cultivation, commerce, transport, miscellaneous and other services. Reference is made here to conditions in the major cities, though for the sake of convenience fifteen towns in the U.P. were selected — Agra, Aligarh, Allahabad, Banaras, Barailly, Farukhabad, Gorakhpur, Hathras, Jhansi, Kanpur, Lucknow, Mathura, Meerut, Moradabad and Saharanpur. These were selected with the idea of observing the conditions in a variety of towns and cities, small as well as large industrial as well as commercial, historical, religious, cultural and other types. The means of livelihood were classified under eight groups as follows:

Cultivators of land wholly or mainly owned; Cultivators of land wholly or mainly un-owned; Cultivating labourers; Non-cultivating owners of land, and other agricultural rent receivers; All persons engaged in non-agricultural production; All persons engaged in Commerce; All persons engaged in transport; and all others including non-agricultural rentiers, pensioners and other miscellaneous income recipients.

With the idea of drawing inferences which are as reliable as possible, non-working dependents were left out of consideration. Persons whose means of livelihood was agriculture were left out of consideration, because their number in towns was negligible. The four non-agricultural classes were however, taken into consi-

deration. The percentages which are mentioned in subsequent paragraphs are worked on the total of the four non-agricultural classes. "Construction and Utilities" were shown separately from the census group "production other than agriculture," because the former are quite different from the latter. Construction and maintenance of roads, bridges, transport works, telegraph and telephone lines, irrigation works, electric power and gas-supply, sanitary works, scavenging services etc. come under the head "construction and utilities". Miscellaneous and other sources of livelihood is a class too broad to study changes in it. The most important subdivision, which comprised of domestic servants, was studied. It has to be remembered, while interpreting the census data, that they refer to a particular day in a year, but not to the entire year, and that, therefore, slight fluctuations have no significance. It has also to be remembered that the 1921 census data are less reliable than the census data of the remaining years.

It is essential to be clear about the concept of trend. A trend is a show of a specified tendency or drift over a period of time. It may be desirable from a particular point of view, but undesirable from another view point. Trends are noticeable clearly when all or most of the components in a phenomenon work in one direction. But generally all the components of the phenomenon do not move in one direction over a long period and, thereby, bring about a zigzag movement in the pattern of living. There is also no necessity for them to move in one direction even in a progressive country. When the usage of natural resources changes, when the technique of production changes, and when economic, political, social, cultural and religious ideals change, livelihood pattern also changes.

The percentage distribution of the working population in the fifteen towns into the different classes and divisions of livelihood during the last forty years is shown in the following table:

(1)	(2)	(3)	(4)	(5)	(6)	6(a)*	6(b)	6(c)
Year	Production other than cultivation	Construction and utilities	Commerce	Transport	Miscellaneous and other sources	Unorganised personal Services	Domestic Servants	Others under Miscellaneous and other sources
1911	27.5	6.7	15.7	5.8	44.3	31.4	14.6	12.9
1921	24.4	4.7	21.0	6.4	43.5	32.0	14.6	11.5
1931	25.6	5.2	20.6	7.6	41.0	19.7	11.7	21.3
1951	28.4	3.8	20.8	9.1	37.9	19.6	5.4	18.8

* Figures in col. 6(a) include the figures in col. 6(b).

Employment in transport increased steadily, while employment in miscellaneous and other sources and particularly employment in domestic service decreased steadily and remarkably. During 1911-41 the population of towns increased chiefly on account of immigration from villages. A large proportion of these villagers were unskilled and joined in unorganised personal services. A considerable proportion of them joined as domestic servants. But in course of time they joined as unskilled workers in transport service, which is generally organised. During the last forty years employment in commerce increased. Some of those engaged in personal services might have taken to hawk-

ing daily requirements like vegetables and cloth. Employment under production other than cultivation also increased, though not spectacularly. Some of the unskilled rural immigrants shifted from personal services to establishments of organised production as unskilled labourers. Thus the rapid growth in towns of transport, commerce or industrial production brought about a shift in employment from unorganised personal services to unskilled labour in transport and factories. The percentage under construction and utilities decreased considerably.

The magnitude and nature of this change varied from town to town.

In 1911, 43.5 per cent of the working non-agricultural population in Aligarh had miscellaneous and other sources of livelihood. The percentage of the working population in each of the other classes, namely, production other than agriculture, commerce and transport was less than in the miscellaneous group. It can be said that Aligarh was then a town of persons with miscellaneous services. Gradually the percentage in the miscellaneous group decreased to 27.6 in 1951. In 1951, 34.9 per cent of the working non-agricultural population was found in production other than agriculture, while the percentage in each of the remaining classes was less. Aligarh became an industrial town before 1951.

In Banaras also the percentage under domestic servants decreased steadily. The percentage under production other than cultivation increased from 32.6 in 1911 to 40.1 in 1931, and declined to 36.8 in 1951. The decrease was probably due to an increase of imports of silk cloth. The percentage under commerce decreased from 19.3 in 1911 to 15.8 in 1931. During 1931-51 some weavers of silk fabrics might have taken up retail trade of imported silk cloth and cheap cotton cloth, and hence the percentage under commerce increased to 21.7 in 1951. The percentage under transport increased from 3.1 in 1911 to 6.6 in 1951.

In Jhansi non-agricultural rentiers, pensioners and other miscellaneous income recipients decreased from 50.4 per cent in 1911 to 38.8 per cent in 1951. Production other than cultivation decreased during 1911-31 and increased later on. The increase may be attributed to the opening of railway workshops. The percentage under transport increased steadily up to 1931 and decreased remarkably by 1951.

In 1911 Kanpur was a town of miscellaneous services with 54.8 per cent of its working non-agricultural population in miscellaneous services. The percentage of domestic servants on the whole did not decrease. It was 31.84 in 1911, 26.75 in 1921, 36.22 in 1931 and 34.56 in 1951. During the same period population in production increased from 21.8 per cent to 44.9 per cent. In 1951 the percentages under each of the remaining groups were less than that under non-agricultural production. It can, therefore, be said that Kanpur became a markedly industrial town some time before 1951. Large scale production must have commenced earlier but large scale employment was found in 1951.

Trends in Lucknow reveal interesting developments. The percentage of domestic servants decreased from 69.27 in 1931 to 39.70 in 1951. The percentage under production other than cultivation decreased up to 1931 and increased later on. Some of the domestic servants might have joined as unskilled labourers in production establishments during 1931-51. The percentage under transport was constant. The percentage under commerce may be said to be stagnant.

In Moradabad the percentage of workers in unorganised personal services decreased rapidly from 27.4 in 1911 to 14.4 in 1951. But the percentage of domestic servants increased up to 1931 and decreased remarkably later on. This synchronised with an increase in the percentage under transport from 6.1 to 10.1. But the percentage under production other than cultivation decreased from 32.3 in 1911 to 26.5 in 1931, and increased to 33.9 in 1951. The fall during 1911-31 was probably due to the introduction of labour saving devices, while the rise during 1931-51 may be due to some domestic servants joining factories as unskilled labourers.

Some important conclusions from the above study may now be set out. It can be said on the basis of the

changes described in the earlier paragraphs that during 1911-51 employment in unorganised personal services decreased, while employment in transport and commerce increased. The proportion of domestic servants to persons in unorganised personal services decreased throughout and remarkably during 1931-51. This synchronised with an increase under production other than agriculture. Probably, many of the domestic servants joined factories as unskilled labourers. Some of them probably took to retail trade.

The percentage of population in miscellaneous services in earlier years in Aligarh, Banaras, Kanpur and Moradabad was larger than the percentage in each of the remaining three non-agricultural groups. But in 1951 the percentage of population in production other than agriculture was larger than the percentage in each of the remaining three non-agricultural groups. It can, therefore, be said that these towns became relatively industrialised in 1951.

There has been a move from the unorganised sector of personal services, specially domestic services, to the organised sector like unskilled labour in factories, retail trade and transport. This is natural, when the population of towns increases to a large extent on account of immigration from villages.

THE RECORDS & STATISTICS

(Quarterly)

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BOOK REVIEWS

COMPANY TAXATION

Taxation of Companies: By G. C. Sharma: Publishers: Taxation, 3, Daryaganj, Delhi-7: Pp. 717: Price: Rs. 25.

Unlike the company-tax systems of most of the other countries which charge a single uniform tax rate on company profits, the system in India consists of an intricate structure of taxes. These taxes include: income-tax refundable to individual shareholders, super-tax or corporation tax with various rebates according to different criteria, additional super-taxes on distribution of excess dividends and issue of bonus share, a penal super-tax on undistributed profits of a private company or a closely-controlled public company and a capital gains tax. A number of amendments have been made and a rapid succession of new provisions have been introduced during recent years. There has long been a need for a systematic applied exposition of the provisions concerning company taxation and this has become all the more pressing in recent years. The publication of Mr. Sharma's book of nearly 700 pages meets that need.

Mr. Sharma is well qualified to handle the subject of company taxation which requires knowledge of jurisprudence and mathematics and practical experience in the assessment of companies. His experience as Income-tax Officer must have provided him insight into the problems faced by companies and understanding of the official interpretation in respect of the various tax provisions. The aim of his book being objective analysis and exposition of the tax legislation, Mr. Sharma's presentation is not affected by the handicap of an official in expressing, as an author, personal opinion on controversial subjects.

The book begins with a history of corporate taxation in India. Chapter II explains and illustrates the procedure involved in assessing the tax liability of the shareholders in respect of dividend income. The third chapter deals with the taxation of private companies and closely-held public limited companies which are subject to the application of Section 23A of the Income-tax Act. Chapter IV contains a number of examples to illustrate the computation of tax liability of both Indian and foreign companies, according to the various criteria in the statute, such as the nature of the company, the source from which the income is drawn and the amount of dividend distribution. Chapter V explains, besides other special provisions, those relating to exemptions from company tax of new industrial undertakings and intercorporate dividends and to depreciation allowances and development rebate. Separate chapters are devoted to the assessment of foreign companies and directors, managers and managing agents of companies.

The last four chapters are designed to bring the book up to date in respect of the various provisions. The changes and new provisions introduced as a result of the latest Finance Act, which was presented in May 1957 and has recently been passed by Parliament, are discussed in these chapters. Comprehensive details of the new scheme relating to deposit of company funds with Government are given. This scheme, which was severely criticised by the business community, provides that, unless a company deposits with Government prescribed percentages of its reserves and undistributed current profits, it will not be allowed the benefit of depreciation allowances and development rebate in its assessments.

It is the great merit of this book that it provides a happy blend of clear exposition and telling examples to explain, from a practical point of view, the complicated provisions of company taxation. It should be of great benefit to both Indian and foreign companies.

INVESTORS' ENCYCLOPAEDIA

Investors' Encyclopaedia, 1955-57 (20th Edition): Compiled by Kothari and Sons, Share, Stock and Exchange Brokers, "Oriental Buildings", Armenian Street, Madras-1; Pages 2,329: Price (Inland) Rs. 20 (plus Rs. 4 for packing and postage); (Foreign) £2/3 (Postage Free).

"The Investors' Encyclopaedia" is an institution by itself and its usefulness to the investor and the student of company affairs alike has been increasing with the years. It is indeed remarkable that the publication has grown from its modest size of 349 pages covering 168 companies in 1936 to its present size of 2,329 pages containing details of about 1,560 companies and giving a lot of information about the set-up of various industries in the introductions to the different sections. The latest edition covers almost all new flotations during the year and its contents are up-to-date with the latest available Balance Sheets included therein. An analysis of a large number of new industries that have sprung up in recent years and detailed information regarding State enterprises are also given. The first section containing a general review of economic conditions and the introductory surveys of industries alone are sufficient to confirm the publishers' success in their endeavour to make this publication an authentic and complete reference book on company affairs. Its usefulness and size are bound to grow with the continuing growth of Indian industry and banking. From the point of view of the investor, this Encyclopaedia's analysis of working (in a single tabular statement) of each and every company in six, seven or eight successive years in the immediate past will be, as it has always been, the best source of ready reference.

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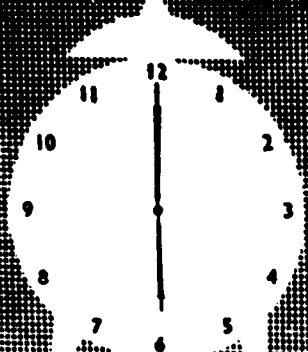
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The Business World

PROBLEMS OF SUGAR EXPORT

By
CROESUS

THE Export Promotion Committee is the latest to stress the export potentialities of sugar. Before this, the industry itself, as represented by the Indian Sugar Mills' Association, and both the Government and the industry, as represented by the Development Council for the Sugar Industry, had urged that every effort should be made to stimulate exports of sugar. The same subject was expected to figure prominently at the meeting of the Indian Sugar Mills' Association.

Whether about the desirability of exporting sugar in order to augment the foreign exchange earnings of the country or about the availability of the commodity for purposes of export, there would appear to be complete unanimity, although there is a section of public opinion which urges caution before taking on excessive or unduly ambitious commitments. This school recalls that it was not very long ago, that is between the years 1953-54 and 1955-56, that we had to import large quantities of sugar (nearly 800,000 tons). But even this school concedes that India could afford to spare about 200,000 tons for export. As a target, this compares favourably with the total export sales for the latest completed sugar season (1956-57) of over 170,000 tons. In other words, this target — which is the official one — seems, on the basis of the statistical position, to be more realistic and practicable than the 400,000 tons target which the sugar interests would appear to urge.

The fixation of an export target or the resolution to export a given quantity of sugar is one thing, and perhaps a simple one at that, but the actual implementation of it is not that easy. For, at every stage, right from the collection of all the sugar required for exporting to the point of finally exporting it, the export of sugar is bedevilled with several thorny problems. Thus, how is all this (200,000 tons) sugar to be collected? First of all, a formula acceptable to all sugar factories must be evolved. Obviously, the simplest and easiest formula that occurs to one is that every sugar factory must contribute to the export pool a certain quantity in proportion to its actual production. This may be production for the latest completed season or the average production for a given number of years.

Secondly, a decision is needed as to whether the I.S.M.A. should be asked to handle all exports or the trade itself left to undertake it. Normally, this should not have presented much difficulty, but, by reason of the absence of any uniformity in the matter of cane cess and sales tax concessions in respect of the sugar export, the balance of advantage seems to rest with the second approach. However, if these difficulties in regard to cane cess, sales tax, etc. could be overcome, as the I.S.M.A. hopes and says this could be — it is to be hoped that Government would see to this — it would be in the best interests of the industry to let its central body — the I.S.M.A. — assume this responsibility. The present is hardly the time for indulging in any serious clash on the issue, what with the Sword of Democles, in the form of the State Trading Corporation, dangling above the head of any commodity of trade.

Thirdly, there is the very important question of quality. It is no doubt true the Indian Sugar Industry has made great strides in the matter of quality production. But then the quality produced by all the factories is not of the same grade. Also the quality of sugar to be exported depends solely on the importing country; some may prefer fine grain, some others bold, and yet others just raw sugar. No one sugar factory can be expected to cater to all these exacting tastes, but a central organisation like the I.S.M.A., which knows the specialities of every one of its member-factories, may be expected to give a better account of itself.

The memorandum on the subject of sugar exports prepared by the I.S.M.A. no doubt lists a number of neighbouring countries—as many as 16 from Aden to Zanzibar—in which it should not, in its opinion, be difficult for India to establish a foothold. The annual import requirements of these countries range from a mere 4,200 tons to as much as 210,000 tons. It would be unqualified optimism to hope that Indian sugar could penetrate into every one of these markets, unless India could supply the best quality of sugar at the cheapest price. With concentrated effort and attention, perhaps, the industry may succeed in manufacturing the best quality of sugar, but it is too much to hope or even to expect the industry to offer sugar at a competitive price in the world market, for the simple reason that other sugar-producing countries have made such spectacular advances that it will be several years before India can say she is on a par with those countries. In the matter of per-acre yield of cane, in regard to sucrose content, in respect of disease-resisting varieties and in the adoption of the latest labour-saving machinery, some of these countries are years ahead of us. Notwithstanding these inherent advantages, the Governments of these countries have not been averse to giving their sugar industry every conceivable inducement to export sugar. Not until our Government also is imbued with such an aggressive export psychology will it be possible for India to make the targeted headway in her sugar exports. Although it is not so simple as all that, the authorities in our country seem to feel that their task is over if they can make a given quantity of sugar available for export, by making it prohibitively costly for the domestic consumer. Surely, after having nursed and nourished the home sugar industry by ungrudgingly bearing the burden of protective duties for years, the Indian consumer does not deserve this unseemly treatment now, even to earn the encomium of having helped his country during a period of foreign exchange crisis. It is, therefore, rightly accepted and argued by all, and not by the consumer alone, that, if India should make a success of her sugar export drive, the sacrifice this time must be by neither the industry nor the domestic consumer (and certainly not the foreign consumer) but by the Government — both the Centre and the States. In these days of deficit budgets, no such suggestion would be palatable to the powers-that-be, but the prevailing circumstances are such that even Governments must gulp down some unpalatable doses such as this. It is they that are on trial now.

EXTERNAL ASSISTANCE

By

CROESUS

THERE is much impatience in this country in drawing inferences about the prospect of external assistance for our second Plan. The tendency is to take a depressed view of the problem. But the statement made by Mr. T. T. Krishnamachari in the Lok Sabha his Wednesday will correct this trend. Some pointers to a correct appraisal are to be gathered from Mr. G. D. Birla's statement in the course of his visit to the U.S.A. and some European countries. In addition, there are the views of some prominent visitors to this country and also of the senior representatives in India of a few leading countries. I had the occasion to listen, during the past few days, to the considered views on this subject of Mr. George Currian Vice-President of the Bank of America, which is reputed to be the largest commercial bank in the world, and of two eminent ambassadors, the U.S. Ambassador to India, Mr. Ellsworth Bunker, and the U.K. High Commissioner for India, Mr. Malcolm Macdonald. It is noteworthy that all these are unanimous in holding that both the missions, the official as well as the non-official, have accomplished a great deal by way of clarifying India's policies and removing a number of unfounded misapprehensions in the minds of foreign investors. None of these, however, has given hopes about the possibility of any large-scale assistance forthcoming immediately. Nor should one expect and government, especially of a democratic country, to rush to our rescue forthwith, without reference of the question to its own parliamentary institutions, however pressing our needs may be. But even so, the bright prospects, if not the certainty, of such helpful measures as the postponement of the payment date in respect of the value of machinery supplied by Germany to the Rourkela Steel Works, the conversion of the 190 million dollar wheat loan into a rupee loan by the U.S., and the willing help to India by the Export Credits Guarantee Department of the U.K., are little straws that indicate how the wind is blowing across the oceans. We should not underestimate either the significance or the importance of these.

Having said this, I would like to refer, in some detail, to the observations of the latest foreign Government spokesman to visit Bombay, namely, Mr. Malcolm Macdonald. Addressing the Rotary Club here, he pointed out how difficult the problems of economic development are that are presently being faced by the underdeveloped countries and how willing the industrially advanced countries are to help the former in raising their standards of living. Speaking for his own country, Mr. Macdonald was naturally anxious to allay the feeling that Britain has (allegedly) not done as much as was expected for her. Accordingly, he declared that the assistance to India given by the U.K. has been "continuous, immense, and far greater than that given by any other country". In support of this claim, the U.K. High Commissioner listed the following as the more important forms of assistance that the U.K. has extended:

1. The U.K. is the largest purchaser of India's exports accounting as she did for as much as Rs. 188 crores in 1956 on the basis of the figures for

the first nine months of 1957, the annual rate of these works out to Rs. 208 crores.

2. The U.K. is far and away the highest external investor in India, her share being 82 per cent of the total foreign investments, as per the last Census of Foreign Investments in India by the Reserve Bank of India.
3. The U.K.'s Export Credit Guarantee Scheme has been working to the advantage of India. Thus, as against only 1/20th in respect of the total exports to other countries, as much as one-fifth of the exports to India is covered by this beneficial arrangement.
4. The U.K. has also been helpful to India by participating in the economic development programmes assisted by the World Bank. Thus, she has given £60 million to the World Bank for lending to the Commonwealth countries, and India has already received £18 million out of this.
5. In addition to these, Britain has also participated directly in some construction industries, as, for example, in the steel-producing industry (vide the contribution of the consortium of some of the well-known British firms to the tune of Rs. 15 crores that of the British Government of Rs. 20 crores).

Besides these, Mr. Macdonald went on to point out, Britain had been helping India through the Colombo Plan, by collaborating in Atomic Research and by providing training facilities to Indian youths and technicians.

These are facts and no one can dispute them, but there is a perspective through which all this impressive help must be viewed. Here is a record of mutual co-operation of two countries which had been bound by political ties for over two centuries, Britain having been the privileged partner always, which is only natural. True, even after independence, British investments continued to be there. As a matter of fact, between 1948 and 1953, these investments rose by as much as Rs. 117 crores. But Mr. Macdonald did not mention that, since then, there has been considerable disinvestment also — of some Rs. 100 crores.

Again, it is true that the U.K.'s reserves stand to be strained greatly by India's decision to draw more rapidly on our sterling balances. As Mr. B. M. Chinal, who proposed the vote of thanks, observed, the U.K. is herself in great economic difficulties, and whatever she does, even the smallest gesture, requires to be fully appreciated. While no right-thinking Indian fails to do so, one cannot simply overlook the stark reality that it is when India's back is being strained to its utmost, thanks to her economic burdens, as now, she is finding even her best friends either unable to do anything or to be sitting on the fence. That unfortunately is the irony of the situation.

BUSINESS NOTES

THE STERLING AREA'S RESERVES IN OCTOBER

THE STERLING area's gold and dollar reserves as on October 31 last show a heartening improvement in their position. They stood at \$2,093 million and showed an increase of \$243 million during the month under review. This increase in the reserves is undoubtedly impressive for the past few months. But there are some complex factors in this month's position which make it difficult to draw clear and bold conclusions. Actually they represent the settlement of EPU account for the month of September. An amount of \$130 million was paid by the UK in the month of October to EPU for the deficit incurred in the month of September. Likewise the UK paid \$3 million to the creditors of EPU in bilateral settlements. The actual payment made towards the settlement of the deficit incurred during September was very heavy because this is the seasonal characteristic of the UK's payments liabilities in this part of the year. In October \$250 million were drawn upon out of the credit granted by the US Export-Import Bank immediately after the Suez Canal crisis. It will thus be seen that the position of the reserves was subject to these two important factors. None of them is normal.

But the very fact that the gold and dollar reserves have secured a substantial addition is a pointer to healthy trends. According to one well-informed estimate, if the credit of \$250 million from the Export-Import Bank is left out of account and the position for the month of October is taken into consideration, it would show improvement of the order of \$142 million. In its statement of the position announced by the Treasury in London on November 4, it has been pointed out that the provisional figures for October disclose a surplus of £9 million for the UK with EPU. Of course, this will be due for settlement in November. If this provisional estimate is taken into account, the conclusion is well warranted that the post-Suez phase has been reversed. The drastic action taken by the Chancellor of the Exchequer in raising the Bank Rate to 7 per cent and in imposing ruthless controls on bank advances and investments has begun to produce tangible results. The improvement which has been registered in the reserves is due to normal commercial operations as well as to the reduction of speculative pressures on sterling. It is, of course, difficult to apportion the share in the improvement of each of these two factors. Confidence is steadily but surely being reinforced in the value of the pound. The present reaction to the improvement in the strength of the pound is one of guarded optimism. It is clearly recognised that at the present time one important factor which will have a decided influence on inflation is the attitude of the trade unions in pressing for higher wages. At the same time it is realised that curbing of inflation will depend upon the determination and capacity that will be exhibited by the Government in resisting undue wage claims.

SOVIET CREDIT FOR INDIAN INDUSTRIES

IN AN atmosphere otherwise charged with uncertainty, the signing of a credit agreement between the Soviet Union and India on November 9 last has been received with some relief. This agreement has taken final shape after prolonged discussions. This fact and the size of aid will have their proper reaction in the country. The agreement provides for a total credit of 500 million roubles. In rupee terms, the amount equals over Rs. 60 crores. The credit is to come in the form of machinery and plant for the public sector mainly for five projects. These are a heavy machine building plant, a coal mining machinery plant, a thermal power station, an optical and ophthalmic glass factory, and equipment for coal mining at Korba. Nearly as important as the credit itself are the terms and conditions on which the Soviet Union has agreed to supply the equipment. The interest rate is fixed at 2½ per cent. Repayment of the loan

has been made easy inasmuch as the first of the 12 equal instalments will not be paid before one year after the delivery of the complete machinery. In other words, repayment will start some time like March 1961, by which time India is expected to get over her current and anticipated payments difficulties. The Russians will also provide training facilities for the personnel to man the projects. Again, the possibility that a further rise in the general price level may create some shortages has been anticipated by the provision of further credit to meet the exigency. Clearly, therefore, the conditions of the credit are more liberal than even those of the Bhilai steel project.

There is no doubt that with the setting up of the enterprises, which are expected to be completed by 1960, India will have taken a substantial initial step towards organising, for the first time, the production of heavy machinery, etc., on a large scale, within the country. For example, the initial capacity of the heavy machine building plant will be 45,000 tons a year. The coal mining machinery plant will be of 30,000 tons and the thermal power station at Neiveli of 2.50 lakh k.w. The Neiveli power station is of particular importance in so far as it can take off the lignite that is under operation of being ored there as soon as it is ready for utilisation. It thus comes about that the agreement as a whole is of no ordinary significance.

While the significance of the agreement should be recognised by all, it does not solve the pressing problem of foreign exchange. On present reckoning, the crisis is expected to continue over the next year and a half. It is only Western countries, like the USA and to some extent West Germany, which are in a position to help India in this field. Approaches, both official and non-official, that have been made in these quarters have been tactful. It will not be very long before a clearer picture of the fruits of the efforts will be made available to the country. Already, hopeful signs have commenced to appear. But it needs to be remembered that if any considerable assistance is to be obtained for saving a good part of the Plan, the Government should strive more to make the atmosphere conducive for such assistance to come.

CHEMICALS: PRODUCTION AND DISTRIBUTION

THE INDIAN chemical industry has been showing a rising trend in production. In certain items the increase is phenomenal. The output of ammonium chloride, for example, multiplied nearly three times over, from 1,683 tons in 1955 to 4,700 tons in 1956. This is by no means a solitary case. There are other chemicals like bleaching powder, liquid chlorine, caustic soda, which have given an impressive performance. The year 1956 also witnessed the production, for the first time in India, of hydrogen peroxide, D.D.T., salicylic acid, etc. All this is gratifying; the growth of a country's chemical industry is an index of its overall industrial progress. Nevertheless, it also indicates how much leeway India has still make up in this field. This country has been importing various chemicals worth many crores of rupees. Notwithstanding the current severe restrictions on import, it is more than likely that chemicals will continue to figure prominently on India's import bill for some years to come.

If the production in some cases has been highly satisfactory, the same cannot be said in regard to distribution where it has ceased to be in the hands of the trade. As has been pointed out by the Chairman of the Indian Chemical Merchants' Association, there are some really disquieting developments on the distribution side. Mr. M. L. Das has given a few instances to illustrate this. A chemical like, for instance, titanium

dioxide, is being sold in retail at as much as Rs. 4.50 per lb., against the manufacturers' price of only Rs. 1.25. In 1956, when supplies were still available for normal trade channels, the price did not go beyond Rs. 1.40 or thereabout. The consumer is thus suffering heavily. The effect will spread to production. Already shortages have been occurring now and then in important industrial chemicals, like acetic acid, calcium carbide, phosphoric and citric acids, among others. A regular and adequate supply of these vital commodities is essential for industrial production to maintain and improve its level. It, therefore, calls for an active consideration and review of policy.

BOMBAY PORT TRUST FORGES AHEAD

IT IS instructive to know that the Bombay Port Trust coped with the volume of traffic with the inadequate resources at its disposal. The administration report, 1956-57, of the Port Trust records a remarkable increase in the weight of the cargo handled at the Docks and Bunders during the year which amounted to 11,979,352 D.W. tons. Incidentally, it sets up a new record for the port. As compared with traffic of 1955-56, the increase amounts to 1,673,553 D.W. tons. The important variations in the tonnage of principal items of imports handled at the Docks and Bunders were in bricks, cement, sand, chemicals, grains, iron and steel, kerosine oil, machinery, boilers and railway materials etc. So far as exports handled at the Docks and Bunders are concerned, the variations are marked in cotton, grains, kerosine oil, manganese ore, oil cakes, ores other than manganese, seeds, vegetable oils etc. The Docks working shows that the volume of imports rose from 2.36 million tons in 1955-56 to 3.53 million tons in 1956-57. The total traffic aggregated 5.39 million tons as against 4.5 million tons in the previous year. The principal increases in imports were in iron and steel, machinery, copper sheets, cement and wheat. The main commodities of which the exports decreased were cotton, waste cotton and wool, rice, grains other than rice and wheat, groundnut and oil cakes. The port had to cope with imports of iron and steel aggregating 534,500 tons.

So far as the financial position is concerned the general account for 1956-57 closed with a surplus of Rs 233.10 lakhs as against a surplus of Rs 141.33 lakhs envisaged in the revised estimates. The Pilotage Account showed a surplus of Rs 6.78 lakhs as compared to the estimated surplus of Rs 4.11 lakhs. In regard to the General Account the improvement over the revised budget was due to an increase of Rs. 25.70 lakhs in receipts and a saving of Rs 68.08 lakhs in expenditure. The increase in receipts was mainly under Wet Docks due to higher recovery of wharfage, demurrage fees, ground rents and handling charges and under Bunders due to higher recoveries of wharfage. The saving in expenditure was the result of slow progress of repairs and maintenance, new minor works and dredging and less expenditure than anticipated on the Chief Engineers, Workshops, Docks, Hamallage, and Station Establishments. An expenditure of about Rs 37.85 lakhs on Capital Account has been met by withdrawal from the General Reserve Fund. The aggregate revenue on the General Account, including surcharge, amounted to Rs 1,107.61 lakhs in the year under review as compared to Rs 961.92 lakhs in 1955-56. The total expenditure on General Account amounted to Rs 874.51 lakhs in 1956-57 as compared to Rs 676.01 lakhs in the previous year. The total revenue on General and Pilotage Accounts (excluding Special Receipts for the year was Rs 1,127.21 lakhs as against Rs. 980.99 lakhs in the year 1951-56. The total expenditure on General and Pilotage Accounts (excluding Special Expenditure) was Rs 887.33 lakhs as against Rs 688.76 lakhs in the previous year.

PRIVATE US AID FOR SMALL INDUSTRY

A BEGINNING is now being made to provide satisfactory arrangements for meeting the requirements of finance for small industry. Some part of the finance required is supplied by State Governments under the

provisions of their State Aid to Industries Acts. To a very limited extent medium and long-term finance is beginning to be provided by State Financial Corporations. The recent aid in the field is the offer of an American millionaire Mr. William Graham, who proposes to invest about half a million dollars in small industries. His scheme in short is to invite people wishing to expand a small industrial enterprise or start a new one. If an Indian entrepreneur of proved bona fides, but limited resources, can show that he has a workable, profit-making venture either in existence or ready to be started, Mr. Graham will be prepared to put in the required capital and help direct the enterprise until it becomes paying. No interest is chargeable, but profits, of course, would be shared between the entrepreneur and Mr. Graham.

The scheme is in no way based on outright grants but on the principle of exceptional loan facilities and a "partnership with deserving intelligent young men to help them on a good start in life." The scheme has not only gathered response from business men in America, but even in this country industrialists like Mr. G. D. Birla have offered to help in the implementation of the scheme. According to reports Mr. G. D. Birla has offered to contribute Rs. 10 lakhs in starting his project in this country. The whole idea is based on the technique of extending finance to the enterprising individual who has no institutional support. The proposition stems from Mr. Graham's warm regard for free enterprise. He is a firm believer that free enterprise is the cure for Asia's all economic ills and if given the stimulus of capital can do what State enterprise cannot do. The scheme no doubt has considerable potentialities and when executed would not only help in stimulating the progress of the small industry, but would also go some way in increasing employment in non-urban regions.

MUKAND IRON

THE MUKAND IRON AND STEEL WORKS has not only rehabilitated itself but entered a stage of development and profit-earning capacity. This is evident from the speech of the Chairman Mr. Kamalnayan Bajaj delivered at the 19th annual general meeting of the company. If the working results are any guide, the company has definitely turned the corner in its march towards stability and progress. To give effect to its expansion programme, it has entered into a technical aid agreement with the well-known British steel foundry, Messrs. David Brown Industries Ltd., for a period of 8 years during which the company will get technical guidance on problems relating to the steel foundry including training facilities for its personnel in the works of the British partner.

The relations of the management of the company with labour have been quite cordial. The average earnings per worker have increased by 57 per cent over his earnings in 1950-51, while the cost of living index during this period has increased by 13 per cent thus giving a net increase of 44 per cent in the earnings of the workers.

The Tariff Commission which has been entrusted with the work of fixing conversion charges for the steel re-rolling industry for converting steel billets into bars and rods, the Chairman reveals, is at present seized with the matter. It is hoped that the Tariff Commission and the Government of India would make, as in the case of major steel producers and the cement industry, adequate provision in the costs payable to the industry so as to cover the industry's need for rehabilitation, modernisation and expansion. Since the prosperity of the country is linked with the hard core of the Plan it is essential that every help be given to the industry for its rehabilitation and modernisation programme. The recommendations of the Committee on Electrical Furnaces, Steel Foundries and Steel Re-rolling Mills which was appointed in July 1956 ought to be implemented now as much time has elapsed since the report was submitted to the Government.

Economic Report from the U. S.

NUCLEAR POWER INDUSTRY

(By GUY SIMS FITCH)

NEW YORK, Nov. 5.—The infant nuclear power industry of the U.S. is fast outgrowing its swaddling clothes and is on its way to becoming a full-fledged and established business. This is the conclusion to be drawn from the realistic discussion that marked the fourth annual convention here last week of the Atomic Industrial Forum, a group of about 500 private companies engaged in various aspects of atomic energy work. More and more, the Forum showed, pioneers in this new and still largely uncharted field are now face to face with the practical realities of designing and building economic nuclear power plants. A hard-headed realization of the concrete problems to be overcome has replaced optimistic generalities. And nearly every expert at the Forum agreed that this may well be the best thing for the nation's growing nuclear industry.

At the heart of the difficulties, of course, has been the absence of any realistic precedent for computing the costs of building and operating atomic power plants. As a result, computations in most cases were too low and more in the nature of educated guesses, affecting estimates down the line from prospective owners of plants and designers, to builders and suppliers of machinery and components. This tendency toward underestimating costs is traceable, in part, to the generally rising prices of labour and equipment. But a more important factor may have been the initial inexperience in this field — an inexperience which obviously is being overcome. Thus, most of the atomic plants now under construction or being planned actually will cost substantially more than originally estimated. The cost of one modest plant, for instance, is up from \$8.4 million to \$11.5 million. Another is up from \$5.5 million to \$14.4 million. Larger plants also are affected. A proposed 134,000 kilowatt plant is expected to cost \$41 million instead of the projected \$35 million. And plans for a \$55 million private plant producing 236,000 kilowatts of electricity have twice been raised to a figure of \$90 million for 275,000 kilowatts.

It follows from this that few companies are making money at present from atomic power. But they see their greatest hope in gaining solid practical experience and winning economic rewards from it later. A company represented at the Forum, for instance, expects to be "in the black" — that is, to be making money — out of its atomic power work within four or five years. Another anticipates a fully established and stable U.S. nuclear industry within 10 years. In fact, U.S. Atomic Energy Commission chairman Lewis L. Strauss stated the belief that private industry will completely take over the development of peacetime atomic energy within 10 years, with the government's role limited to assuring uniform safety regulations. Over the next decade, according to some experts at the Forum, the market for U.S. power reactors will approximate 120 units and will have a value of more than \$2,000. In a longer range prediction, one expert whose company has been in the forefront of peacetime atomic programme

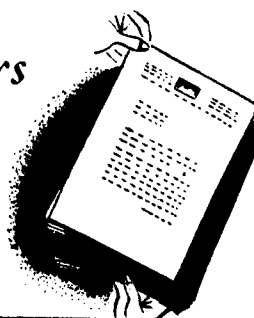
estimates the market of the U.S. nuclear industry about \$10,500 million for the 1966-75 period. Last week's proceedings are infused with a decidedly encouraging glow, within which shines the promise of practical and significant achievements in peacetime atomic power.

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MUKAND IRON & STEEL WORKS LTD.

Speech of the Chairman Shri Kamalnayan Bajaj

The following is the speech of the Chairman Shri Kamalnayan Bajaj, delivered at the 19th Annual General Meeting of the Shareholders of the Mukand Iron and Steel Works Limited, held at Bombay on Tuesday, November 5, 1957.

Gentlemen,

I have great pleasure in welcoming you to this, the 19th Annual General Meeting of the Company, and in presenting to you for adoption the Audited Statements of Accounts for the year ended 31st March 1957 and Reports of the Directors and Auditors thereon. As the Statements of Accounts and the Reports are in your hands for some time now, with your permission, I take them as read.

The working results of the year have been fairly satisfactory and we can say with renewed confidence that the Company has now definitely turned the corner in its march towards stability and progress. The production of steel bars and rods in the steel rerolling mills of your Company has increased from 23,610 tons to 32,123 tons in 1956-57, an increase of 35 per cent. The production of steel castings has shown a rise of 63 per cent from 2,549 tons to 4,153 tons. The gross profit is Rs. 27.72 lakhs as against Rs. 16.09 lakhs for 1955-56. All this is indicative of the advance made by the Company in that direction.

It is a matter of great satisfaction to me and my colleagues on the Board that it has been possible for us this time to recommend to you declaration of dividends on ordinary and deferred shares. After the rude shock of partition in 1947 which involved the Company in a loss of its major assets in Lahore, the Shareholders of the Company have been patiently waiting for the last ten years for a return on their investment. I trust they now feel that the confidence which they placed in the management of the Company all these years has resulted not only in rehabilitating this Company but also in bringing it to its present stage of development and profit-earning capacity.

With the growing industrialization in India the demand for steel castings in the country is increasing. The Company has expanded its activities to a certain extent by making improvements. It has further planned an expansion programme for steel castings for which an application has been made to the Government of India under the Industries (Development and Regulation) Act of 1951. It is hoped that the necessary sanction will be granted by the Government shortly.

In order to plan the expansion activities of the Company on an efficient basis and to further improve the existing working, the Company has entered into a technical aid agreement with the well-known British steel foundry, Messrs. David Brown Industries Ltd., England, for a period of 8 years during which the Company will get technical guidance on problems relating to the steel foundry including training facilities for the personnel of the Company in the works of the British company.

Our relations with labour have, throughout the year, been cordial and happy. As you may have noticed from the chart published in the Annual Report, the average earnings per worker of your Company have increased by 57 per cent over his earnings in 1950-51, while the cost of living index during this period has increased by 13 per cent, thus giving a net increase of 44 per cent in the real earnings of the workers. In the ultimate analysis, after a certain limit, the increase in the workers' earnings will have to be achieved only by increase in his skill and better application of his mind to the work allotted to him as would result in greater productivity.

In order to combat inflationary trends in the economy, of which wage increases are contributory factors, reduction in costs is necessary by increasing productivity. The quality of the products should also improve. For this purpose improvements and modernization in plant and equipment should continue to be made by the industry. I trust that the Government of India would give all necessary facilities to the industry for this purpose, and such foreign exchange requirements as may be essential would be given high priority.

To meet the increasing needs of the Company for finance, the Directors propose to issue new ordinary share capital. Sanction from the Controller of Capital Issues has already been received for Rs. 20,47,475.

In my address to you last year I had referred to certain difficulties. The question of increased power supply was one of them. I am glad to inform you that additional power has since been sanctioned to us by the Government of Bombay. Regarding the rates of electricity, the tariff has recently been revised by the suppliers and there is a slight reduction of rates though not to the extent was desired. The question of railway siding is still pending.

The Tariff Commission which has been entrusted with the work of fixing conversion charges for the Steel Re-rolling Industry for converting steel billets into bars and rods is at present seized with the matter. Its report is likely to be ready in the early part of 1958.

The need of the industry for rehabilitation and expansion was also referred to by me in my speech last year. I trust that the Tariff Commission as well as the Government of India would make, as in the case of the major steel producers and the cement industry, adequate provision in the costs payable to the industry so as to cover the industry's need for rehabilitation, modernization and expansion.

The Committee on Electric Furnaces, Steel Foundries and Steel Re-rolling Mills appointed by the Government of India in July 1956, to which reference was

made by me last year has submitted its report to the Government, which is now on the floor of the Parliament. The Government have not yet taken any final decision on the same. The report has made out a strong case for import of sufficiently large quantities of billets on the ground that the steel rolled by this industry is needed for the projects which are part of the core of the national plan. It has also recommended that the existing rolling mills should be permitted to improve and modernize their plants for better and more efficient working. In the matter of the steel foundry industry also, the Committee has recommended that existing industries should be allowed to expand. I trust the Government would take a favourable decision on these recommendations at an early date.

The prosperity of the industry in which your Company is engaged, in fact the prosperity of the country as a whole, is linked with the success of the Plan, or rather the hard core of the Plan. We are now amidst the second year of the second Five-Year Plan. The Plan is encountering difficulties, particularly in the availability of foreign exchange. These difficulties should not dishearten us. As our Prime Minister has repeatedly said, these are difficulties of progress, not of stagnation. The real cause for anxiety is, however, on the agricultural side. In spite of the emphasis on the industrial development in the second Five-Year Plan, food remains the key to the success of the Plan.

I thank the Executives, Staff and Workers for the efforts made by them in improving the working of your factory, without which it would not have been possible to get the satisfactory results as disclosed in the audited Balance Sheet and Profit & Loss Account which you are going to consider this evening.



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COMMODITY NEWS AND NOTES

INCREASE IN ACREAGE OF KHARIF PULSES

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India first estimate of kharif pulses other than tur, 1957-58, puts the current year's area at 11,907,000 acres, as against the adjusted corresponding estimate of 11,704,000 acres for 1956-57. This shows an increase of 203,000 acres or 1.7 per cent in area over last year. The increase in acreage during the current year has been shared mainly by Andhra Pradesh, Bombay and Madhya Pradesh, and is attributed generally to favourable weather conditions at the time of sowing. The increase in acreage has, however, been offset to some extent by decreases in Rajasthan and Uttar Pradesh. As between pulses, the increase has been shared generally by all pulses excepting 'moth'. This estimate generally covers the period up to the end of August 1957. Till then, the condition of the crop was reported to be generally satisfactory.

COAL RESERVES

Reserves of 11,727 million tons of coal are present in the Barakar measures of the Jharia coalfield up to a depth of 2,000 feet, according to a recent survey carried out by the Geological Survey of India. An earlier survey in 1926-28 had calculated these reserves to be 4,537 million tons, i.e., less than half of the new estimates. The newly-estimated reserves include 2,145 million tons of coking coal which are indicated to be of superior quality (Selected and Grade I), according to the Indian Coal Grading Board's classification. A large number of new coal seam outcrops have also been traced in the area as a result of this survey. The total output of coal of all grades from the Jharia coalfield during the years 1895 to 1951 has been estimated at about 450 million tons. The quantity of coal exploited so far should, according to the Survey, be 50 per cent more, i.e., 675 million tons. Most of this is likely to have been received from depths less than 1,000 feet and from the Barakar coal measures. All the superior varieties of coal of the Jharia coalfield are of coking quality, according to the Survey. The production of these during the past 50 years at an average rate of 7 million tons per year was approximately 350 million tons. This excludes 50 per cent loss during mining. The total quantity of superior coking coal exploited so far is thus to the order of 525 million tons. The balance of coal, of the total quantity exploited so far, may be regarded as of inferior grade. Besides the Jharia coalfield resources, the survey gives estimates about the Raniganj coalfield which total 180 million tons of reserves of coal indicated to be Selected B and Grade I.

NO RELAXATION OF BAN ON EXPORT OF GROUNDNUT OIL AND GROUNDNUTS

The withdrawal of export duties on ground-nut oil-cake and de-oiled groundnut meal has, in some quarters, been construed as indicative of a change in Government's general policy towards commodities which are important for domestic consumption. This view is not correct. The export duties in question were removed so that the surplus available in the country may be exported on the best possible terms. Government do not propose to relax the present ban on exports of such commodities as ground-nuts or ground-nut oil till such time as total availabilities and prices are such as to permit a reasonable amount of exports without detriment to the interest of domestic consumers.

"AGMARK" ATTA OF STANDARD QUALITY

A staple diet for a third of the people in the country, 'atta', made of whole wheat, is one of the agricultural commodities which is graded under the Agricultural Produce (Grading and Marking) Act, 1937. In 1956 a total quantity of about 3,100 tons was marked under the "Agmark Seal", enabling consumers to obtain whole-

some and pure atta of standard quality. To spread the practice of grading atta among the producers, the Directorate of Marketing and Inspection, Ministry of Food and Agriculture, has issued a pamphlet titled "Atta Grading Instructions". Besides explaining the salient features of the Act, the pamphlet gives useful information on how atta should be packed, graded and marked in the interest of both producer and consumer.

REPORT OF THE TOBACCO EXPERT COMMITTEE

The Government of India, by a Resolution, dated October 12, 1957, have accepted all the major recommendations of the Tobacco Expert Committee under the Chairmanship of Shri K. Raghuramaiah, M.P. The Committee's main recommendation regarding the criterion of assessment of non-flue-cured unmanufactured tobacco has, it will be recalled, already been implemented through the Finance (No. 2) Act of 1957. The Committee has reported that accurate classification of tobacco for purposes of assessment, on the basis of percentage of use for the manufacture of biris in specified areas, is not possible and on the other hand has encouraged smuggling and given rise to malpractices. Restrictions on the movement of lower-rated tobacco from one area to another where it was assessable at the higher rate has resulted in flow of trade from higher-rated to lower-rated areas, causing hardship to certain varieties of tobacco. The Expert Committee has, therefore, recommended that in order to provide a uniform and stable basis of assessment, varieties of tobacco which, by reason of their physical form and characteristics, viz., tobacco cured in whole leaf form and tied or packed in bundles, bunches or hanks; or in the form of ropes twists or coils; dust of tobacco, granules of tobacco not larger than 1/16" sq. in size (including similar granule of stems); and uncrushed stems larger than 1/4" in size are incapable of being used in the manufacture of biris, should be assessed at the lower rate and all other tobacco should be assessed at the higher rate. The Committee has also "inter alia" recommended that:-

(i) processing of tobacco into a form in which it could attract the lower rate of duty should be freely permitted in warehouses;

(ii) the present statutory time-limit for storage of tobacco in curer's bonded store-rooms should have a provision for extension in deserving cases.

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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 Materials	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	366.1	377.5	261.6	286.4	456.2	308.2				
1948-49	382.9	444.8	327.3	346.1	525.2	376.2				
1949-50	391.3	471.7	331.6	347.2	570.7	385.4				
1950-51	416.1	523.1	348.9	354.2	707.4	409.7				
1951-52	398.6	591.9	374.4	401.5	721.6	434.6				
1952-53	357.8	436.9	343.8	371.2	614.1	380.6				
1953-54	381.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
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	419.8	338.2	372.9	546.4	360.4	90.9	100.8	87.3	121.6
1956-57	388.5	501.9	402.3	384.6	559.3	414.0	90.5	100.1	82.9	121.2
March 1957	402.7	518.1	403.3	384.1	569.6	421.3	89.9	98.9	79.8	111.5
April	408.3	514.7	400.0	384.3	567.1	422.1	89.9	99.0	78.7	106.8
May	419.3	536.3	406.5	387.7	572.3	431.2	89.4	99.1	78.4	104.1
June	433.2	541.4	413.0	392.4	578.0	439.2	89.5	99.0	77.6	102.6
July	439.8	544.4	413.3	392.3	637.1	443.5	89.2	98.8	76.6	105.2
August	440.9	530.6	411.2	392.7	643.3	441.8	89.0	98.8	75.6	103.0
September	424.1	525.3	409.1	394.7	644.0	435.9	89.0	98.0	74.0	99.0
7-9-1957	432.4	524.8	409.1	394.2	645.9	438.4	89.0	98.4	74.3	101.2
14-9-1957	428.9	527.1	410.2	394.6	640.7	437.8	89.0	98.0	74.1	99.8
21-9-1957	419.4	527.0	409.7	395.0	644.5	434.9	89.0	97.9	74.0	98.5
28-9-1957	416.1	521.8	407.1	395.0	644.9	432.6	89.0	97.9	73.8	97.6
5-10-1957	414.6	532.7	406.1	395.0	643.4	433.5	89.0	97.7	73.6	97.3
12-10-1957	415.4	534.7	405.5	394.7	641.6	433.8	89.1	97.7	73.6	97.6
19-10-1957	418.1	533.0	405.6	395.7	645.4	434.9	89.0	97.7	73.6	97.3

*Average of weeks.

†Economic Adviser's Series.

††Reserve Bank Series.

Revised*

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	108	—	—	—
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	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	356	152	146	145
1956 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	436	411	156	372	157	144	149
February	341	357	253	150	350	438	411	158	369	157	148	148
March	340	356	254	150	348	433	415	158	367	158	148	148
April	340	356	256	148	345	427	415	162	369	161	152	148
May	347	363	257	151	352	441	418	163	369	167	156	150
June	354	370	259	152	371	446	422	163	373	159	156	153
July	360	376	263	152	371	459	422	—	375	159	164	155
August	361	377	265	155	—	468	—	—	373	—	—	156
September	—	—	—	149	—	464	—	—	—	—	—	—

*Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	25-10-1957			18-10-1957			11-10-1957			4-10-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	107.97	107.25	107.68	107.03	106.25	106.67	107.25	106.69	107.05	107.34	106.44	106.64
	182.31	180.94	181.64	183.19	181.31	181.89	184.37	182.75	183.36	184.87	183.87	184.31

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Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5 + 6) as percent- age of (4)	Advan- ces	Bills Discount- ed	(8 + 9) as per- centage of (4)	Invest- ments in Govt. Securities in India
	Demand	Time	Total (2 + 3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
1948-49	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.41	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	303.45
1952-53	646.23	309.26	955.49	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	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56	71.39	359.35
Average of Fridays										
April 1957	728.28	455.05	1,094.83	36.15	65.12	7.99	719.66	183.45†	74.69	345.68
May	723.73	516.38	1,240.11	36.26	59.74	8.08	744.48	188.14†	76.10	343.32
June	715.22	547.21	1,262.43	36.30	67.44	8.72	744.73	181.73†	74.24	335.02
July	724.80	562.69	1,287.49	36.62	80.45	9.47	720.06	179.44†	70.97	332.44
August	712.19	582.65	1,294.84	36.83	88.01	9.98	696.16	174.41†	68.33	350.31
September	717.59	612.48	1,330.06	37.18	95.37	9.97	678.01	163.06†	63.24	378.43
October	734.45	629.74	1,364.19	43.57	92.51	9.97	688.88	166.41†	62.70	387.75
Week Ending										
27-9-1957	719.65	619.54	1,339.19	36.74	88.57	9.55	676.89	161.93†	62.64	386.27
4-10-1957	723.17	626.50	1,349.67	42.55	94.15	10.13	648.91	162.46†	62.78	385.93
11-10-1957	729.06	624.51	1,353.57	42.67	83.35	9.31	687.47	165.14†	62.99	386.15
18-10-1957	730.15	627.44	1,357.59	42.04	96.03	10.17	686.29	166.94†	62.85	384.06
25-10-1957	755.41	640.53	1,395.94	42.02	96.49	10.28	696.85	171.98†	62.18	393.95

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabi- lities of banks	Other deposits with Reserve Bank†	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53	1,764.71	1,199.25	565.46	548.95	16.51	-39.08
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	2,184.32	1,505.09	679.23	667.22	12.01	+263.69
1956-57	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
September 1956	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	2,220.47	1,509.90	711.57	724.46	10.77	+42.82
February	2,264.55	1,528.31	736.24	744.74	11.78	+43.08
March	2,312.89	1,556.50	756.39	763.43	11.65	+48.34
April	2,362.37	1,586.44	775.93	762.01	12.51	+49.48
May	2,381.99	1,596.43	785.55	772.79	23.55	+19.62
June	2,344.04	1,562.85	781.19	758.55	22.64	-37.95
July	2,310.72*	1,521.14*	789.58*	767.69*	21.89	+33.32*
August	2,242.38*	1,490.02*	752.35*	740.93*	11.42	-68.34*
September	2,248.42*	1,490.63*	757.79*	744.98*	12.81	+6.04*

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

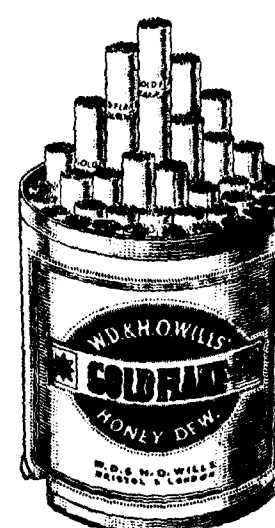
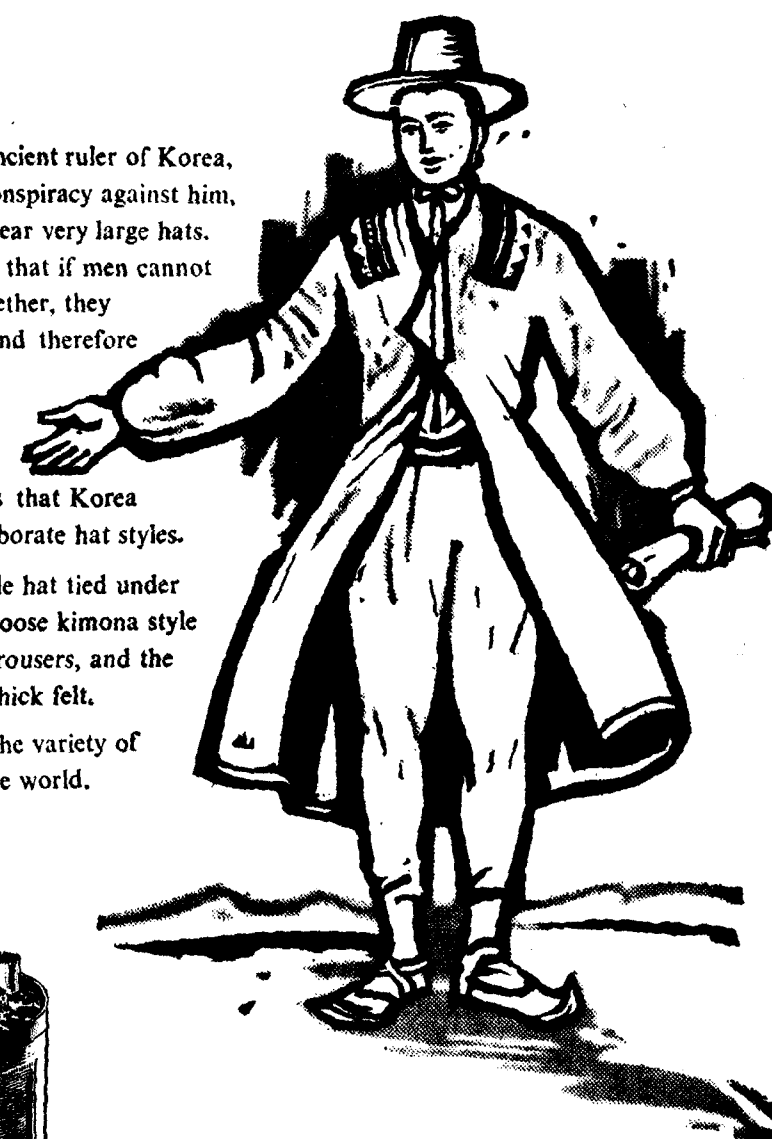
Korea

It is said that an ancient ruler of Korea, to stamp out all conspiracy against him, made the people wear very large hats. His reasoning was that if men cannot put their heads together, they cannot whisper, and therefore cannot conspire.

This tale may or may not be true, but the fact remains that Korea today has many elaborate hat styles.

Here is a Welsh style hat tied under the chin. The long loose kimona style coat covers baggy trousers, and the shoes are made of thick felt.

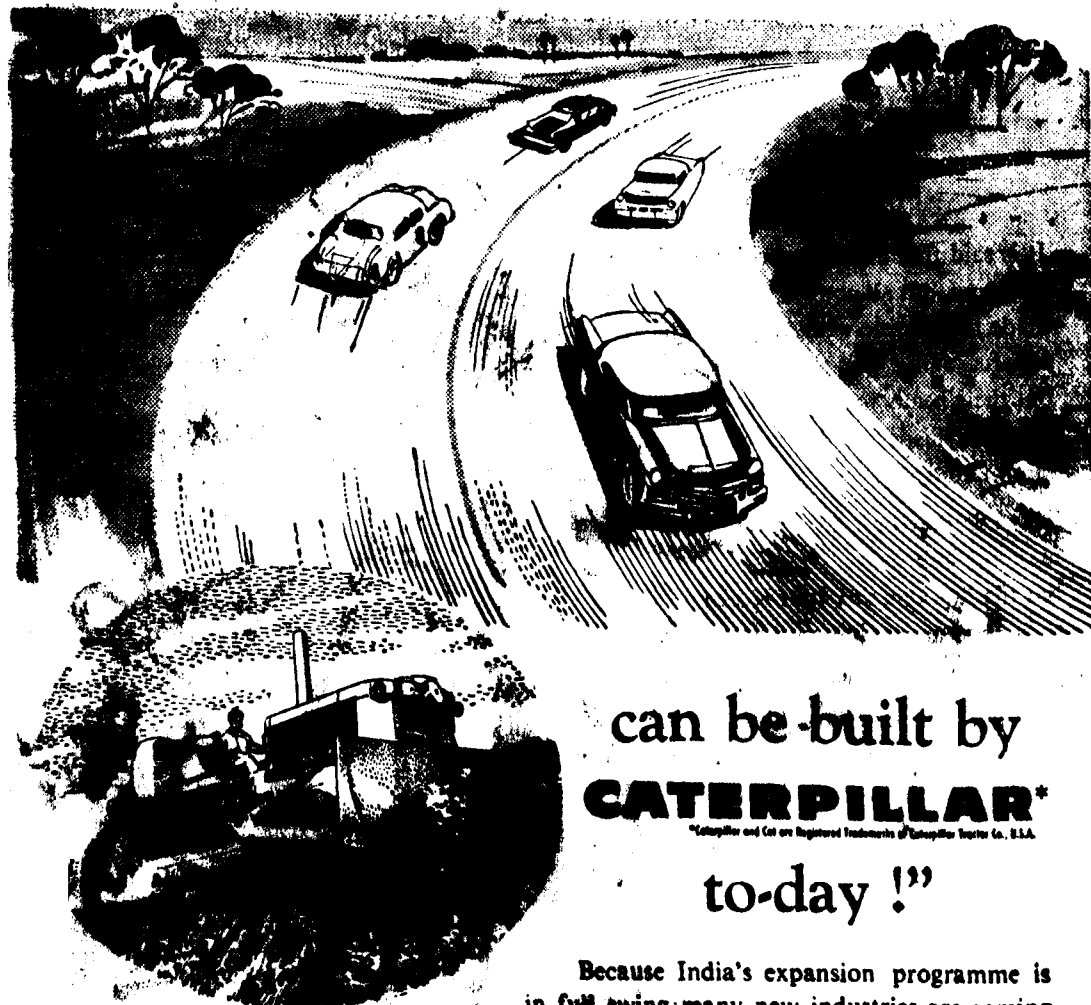
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—they're good

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Because India's expansion programme is in full swing many new industries are coming into existence and due to the 'Grow More Food' campaign more food is being produced. More and more goods are being carried by road transport.

To open up new areas, to take care of the increasing traffic, new roads must be built and old roads have to be improved.

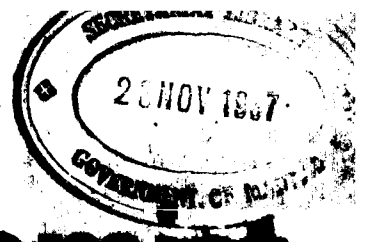
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The Eastern Economist



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ONE RUPEE

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The Failure of a Funeral

agitated debate on the Finance Minister took place in the Lok Sabha on Wednesday Thursday this week might be summed up in the phrase "The Failure of a Funeral". The

Communist Party of India—aided misguidedly in this matter by Acharya J. B. Kripalani—sought ostensibly to dismiss the Finance Minister and to arrange his departure with every sign of

most truths of Indian agriculture are hidden behind a mesh — or an ambush? — of statistics, which resist, and probably will resist for all time, precise evaluation, — whether by curve fitting, or by even more sophisticated tools in the statistical laboratories of the world. Thus the pseudo-scientific estimates contained in Chapter V of the Food Grains Enquiry Report can be no better, even if they are no worse, than the raw material on which the ponderous tools have gone to work.

Two possibilities — and possibly only two — need to be entertained. The first is that the raw material is moderately sound; the second that it is untenable. In the first case, the Committee's conclusions would appear to be moderately sound, in the latter the whole report is built upon sand. Since the latter alternative can never be a guide to policy, it is wise to accept the fundamental analysis of this report at least as a basis for further argument. But it would be quite foolish to attach to what necessarily must be substantiated guesswork the abject veneration given to a profound revelation. It is wise to be prepared for the worst, but one need not in desperation come to the conclusion that we live in the worst of all possible worlds. Almost certainly, the authors have placed themselves, so far as production is concerned, at the lowest limit of doubt permitted by available statistics.

As firmly as it can, the Committee asserts that the current production targets of the second Five-Year Plan are untenable. Working by different statistical methods, the authors arrive at the conclusion that the likely production of 'superior' grains in 1961 may be 54.4 million tons against the estimated demand of 56 million tons, and the increase in total food grain production during the second Five-Year Plan may be of the order of 10.3 million tons — representing only two-thirds of the Plan target. This conclusion amounts to a bitter censure of the Government of India and all its works in the agricultural field. How, it will be asked, has failure been so complete? Obviously, if the analysis in this report is to be accepted, the whole basis of the second Five-Year Plan is undermined.

It is no solution, as the Committee thinks, to provide on paper for imports to overcome a shortfall of something like 5 million tons. It is one thing to make an arithmetical balance sheet; it is quite another to finance imports of this order and obtain supplies under P.L. 480 loans, which may expire in March 1958. Precisely because this report looks competent, and because its desperate conclusion leaves us no short-period escape, the evaluation will need to be critically examined before it can be accepted. *The Eastern Economist* believes that the Report overstates the agricultural crisis; but this is not to imply that no crisis exists. Much has recently been written in these pages to indicate that this is the most severe economic problem of our time.

It is a just criticism of the report that its recommendations and its factual analysis belong to different worlds. If the situation were as grave as the authors make out, it would be rational, on this analysis, to recognise a grave emergency with the need for total mobilization of all talent for the rehabilitation of Indian agriculture. The relatively moderate recommendations of the authors are by no means consistent with the harrowing picture that they have drawn of the dismal failure in the field of production.

Not, indeed, that the report has no constructive side. There are many sound recommendations. The most important of these pertain to water rates under major irrigation and tube well projects and to minor irrigation, fertilisers and improved seeds. Irrigation rates, it is recommended, should be fixed on the basis of "net benefits" and not on the basis of the 'cost' principle; concessional water rates be charged in the first two years in areas where rainfall is usually sufficient; the responsibility for constructing subsidiary channels should generally be on the Irrigation Department; and concessional water rates be charged under tube wells as in the case of major irrigation projects. The other important recommendations are that the repair of existing minor irrigation works should be given as high a priority as the construction of new ones, the number of seed stores in each block be increased to at least four, chemical fertilisers to the value of Rs. 100 crores be imported, more fertiliser factories be set up to ease the strain on foreign exchange resources on account of fertilizer imports, and land reforms be backed up with a strong machinery for enforcement as such reforms, it is thought, will contribute to the growth of agricultural production.

The inadequacy of the Committee's plan for food prices is mostly related to the establishment of a Food Grains Stabilisation Organisation to undertake buffer stock operations. These operations can, perhaps, "be a most effective instrument for the stabilisation of the prices of food grains". But, then, the organisation would have to start operating, as the Committee says, "from a position of strength, with sufficient stocks at its disposal and sufficient funds to invest". The snag here is in respect both of "sufficient funds" and "sufficient stocks" for, to find itself in the position of a dominant trader in the economy and to be able to control the market effectively, the Organisation would require much more than Rs. 100 crores for its purchase operations. And it is also expected to build up reserve stocks of 2 million tons, besides the buffer stocks (which would probably have to be much larger) for market operations. And apart from stocks, where from will the fund of skilled knowledge to operate so complicated a commercial venture come? All the experience of the world shows that food grain commodity markets are the most dangerous and the most unpredictable animals of their kind. How can socialisation — whatever this much-abused word may mean in this context — solve problems for which no human mind has hitherto shown itself capable? Or does this Committee really think that what this exacting problem needs is only one more slogan?

Thus it comes about that this stimulating essay has not made less arid the difficult and unexplored regions in Indian agricultural controversy. The conclusions appear too pessimistic; the recommendations too inconsequential; the call to action too lukewarm; the spirit behind the solution too ideological; the total result too ineffective. Perhaps these weaknesses belong inevitably to those who would venture with merely human minds into one of the most intricate problems which God invented with his wonderful world. Perhaps one day in His compassion at this terrible affliction, He will also throw down the key which will unlock the mysteries of this verse. Who then will be an instrument, like Ahmed Kidwai, to show us glimpses of the promised land?

NATO: An Agonizing Appraisal

AFTER Mr. Harold Macmillan's recent pilgrimage to Washington, it was generally assumed that the wounds of Suez have been healed. But the assumption seems to have been somewhat hastily arrived at. The North Atlantic Treaty Organization is once again in trouble. Cracks seem to have appeared in its structure. The French delegation actually walked out from the North Atlantic Treaty Organization's Parliamentary Assembly in protest against the Anglo-American decision to deliver arms to Tunisia. She has charged the United States and Britain of afflicting the Atlantic Alliance with "real danger" by their move; she condemns it as being "contrary to Western solidarity which rests on the respect by all the allies of the essential interests of each". Already boycotting the current session of the Assembly in Paris, France has threatened to keep out of the forthcoming "summit" conference as well. The decision is not quite understandable, and even less wise.

Doubtless, feeling in France runs high over a war in Algeria in which nearly 40,000 Frenchmen have been killed, a large number of them by arms allegedly brought through Tunisian territory. To allegedly brought through Tunisian territory. To this "offence", Mr. Habib Bourguiba, President of Tunisia, has recently added others, including officially backed demonstrations against the French base in Tunisia, and the suggestion that the naval base of Bizerta should be vacated. But if Tunisia is independent, as the French themselves admit, then surely she has the right to obtain arms from anywhere, not merely through France; in addition she has the right to use them where she will, and no country, France or any other, may dictate conditions upon this. Tunisia is a sovereign State. On the other hand, it was incumbent on the Western countries to provide Tunisia, "which had freely chosen to identify itself with the West, the opportunity to purchase its means of defence" from them. Refusal to do that would surely make her dependent on Egypt, and indirectly upon Russia. The West can ill-afford to let Mr. Bourguiba drift into the area of Russian influence.

The irreconcilability of objectives among the Western nations seems also to be emphasized in the recent survey carried out by the North Atlantic Treaty Organization's political advisory group. The group has pointed out that the ground forces of the Organization were "disintegrating", and that the process must be stopped "at all cost". The "disintegration" has begun consequent upon the Soviet Union's latest strategic, technological and political successes which have shaken Western Europe's confidence in the United States' policy of "massive retaliation" for deterring Russian aggression. Geography as well as past experience has perhaps much to do with the sense of insecurity on the Continent. Western Europe is within easy reach of even the conventional forces of Russia. Moreover, both the United States and Britain place more reliance on nuclear striking power than on the defence arrangements in the NATO countries. This means, in effect, that if there is a war, the West's strategy of "massive retaliation" may not be sufficient to prevent advance and occupation of the Continent up to the Channel coast. It is a different matter, of course, whether a total war is at all possible any more, and is a sufficiently reckonable factor in strategic calculation. Ours is a time of "local" eruptions, blisters caused by

the cold war; ours is, in truth, the age of "war by proxy".

However, the danger of war may be dismissed as the figment of a defeatist's imagination only at peril. The NATO political advisory group's depressing survey admits that Soviet penetration of the Middle East, France's colonial wars in North Africa, and Britain's increasing reliance on strategic thermonuclear forces, to the detriment of its contribution to the NATO shield, have "disorganized" Western defences. Judging by the pleas of Western European members of the Atlantic Alliance for stronger ground forces for NATO's defence, they have always doubted the effectiveness of the "great deterrent". They have, moreover, tended always to accuse the United States and Britain of not sufficiently appreciating the threat of Soviet invasion, separated as the two are by water barriers. NATO's Continental members give, indeed, the impression that they have even begun to contemplate the only "safe" alternative in walking out of NATO and making peace with Russia—of course to the latter's advantage.

Such policy is self-defeating. International Communism has demonstrated repeatedly that it prefers to expand by propaganda, subversion and economic penetration rather than by aggression and violence. What is needed, therefore, is better integration between the NATO partners. This is necessitated by the need for an efficient defence system. The NATO countries have hitherto insisted on maintaining their own forces in each of the three arms—air, land and naval. This has not at all resulted in the creating of a properly balanced force for the alliance as a whole. The need is imperatively for a common plan for NATO, an equitable division of the common effort and subsequently a common defence budget. This will require ruthless re-organization of the NATO Council—its supreme governing body—so that it is no longer bound down by the unanimity rule but is able to decide on the spot the nature of the aggression committed, and whether the use of nuclear weapons would be justified. What is proposed here is, in short, the setting up of a Cabinet of the Western World, empowered to bypass national parliaments and commit countries to war if need be. Mr. Macmillan may have had this in mind when he recently remarked: "... Nations of the free world must in the near future make an even more and significant contribution of their national sovereignty to the common cause".

It is very doubtful if the member countries will be prepared at this stage to make such a sacrifice. Nationalism is of course outdated, and it is probable that most people would admit this. But the sentiment of patriotism, the root of nationalism, has been nurtured for centuries. It would be too much to expect that even the unprecedented danger of a world conflagration should widen individual and national horizons all at once. But the North Atlantic Treaty Organization will continue to be a weak bastion as long as its leading members are torn by contradictory objectives. Fears mutually shared cannot bear unity. It is necessary, therefore, to have a positive plan of action. Without such a plan the free world cannot prevail, cannot safeguard freedom, and cannot extend it in a world threatened by the most formidable and totalitarian society that it has ever known.

A Fair Deal to the States

THE Second Finance Commission has recommended, and the Government of India have just accepted, what is claimed to be a balanced scheme of devolution of some revenue and grants from the Centre to the States. The effect of the proposed scheme will be that about Rs. 140 crores a year by way of shares of taxes and fixed grants-in-aid will be transferred to the States in the five-year period beginning from April 1, 1957, as against an average sum of Rs. 93 crores received by them under the first Commission's recommendations in the five years ending March 31, 1957. This estimated addition of about Rs. 47 crores a year to the States' revenues may be deemed too generous in the context of the present and prospective financial circumstances of the Union which has heavy responsibilities for defence and national development. At the same time, it may be deemed too parsimonious in the context of the financial circumstances of the States which simply could not raise anything more than 35 per cent of the target (Rs. 230 crores) of additional revenue for the entire first Plan period and which have had successive revenue deficits ranging round Rs. 70 crores a year since 1955-56. Much, of course, may be said on both sides, but the fairest description of the Santhanam Commission's proposals would be that they constitute, on the whole and on balance, a fair deal to the States.

How do they constitute a fair deal? In the first place the additional devolution, to the extent of Rs. 31.5 crores a year, by transfer of shares of taxes, does not include an annual sum of about Rs. 15 crores which the States will be receiving from the new Centrally-levied tax on railway fares. Secondly, it does not include an estimated Rs. 7.5 crores being the difference between the net proceeds of Rs. 40 crores expected from the proposed additional excise duties on mill-made textiles, sugar and tobacco (including manufactured tobacco) in replacement of sales taxes on these commodities and the present income of Rs. 32.5 crores on account of such sales taxes. Thirdly, the Commission's scheme for consolidating the large number of loans (now given by the Centre to the States at widely varying and mostly high rates of interest) into four distinct categories and for rationalising the rates of interest and fixing them at not more than 2½ per cent per annum in the case of two categories of loans and at not more than 3 per cent in the case of the other two categories, would result in a reduction in interest charges of about Rs. 5 crores per annum for all the States together. As these three items together would represent an additional revenue of Rs. 27.5 crores per annum, the additional tax revenue of Rs. 31.5 crores a year under the Commission's scheme of devolution does not appear to be niggardly.

As for grants-in-aid of revenues, the position will be no less favourable for the States under the Commission's scheme, what with Rs. 39.5 crores to be transferred to them every year in the second five-year period as against an annual average of Rs. 24.5 crores in the first five-year period ending March 31, 1957. The total revenue to be transferred to the States on all the counts listed above (both inside and outside the Commission's scheme of devolution) would thus come to Rs. 167 crores per annum. Thus the total revenue deficit (Rs. 77 crores) in the 1957-58 State Budgets will be nearly wiped out by the additional revenue of Rs. 74 crores (Rs. 167 crores minus Rs. 93 crores)

to be transferred to them. In the circumstances, the Commission's claim that it has framed its scheme of devolution so as to enable the States to balance their revenue budgets seems to be quite justified. On the other hand, the Commission's claim that it has taken into account the requirements of States for their second Plan schemes on the revenue side does not appear to be wholly justified. The exact position in this regard is that if the pre-1951 figure of about Rs. 50 crores by way of States' share of income-tax is not taken into account, the amount really available for the States' revenue schemes under the second Plan would come to Rs. 117 crores (Rs. 167 crores minus Rs. 50 crores) per annum or Rs. 585 crores in the five-year period. It is, however, gratifying that the shortfall on this account would only be Rs. 125 crores in the States' plan expenditure of about Rs. 710 crores assigned to their revenue budgets.

This helpful devolution of revenue from the Centre may still not solve all the financial difficulties of the States if they seek to make up, in the remaining years of the second Plan, the first two years' shortfalls in their Plan expenditures by assigning more schemes to the revenue budgets. In which case, revenue deficits may continue to plague them in the years to come. It is by no means certain that the States will take the sound advice of the Finance Commission contained in these words: "We cannot over-emphasise the paramount importance of States balancing their revenue budgets. . . . With a massive development plan under implementation, there is a grave risk of the budgetary deficits of the States endangering the country's economy by adding to the inflationary potential. Now that all expenditure creating permanent assets are being treated as capital outlay, deficits on current account covered by borrowing result in an unfair shifting by the present generation of its burdens to future generations. Development expenditure should, therefore, be adjusted to the available resources and States should not run into a revenue deficit even for meeting such expenditure".

That last sentence in the quotation means that the State Plans may have to be somewhat pruned. If they are not so pruned, there will be no Finance Commission to come to the States' rescue for another five years and they will have to raise additional revenue by taxation for which there is not much scope except in the case of land revenue. But, fortunately or unfortunately, any proposal to raise land taxation would not be palatable to the ruling Congress Party which derives its basic strength in the rural areas from the millions and millions of landowning agriculturists. It has been argued, for example, in a Special Article in a former issue of *The Eastern Economist* that "the comparatively greater prosperity of the landowning classes as a result of the higher prices they have been receiving for their surpluses since decontrol and on account of the larger aids they are being given through Community Projects and otherwise provides good enough justification for stepping up the rate of land revenue assessment to an extent that might be agreeable to them in the context of their increased well-being." It would require a good deal of courage on the part of Congress Governments to take what they believe to be, but what is really not, an unpopular step.

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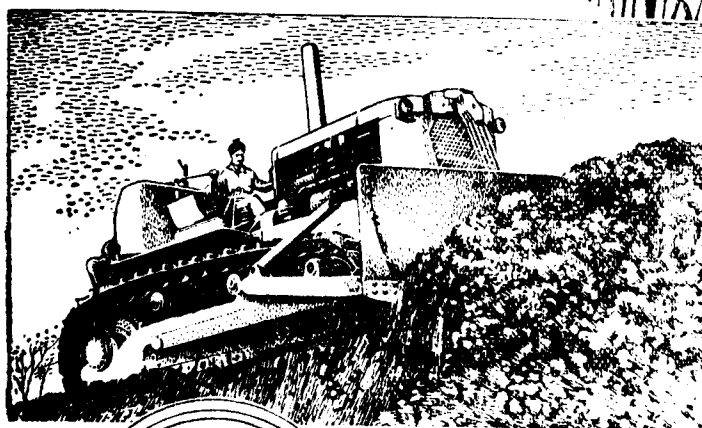
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THE WEEK'S NOTES

KHRUSHCHEV'S PREMATURE CLAIM

THE RECENT Jubilee Session of the Supreme Soviet of the U.S.S.R. heard Mr. Khrushchev saying that "within the next 15 years the Soviet Union will be able not only to overtake but also surpass the present volume of output of important products in the U.S.A." The Soviet leader, of course, conceded that U.S. economy too might make headway in that time but regarded the task of speedily overtaking the United States as perfectly feasible in view of the fact that the rate of growth of Russian industry was much higher than that of American industry. Mr. Khrushchev also made the forecast, on the basis of preliminary figures supplied by Soviet planners, that in about 15 years' time from now the annual industrial output in his country would attain the following levels: Steel — 100 to 120 million tons; petroleum — 350 to 400 million tons; natural gas—270 to 320 billion cubic metres; electric power — 800 to 900 billion kilowatt-hours; cement—90 to 110 million tons; and footwear—600 to 700 million pairs. These are impressive figures, but they would have to be examined more carefully before Mr. Khrushchev's claim can be substantiated or rejected.

This examination is easily done with the help of that objective and scientific study prepared for the Joint Economic Committee of the U.S. Congress (vide: Special Article on "Industrial Growth in the United States and the Soviet Union" in "The Eastern Economist" issue of November 8 last). According to this study, the annual average rates of growth of production for the relevant industrial commodities (listed by Mr. Khrushchev) in the United States in the period 1928-55 are 2.7 per cent, 3.8 per cent, 6.8 per cent, 6.7 per cent, 1.9 per cent and 1.6 per cent respectively. If it is assumed that these rates of long-term growth alone will be maintained in the next 15 years, the output of these commodities by the end of 1970 in the United States may be estimated at 150 million tons in the case of steel, 525 million tons in the case of petroleum, 535 billion cubic metres in the case of natural gas, 1,250 billion kilo-watt hours in the case of electric power, 65 million tons in the case of cement and 785 million pairs in the case of footwear. It may be seen that the expected levels of output of these commodities in the Soviet Union will still be less than those in the United States except in the case of cement. At the same time, it cannot be validly assumed, as Mr. Khrushchev all too readily assumes, that the present (1955-56) far higher annual growth rates of production for these commodities will continue to be maintained in the next 15 years in the Soviet Union. In which case the Soviet levels of output will be less than those visualised by Mr. Khrushchev. In any case it would appear that even if the most favourable growth rates are assumed for Soviet industry and the least favourable ones for American industry, the former will not have overtaken the latter in terms of absolute output in 15 years' time.

CHINA'S POLICY FOR STEEL

COMMUNIST CHINA'S planners are reportedly initiating a new policy whereby the iron and steel industry is to be developed in the period 1958-62 not by constructing giant steel projects but by launching medium and small plants. The revised plan would involve the dispersed construction of eight medium plants — one each in Hopei, Shantung, Shansi, Kiansi, Kiangsu, Hupeh, Kwangsi and Szechwan, with an average annual capacity of 150,000 tons of steel — and of nine small plants — one each in Honan, Chekiang, Anhwei, Fukien, Kansu, Hunan, Kweichow, Uighur and Kwangtung, with an average annual capacity of about 60,000 tons. These 17 plants, it is estimated, will have a total annual output of about 1.7

million tons of steel. And together they will involve a capital investment of up to 700 million 'yuan' only as compared to an investment of more than 1,000 million 'yuan' required by a big plant with an annual capacity of 1.5 million tons.

This estimate, even if correct, of smaller capital investment on the 17 medium and small plants together cannot be the only reason for a decentralised structure proposed for the future development of China's iron and steel industry. Perhaps there are some political and strategic reasons for the planned dispersal of new steel plants practically throughout China; perhaps regional claims in the matter of location of heavy industries are pretty strong. The reasons can only be guessed, for there is as yet no light on them. Whatever be the reason, there is at least no warrant for the impression that there are sufficient reserves of iron ore and coal in each of the 17 Provinces and there need not, therefore, have to be a further concentration of heavy industry in Manchuria which has large natural resources. As all the 17 provinces do not have adequate natural resources, the dispersed construction of new plants would involve long-distance transportation of either iron ore or coal to many of them. This would add to their production costs which, on account of the comparatively small capacity of a medium or small plant, might be already higher than in a big plant.

Even if there comes about some economy in capital investment on medium and small plants as compared to a big one, there will probably be none in the cost of production of steel. Perhaps Communist planners are not quite mindful of the cost factor in the early stages of planning for more production. (Incidentally it is only now that the need for appraising the work of industrial units "not only from the angle of output but also from the stand point of costs" is being emphasised in the Soviet Union.) Whether China's experience in "the dispersed construction of medium and small iron and steel plants" will have any lesson for India can be known only in 1961 when the new plants will begin to produce. However, as of today, India's three giant steel projects — at Rourkela, Durgapur and Bhilai — are already in several stages of execution and, whatever their ultimate cost, they will have to be completed. It is, therefore, too late in the day to rectify any distortion that may have taken place in the structure of public investment as a consequence of these projects. If, by any chance, China were to succeed in her new policy of "small capital investment for quick returns" and in producing steel at the same unit cost as in the case of a big plant, the lesson of her success would not, of course, be lost on India where there is as much need as in China for a possible lower capital-output ratio as far as the iron and steel industry is concerned.

DR. K. I. SINGH'S RESIGNATION

KING MAHENDRA of Nepal has accepted the resignation of the Premier, Dr. K. I. Singh, and imposed direct rule "for the time being". It is curious that neither the King nor the outgoing Prime Minister has made public the reason for the resignation. Lasting for 110 days, Dr. Singh's Cabinet, sixth in six years, reportedly fell on some vital administrative issues over which he differed with the King. According to some sources, Dr. Singh wanted some of the key appointments in the administration to be treated as "political" and wanted to remove some high officials who had originally been appointed by the King.

Whatever may be the reason of Dr. Singh's resignation, the King's dilemma is unenviable: if he under-

takes another prolonged period of direct rule he will unite almost all the politicians against him; if he admits the "old guard" politicians to office they may attempt to curb his powers and do nothing to mitigate the difficulties that beset the country. Moreover, the political circumstances obtaining in the Himalayan Kingdom at the moment are hardly helpful for the unfettered functioning of any democratic Government. Differences are bound to arise at some stage or other between the King and his nominated Government on various issues concerning the administration, leading to political crisis. The nominated office-holders prefer to consider themselves nonetheless representatives of the people.

Perhaps the only solution of the chronic state of instability in Nepal is an early general election. This alone can test the democratic credentials of the various parties and give the necessary authority to carry out its programme. The least that the King can do is to order an election as early as possible. In truth, only an election can clear the political air of that country and give a reasonable chance for the formation of a stable government and save the country from a catastrophe. After all, how long can the afflicted people continue to put up with the goings on of a small, self-seeking and irresponsible coterie? Events seven years ago demonstrated that the capacity of even proverbially patient Nepalese may be tried.

SOVIET AID TO INDIA

AN AGREEMENT was concluded between India and Russia over the disbursement of the 500 million rouble credit (roughly equivalent to Rs. 60 crores) offered over a year ago. The terms of credit are even more liberal than those for the Bhilai steel plant, although the rate of interest will be 2½ per cent in both cases. In the case of the present Soviet loan, repayment will be made in 12 equal annual instalments beginning one year after the delivery of the machinery and equipment in respect of each of the five projects covered by this loan. Under the agreement the Russians will set up a heavy machine-building plant with an annual capacity of 80,000 tons, a coal-mining machinery plant with an output of 30,000 tons, and an optical glass factory that will manufacture 200 to 250 tons of ophthalmic and optical glass every year. In addition, the Russians will set up a thermal power station with a capacity of 250,000 kw.h., and provide equipment for the Korba coal mines. This equipment will include machinery for mining 2.5 million tons of coal at Korba every year, a washery for processing two million tons of coal and a central workshop for repairs and maintenance. If the foreign exchange needs of these five projects exceed 500 million roubles, further credits will be provided. The Soviet Union will also train the Indian personnel required for manning the five projects. A more favourable agreement would be difficult to envisage.

While all the projects will help India save a great deal of foreign exchange every year after they are completed — during the current plan period according to the tentative schedule — the heavy machine-building plant will be an asset in India's drive towards industrialisation. At the moment, though three steel plants, with an individual capacity of one million tons, are being constructed in the public sector, all the machinery required is of foreign manufacture and a drain on our exchange resources. When the heavy machine-building plant goes into operation, it will be possible to set up steel, cement and sugar factories with indigenous machinery and without drawing upon our foreign exchange resources. A solid foundation for India's industrialisation will then have been laid.

The announcement of the loan from Russia will be contrasted by many with the time the United States is taking to give aid to India. But lest the perspective

gets warped, it is well to remember certain facts. Russia's total aid to date is a little over Rs. 1,325 million, while India has obtained from Western sources, mainly the United States, aid totalling about Rs. 7,950 million. More. During the current year India has received from America as much as Russia's total aid and a good portion of it in the form of grants, or of loans, which although technically repayable, are in fact lent back to India for development purposes.

CRIME AND PUNISHMENT

A HUNDRED-POINT "charter of demands" was placed before the Government of Uttar Pradesh by the first-convicts and ex-convicts conference which ended its three-day session last week at Lucknow. The demands included responsibility for jail administration to be entrusted to panchayats elected by prisoners; abolition of forced labour; training of prisoners in traders and vocations according to their "natural aptitude"; and arrangement for marriages of those women convicts who express a desire of matrimony. The conference also proposed the imposition of a tax on the general public for providing financial assistance to the families of the prisoners who had no means of subsistence. The primary object of the tax, it was pointed out, was to keep society "vigilant to this problem". In keeping with the changed attitude of the Government towards criminals, it was urged that jail should be described "Sudhar Grah" (Reformatory) and punishment as "Sudhar". The conference had been convened by the Uttar Pradesh Government to devise it on how to tackle the problem of crime and punishment.

Doubtless, the prison system in India still retains some degrading and barbarous features and needs radical change. The ugly incident in the Ferozepur Central Jail some months ago is a reminder that an advance towards a more humane and civilized means has to be found for the maintenance of discipline among prisoners. But it is one thing to improve the existing system and quite another to substitute it by an alternative under which a prison becomes not so much a place of correction as a pleasure resort! If the demands put forward by the conference are accepted, it will not be surprising if in these days of high prices and growing unemployment, many will be tempted to commit petty crime to solve the problems of food and shelter.

The problem of prison reform and rehabilitation of the criminal as a useful member of the community is part of the wider social problem, that of creating conditions in which an individual aberration is considered as psychological and curable, defect. It is now being increasingly realised by criminologists that unhappy home conditions impede the development of a socialized character and produce juvenile delinquency; that poverty, unemployment, hunger, and social misery generally are to a great extent responsible for the disintegration of human personality, suicides, prostitution and trafficking in women. What is, therefore, needed is the building up of a happy, prosperous and therefore, generous, society in which an individual is not faced with the various existing fears. No doubt, till such a society is established an ex-convict will have to be assisted to enable him to restart life without, as far as possible, being subjected every day to social discrimination and censure. It may be mentioned that the police official who sends for an ex-convict for interrogation as soon as the report of a crime is lodged with him is the principal obstacle to this process of rehabilitation. Such interrogations are not only humiliating; they also perpetually remind the ex-convict of his anti-social activities, and also that he can never again be an honourable member of the community. The major necessity in the present conditions is a change in the attitude of the police and of society towards the ex-convict; other idealistic reforms can follow.

A Window on the World

THE CASE FOR FLEXIBLE EXCHANGE RATES

By

ODYSSEUS

ONE of the disadvantages of flexible rates of exchange is that they make it more difficult for people to grasp the elementary truths behind a balance of payments deficit. They focus attention on symptoms, such as the "rise in the cost of living," whereas the discipline of the gold standard focuses on the facts, e.g., that certain export industries are no longer producing at internationally competitive prices. In these circumstances a nation must either resign itself to consume less or must make efforts to raise its productivity.

That was the proposition that I elaborated here last week. Since then I have had the good fortune to spend four stimulating hours with Friederich Lutz, Professor of Economics in the university of Zurich. The old hands who have fought and bled in many an economic battle with this column will know my respect for the late Walter Eucken, the great German economist, whose views on the abolition of state planning and in favour of free enterprise, adopted by the West German government, have given Western Germany the strongest economy in Europe. Professor Lutz is the most distinguished of those economists who studied under Walter Eucken. His views are entitled to attention because the soundness of the theories of the school to which he belongs have been factually demonstrated in resounding fashion. In 1946, 25 per cent of houses and factories in Germany lay twisted ruins. Such goods as were being produced could only be sold on black markets, the existence of which alone enabled any goods to be forthcoming. Firms selling in legal markets could not replace their raw materials nor keep their workers. Vast hordes daily trekked into the country, laden with old clothes, bits of furniture, anything which had survived the bombs, in hopes of bartering them for food. Following Walter Eucken's teachings, Ludwig Erhard, Minister for Economics, had the courage, in the face of the allied occupation authorities' strongly expressed disapproval, simultaneously to reform the currency, abolish rationing, and inaugurate a freely competitive economy.

NO "GERMAN MIRACLE"

The result is known as the "German miracle." This is nonsense. It was the application of elementary economic commonsense. Once a currency in whose stability the people had confidence had been restored, goods reappeared in the markets overnight, and once business men knew that if they made a profit they could keep it, production raced ahead. (As I gave the basic figures last week, I need not repeat them). And the workers have their share in this prosperity: hourly wages rose from DM 119 in 1949 to DM 198 in 1956, compared with the equivalent of DM 80 in Hitler's controlled and planned economy of 1938.

This article, however, is not about Germany's fabulous economic success but about balance of payments problems. I cite Germany's prosperity only to suggest that you cannot dismiss Eucken's disciples as impractical theorists. They have erected to themselves the most solid economic monument in the whole contemporary world.

Professor Lutz agreed broadly with my observations on the gold standard, notably that it imposed its own discipline, but he emphasized that it was this dis-

cipline which no country seems likely ever to accept again. To argue, as I did, in favour of the gold standard was, he suggested gently, unimpeachable but unrealistic economics.

After listening to him, I feel that the currency dilemma which faces all countries today is that while all authorities regard the gold standard as obsolete, their policies are conditioned by the idea of the fixed rate of exchange embodied in the gold standard. All countries try to defend their rates of exchange with all the resources at their command and then, if economic forces gain the upper hand, they carry through a forced devaluation to a new rate which becomes another point to be defended until it too has to be abandoned, and so on. Thus we have the disadvantages of the gold standard without its compensations.

The re-establishment of convertible currencies is the first objective and Professor Lutz asks whether this requires the introduction of flexible rates for at least a limited period after which the return to fixed rates may again be envisaged. Next, he asks whether the return to fixed rates in the longer run is in itself desirable or not. I confine myself this week to the problem of attaining convertibility and reserve the long term problem for next week.

Since "convertibility" is often loosely used let us begin with definitions. "Full convertibility" exists if everyone, whether a resident of the country or a foreigner—can change the currency freely into any other. "Convertibility for foreigners" exists if foreigners who acquire the currency can change it freely, whereas residents cannot. "Convertibility for residents" means that residents can acquire foreign currency but foreigners cannot convert into other currencies. All three types of convertibility are compatible with quantitative import restrictions. Some authorities, however, consider the absence of import restrictions as part of the definition of "convertibility for residents" on the grounds that a resident who cannot import whatever he wants is in fact prevented from making the purchases of foreign currencies that he would otherwise make. Professor Lutz prefers to talk of "liberalisation of imports" for the abolition of quantitative import restrictions and reserves the term "convertibility" for the freedom to exchange currencies against each other. Otherwise we should be obliged to admit that the convertibility of currencies had disappeared in France and elsewhere as far back as 1930 when quantitative trade restrictions were imposed long before the breakdown of the gold standard.

FRIGHTENED CAPITAL

While full convertibility is our aim, it cannot be attained in one step. Nor does it seem likely that convertibility for residents will be allowed soon because this implies freedom of capital movements—a step which many countries hesitate to take for fear of flights of capital (a fear which seems to me to be the strongest condemnation of the economic policies that they must be following, for if you take steps to ensure a flourishing economy, as in Germany, you will attract capital).

The practical issue lies between (a) "convertibility for foreigners" and (b) complete liberalisation of imports (or "convertibility for residents" for current—as opposed to capital—transactions).

Convertibility for foreigners would direct international trade into channels preferable to those in which it moves at present because it would get rid of the motives for discriminatory trade practices. Thus if the UK introduced convertibility for foreigners, she would no longer have any advantage in discriminating against US imports, since an import surplus from any other country could deprive her of dollars just as much as would an import surplus from the USA. Therefore if the UK could not achieve convertibility for foreigners without the aid of import restrictions, she would at least impose such restrictions in a non-discriminatory way, e.g. restrict luxuries no matter whence they originated. In other words, UK importers would be able to buy, to the extent that they were allowed to buy at all, wherever goods were cheapest, a result in the UK's own best interests. This type of convertibility would also benefit the UK by making sterling more attractive to hold and by removing the discount on transferable sterling in relation to the dollar.

Convertibility for foreigners implies that the country should have attained approximate equilibrium in its overall balance of payments or—where it trades with soft currency countries with which it has an export surplus the proceeds of which are not convertible—that it should even have an overall surplus; and it may be unable to attain this equilibrium or surplus without the aid of import restrictions. Professor Lutz then balances the advantages of non-discriminatory trade practices against the disadvantage of maintaining or tightening import restrictions. He concedes that many economists believe that the liberalisation of imports should precede convertibility, but he argues that the double objective of the return to convertibility, even if only convertibility for foreigners, along with the liberalisation of imports, may be impossible without flexible exchange rates.

There are three categories of countries: (1) those which despite import restrictions still have balance of payments deficits; (2) those which with the aid of import restrictions just manage to keep their payments in equilibrium; and (3) those which have surplus balances. In category (3) import restrictions are reduced to a minimum, retained not for the balance of payments but from protectionist policy. If in these circumstances all countries remove import restrictions, and if all exchange rates remain fixed, category (1) will increase its deficit, category (2) will run into a deficit, and category (3) will increase its surplus. In these circumstances, categories (1) and (2) cannot introduce convertibility; they will remain soft currencies, having their deficits financed by the surplus countries through the European Payments Union, or through the machinery of their sterling balances in London, unless either (a) the deficit countries deflate their domestic income and price levels in order to remove their deficits, or (b) they restore balance of payments equilibrium by flexible exchange rates. As there will be strong resistance to deflation because of the unemployment likely to follow, flexible rates seem the way out.

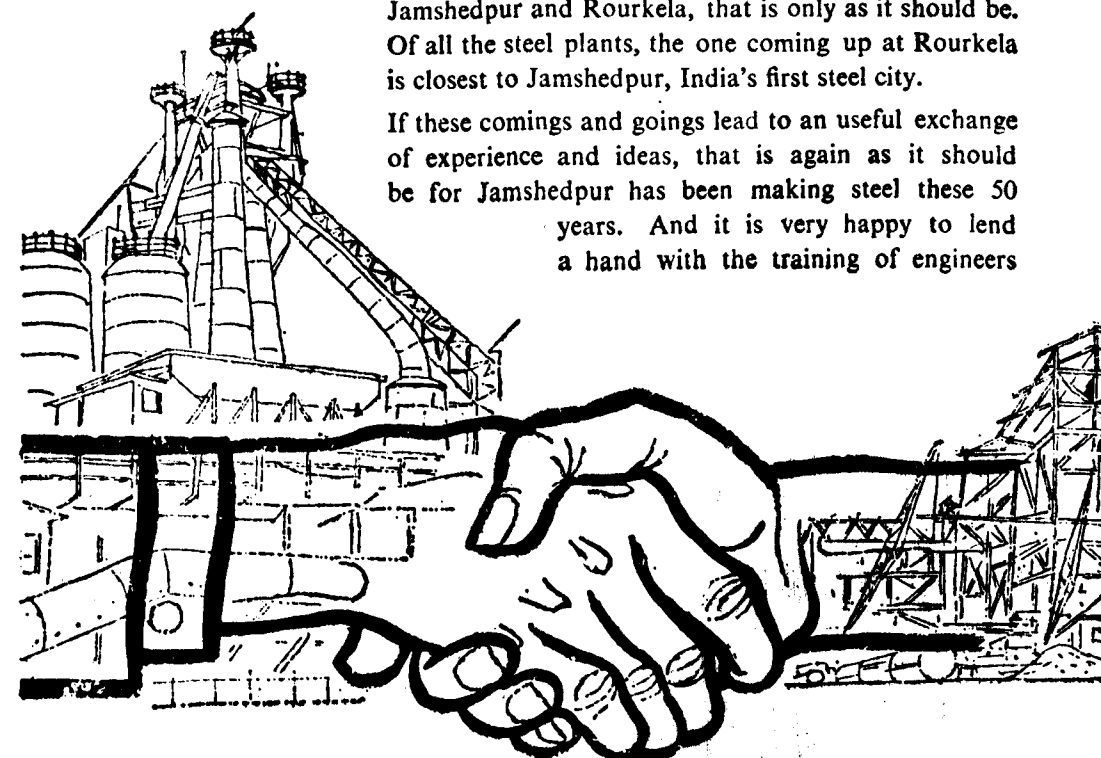
Convertibility for foreigners can be introduced, at existing exchange rates, with the aid of import restrictions; and liberalisation of imports can be achieved at existing exchange rates, provided some countries, at least, refrain from introducing this type of convertibility, i.e. remain soft currency countries; both aims together, however, cannot be achieved unless exchange rates are allowed to move. All that this means is that the existing exchange rate structure is wrong and must be set right if currencies are to be made convertible and imports to be liberalised. Sudden "once-for-all" devaluations of currencies will not be the appropriate device, since the correct exchange rates cannot be calculated in advance but must be found by the market.

We will consider further next week the advantages, disadvantages, and practical difficulties of flexible exchange rates.

From a Neighbour

If there is a lot of comings and goings between Jamshedpur and Rourkela, that is only as it should be. Of all the steel plants, the one coming up at Rourkela is closest to Jamshedpur, India's first steel city.

If these comings and goings lead to an useful exchange of experience and ideas, that is again as it should be for Jamshedpur has been making steel these 50 years. And it is very happy to lend a hand with the training of engineers



*Good Wishes
to Rourkela*

and technicians for Rourkela. There are nearly 150 of them at Jamshedpur—from key personnel to artisans.

Strengthening these ties of friendship are the surprisingly large number of old Jamshedpur faces that one sees at Rourkela. To them and their colleagues, Jamshedpur sends neighbourly greetings and good wishes.

THE TATA IRON AND STEEL COMPANY LIMITED

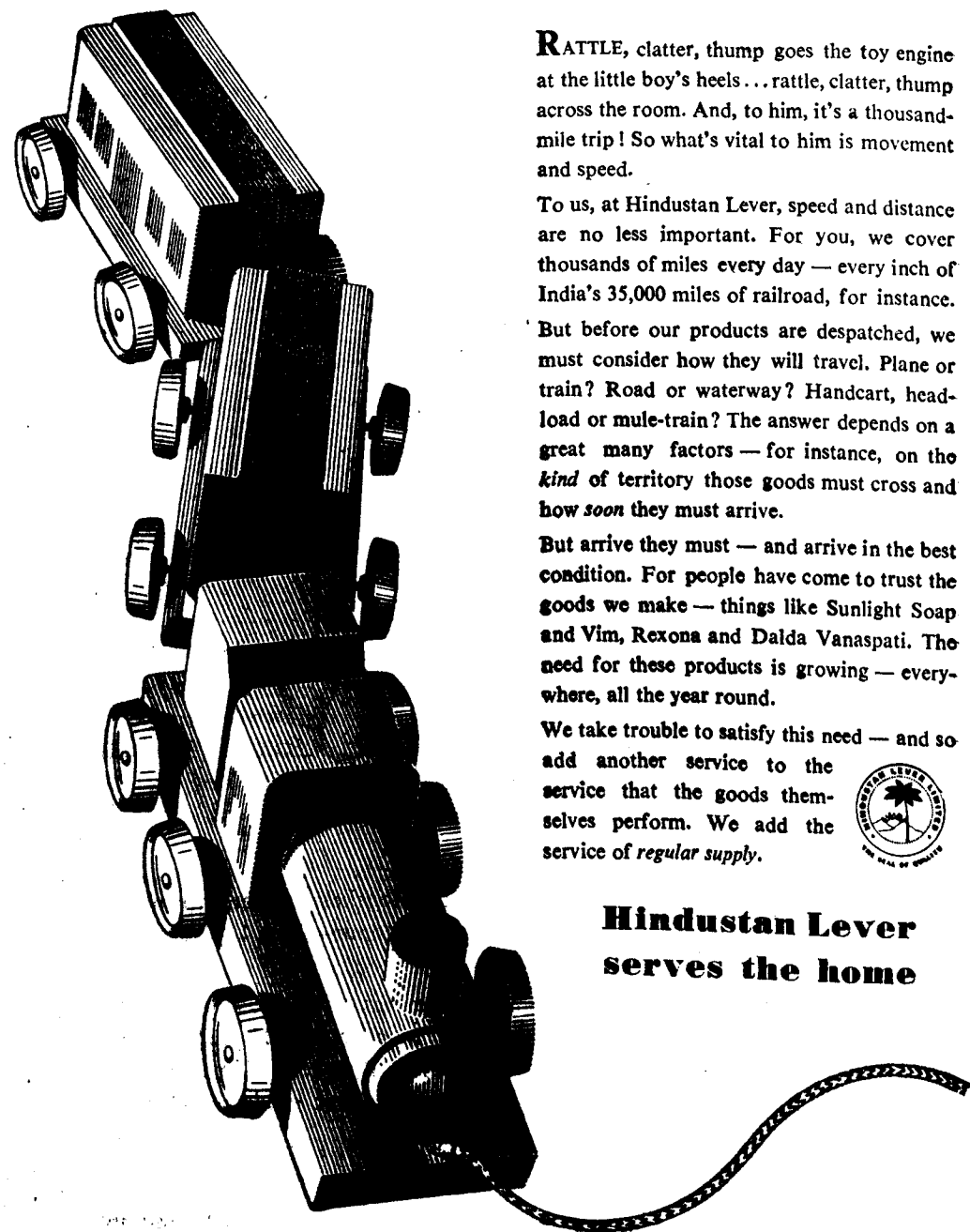
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SIX WEEKS TO THE COMMON MARKET

(From Our Special West European Correspondent)

PARIS, November 16.

IN six weeks' time the six-power treaty instituting the European common market will come into force. Nothing will happen on that day, nor for that matter in the ensuing 12 months—fortunately. The scheme begins with a year of preparation, during which time the various national economies are meant to brace themselves to meet the terrors of competition. Still, January 1, 1958, is the great day on which the common market becomes a legal reality. So, naturally, the scheme has been the subject this month of much discussion: at the Gatt meeting in Geneva, the coal and steel pool congress in Rome, in the United Nations, and in the latest report, issued this week, of the Organisation for European Economic Co-operation.

To begin with the last-named, the OEEC report shows that West Europe is quite unprepared for the experiment and that the initial period of 12 months will be none too long if the six nations are to be ready to accept reductions in customs tariffs from the beginning of 1959. The OEEC says that the continuing increase in West German exports (a 20 per cent rise in 1956) is a "menace" for European co-operation and has posed serious liquidity problems for the whole Continent. Laying the blame for this situation on Bonn's deflationary monetary policy, the report adds: "The most urgent task then is to slow down the rate of accumulation of reserves (by West Germany). Otherwise, we could find ourselves in a position where no further progress would be possible in the direction of exchange liberalisation in Europe, and a retrogression might even occur". The measures so far taken by the Bonn government being inadequate, the report favours an increase in domestic consumption in West Germany, an increase in savings and investment there and a stimulation of foreign loans and exports of capital. "It is indispensable", it continues, "that Germany follow a monetary policy that permits a certain strengthening of the long-term capital market. It will be necessary also to find a means of increasing the loans of the public sector to foreign countries, especially since some time must elapse before capital exports can begin to flow through the long-term market".

Since this OEEC report was compiled, the deflation has eased somewhat in West Germany (the signs of this change were described in a despatch published on this page on Nov. 1) but the OEEC is correct to emphasise that even more vigorous corrective measures would only act slowly, and with the common market only six weeks away Bonn will need to move more quickly.

The case of France is no less a menace for the future of West European co-operation and it is more obvious here that balance cannot be restored quickly. Indeed the new Premier, Monsieur Gaillard, spoke this week of an effort that will "take months or years", which plainly means that France will not be in a position to stick to the time-table laid down in the common market treaty. The OEEC report says: "It is indispensable that appropriate measures be taken now to get the French economy out of its present difficulties before the common market and free-trade zone whose creation is proposed begin to function.... Without a moderation (of French investments, demand and public expenditures) France will not be able to play her

proper role in the establishment of a freer trade and payments system."

The report admits that the current French crisis, for all its acuity, should not be over-dramatised, because the French economy is expanding and prosperous as never before; its difficulties are spectacular but superficial. The report says: "Repeated inflationary situations and balance of payments crises have tended to disguise the remarkable progress of the French economy since the end of the war. In the last ten years the standard of living has soared, and the development of industry and agriculture is comparable to the achievements of almost all member-countries. The crisis that France now faces, like all those in the past, arises from the fact that a comparatively small adjustment of economic policy was not made at the proper time".

Here again, since the OEEC report was compiled the French position has improved somewhat: the devaluation of the franc is now complete except on paper, exports have increased (October exports were 23 per cent above the 1956 average), and a comprehensive tax programme has been prepared. But an immense amount remains to be done, and all the progress could be wiped out by a wave of industrial unrest and wage increases. The real danger for France at present is not so much economic as political: a foreign loan will be necessary to tide over current payments troubles and it is quite probable that the lender (namely, the US government) will insist that the Algerian war be brought to an end, if necessary on terms less favourable than French political opinion is yet prepared to accept. But even this would be a blessing in disguise. Whatever bitterness might be caused by concessions in Algeria imposed by a foreign government as a condition of financial aid, an end to this war would considerably alter the prospects for France's comfortable entry into the common market.

The congress of the coal and steel pool in Rome this month was the last before the incorporation of this institution in the general common market, and was thus the occasion for the defenders of both schemes to point complacently to the achievements of the Schuman project in its first five years. There can be some discussion about the value of those achievements but the only point worth taking up here concerns cartellisation because this trend could well be repeated in the general common market. At the Rome meeting, the socialist opposition, especially the West German deputies, accused the High Authority of permitting an excessive concentration of enterprises and of suffering firms to resort to organised price-fixing. In the debate that followed one had the curious spectacle of liberal politicians defending controls and organisation, and of socialist politicians calling for more freedom and competition.

There can be no doubt that the life of the coal and steel pool has coincided with a process of concentration, both vertical and horizontal, in this industry. The end of de-cartellisation in Germany (decreed by the Allies at the end of the war but since reversed), the resurrection of the Krupp empire, and the recent case where all the "competitive" coal producers in West Germany just happened to decide on an 8 per cent price increase at the same moment, are the outstanding examples of this process. After a complicated and devi-

ous series of manoeuvres, Krupp now finds himself once again at the head of a combine that produces 3,300,000 tons of steel a year, while Thyssen controls an organisation that produces 4.5 million tons a year now and will produce 6 million tons annually by 1960. The danger that these two large concerns will dominate the common market in coal and steel naturally disturbs West European opinion. But what is of more interest to the economist is that this process of concentration has gone on in all the member-countries of the pool, and the causes that have produced it in the case of coal and steel will henceforward be operating on many other industries inside the common market.

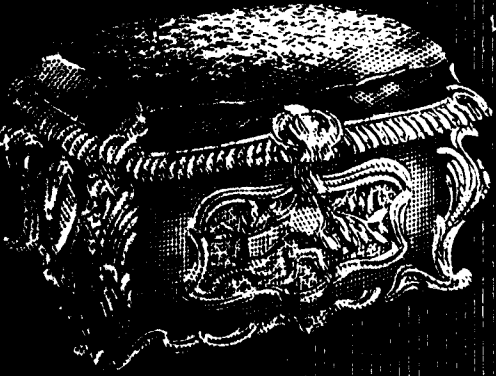
We might have grave doubts about whether the common market will "work", whether customs barriers will be dismantled at the rhythm specified in the treaty, and so on. But this does not remove the danger of concentration, for that process can go on even though trade does not become any freer; it is in fact a measure of protection that large enterprises take to insure themselves against the terrors of competition. The association of small businesses in West Germany has expressed the fear that the one certain result of the common market will be "a vast wave of cartellisation in Europe," and these fears were echoed this week by the corresponding organisation in France. The small businesses are of course anxious about this prospect because it is so much easier for their bigger competitors to join forces, both inside and across national boundaries.

A leading French economist wrote this week: "Logically, the first ten years of the common market should see an epidemic of closures of family businesses and

craftsman enterprises", and he added, no doubt having in mind the support that Hitlerism drew from the ruined German shopkeepers, that the sufferers in this process would go to swell the ranks of the Poujardist movement. This is, no doubt, a possibility. But once we discard the myth that the common market is some sort of restoration of economic liberalism and accept the fact that it will constitute rather an encouragement of industrial concentration, this "cartellisation" need not cause any anxiety. The economies of West Europe are handicapped by the perpetuation of a host of small and inefficient concerns and by the non-competitive duplication of larger industries behind the tariff barriers of each nation. Tax evasion and rent control are responsible for the survival of enterprises that should have fused together or disappeared long ago: businesses that are too inefficient to earn the marginal rate of profit can keep going because they are paying 1919 rents and defrauding the tax collector. If the common market brings about their disappearance West Europe will be so much the better off.

At the official level, therefore, nothing will begin to happen next New Year's Day, but governments will be able to take the fact that the common market thereafter exists as an excuse to implement policies that should be enforced in any case, common market or no. And through out next year the important consequences of the common market will already be making themselves felt at the level of private agreements among enterprises which will be making arrangements to combine or specialise just in case customs barriers begin to fall during 1959.

A TREASURE TO OWN



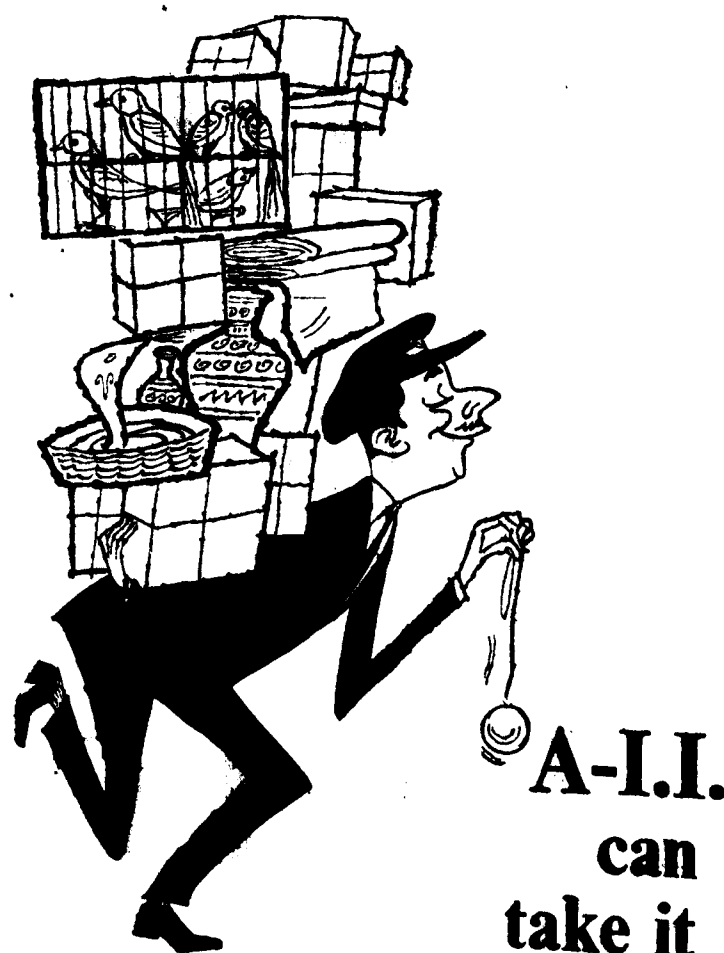
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WORLDGRAM

AGRICULTURE

Government Aid to Fishing Firms: For speedy development of fishing industry, the Central and State governments should help in the formation of fishing companies in the private sector for catching, handling, processing and distribution of fish, both for domestic consumption and export purposes. This was one of the recommendations of the conference of Ministers of Fisheries of maritime states, which concluded its two-day session in Bombay recently. The conference adopted a set of 37 recommendations. Of these, six deal with fishing industry, including off-shore fishing and processing, and 14 with fishing operations. There are 12 recommendations relating to the fishermen's co-operatives in production, marketing and transport. The remaining recommendations are on the subject of training, utilisation of community development and NES blocks and extension in fisheries. In the opinion of the conference, the formalities regarding operation of fishing vessels and customs should be suitably revised to enable existing ventures to carry out fishing and ancillary operations efficiently. The need for observing high-quality standards for export products was also emphasised, and it was recommended that suitable steps be taken to ensure that only high-quality products are exported.

Flood Control Schemes in West Bengal: The West Bengal Government have been allocated Rs. 7 crores by the Union Government for flood-control scheme during the second Five-Year Plan. The allocation includes a provision of Rs. 3.16 crores for the flood-control portion of the Damodar Valley Project. During the current working season, schemes already in hand will be continued and a few new schemes, including the second phase of the Barnes-Domohani embankment, taken up. Satisfactory progress was made on the construction of embankments and other flood-protection works in the 1956-57 working season. Four major schemes for the protection of Jalpaiguri, Cooch-Bihar, Alipurduar and Mathabanga towns and the first phase of the scheme for the protection of the Barnes-Domohani area were completed. The protection work on the left bank of the Diana river below Kalabari in Jalpaiguri district was also completed. In addition, 14 minor schemes were taken up; of these 13 were executed. The total expenditure incurred on these schemes during 1956-57 was about Rs. 60 lakhs. Surveys and investigations for the second Plan were also carried out. Surveys were completed for the model test regarding the proposed barrage on the Karala river. Work on the model of the Teesta River near Jalpaiguri and Barnes Bazar was also started. For protecting Ramsahai Mainaguri area, a survey of the Jaldhaka river was conducted. Investigations for long-term schemes of soil conservation were undertaken. Reconnaissance surveys were made in the upper catchments of the tributaries of the Teesta river lying within the Darjeeling District and in upper Sikkim and also in the valley of the Great Ranjit river. Detailed surveys of the catchment area of the Teesta in Sikkim were in progress. The catchment areas of the river Lish, Gish, Chel and Neors were also surveyed.

INDUSTRY

Five-Fold Rise in Output of Electrical Consumer Goods: The production of electrical consumer goods, like lamps, fans, radio sets and batteries, had increased from Rs. 5 crores in 1948 to Rs. 25 crores in the current year. The target of production for the second Plan was Rs. 40 crores per year. This meant that a gap of production worth Rs. 15 crores is to be bridged.

N.I.D.C. Schemes: The Minister for Industry, Shri Manubhai Shah, stated in the Lok Sabha recently that there had been fair indications that collaboration with suitable foreign firms would be available in many of the projects investigated by the National Industrial Development Corporation. Shri Shah was replying to a question by Shri Morarka and Shri Nathavani. He said, technical aspects and project details of most of the N.I.D.C. schemes were almost finalised. Apart from technical collaboration, availability of foreign capital or suitable long-term payment facilities for plant and machinery was a vital factor. This was under active negotiations.

Stocks with Textile Mills: The Minister for Commerce Shri Nityanand Kanungo, said in the Lok Sabha recently that at the current rate of production the cotton textile industry carried stocks equivalent to just eight weeks' production. It was not abnormal for the industry to carry stocks of this magnitude. The Minister revealed the total stocks with the industry at present were estimated at about 6.06 lakh bales—3.91 lakh bales unsold and 2.15 lakh bales sold but not lifted by the trade. Shri Kanungo said, Government were watching the position of the cotton textile industry very carefully. Individual cases of textile mills requiring finance for rehabilitation of plant and machinery, etc., to help them to bring down the cost of production and improve the competitive selling capacity were considered for grant of financial assistance in the form of loans from the National Industrial Development Corporation.

Draft Specifications for Sewing Machine Components: The Indian Standards Institution has issued, for eliciting comments, draft specifications for a number of the more important sewing machine components, like bobbins, needle bars, pressure foots, and pressure bars used in the household model sewing machines. It is intended to issue similar draft standards covering a number of other sewing machine components in due course. These draft standards cover the more important dimensions of the components and the materials to be used in their manufacture. Simultaneously, the Institution has also circulated, for eliciting comments, a draft specification giving the general requirements for sewing machines of the household model. This draft specification covers hand-operated, foot-operated and motor driven machines and the requirements include the details of driving arrangements, sewing mechanism, arrangements for lubrication, as also the table, base and cover for the machines. A table of tolerance limits for the performance of different parts of the machines has also been included. Comments on these draft standards may be sent before December 26, 1957 to the Indian Standards Institution, 19 University Road, Civil Lines, Delhi.

New UK Rolling Mill: A new steel rolling mill described as the most advanced of its type in the world will shortly be completed in Britain. Built at a cost of £18,000,000, this universal beam rolling mill will produce new steel sections giving greater strength for less weight. The mill is being built by the firm of Dorman, Long (Steel) Ltd., of Middlesbrough, and represents the climax of the company's £80,000,000 post-war development scheme. It is hoped to begin experimental rolling at the mill early in 1958. The output is estimated at 8,000 tons of steel a week.

TRADE

Foreign Trade of India in July, 1957: The provisional figures of foreign trade of India by all routes—sea, air and land—on private and Government accounts during July 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. 55.44 crores, re-exports Rs. 35 lakhs, imports Rs. 81.04 crores; Total trade Rs. 136.83 crores. Treasure: Exports (including re-exports) of currency notes Rs. 11 lakhs, current coins (excluding gold coins) Rs. 1 lakh, imports of gold Rs. 2 lakhs, currency notes Rs. 4.51 crores, current coins (excluding gold coins) Rs. 2 lakhs. 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. 25.27 crores.

UK Trade in October: The value of United Kingdom exports in October was £271,800,000—£25,000,000 more than in September, it was announced by the Board of Trade on November 12, releasing provisional trade figures for the month in London. Imports in October amounted to £353,200,000—£45,000,000 more than in September. Re-exports in October were valued at £11,200,000, two per cent above the monthly rate in the first nine months of this year, and the excess of imports (valued c.i.f.) over exports and re-exports (valued f.o.b.) was £70,300,000, which was £18,000,000 more than in September. United Kingdom exports to North America in October amounted to £35,400,000—£3,000,000 more than in September. Exports to the United States amounted to £19,700,000—£500,000 more than in September—and exports to Canada £15,700,000—£2,500,000 more than in September.

Enquiry into Protection for Para-aminosalicylic Acid Industry: The Government of India have requested the Tariff Commission to enquire into the question of protection to the Para-Aminosalicylic Acid (pharmaceuticals and fine chemicals) industry in India. Persons or firms interested in the Industry or in any industry using this acid, who desire that their views should be considered by the Commission, should write to the Secretary, Tariff Commission, C.G.O. Building, 101, Queens Road, Bombay-1.

FINANCE
New Foreign Capital Investment: The Deputy Minister of Finance, Shri B. R. Bhagat laid on the Table of the Lok Sabha recently two statements showing the new foreign capital investments made in India in 1956, the industries in which those investments were made and the countries of origin. According to the first Investment, the industrywise investment of foreign capital during 1956 was as follows:

INDUSTRY OR TRADE		(Rupees lakhs)
A. Manufacturing:		Total Invest-
		ment
Iron and Steel Products	..	53.78
Automobiles and Accessories	..	44.63
Machinery and Machine tools	..	8.40
Building and building materials	..	4.74
Heavy chemicals	..	22.63
Sugar	..	49.45
Cotton goods	..	16.76
Others	..	15.09
TOTAL	..	215.48
B. Trading:		
Machinery and machine tools	..	5.84
Exporters and importers	..	1.40
Total	..	7.24
C. Other:		
TOTAL	..	0.96
GRAND TOTAL (A+B+C)	..	223.68

The countrywide investment of foreign capital during 1956, given in the second statement, was as follows:

Country:		(Rupees lakhs)
United Kingdom	..	134.16
United States of America	..	13.33
West Germany	..	14.67
Switzerland	..	9.27
Belgium	..	1.40
British East Africa	..	50.41
Others	..	0.44
TOTAL	..	223.68

These figures do not cover (i) investments in branches of foreign companies (ii) investments made out of retained profits (iii) investments in oil refineries, and (iv) a major part of investment in the shape of goods.

The investment figure shown against British East Africa, the statement points out, is perhaps a repatriation of Indian capital there rather than a foreign investment from that country.

Amendments to Estate Duty Rules, 1953: In exercise of the powers conferred by the Estate Duty Act, 1953, the Central Board of Revenue have amended the Estate Duty Rules, 1953, to include two new rules, namely, rules 39 and 40. The new rules prescribe the procedure to be followed when any question of valuation of property, which is the subject of an appeal, is referred to the arbitration of two valuers under the Estate Duty Act. The Act itself provides that in the event of the two valuers failing to reach an agreed decision, the matter should be referred to a third valuer. According to the new rules, the appellant who wishes to make such a reference has to submit an application, in the prescribed form, nominating one of the two valuers to be appointed for the purpose. He has also to deposit in the Treasury the costs of arbitration within one month from the date of such application. The rules require the valuers to give a hearing to the appellant as well as to the department before they decide the question of valuation. The final decision of the valuers will be communicated to the Central Board of Revenue and to the appellant.

GENERAL

Urban and Rural Welfare Schemes: Financial assistance to four new types of welfare programmes to be undertaken by voluntary welfare organisations in rural and urban areas would be extended by the Central Social Welfare Board. One of these programmes relates to welfare projects to be started in slum areas in towns and cities in different States. The programme and the basis of assistance to it would be on the same pattern as that which obtains in the case of Welfare Extension Projects in the rural areas. Another scheme relates to the starting of welfare activities in villages presented to Shri Vinoba Bhave in the form of 'gram dan' but will not be confined to such villages. The third scheme provides for special grants to be given to women's welfare organisations of long standing to enable them to train adult women between the 20 and 30 years of age to acquire the minimum basic educational qualification and thereafter to give them further training as gram sevikas, mid-wives or other health personnel. Under the fourth scheme special grants are proposed to be given to voluntary organisations to enable them to start small production units in urban areas to provide gainful employment to destitute women. The outlines of the scheme are being worked out in consultation with the Small-Scale Industries Corporation, the All-India Handicrafts Board and the Commerce and Industry Ministry.

NEWS IN BRIEF

FOREIGN

China's annual steel production will reach 5 million tons by the end of this year, and coal production will probably total 120 million tons according to a report from Peking.

Norway is seeking a World Bank loan to help finance a new hydro-electric development project in the country for Trondelag.

Parliament of France has approved the French Government's Plan to borrow Frs. 250,000 million (£210 million) from the Bank of France.

Nearly half the rise in the pithead price of coal in Belgium is to be absorbed before reaching domestic consumers. This is part of an energetic campaign to restrict the rise in the retail price index.

Negotiations have been concluded by the Jamaica Government with the Harvey Aluminium Company of the US granting the company special exclusive prospecting licenses for bauxite mining on all Government-owned lands in six parishes. The company plans to prospect for three years.

A further decline in German foreign exchange reserves is foreshadowed in the latest report of the Deutsche Bank.

It is reported Britain's bicycle exports in September, 1957 numbered 112,699 compared with 106,809 in September, 1956.

The World Bank lent a record amount in any quarter in the three months ended September 30, 1957. It made 11 loans totalling \$214.3 million during the period, bringing the total number of loans to 181 in 45 countries and raising gross commitments to \$3,322 million.

Mr. Boyd-Carpenter, Britain's Minister of Pensions and National Insurance has announced the biggest increases in retirement pensions and other National Insurance benefits since the present scheme was instituted. They take effect at the end of January or the beginning of February.

The British firm, Dexicon, which manufactures prefabricated steel building units, has decided to establish a small plant in Greece. The Greek Government has given permission for the import of capital for this purpose. The initial amount of capital will be £75,000.

An industrial advisory Committee is to be set up for Malta. The Committee marks a step taken by the Maltese Government, with the support of the UK to encourage the establishment of new industries in Malta.

Australian manufacturers are spending more than £A200 million a year on new buildings, plants and machinery, according to estimates made by the Department of Trade.

INDIAN

The Government of India have decided to extend free licensing of all varieties of cotton piece goods (mill-made and powerloom) and cotton manufactures including cotton waste blankets, other than restricted varieties, to all permissible destinations except Nepal, Tibet, Bhutan, Sikkim and the Portuguese possessions in India for shipment up to June 30, 1958.

The report of the Food Grains Committee headed by Mr. Ashoka Mehta has been submitted to the Government of India.

It is reported the Madhya Pradesh State Government would introduce into the next Assembly session a Bill for the integration of secondary education in Madhya Pradesh.

The Government of India has announced that licences will be issued for a small balance of Sudan cotton left over from the quota of 15,000 bales released for import on October 22.

Following the recent conference of Ministers of Agriculture in Srinagar the Government of India have asked the State Governments to take urgent action on the conference's recommendations relating to increased production of food under the Grow-More-Food campaign.

It is reported prospects of the early development of a satellite port near Calcutta are encouraging. A scheme for building a subsidiary port at Geonkhali 35 miles from Calcutta, has already been submitted to the Centre by the West Bengal Government.

India continues to be the biggest market for Japanese steel. According to trade figures, Japan exported in the first three months of 1957 a total quantity of 224,498 tons of iron and steel, of which India's share was 103,884 tons. In 1956, Japan's total export of iron and steel was 1,290,540 tons. Of this India's share was 325,322 tons.

The Life Insurance Corporation has started paying compensation to insurance companies which were nationalised in January, 1956.

The tempo of jute goods exports was slackened considerably in 1957, when only 56,867 tons of jute manufactures were licensed for export compared with 90,203 tons in the previous month.

India exported soaps valued at Rs. 452,145 in the first six months of 1957. The exports consisted of toilet soaps, medicated soaps, laundry soaps, flakes and chips and other sorts. Toilet soaps, however, were the most important, accounting for a total of Rs. 413,218.

The Forward Market Commission has sent a directive to the Bombay Oil Seeds Exchange to appoint a sub-Committee of its board to go into the question of speculative trading in castor and groundnut seeds and to take effective steps to arrest the rising trend in prices, failing which it has threatened severe and swift action.

Nearly Rs. 74 lakhs will be spent in the second Five-Year Plan to improve the agriculture, transport, cottage industries and social services in the Laccadive, Amindivi and Minicoy Islands.

TARGETS

FOR STEEL

STEEL

IS THE STARTING POINT

Use steel only when
you must today,
there will be more tomorrow.

Six million tons a year
is India's immediate target
for steel—the absolute
minimum for her
present needs.

Eighteen million tons is the
target for the Third
Five Year Plan—it can
be done.

India's deposits of iron ore,
with the highest iron
content in the world, can last
a hundred years.

Adequate supplies
of metallurgical

coal and other
raw materials abound.

The combination of
technical skill and high quality
materials makes India the world's
cheapest producer of steel.
IISCO'S immediate
target—eight hundred
thousand tons of finished
steel and two hundred and
eighty thousand tons of pig iron.

INDIAN  STEEL

THE INDIAN IRON & STEEL CO. LTD.

Works: Burnpur and Kulti
Head Office: 12, Mission Row, Calcutta.

Special Articles

SOME REFLECTIONS ON "THE INTERPLAY OF EAST AND WEST"*

By PEGGY HOLROYDE

IN 1955 Barbara Ward delivered the second in the series of Sir Edward Beatty Memorial Lectures to McGill University. Her subject was the same that had been dealt with, but in a different way, the previous year by Dr. Sarvapalli Radhakrishnan—the subtle, evolving relationships between East and West. These have now been published in book form under the title "The Interplay of East and West". The measure of their worth is evident in the fact that over 2,500 Canadians came, 'in singularly wintry weather', to sit on hard seats for three evenings to listen to her.

It is a platitude to talk of a shrinking world and the implication therein that we are all near neighbours concerned in each other's welfare but even at this juncture the Westerner still has to be reminded of his interests in the economic well-being of Asia, as India's Finance Minister well knows. The old memories still exist in the sub-conscious of the glorious days of expanding trade following the red areas of Empire on the maps.

Politically, perhaps, the Western man in the street has been made aware by so many pronouncements on the part of his statesmen, that, if the democratic, less immediately efficient but more sure human methods fail in Asia, Asians have recourse to one alternative—the totalitarian, state-planned economy. But economically he fails as yet to see how closely his own financial welfare and the pressures on his purse are linked with the economies of Asia—even the glaring fact that expanding economies here mean expanding export markets there for him.

Barbara Ward's first lecture is concerned with the fundamental nature of this delicate problem of relationships in a shrinking world where psychological understanding is still lagging behind the technological and political intercommunication. Her point is that before we, as Westerners, can understand the East we have to realise in what way they look at us. This is something new for past imperial powers who never were concerned with what the people over whom they ruled, thought of them. The West has for many long hundreds of years been the disturbing force in the world, bringing mixed blessings in "the blind drive of our own dynamic development". We have to face this fact but in our arrogance too few of us still really acknowledge it, believing that only beneficial results came in our wake. Even Prof. Toynbee has shown, though, how such 'blind drive' became transformed into aggressive imperialism in both Russia and Japan. It was a lesson that they learnt from the West.

Barbara Ward draws a distinction between those contacts in time when "like was coming into contact with like", and those after the break-up of mediaeval Europe when all the explosive content of the Renaissance changed European society and thinking forever, when Europe "was attempting to make all things new." She emphasises the philosophical difference that emerged out of this, between Eastern thought "of material reality bound to a recurring wheel of change" and Hebraic thought which came to its culmination and changed the Western world with the dynamics of its belief in "a progressive unfolding of God's purpose in

time, and therefore in history." Christians have always tended to see the world as a testing ground, "a creative area in which men could prove themselves and try to find out the dynamic purposes of God", a very personal God interested in their welfare, unlike the stupendously impersonal and scientific concept of Brahma. "Man's record therefore was not simply a fatality or a succession of meaningless events. It was more like a drama, a drama in which a part was played out in time by both God and man. Time itself," she writes, "therefore became important. Time was something which you could not neglect." Could the same be said of India?

If Westerners are ever to understand why there are differences of approach to problems and in the patterns of living which different societies work out for themselves they will have to take more notice of these deep undercurrents that suffer the seachange to take place. The same holds true for those Asians concerned with development and change if the mutations are to be true genetic ones. Barbara Ward rightly points out that "the Greek concept of a human being as a citizen with rights and the Jewish concept of the sinner with 'personal responsibility' (my emphasis) held in embryo the belief in personal individual freedom, and a concern for society" which has led to the culmination in a Welfare State—the political embodiment, in fact, of the philosophical conception of the importance of the individual in time and the whole fabric of existence.

This is particularly relevant to India who is trying (and through no fault of her own, having been tutored in Western concepts for 250 years) to graft a Western skin on the Hindu body 'politik'. One wonders sometimes if India's leading politicians have considered sufficiently the rationale of the "socialistic pattern of society", how it grew because it was inherent in Greek and Hebraic thought, and whether it can be grafted onto the timelessness and unhurried nature of Hindu thought which is different and is not urgently concerned with the fate of man in the finite world of time and space.

Again in the second lecture, dealing with the nature of the economic relationship the author goes beneath the surface explanations to the deeper impulses which have caused the rise of capitalism and industrialisation and technological achievement. The basic concepts of Greek and Hebraic thought which have fashioned Western Christian civilisation (and Communism, as a perversion of religious concern with the fate of one's fellow man) have sent Western man out searching restlessly, ever asking the question "how" rather than the question "why," unlike his Eastern confrere. "The passionate quest for exact knowledge," she writes, "heralded the scientific revolution." With this was coupled the "the Calvinistic glorification of work and saving and wealth, 'not as a means to luxury' (my emphasis again) but as the basis of further industry". This was a "strong psychological factor in creating in the West the middle class entrepreneur who was ready to take the long risks of industrialisation and to work creatively in the building up of enterprises which would demand not only work today, and risk tomorrow, but a lifetime of work and control and creation." It would seem to me that this too has meaning when India is now embarked on such vast attempts to industrialise. Is there a similar

* Barbara Ward "The Interplay of East and West"—Allen and Unwin.

will to work on the part of the ordinary, average man? Is there the same dynamic drive upwards within the philosophical base which supports the whole Indian pyramid? In fact, she says that merchants in Asia have been more engaged in commodity trading rather than exhibiting the "long, rugged determination to build up a full scale industrial structure." One knows very well that one of India's immediate problems is to find money for investment yet in the confines of its own land there is a great deal of money—but it is static money locked away in jewelry and gold. The dynamic impetus is not there, for several reasons, including a suspicion on the part of the villager as to the safety of banking, to recreate more wealth out of wealth.

Has India then, because of the very nature and difference of her philosophy, other answers to give to the problems of the organisation of society? Though Barbara Ward does not herself ask this, as she is primarily concerned with making an impassioned appeal to the West to cross the 'Great Divide of parochialism', the question lies uneasily and insistently in the context of the third lecture. She expresses the present Christian concern with moral responsibility in modern politics, 16 per cent of the world's population forms the Atlantic community yet this community enjoys 70 per cent of the world's income. It was the Christian sense of concern for the have-nots in its own society that gave birth to the Welfare state. The analogy is plain. There are many Westerners whose sense of guilt for the exploitation of past years in Asia and African lead them to the inescapable conclusion that the wealthier nations of the West should undertake a "long-term co-operative effort to raise the standards of Asia."

INDUSTRIAL DELEGATION'S STATEMENT

By

CROESUS

ALTHOUGH the Indian Industrial Delegation, which has just returned after an extensive tour of the U.S., the U.K., Canada, West Germany and France, cannot claim — nor has it done so — like Julius Caesar, "I came, I saw, I conquered", it has every reason to be proud of what it has achieved. In an admirably drafted statement issued by the Delegation at the first press conference in India after its return, addressed by Mr. G. D. Birla, leader of the Delegation, in Bombay (when other members of the Delegation also were present), this modest claim has been made: "We believe that we have created an atmosphere, which, if properly exploited, will lead to larger foreign investments, and also the obtaining of larger commercial credits". It is significant that the claim is as guarded as it is modest, and it is very important to bear this in mind, before passing any judgment on the success or failure of the Delegation, immediate or eventual. What has been stated by the Delegation in effect is that it has done its part, but, before that can bear fruit, something more remains and requires to be done, namely, the proper exploitation of the atmosphere created by the Delegation. Mr. Birla did well, therefore, in underlining the imperative need for this, both at the press conference and in his address to the Rotary Club. In the ultimate analysis, as he said, "we certainly are the masters of our own destiny. Whether we shall succeed in marching towards progress or shall get stuck up depends entirely on our own wisdom and forethought".

It is indicated in the Delegation's statement that "the object of the Delegation was a goodwill and study tour, coupled with discussions and implementation of specific projects which certain members of the Delegation had in view, but, by implication, it covered almost every problem associated with the import of capital

Some Asians may regard this sense of guilt as humbug, and hypocritical. Nevertheless it holds true among thinking people in the West and the writer of this book is one of the few discerning economists who is not shy or embarrassed (as most English people painfully are) in proclaiming a religious faith in the belief that all aspects of life are one, and not to be treated in water-tight compartments of politics, economics, church-going, etc. Her last lecture, for this reason, is the most complex and debatable for the very reason that she is interpreting the future. She may not be quite correct in her estimation of what is going to happen in Asia. If we can keep our faith in the ultimate truth of religious insight, in fact the Eastern idea that the highest aim of man is to achieve unity with a higher consciousness, to move to new levels of freedom by breaking away from the constraining egoisms of the self, . . . God willing we shall be able to help our Eastern brothers when they go through the darkness of doubt, when they too are engulfed in technology and materialism, when they forget the divine image in which they are made and believe that the purpose of science is not to make truth manifest but to make gadgets. That day will come and perhaps we can be prepared for it, because it is a dark valley through which we have gone, and out of which we are beginning to emerge." But, she goes on, and it is a very big But, "the fact that should check any facile optimism is that the rational and materialist revolution in thinking which has harrowed the West since the 18th Century is now spreading to the East, acting as it did in Europe as a dissolvent of old faiths, and as generator first of doubt and scepticism and later of new dogmatic faiths, intolerant of all but supposedly 'scientific formulas'".

goods, capital and know-how from abroad." From the observations made by Mr. Birla, it should be abundantly clear to all by now that the Delegation has left behind a fund of goodwill and studied conditions abroad at first hand and thoroughly, while its individual members have had discussions on several projects, such as non-ferrous metals, rayon, chemicals, pulp, pharmaceuticals and several others. Many of those present at the press conference in Bombay regarded this as being rather vague and wanted more specific details of the deals concluded. For obvious reasons, the curiosity of the Press on this point could not be satisfied. Another effort of the Press, however, met with a better fate. This was a question about the total probable aid from America. Overall, declared Mr. Birla, that is direct aid, P.L. 480, Export-Import Bank and T.C.A., all put together, about \$250 million could be expected. The leader of the Delegation added that India would receive a substantial amount of aid in the coming few years from America, Germany and France. Incidentally, Mr. Birla disabused the fairly common notion in this country about the ability of France to give aid to India. The franc may be weak, the French Government may be in a mess, but the French people are prosperous and can help, he added, quoting, at the same time, a French saying in support of this view meaning more or less this in English: "The Frenchman invests his deficit at home and his surplus abroad". About aid from Britain, Mr. Birla saw no possibility whatsoever because of the tight situation in that country, but Britain has been very sympathetic and helpful otherwise, he felt.

The leader of the Delegation mentioned a few notable points that made for the success of the Delegation's mission and these are really significant. In the first

place, this is perhaps the first Indian Delegation to go abroad which has worked with such a singleness of purpose and in some complete agreement. Secondly, by a fortuitous coincidence — "fortuitous" needs to be stressed here, because questions were asked whether this was not by design — the Finance Minister of the Government of India, Mr. T. T. Krishnamachari, was also in America when the Delegation was there. Thirdly, the Press in America took a very keen interest in the visit of the Delegation. And, fourthly, the climate in America for investment in India is better than at any other time before.

Elaborating the last point in his Rotary Club talk, Mr. Birla recalled how, although he had been visiting America a number of times since 1945, it was not until last year that he discerned any interest on the part of the Americans to invest in India. This would appear to have been on the increase since, and Mr. Birla gave these valid reasons for this. First, he said, capital formation was very high in the U.S.; secondly, there was a disposition to restrict American investment in Canada, because of the growing volume of complaints in that country that the Canadian economy was fast being dominated by America. (The U.S. has invested about \$13 billions in this country of only about 16 million people!). And, lastly, Americans had come to admire the political stability and the law and order situation in this country in contrast to the highly unsettled political conditions prevailing in some of the South American countries nearer home.

This is good in so far as it goes, but what about American prices? Are they not too high? These questions were asked and answered too. According to Mr. Birla, American prices are high in some cases and competitive in others, but, on the whole, the quality of American goods is better; also the terms of supply, such as period of credit, rate of interest, etc. are more favourable. Thus, one can arrange deferred credit from there anywhere up to eighteen years, while other countries, it seems, are not prepared to wait for more than five years. Further, the rate of interest charged by the American supplier is relatively lower, as compared with Germany, for instance.

Mr. Birla also dispelled several doubts that many in this country seem to have about doubts entertained by the investor in America. One of these, for example, is that the American visitor is inhibited by the non-alignment policy of the Government of India. According to Mr. Birla, this is hardly the case, and there would appear to be no hostility towards Indians on this score.

Another doubt of some of our people is that the value of the Indian Rupee is in danger of going down, but Mr. Birla was categorical that the Rupee was as stable as the dollar and India's credit as high as ever, what with her record as the only country in the world which has not been a defaulter in respect of her obligations so far.

This should not lead one to suppose that the American investor has not been entertaining any

doubts about India. As Mr. Birla himself pointed out, "there existed a lot of misapprehension and doubts among them about our economic policy. The spate of recent fiscal and taxation measures came in for a good deal of discussion. There was still a fear of nationalisation and there were also doubts about the role of the private sector. The scheme of compulsory deposits and heavy taxation in the last budget too came in for criticism. There was complaint also of too much interference by Government. The restriction on the quantum of royalty on the licence to manufacture also came in for criticism". To this list was added, at the press conference, fears about the operation of the State Trading Corporation as well. As practical business men, the members of the Indian Delegation did not pause to inquire whether misgivings on all these counts were imaginary or genuine, but readily took cognisance of their existence and straightaway proceeded to dispel as many of them as possible. It is only after doing so could they claim, as they have done in their statement, that "we were happy to find that we had succeeded, to a large extent, in dispelling many doubts and misgivings. We also found a satisfactory response to participation in capital and towards supplying of commercial credits".

Perhaps the most significant portion of the Delegation's statement is that which refers to "the contradictory currents in our present economic problems and difficulties which need the attention of all those interested in our progress."

Especially paradoxical is the situation that, whereas the private sector in this country is able to get all the foreign exchange it requires but is confronted with the problem of raising internal resources, the public sector is hard put to it for its needs of foreign exchange. In other words, as the statement itself points out, "if the private sector is stuck up due to the scarcity of internal resources, the public sector is held up for want of foreign capital. The path to progress is thus completely blocked". The Delegation is, therefore, right in holding that, until we can solve the problem of the scarcity of internal resources, even with the foreign capital available, we shall not be able to make any progress. It is in this context that the importance of proper fiscal and monetary policies of the Government lies and, as Mr. Birla pointed out, only the pursuit of proper monetary and fiscal policies will meet the present situation. It is the Delegation's belief that the Government is not unalike to this problem and it is also hopeful that it would receive due attention at the hands of the Government, but it has left no room for doubt that further progress must continue to remain in abeyance so long as the problem is unsolved. If, as the Delegation observes, so many in the world are desirous of helping us to achieve economic progress, the least that we in this country—both people and the Government — should do is to strive and create the requisite climate for receiving such help and channelising it in the most constructive and beneficial way possible and practicable. The next few months should show how far the nation's energies are bent to meet the challenge facing it.

A Letter to the Editor

THE RAILWAY PLAN RECONSIDERED

Sir,

Appropos your Editorial under the above caption appearing in the issue of 'The Eastern Economist' of October 11, I feel that there is one point which requires consideration. This is, whether it is possible for the Government to obtain the same additional freight capacity as envisaged in the railway amended Plan at

less cost than that estimated by them by an alternative service.

We have a system of National Highways built for carrying inter-State long-distance traffic of the same type as is handled by the railways. Its length is about 14,000 miles of which about 2,000 miles have a two-lane carriage-way capable of carrying articulated vehicles and truck-trailer combinations. The remain-

ing about 12,000 miles are capable of carrying mostly trucks. Most of this length has a modern dustless surface.

It has been estimated that if through communication is provided on this system by building about 56 major and some minor bridges at an estimated cost of about Rs. 40 crores it will be capable of carrying, in addition to the traffic it carries at present, about 75,000 additional goods trucks with a freight capacity of about 50 million tons p.a. with an average lead of 300 miles i.e. the same as in railways. (Average load per truck 6 tons, load factor $\frac{1}{3}$ th, 200 miles per day, 250 days in a year—a minimum of 15,000 million ton-miles p.a. for 75,000 trucks. Divided by an average lead of 300 miles).

The value of these trucks imported in the C.K.D. condition works to about Rs. 100 crores including the value of accessories and the cost of assembling. Deducting about 25 per cent import duty on them which will be realised by Government the net cost is about Rs. 75 crores. At an average tax, including all heads, of about Rs. 2,500 per truck the yield from taxation on 75,000 trucks works out to about Rs. 18.75 crores p.a. which, therefore, means that if these trucks can be obtained on the basis of deferred payment their cost, after deducting import duty, of about Rs. 75 crores can be paid in a period of about 4 years. Therefore, the only extra amount to be provided by Government will be about Rs. 40 crores required for bridges.

The original railway estimate for a 15 per cent increase in passenger traffic and an increase of 47 million tons p.a. in good traffic (42 on account of second +5 on account of first plan) making in all 162 million tons p.a. including 115 millions tons carried in 1955-56 was Rs. 1,125 crores subsequently increased, on account of rising cost, to Rs. 1,225 crores. Now it is said that another about Rs. 200 crores (Rs. 1425—Rs. 1225) will be required to raise the goods freight capacity by about 19 million tons (181—162) on account of the second Plan and 5 million tons on account of the first making about 24 million tons p.a. Against this figure of about Rs. 200 crores for an additional capacity of about 24 million tons of traffic the road estimate of about Rs. 115 crores, of which Rs. 75 crores for trucks can be paid back in about 4 years, for an additional capacity of about 50 million tons certainly seems an economic proposition. It will still be economic even if on account of delays in execution a figure of say 33 million tons is reached. It may be that in the railway figure of Rs. 200 crores there may be provision for improved line capacity which will be of use for the traffic of the future also but the same is true of road bridges which have a life of about 100 years and will therefore be of use for the future traffic. From the point of view of Government finding money immediately the road proposal deserves serious consideration.

In regard to implementation the present time is most propitious. As a result of an excellent lead by the Central Ministry of Transport the recent conference of Transport Commissioners at Mussoorie has taken a number of decisions on the liberalisation of permit system, taxation, economic loads, credit facilities and so on. Also the Government of India proposes to appoint soon an Inter-State Transport Commission which is just the type of agency to carry out a scheme of this nature. Then, there is another aspect also, by 1960-61 the country will have spent on its roads about Rs. 726 crores. Most of this investment is lying idle as the present density of our road traffic is only about 1.5 vehicles per mile including the truck-equivalent of our bullock-carts. Obviously it is not in the interests of the country to allow this investment to remain idle for a longer time by developing the railways further.

Out of a sum of about Rs. 100 crores mentioned above for trucks about Rs. 65 crores will be foreign exchange from three countries payable in about 3 years if deferred payment can be arranged.

Yours faithfully,
B. V. VAGH.

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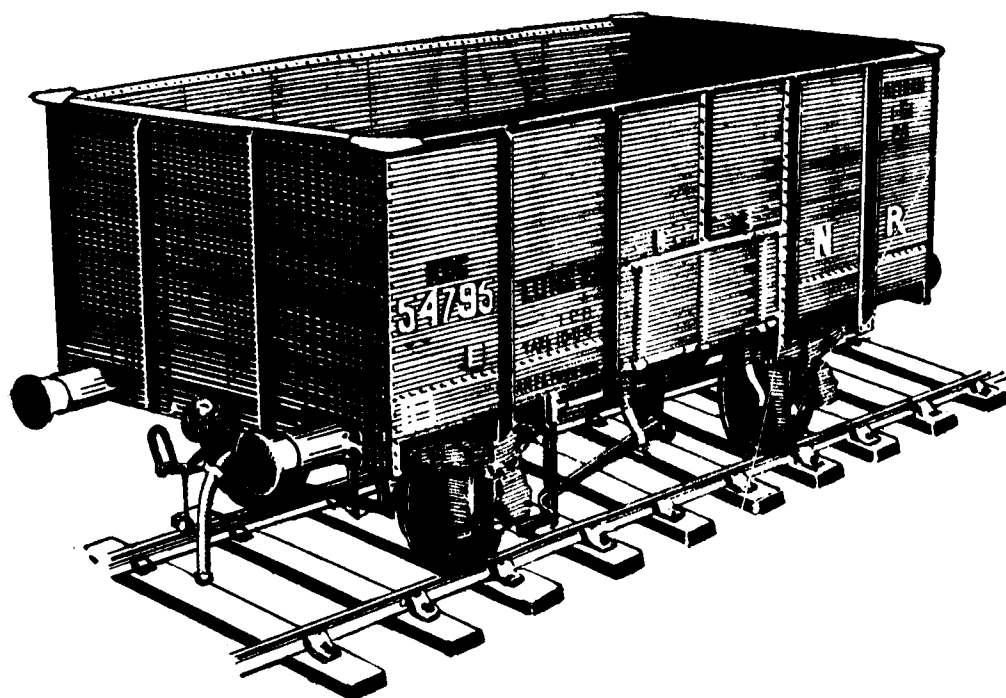
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TARGETS FOR LIGHT ELECTRICAL INDUSTRIES

THE light electrical goods industries do not by themselves constitute a part of the core of the Plan. But they are directly concerned with the effective expansion, in some measure, of electrical power which is an essential component of the core of the Plan. Because of this relationship they are entitled to some priority in the allocation of resources whose rationing has now become essential. The Development Council for Light Electrical Industries, which held its eighth session last week, will be called upon to devote attention to a reconsideration of the targets fixed for different electrical industries. It is true of this group of industries, as it is true of several other industries which have a large import component, that the foreign exchange problem has raised a problem of no small magnitude for it.

The most important part of the opening speech of the Union Minister for Industry, Mr. M. M. Shah, related to the effect of the foreign exchange difficulties on the expansion of light electrical industries during the second Five-Year Plan. A vital characteristic of these industries is that they depend for their development not only upon imports of plant and equipment, but of raw materials and components in a large number of cases. The import licensing policy on raw materials and components has severely restricted issue of licences on the basis of the production levels in 1956. Obviously, for industries which have been assigned a role of vigorous expansion, great embarrassment will be caused by this restriction on imports. Light electrical industries are unlikely to secure the facility of deferred payment for imports on the required scale. This fact complicates the problem for them. The solutions suggested by Mr. Shah to tide over the difficulties may be useful partially at best. He has urged that these industries should put the foreign exchange allotted to them to the maximum use, which, in reality, does not assist them in any mentionable degree. Prices of imports are already going up. He has exhorted small-scale units to manufacture components conforming to the requisite specifications for the use of large-scale manufacturers. Large manufacturers, in turn, have been asked to provide technical assistance to the small units. This sort of co-operation will now become increasingly necessary, but it has a limited scope.

The conclusion cannot be resisted that the targets for light electrical industries will need to be revised. But it cannot be assumed that they must, under any situation, be revised downwards in respect of all the industries. It may look paradoxical, nevertheless, it is absolutely necessary, that the targets in respect of some of these industries at least will have to be revised upwards. How the revision of targets is to be made is to be determined by the nature of the industries. One class of these industries offers opportunity for reduction in foreign exchange expenditure by a downward revision of targets. The targets of capacity fixed for this class are much in excess of the targets of production. Another class of industries includes cases in which the prospect for stepping up exports is sound and, what is far more important, the domestic demand for them is likely to exceed by a considerable margin the targets now assigned. To seek to limit the internal consumption of their products is likely to affect adversely the non-industrial consumption of electricity.

The revision of the targets of light electrical industries will necessarily have to be related to their present stage of growth as determined predominantly by the levels of consumption. This factor of consumption of

electricity is of vital importance to the larger issue of the development of electric power. Limited experience about the power generated as a result of the multi-purpose river projects as well as other projects has demonstrated that, Government's policy must take particular care of stimulating consumption of electricity. From this angle light electrical industries are of positive value. Not all of them have made impressive strides. But the six industries shown in Table I below have certainly achieved remarkable progress.

TABLE I.

PROGRESS OF LEADING LIGHT ELECTRICAL INDUSTRIES IN PRODUCTION

	1951	1956	1957 (Estimate)	Percentage increase in 1956 over 1951
1. Electric Lamps				
a. GLS and others . . .	15.52	29.85	33	93
	millions	millions	millions	
a. Fluorescent Tubes . . .	—	880,000	1	—
			million	
c. Miniature Lamps . . .	—	3.52	8.5	—
		millions	millions	
2. Electric Fans . . .	212,000	338,932	513,000	60
3. Radio Receivers . . .	82,800	150,596	185,000	82
4. House Service Meters . . .	1,736	230,303	330,000	—
5. Dry Batteries (million Cells) . . .	143	181.4	180	27
6. Storage Batteries . . .	212,000	314,199	320,000	48

Severe import restrictions in the last one year have provided an added stimulus to the growth of a wide range of light electrical industries. But as their progress since the first Plan shows, their expansion was proceeding at a rapid rate even in the absence of an austere import policy. Some of these industries have found an export market in Burma, Indonesia, Ceylon, Iraq, Iran, Saudi Arabia, Egypt, East Africa, and so forth. They include primarily electrical fans, electrical lamps, radio receivers and storage batteries for motor vehicles. Storage batteries in particular can now claim self-sufficiency plus exports. While the majority of these industries is still not in a position to satisfy fully the demand in the home market, the case for their exports stands on sound reasoning. In the initial stage, competition of imports and consumer resistance at home will make it difficult for new lines of production to cater to the whole of the domestic demand. An export outlet therefore provides a stable basis for expansion. From the long-range policy, of course, exports must be encouraged. The procedure for drawback of duty on imported components and raw materials is now simplified. A practical step forward of great significance has been taken with the establishment of the Directorate of Export Promotion in the Ministry of Commerce and Industry. This sector of the electrical industries is entitled to special consideration at the hands of the Directorate on the same basis as industries in general with export potentialities.

Table II below sets out the different targets for the major light electrical industries.

TABLE II.

CAPACITY AND PRODUCTION TARGETS FOR LIGHT ELECTRICAL INDUSTRIES

Industry	Production Target 1960-61	Present installed capacity	Additional capacities licensed/ approved	Total capacity which will be available
1. Electric Lamps				
a. GLS & other similar lamps	50 Millions	43.13 Millions	13.13 Millions	56.26 Millions
b. Fluorescent tubes	2 Millions	800,000 Nos.	2.31 Millions	3.11 Millions
c. Miniature lamps	30 Millions	17.2 Millions	21.48 Millions	38.68 Millions
d. Photo flash lamps	—	—	1.5 Millions	1.5 Millions
e. Mercury vapour lamps	—	—	60,000 Nos.	60,000 Nos.
2. Electric fans	600,000 Nos.	401,700 Nos.	484,000 Nos.	885,700 Nos.
3. Radio receivers	300,000 Nos.	240,000 Nos.	64,600 Nos.	300,600 Nos.
4. House Service Meters				
a. Single phase	650,000 Nos.	334,000 Nos.	440,000 Nos.	774,000 Nos.

b. Poly phase	75,000 Nos.	—	99,000 Nos.	99,000 Nos.
5. Dry Batteries	225 Million cells	224 Million cells	—	—
6. Storage Batteries				
a. Motor vehicle Batteries	600,000) Batteries)	316,500 Nos.	127,200 Nos.	521,700 Nos.
b. Train lighting batteries	84,000) celis)	—	78,000 Nos.	—

An important feature of the targets apparent from Table II is the excess in the planned capacity targets over the production targets fixed for 1960-61. Two important cases stand out as exceptions. In the case of radio receivers for which the domestic and export markets are developing rapidly the capacity and production targets are identical, which clearly implies that the likely demand may not be satisfied for want of installed capacity. Motor vehicle batteries represent a glaring instance in which the capacity target in the last year of the second Plan is far below the production target. This is an industry in which there has been serious under-estimation of the probable demand.

Considering the potential home requirements and the reasonable possibilities of export, it would be safe to state that the capacity targets for electrical lamps, electric fans, radio receivers and storage batteries must be raised by varying margins between 25 per cent and 50 per cent. In a majority of the remaining light electrical industries, targets of installed capacity provide room for downward revision. On balance, it would appear that the saving in outlay on foreign exchange will be marginal, if at all.

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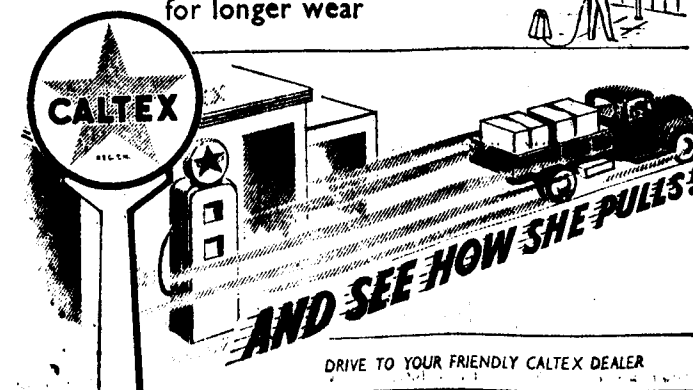
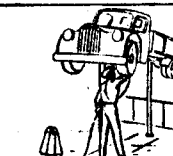
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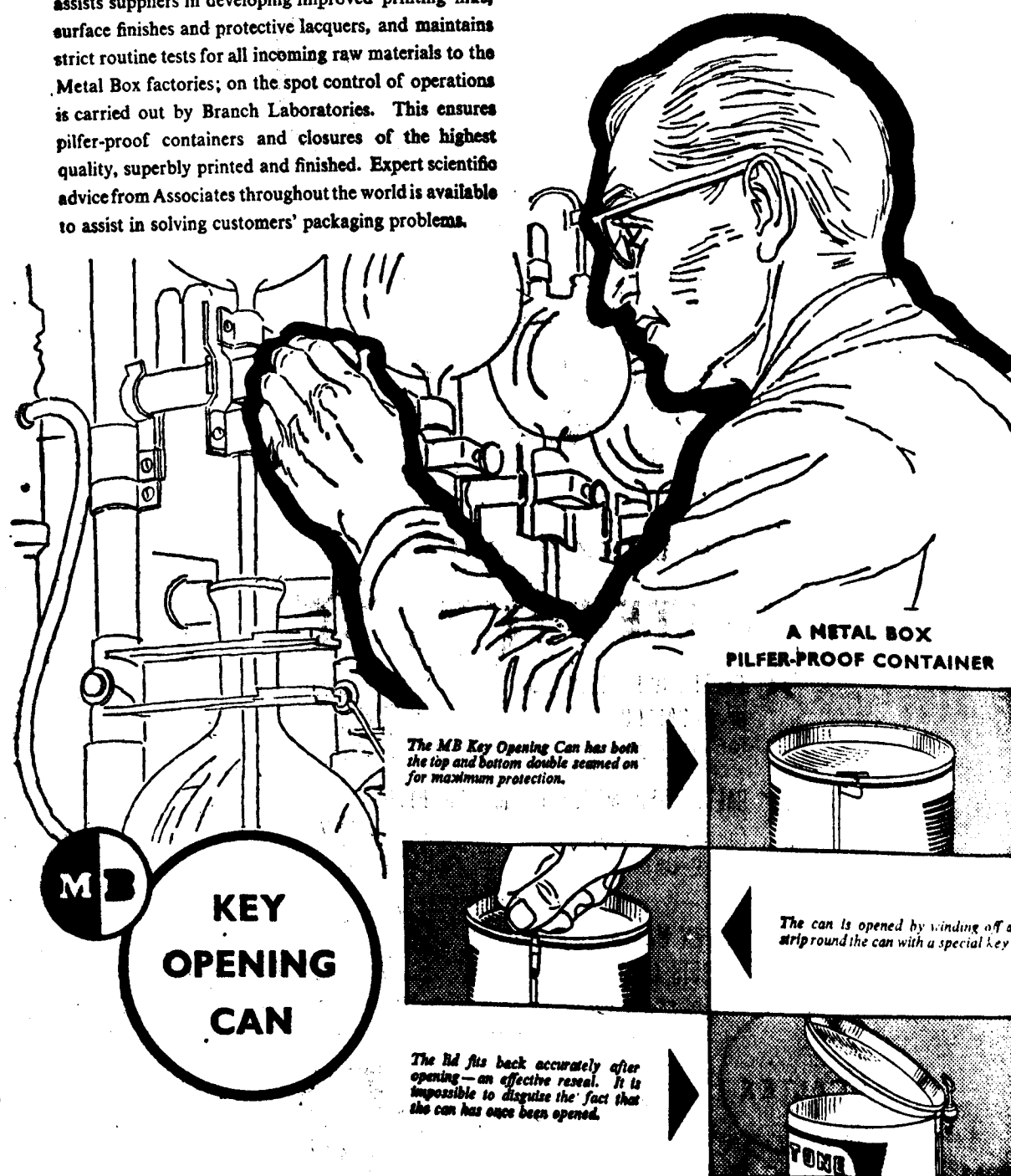
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BUSINESS NOTES

GUARANTEE FOR DEFERRED PAYMENTS

THE LOK SABHA has just passed the Industrial Finance Corporation (Amendment) Bill which, among other things, seeks to empower the Corporation to stand guarantee for deferred payments on import of capital goods by private parties. The need for this amendment has been felt for some time in the context of the difficult foreign exchange position. With the increasing tempo of industrialisation under the second Plan and the considerable increase in the import of capital goods, it has been simply impossible for the Government to find immediately all the foreign exchange needed. So the scheme of deferred payment has been in operation since the early months of this year to meet this situation to some extent. In spite of all the encouragement to the scheme, not much headway could be made because many exporters abroad have been insisting on guarantees to be obtained from the Government or semi-government institutions in respect of deferred payments. The Bill now permits the Industrial Finance Corporation to give such guarantees.

The deferred payment scheme is, of course, well known by now. For the import of machinery and equipment and even imports of components and expensive raw materials, the Government up to the end of August had approved 137 deferred payment schemes to the total value of Rs. 59.27 crores which include cash payment of Rs. 16.95 crores, foreign capital investment of Rs. 5.94 crores and deferred payments of the value of Rs. 36.38 crores. Industry-wise the schemes covered 27 sugar projects, 19 industries based on iron and steel, 14 engineering industries, 14 chemical and pharmaceutical industries, 10 textile plants and 5 automobile plants. A large number of applications under the deferred payments scheme is stated to be still pending with the Government and under active consideration. On the whole the response to the deferred payments scheme from foreign suppliers has been fairly encouraging as a result of the efforts made by the industrialists and the Government and the good and friendly response of foreign countries. The amendment to the Bill is bound to give a greater fillip to the scheme as it now fulfills the demand of foreign exporters in regard to the guarantee which, they have been insisting, the industrialists must obtain from Government or semi-government institutions. Along with this measure effective cover, however, against exchange risks needs to be provided, for without it, no business man will care to buy capital goods on a deferred payment basis.

The amendment can in no way be considered a measure that would enable the private sector to get foreign exchange at the cost of the public sector. On the other hand, it would relieve the Government of the responsibility to the extent to which private enterprise received help from abroad. The fact cannot be ignored that the Industrial Finance Corporation had been set up with the sole object of assisting the private sector in starting new enterprises.

LABOUR INDISCIPLINE IN A COLLIERY

IT IS not merely the passing over of the dividend referred to by the Chairman of the Hingir-Rampur Coal Company Ltd., Mr. A. N. Haksar that is disappointing but even more so the woeful tale of labour indiscipline that he had to unfold. The results of the working of the Company for the year under review provided a striking proof that the prosperity of the Company is directly dependant on the maintenance of

labour discipline. But from what Mr. Haksar said in the course of his speech, the Company has been the unfortunate victim of illegal strikes in the years 1952, 1953 and 1956 as also of organised attacks by large gangs of labour resulting in considerable damage to officials on the spot as well as to the Company's property. The latest of such disturbances which took place on June 15, 1957 culminated in the brutal murder of the Colliery Manager and in serious injuries to several other employees. The relation between these acts of hooliganism and the recognition of the trade union, the members of which are alleged to be responsible for these incidents cannot be ignored. For it is only since then, namely in 1951 that illegal strikes and hooliganism would appear to have started. The fact that even the police on the spot could not control the situation and the fact that people are afraid to take up responsible positions in the undertaking are too serious to be overlooked by the authorities both at the Centre and in the State concerned, notwithstanding a sympathetic attitude towards the Company and its problems.

What is not understandable is that despite all the professions of Government's spokesmen and labour leaders, the Code of Behaviour for Industrial Workers and Management evolved in July last has been observed more in the breach than otherwise. It may be noted here that the basic principles embodied in the Code prescribed illegal strikes, "go slow" tactics, damage to property and acts of violence, intimidation and coercion among others. In view of this, it is somewhat comforting that the Standing Labour Committee of the Government of India are considering measures to ensure that the Code of discipline is obeyed in future at least and have proposed certain "sanctions" should be imposed upon Workers' organisations violating the Code. (This has since been done, as readers would have noted, and it remains to be seen how far this will work in actual practice.)

EMPLOYMENT EXCHANGES

A VERY pressing problem facing the underdeveloped countries today is that of raising the living standards of their people. By far the most effective way of tackling this is to ensure higher productivity and to create more opportunities for gainful employment. While the former is the direct responsibility of industries, the latter (although it is also their responsibility, albeit indirectly) is now increasingly devolving on the Governments of the countries concerned. The agency through which the latter approach the problem is the Employment Exchange. In providing gainful employment, even though to a fraction of the millions of the unemployed as it can only do, the Employment Exchanges do play a useful role. One of the best ways of using this vast manpower scientifically is by means of proper job evaluation, that is, by ascertaining the precise needs of employers, on the one hand, and the special aptitude of the employees, on the other, and by directing the right person to the right job. It must be conceded that the problem has been tackled more or less along these lines by the Employment Exchanges, though the results have not been very impressive yet. For sometime past, the Employment Exchanges have come under the purview of the State Government and the first anniversary of this event was celebrated in Bombay last Monday.

Mr. Shantilal Shah, Bombay's Labour Minister, did not make any reference either to the progress in job evaluation or to the actual performance of the Employment Exchanges in the State, as one expected, whilst

speaking at the Symposium "on how Employment Exchanges can render more efficient and effective service", held in Bombay this week to mark the first anniversary of the taking over of the Exchanges by the State Governments. However, all the speakers, including the Minister, were of the view that greater use of the Exchanges should be made by the private employers also for recruiting their staff. If this is to be possible, more vigorous work by the Exchanges, both in collecting the data, which, incidentally, would be immensely useful for our planning, and in providing jobs to those who have registered themselves with the Exchanges, has to be done. Even this will not solve the problem fully. A certain change in the attitude of those who man the Exchanges, as also in the educational system of the country as a whole, is no less necessary. In this connection, What Mr. Chandravadan Shah, Principal of 'Jivanbharati', said in Ahmedabad, on the occasion of the inauguration of a new training scheme in his institution by Mr. Shantilal Shah, is particularly apt. Education all along has been a plan, he said, for the few who succeed in examinations, but how we will have to plan for the 60 per cent of the students who either fail or do not even reach the final examination; only thus can we avail ourselves of all this manpower, the maximum benefit of which we have not been having today, he added. If we can make more people fit enough to take up jobs by offering them suitable training at different stages thus, there should no longer be the anomaly of the existence of several vacancies, on the one hand, and the absence of people with the requisite qualifications or practical training that can fill these vacancies, on the other.

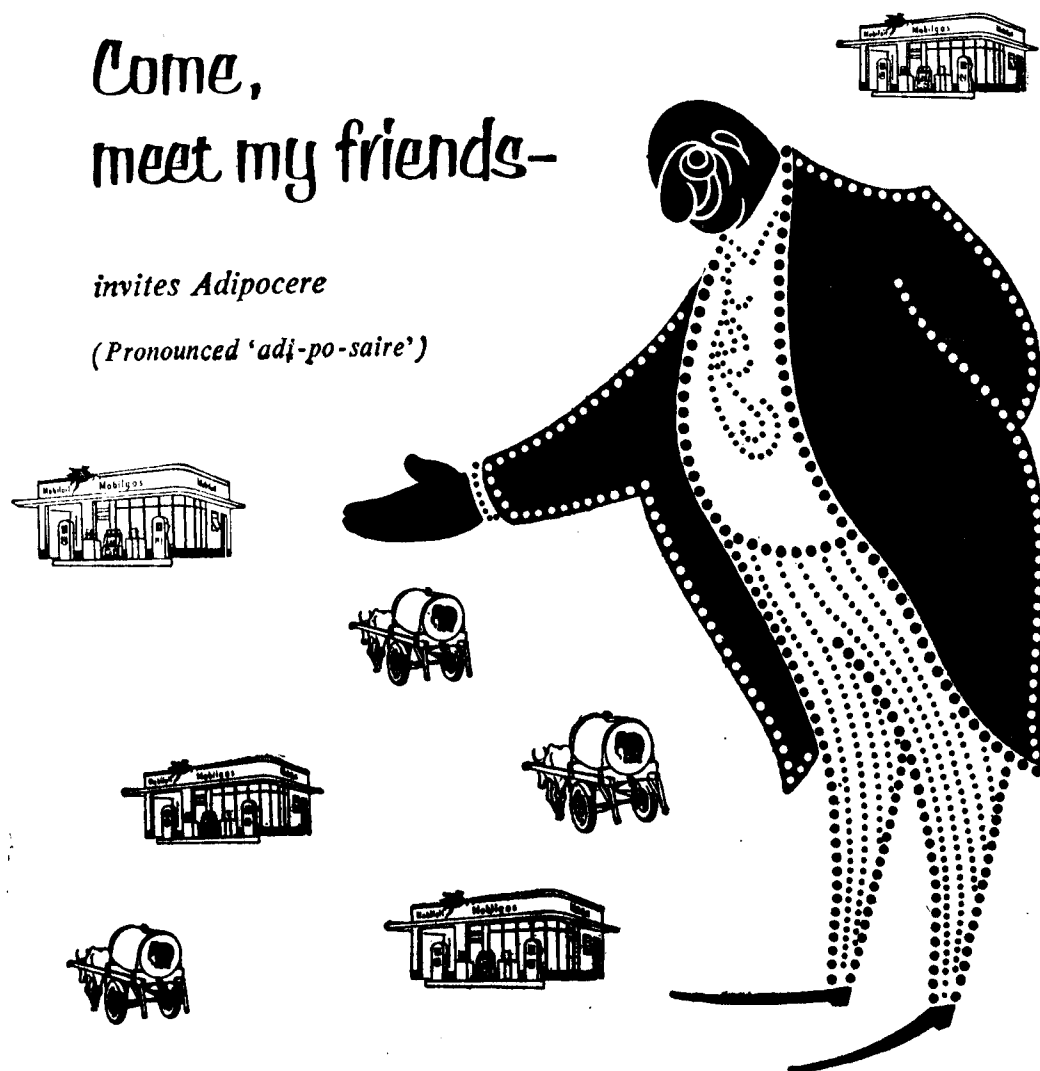
PENSION SCHEME FOR RAILWAYMEN

A PENSION scheme for the railway staff has just been evolved by the Government of India. The scheme is in no way different from the pension scheme already operating in the other Central Ministries except that the compulsory subscriptions at present made to the provident fund by railway servants will continue even after the introduction of the pension scheme. The move to bring the railwaymen in line with Government servants in other departments marks a decisive step for improving social security for this important sector of Government employees. It also satisfies the demand of the National Federation of Indian Railwaymen which had suggested that a scheme of compulsory insurance, premia for which would be deducted from salary, should be introduced simultaneously with the pension scheme. The most notable concession made to Class IV employees is that all their permanent service as well as half their temporary service will count in the determination of their pension. Since a large number of Class IV employees started subscribing to the provident fund only from 1941, their retirement benefits would be considerably improved with the introduction of the pension scheme. On the whole over a million railwaymen would derive the advantages of this pension scheme. What the financial implications of the scheme would be it is difficult to assess at present, for the cost of the provident fund system and the pension system is affected by a variety of factors, such as the rate of interest, expectation of life after retirement, extent of casualties in the course of service and advancement of individuals in the service.

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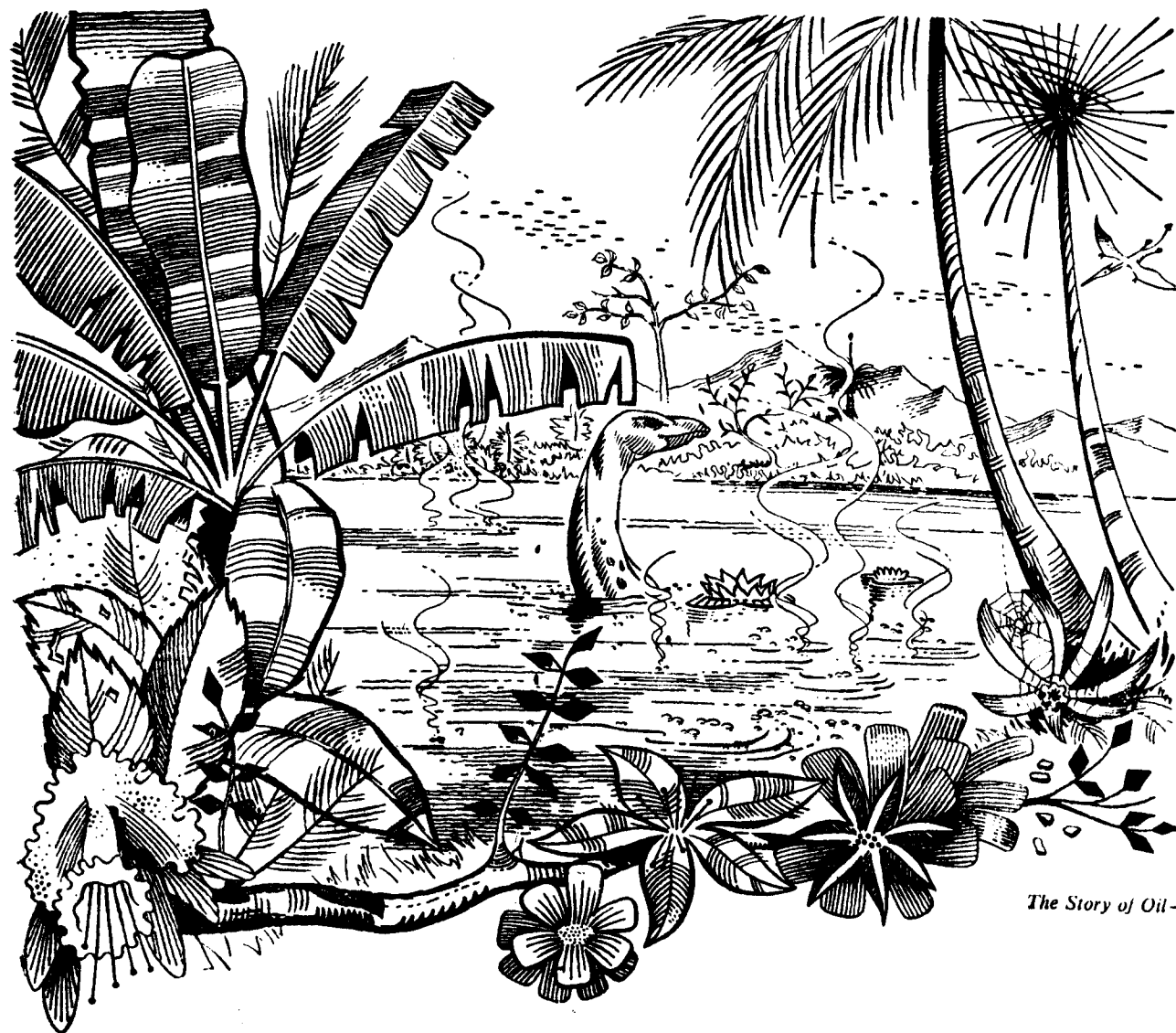
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The Story of Oil—2

A miracle of nature

Crude oil, or petroleum as it is often called, occurs in many parts of the world—chiefly in regions where sedimentary rocks once formed the bottoms of ancient seas.

No one is sure how oil originated. The most widely accepted theory is that it resulted from the decay and alteration of the remains of prehistoric animals and plants. This organic matter was washed from the land into the vast jungle of marine life under the seas. The deposits, mixed with mud and sand, formed layer upon layer on the bottom. As these became buried, Nature's mysterious chemistry got to work. It slowly transformed the organic matter into the compounds of hydrogen and carbon which we now know as oil, and at the same time the fine

sediments which covered it were compressed into rock strata. The newly-formed oil oozed into the nearest layers of porous rocks, which held it as if in a sponge, and here it remained.

Throughout the millions of years that oil was being formed, many changes were taking place in the earth's crust. It rose and fell, was crushed and expanded. Lands were drowned, sea-beds became dry land. In some places cracks developed and the land slipped, forming 'faults'.

During these violent changes, some of the imprisoned oil escaped and was lost. In other places it was so near the surface that it seeped through and was discovered and used by man from the earliest times. But the bulk has remained trapped in its porous rocks beneath the surface of the earth.



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Economic Report from the U. S.

ROLLING READJUSTMENT

(By GUY SIMS FITCH)

WASHINGTON, Nov. 12.—One of President Eisenhower's top economic aides has made it clear that the administration is prepared to "moderate" any sharp business swings with "flexible" policies designed to assure steady and sound economic growth. Gabriel Hauge, the President's administrative assistant for economic affairs, said as much in an address here last week to the American Finance Conference. At the same time, US Federal Reserve Board Chairman William Martin declined to say that his agency, which has maintained a "tight" monetary and credit policy in the face of inflationary pressures was planning any policy changes in the near future. In fact, both he and Dr. Hauge emphasized their continuing confidence in the underlying strength of the economy. And both suggested that inflation is still to be feared despite the fact that business—while still vigorous—has not come up to expectations.

It follows, then, that these government officials reject a "premature" policy relaxation that might jeopardize the gains already made in the fight against rising prices. Any loosening of the reins thus would depend on the accumulation of more evidence than is now at hand that the economy may really be headed for a noticeable downturn. True, a number of economists have forecast a general, though moderate, slump that may last as long as a year. And it is true that a number of important industries are operating at well below capacity levels, while business investment in new plant and equipment is showing signs of a modest decline after more than two years of steady and even spectacular expansion. On the other hand, there are signs of renewed activity in important economic sectors that had been lagging behind the gains of the past few years. As an example, housing began to slide in the latter part of 1955, and remained weak until this past summer. But recent statistics show a rise in new housing construction contracts.

In the case of automobiles, sales dropped off sharply in 1956 following the phenomenal record of 1955, and continued to drop slightly in the early months of 1957. But in recent months they have spurted sufficiently to indicate that 1957 will be a better year than 1956. It is interesting to recall that in the moderate downturn of 1953-54, both housing and automobile sales were among the first industries to show signs of firmness, more or less taking the lead in what became a record economic upsurge. But business outlays for new plant and equipment, which now appear to be falling off slightly, tended to follow rather than lead the general trend. They did not show signs of softening until the downturn was well under way, and did not rise significantly again until months after most other industries had started to recover and the economy was in the midst of its upswing.

All this has revived interest in that oft-used expression, "rolling readjustment". Is the US economy going through just such a period now, with declines in some industries partly offset by rises in others, thus

maintaining over all strength despite a slackening of activity? Only a few weeks ago, members of the business advisory council of the US Department of Commerce, made up of some of the nation's top business executives, expressed the view that the US actually was undergoing this kind of economic adjustment. If that is the case, it certainly has been up to now one of the least painful adjustments any economy has ever experienced. While the overall industrial production index has remained at previous levels and the economy has not been expanding at its anticipated seasonal rate, such factors as employment, personal income, consumer spending and the total output of goods and services all have been rising. As Reserve Board Chairman, Mr. Martin remarked last week, the US economy may well have more adjustability, in it than is sometimes supposed.

THE RECORDS & STATISTICS

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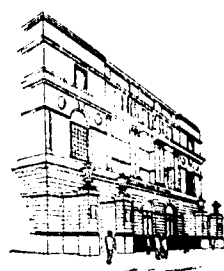
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COMPANY AFFAIRS

SURAT ELECTRICITY CO., LTD.

Although Mr. K. G. Milne, Chairman of the Surat Electricity Co., Ltd. told the shareholders at the last annual general meeting of that Company, "other things being equal, there is no reason to doubt the Company's ability to earn the current basic 5½ per cent rate for the financial year 1957-58" on the basis of the existing tariff structure, it will be remembered, he added a proviso that "if, however, during the financial year, the Company is faced with a trend in earnings not in tune with expectations.... it is now beyond doubt free to increase its rates to consumers by giving the State Government and the State Electricity Board two months' notice of its intentions." Whether or no any electricity undertaking does this, the industry is no longer in any doubt on the point, as hitherto. The position had been "murky" in this respect, to say the least. For, until recently, before an increase could be effected, the Regulating Authority would impose on the Licensee a Rating Committee and until that Committee is satisfied itself about the rating date and approved of the new rates, the Licensee was not permitted to increase the rates. But before it can appoint a Rating Committee now, the Regulating Authority must allege a breach of the Financial Principles of the Act on the part of the Licensee and issue him with a show cause notice. Even after this, if the allegation raises a dispute, the Licensee may refer the matter to the arbitration of the Central Electrical Authority and the hands of the Regulating Authority, 'vis-a-vis' the Rating Committee, will be stayed, pending the outcome of the arbitration. This is, indeed, a most welcome safeguarding factor for electricity undertakings in the private sector.

Mr. Milne also drew attention to another feature of the changes in the Electricity (Supply) Amendment Act, 1956 in the course of his speech which deserves notice. It is the further liberalisation of the Electricity Law which provides, in the case of expanding electricity undertakings, a useful resource for development. Under this provision, the Licensee is permitted to earn one half of one per cent as interest on the full amount of the Development Reserve. It may be noted here that, following the Development Rebate introduced by the Finance Act of 1955, the Electricity industry was asked to appropriate to a statutory reserve, called the Development Reserve, an amount equal to the saving in tax brought about by the rebate. But, if, at any time, the figure of Clear Profit is not sufficient to equate with the Reasonable Return, the amount to be so appropriated can be reduced to the extent of this shortfall.

However, there are certain strings attached to this Development Reserve provision. In the first place, this reserve has only to be invested in the business. Secondly, this reserve does not earn to the investor (the Licensee) any ordinary rate of return. Further, in the event of any sale of the undertaking, the Reserve should be handed over to the Purchasing Authority. On the face of it, this last is a very wholesome provision, in that it ensures that the Statutory Reserve, which is intended to be used only in the undertaking concerned, is not dissipated, a sort of compulsory capital formation measure, as it were. But, with the coming into being of State Electricity Boards, the prospects are that only these Boards would purchase electricity undertakings and the provision in question ensures that the State Governments, if and when they take over an Electricity undertaking in private hands, are not saddled with financially unsound concerns.

Electricity undertakings have been exempted from the compulsory Deposit Scheme, but not from Wealth

Tax. This is unfortunate, because to the extent that an electricity company is subjected to this tax its rates of supply cannot but be increased to the consumers. As a matter of fact, this industry (especially the established units) does not stand to benefit from any of the concessions granted under the Wealth Tax Act. The five-year tax holiday applies only to new electricity companies.

From what Mr. Milne stated, it does not look as though consumers can hope for much relief in future. So long as the State Electricity Board's bulk tariff for licensees remains unchanged, the latter cannot be expected to reduce their rates. The licensees have undoubtedly fought valiantly in this behalf, but to no purpose. Nor can the State Electricity Boards reduce their tariffs until they greatly augment their own power-generating capacity. So the vicious circle continues.

AHMEDABAD ADVANCE MILLS, LTD.

While the Union Minister for Commerce and Industry has categorically stated that there will be no reduction in the excise duty on cloth, reports on the working of mills continue to make disappointing reading. The latest instance is the report of the Ahmedabad Advance Mills Ltd. for the year ended June 30, 1957, which shows a profit for the whole year of just Rs. 4,666 as against Rs. 13,11,721 for the previous year. The Directors themselves observe in their Report that the result is disappointing and attribute this to the "constant rise in the cost of production and the crippling effect on the cloth trade of the country brought about by the drastic increase in excise duty."

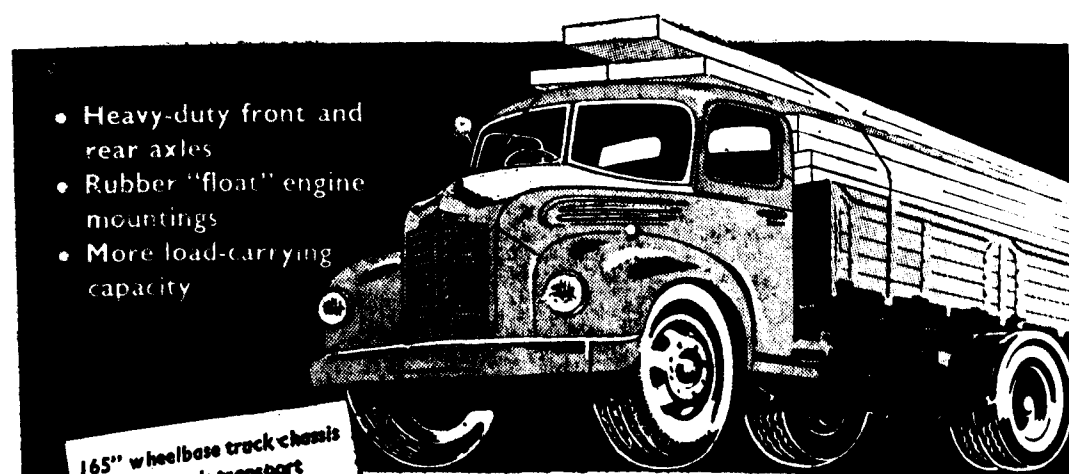
According to the Report, up to August 1956, trading conditions were quite normal with sustained demand for cloth, at fairly remunerative prices, but, from September onwards, with the steep rise in excise duty, there came a precipitate fall, both in demand and prices, resulting in substantial increase in stocks and entailing heavy interest and insurance charges. Simultaneously, severe credit restrictions were imposed by banks which aggravated the trade crisis. And, to make matters worse, as it were, the Government imposed restrictions on the holding of stocks by mills and wholesalers beyond a certain limit, which compelled the mills to dispose of stocks at sacrificial prices.

The effect of the disappointing trading results of the company in 1956-57 is reflected in the inadequate appropriation for depreciation, which amounted to only Rs. 1,50,000, as against Rs. 10,39,958 in the previous year and in the forgoing of even the minimum commission of Rs. 50,000 due to them by the Managing Agents.

An otherwise redeemable, feature of the Report, however, is that a substantial part of the mills' reorganisation and modernisation plan was carried out during the year under report. A sum of Rs. 25 lakhs was spent on new machinery and other equipments, including 25 Ring Frames, motors for individual drive of Speed Frames and Ring Frames, a second Barber Colman Winding and Warping Machine, a High Speed Winding Machine, Humidification Plants in Winding Warping, Spinning and old Weaving departments with the necessary housings, a Damping and Cloth Conditioning Machine, a Double Folding and Plaiting Machine. In order to meet the heavy capital expenditure on this account, the Company issued Rs. 3,00,000 worth of debentures. The installed capacity of the mills is 49,144 spindles and 1,016 looms. A dividend of Rs. 5 per ordinary share without deduction of income tax, as against Rs. 12 per share last year has been recommended by the Directors.

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 BOMBAY

COMMODITY NEWS AND NOTES

U.N. COCOA ESTIMATES

U.N. estimates for the 1957-58 cocoa crop of 811,300 metric tons were 10 per cent lower than estimates of 902,000 tons for 1956-57. Consumption of raw cocoa during 1958 will also be lower, according to the U.N. Food Committee's forecast. The world was expected to consume 802,000 metric tons next year, nine per cent below this year's revised estimates but almost equal to the 1956 consumption of 804,000 tons. The predicted drop in off-take is ascribed to the rise in cocoa bean prices. The Committee's forecast of crops from area's given below follows: Ghana — expected drop of 38,000 tons to 2,30,000 tons due to harvesting delays and to heavy losses from black pod. Nigeria and Cameroons — fall of 30,000 tons to 107,000 tons. French West Africa — expected yield 63,000 tons—drop of 9,000 tons. French Cameroons—5,000 tons lower at 55,000 tons. Brazil—production of cocoa beans this year at 150,000 tons, 11,000 tons less. A smaller proportion of crop to be processed during 1958.

U.S. COTTON CROP ESTIMATE

Cotton supplies in the U.S. this season are likely to be substantially lower than a year ago. The American Department of Agriculture has announced that the estimated crop, according to advices would amount to 11,786,000 bales. This compares with the forecast of 12,401,000 bales a month ago and the final output of 13,310,000 bales last season. After the new record levels for the yield per acre indicated earlier in the season the rate of output has dropped at 413 lb against 435 lb a month ago and the final figure of 409 bales last year. A month ago the U.S. forecasters provided a surprise by reducing the probable output by 300,000 bales. On this occasion the adjustment has been even more drastic and again proved in excess of market expectations which anticipated production of around 12 million bales. Weather conditions in the growing areas have been far from ideal, and a further decline in the available supplies was generally expected. A feature of the current crop has been the slow rate of ginnings. So far this season these are at the lowest comparable level for many years past. Up to November 1, they were put at 5,594,000 bales, against 9,709,000 bales at the same date a year ago. As a result the crop is singularly vulnerable to late climatic interference due to frost or other harmful influences. Already it is believed that the average grade of the crop will be much lower than last season. On the other hand no shortage of supplies for export is likely as there are at least 2 million bales of good cotton in the Government held stocks.

EUROPE'S STEEL OUTPUT RECORD

Steel production (ingots and castings) in the European coal and steel community in October reached a record total for any month at 5,420,000 metric tons. The October total compares with 5,071,000 tons in September and 5,175,000 tons in October 1956, which was the previous record month. For the first 10 months of 1957, the total was 49.5 million tons, against 47.2 million in the January-October period of 1956, or a rise of 5 per cent.

TEA PRODUCTION

Tea production in North-East India has shown a rise of 1.7 million lb. in October as compared to the corresponding month last year. However, total production during the current season up to the end of October has declined sharply by 28.4 million lb. to 462.61 million lb as compared to the corresponding period of last year and 468.21 million lb being average for the last three years.

IRON CASTINGS OUTPUT IN BRITAIN

Production of iron castings during the first half of 1957 totalled 1.91 million tons, compared with 2.06 million tons during the same period last year and 2 million tons during the first half of 1955. This was reported by the Executive Committee of the Joint-Iron Council at its annual convention recently. Earlier in the year, according to the report, falling demand at home caused stocks of iron castings to rise substantially, but in spite of increased export allocations, the situation was still causing concern at June 30—the end of the period covered by the report. The principal reasons given for this decline were the "underlying policy of restraint adopted by the Government. The difficulties arising from the Suez crisis and the strikes in the engineering and ship-building industries. The only upward trend in demand is in castings for the motor industry — now approaching a record level.

INCREASE IN SUGAR OUTPUT

The production of indigenous sugar amounted to 20.26 lakh tons up to October 31, 1957, in the current season, as against 18.59 lakh tons in the corresponding period of the last year. The total off-take, including quantities despatched for exports, was 21.21 lakh tons. The stocks with the factories on October 31, 1957, stood at 4.58 lakh tons.

INCREASED OUTPUT OF IRON ORE IN AUGUST

The estimated total output of iron ore in India increased from 316,720 tons in July 1957 to 346,422 tons in August 1957, according to official statistics released by the Chief Inspector of Mines. Returns received from 113 mines for the month of August 1957 show despatches totalling 258,253 tons to the iron and steel plants and 109,014 tons to the export market. The reported stocks as at the end of the month amounted to 1,427,513 tons.

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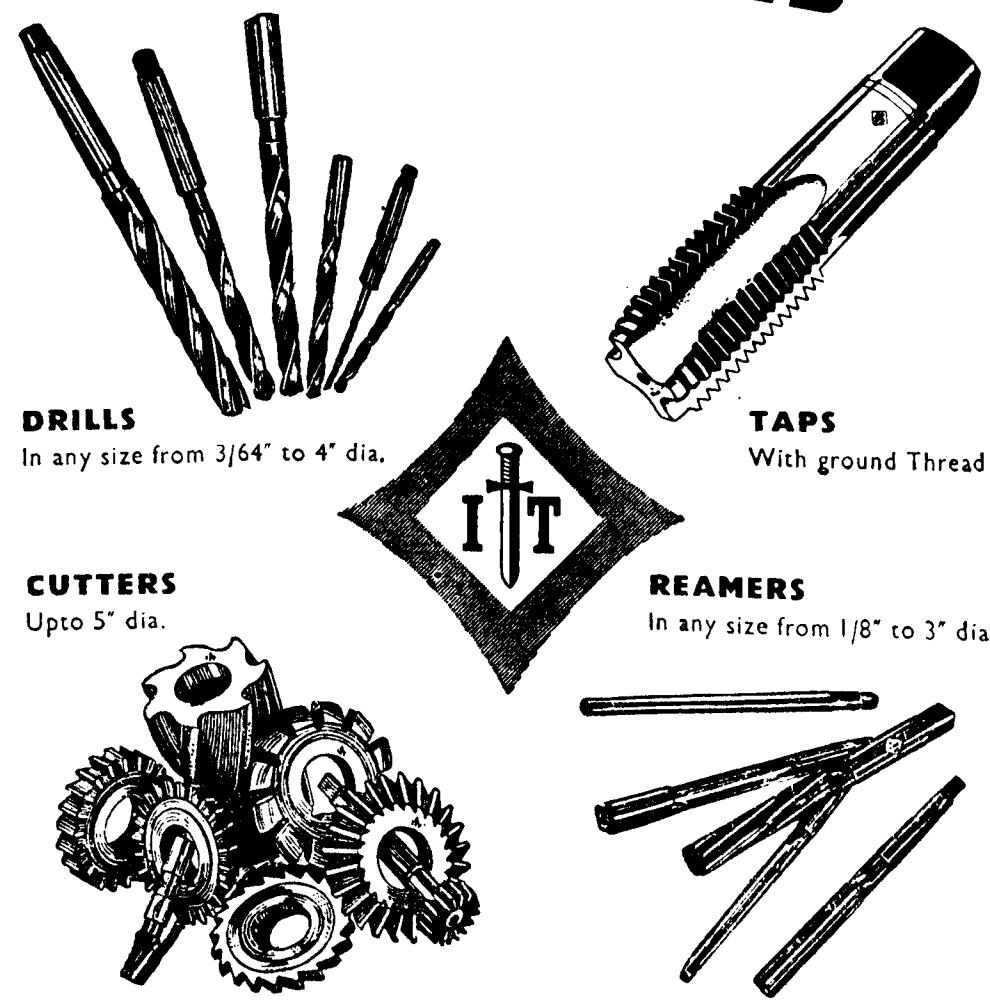
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INDIA'S OVERALL BALANCE OF PAYMENTS

(Rupees crores)

	April-June 1956	July-Sept. 1956	Oct.-Dec. 1956	Jan.-Mar. 1957	April-June 1957†
Imports c.i.f.					
(a) Private	196.1	195.5	209.6	194.7	201.0
(b) Government	34.1	51.1	84.4	110.0	122.1
Total	230.2	246.6	294.0	305.7	323.1
Exports f.o.b.	153.5	134.8	171.5	177.2	139.8
Trade Balance	- 76.7	-111.8	-122.5	-128.5	-183.3
Invisibles (Net)	+ 22.6	+ 22.1	+ 30.1	+ 32.4	+ 28.6
Official Donations	+ 9.6	+ 8.3	+ 7.6	+ 14.3	+ 5.0
CURRENT ACCOUNT (NET)	- 44.5	- 81.4	- 84.8	- 81.8	-149.7
ERRORS AND OMISSION	- 7.1	+ 17.7	+ 2.2	- 17.4	- 7.7
Official loans	+ 4.6	+ 3.3	+ 10.9	+ 37.6	+ 9.7
Capital Transactions (Net)	- 13.2	- 8.9	- 15.6	+ 59.4	+ 77.5
Movement in Foreign Exchange Reserves Increase (+) Decrease (-)	- 60.2	- 69.3	- 87.3	- 2.2	- 70.2

† For convenience transactions relating to repatriation of Lend-Lease silver of Rs. 64.8 crores have been excluded from these.

PAYMENTS FOR SELECTED ITEMS OF IMPORTS ON PRIVATE ACCOUNT

(Rupees crores)

	April-June 1956	July-Sept. 1956	Oct.-Dec. 1956	Jan.-Mar. 1957	April-June 1957
I. RAW MATERIALS					
1. Oils	20.4	20.7	13.7	20.4	21.7
2. Cotton, raw and waste	14.1	10.6	14.1	9.4	6.1
3. Jute, raw and waste	2.0	1.8	2.8	1.2	1.5
4. Dyes and colours	3.8	3.9	3.7	3.6	3.6
5. Chemicals	7.3	7.1	7.9	6.6	5.6
II. CONSUMER GOODS					
1. Cutlery, hardware etc.	7.7	7.2	6.7	6.8	6.9
2. Electrical goods	5.8	5.7	7.2	6.1	7.0
3. Paper, paste board and stationery	4.1	3.5	3.8	3.2	3.9
4. Woollen yarns and manufactures	2.8	3.6	2.5	1.9	2.0
5. Rayon textiles	4.4	4.8	4.3	3.6	2.8
III. CAPITAL GOODS					
1. Machinery	36.4	34.8	40.7	39.3	44.3
2. Metals—iron and steel	29.5	30.2	32.7	27.0	26.8
3. Metals—other than iron and steel	7.8	9.5	10.7	9.2	10.2
4. Vehicles	10.6	11.2	10.2	11.1	10.1

INDIA'S EXPORTS OF PRINCIPAL COMMODITIES

(Rupees crores)

	April-June 1956	July-Sept. 1956	Oct.-Dec. 1956	Jan.-Mar. 1957	April-June 1957
I. FOOD, DRINK, AND TOBACCO	48.6	44.4	62.6	58.0	38.4
1. Tea	30.4	27.5	46.7	44.7	17.3
II. RAW MATERIALS AND PRODUCE AND ARTICLES WHOLLY UNMANUFACTURED	44.5	33.2	42.1	47.2	41.4
1. Cotton, raw and waste	6.8	4.1	4.9	7.9	7.2
2. Vegetable oils	10.2	4.5	6.0	4.8	4.8
3. Hides and skins, raw and tanned	8.0	5.8	8.2	8.4	8.4
4. Metallic ores	4.6	3.9	5.0	5.3	4.0
5. Manganese ore	4.2	4.4	5.5	7.0	6.2
III. ARTICLES WHOLLY OR MAINLY MANUFACTURED	65.2	62.8	72.5	78.2	62.8
1. Jute manufactures	26.7	30.0	32.2	37.1	25.0
2. Cotton manufactures	19.8	16.9	20.3	23.2	20.1

JUTE STATISTICS

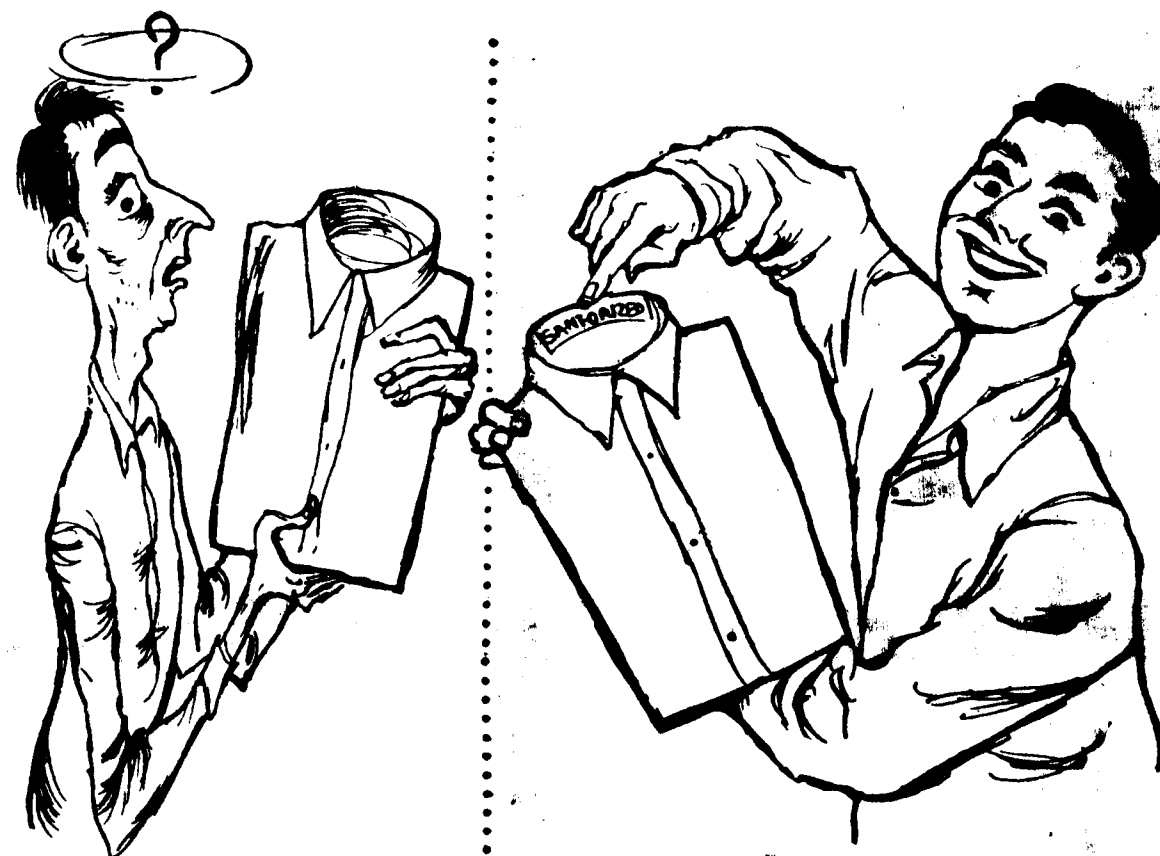
JUTE CROP FORECASTS (Government of India & East Bengal)					SUPPLY AND DISTRIBUTION OF JUTE 1954-55 & 1955-56		
	Prelim. Area (000) acres	Final Forecast			Supply	1956-57 lakh bales	1955-56 lakh bales
		Area (000 acres)	Crop (000 bales)	Bales per acre			
1953-54 Total	20.58	19.56	56.32	2.88	OPENING STOCKS—		
East Bengal	7.89	7.60	25.03	3.20	I. J. M. A. Mills godown stocks		
West Bengal	5.84	5.50	15.36	2.79	a. West Bengal Mills	9.84*	9.70*
Rest of India	6.85	6.46	15.93	2.46	b. Mills outside West Bengal		
					(estimate)	0.38	0.38
					Indian Carry Forward (estimate)	2.47	1.79§
					Pakistan Carry Forward		
					(estimate)	3.30	5.40§
1954-55 Total	26.38	24.86	75.90	3.05		15.99	17.27
East Bengal	13.04	12.43	46.82	3.75	Indian Union Jute crop		
West Bengal	5.84	5.70	15.42	2.71	(trade estimate)	52.80	52.76§
Rest of India	7.50	6.73	13.66	2.06			
					Pakistan crop (Trade estimate)	71.40	66.40§
1955-56 Total	30.59	33.74§	97.89§	2.90			
East Bengal	17.16	16.35	55.92	3.42	Total Supply	140.19	136.37
West Bengal	6.36	8.74§	21.39§	2.45			
Rest of India	7.07	8.65§	20.58§	2.38	DISTRIBUTION :-		
					Mill Consumption :-		
1956-57 Total	..	31.13	97.35	3.13	1. I. J. M. A. Mills (estimate)	62.29*	64.38*
East Bengal	..	12.30	55.14	4.48	2. Outside Mills (estimate)	2.46§	2.52§
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		64.75	66.60*
1953-54		3,90.4	4,44.8	8,65.7	Indian Domestic Consumption		
1954-55		3,99.2	5,57.5	9,94.8	(estimate)	2.00	2.30§
1955-56		4,03.0	6,22.9	10,95.0	Pakistan Exports Overseas		
1956-57		4,28.3	5,26.8	10,25.2	(estimate)	40.93*	43.26*
1957 January		38.8	43.5	88.8	Pakistan Domestic Consumption		
February		35.0	39.6	80.2	(estimate)	11.00	9.60§
March		36.0	43.1	84.7			
April		36.2	44.8	86.8	Total Distribution	118.68	121.96
May		35.6	45.0	87.3			
June		32.3	42.3	86.1	Carry over at end of season	21.51	14.41
July		35.6	45.0	85.9			
August		33.9	43.1	81.9			
September		33.7	47.3	86.0			

*Actual. §Revised.

*Actual. \$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	Middle	Bottom				
		Rs. per md.		Rs. per md.		Rs. per bale		Ra. per 100 yds.	Rs. per 100 bags		
1957	June	Rs. A.	Ra. A.	Rs. A.	Ra. A.	Rs. A.	Ra. A.	Rs. A.	Ra. A.	Ra. A.	
3rd	..	33 8	31 0	40 8	37 8	235 0	43 0	115 8			
10th	..	34 0	31 8	41 0	38 0	240 0	43 6	116 12			
17th	..	35 0	32 8	41 0	38 0	245 0	44 8	118 0			
24th	..	34 8	32 0	41 0	38 0	249 0	43 14	116 7			
1st	July	34 8	32 0	41 0	38 0	235 0	43 4	115 10			
8th	..	33 8	31 0	41 0	38 0	235 0	42 12	114 8			
15th	..	33 8	31 0	40 0	37 0	230 0	42 9	115 5			
22nd	..	34 8	31 0	40 0	37 0	230 0	42 6	115 4			
29th	..	32 8	30 0	39 8	36 8	225 0	41 12	114 8			
5th	August	32 0	29 8	39 0	36 0	220 0	42 9	114 0			
12th	..	31 8	29 0	39 0	36 0	220 0	41 16	113 12			
19th	..	30 8	28 0	35 0	32 0	210 0	41 2	112 12			
26th	..	31 8	28 8	35 0	32 0	210 0	41 12	112 12			
2nd	September	31 8	29 0	35 0	32 0	215 0	39 0	113 10			
9th	..	31 8	29 0	34 8	31 8	215 0	40 3	115 0			
16th	..	32 8	30 0	35 8	32 8	220 0	40 3	115 12			
23rd	..	31 8	29 0	35 0	32 0	230 0	40 5	118 0			



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The

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The Failure of a Funeral

agitated debate on the Finance Minister took place in the Lok Sabha on Wednesday Thursday this week might be summed up in the phrase "The Failure of a Funeral". The

Communist Party of India—aided misguidedly in this matter by Acharya J. B. Kripalani—sought ostensibly to dismiss the Finance Minister and to arrange his departure with every sign of

joyous mourning. The purpose of the exercise, as was indicated by Mr. Frank Anthony in a remarkably able speech in the debate on Thursday, could not possibly have been so single-minded. Obviously the Communist Party of India cannot, merely because of one single attack by the Finance Minister on Russia and China—which has since been explained away even if it has not been totally denied—argue that India's prestige or policy has been mortally hurt. One might argue, perhaps controversially, that India's prestige has been more hurt by her surrender on Tibet and on her ambivalence on Hungary than it can possibly be by ten Finance Ministers casting equivocal aspersions on the Soviet Union or China. The Communist Party has not shown itself so tender of India's prestige in respect of Tibet or Hungary that it can lightly throw the first stone. Obviously the debate had some other purpose. Surely this is because the party feels that closer economic relations with the countries of the West might, in time, dampen our enthusiasm for the East. If this was also the purpose of their attack on the Finance Minister it has been equally defeated, not indeed by eloquence but by the hard facts of the situation to which Mr. Frank Anthony also referred.

The question, which is relevant to the country, is whether the posture adopted by the Government of India via the Finance Minister is one which is, or is not, in the national interest. As far as can be determined from the reports received, there has been a studied dignity in our request for aid. No evidence was adduced in the debate to indicate anything to the contrary. What really is involved, therefore, is not the Finance Minister's approach but whether a request for aid—mistakenly described "as a begging bowl"—is or is not proper to the dignity of India at this time. That two whole days should have been spent on an issue so blatantly clear seems to argue a distortion of the economic facts as they are written into current Indian needs. These facts are two, and two only. In the longer period, covered by the second Five-Year Plan, we have both existing commitments and future commitments inevitably written into our economy as a result of the determination to proceed with the "hard core". In the shorter period, perhaps in the next six months, as a result of the failure of rains, we have an intense pressure in our food supplies which can only be met by large-scale imports. Is it the contention of the Communist Party of India that we do not need these food imports; or that we do not need the foreign exchange for the hard core of the Plan? If so, none of their spokesmen made this point clear in the debate. It is the essence of the matter.

If it is granted that India needs these food supplies and foreign exchange adequate enough to fill the gap, whom, above all, does she need to turn? There is no country other than the United States that has an adequate wheat surplus available for our needs. There is no country which is prepared to lend us a million tons of wheat on P.L. 480 terms or terms even less generous. Therefore, the request to the United States is inescapable to meet the second of our immediate problems. It is arguable on the first that the USSR might conceivably give us a substantial volume of deferred payments as, indeed, it has

agreed to give to Egypt in the last week. India's needs are not those of Egypt; they are, at the present time, at least ten times as large. Is it conceivable that the Soviet Union and Eastern European countries can meet the major portion of India's foreign exchange requirements on the hard core? This is a question to which the country urgently needs an answer.

No one should be so misguided as to decry the assistance which this country has already received from the Union of Soviet Socialist Republics. No one should be misguided as to derogate anything from the great scientific achievements of the Soviet Union symbolised by Sputnik I and Sputnik II. No one, indeed, should suggest that it is in India's interest to depart from any friendship with the Soviet Union which will imperil our security in any way. But to argue that the Soviet Union—if, as one member suggested, a delegation visited that country—can supply the foreign exchange needs of the Indian Union for the second Five-Year Plan, is to fly flatly in the face of all available facts. It is these facts and not the remarkably able and forceful speeches of the Prime Minister and the Home Minister that really dismissed the Communist move. The response of the Government of India to charges of overpartiality to the West was not merely moderate but deeply objective. Thus the Prime Minister did not fail to admit that he was disturbed by some elements in the *New York Times* interview as he was disturbed by the angry remarks made by Mr. Krishna Menon in the United Nations which have since been withdrawn but which were obviously in as bad politics as they were in bad taste. This frank admission of his differences with his colleagues showed the Prime Minister in his best form. There was no duplicity or evasion in his speech in reply which will be ranked as one of the best parliamentary contributions he has made.

As the dust on this controversy settles, one should draw at least one personal conclusion. Both the Finance Minister and the Defence Minister enjoy the confidence of the Prime Minister. It might be assumed, as though it rationally followed, that they wore the same outlook. This is obviously not the case, and if it is argued that the Finance Minister deserves the entire support of the Cabinet because of the remarkably efficient handling of his mission, surely it should be admitted that to the extent that Mr. Krishna Menon makes that mission difficult he is out of place. That he has done a good job on Kashmir except for his irritating losses of temper does not withdraw from the fact that he has not been a good representative of the Indian Union abroad. If, as *The Eastern Economist* believes, the work that Mr. T. T. Krishnamachari has begun should be pursued to a successful conclusion, it is essential that personalities that disrupt or hinder this work should be withdrawn from the areas in which they create animosity. This is no more than to say that one needs at the present time to make some concession to the views of other nations with whom we are intimately concerned. India's prestige does not require that we should insist on maintaining our personalities as well as our policies whatever their consequences abroad. The economic consequences of Mr. Krishna Menon need now to be taken into consideration.

Evasion on the Plan?

THE resumed debate in the Lok Sabha on the second Plan concluded last week—and probably left the man-in-the-street no wiser in his understanding of the likely ultimate size of the Plan. Even the more discerning public might be excused if it got the immediate impression that there was more evasion than enlightenment in the fighting intervention of the Prime Minister and in the chastened reply of the Finance Minister. On second thoughts, however, it would appear that evasive as the official replies were, they were not wholly unenlightening. Evasion was perhaps inevitable where the Government was obviously waiting, like Micawber, for something to turn up on the foreign exchange front, and such enlightenment as there was could thus be read only between the lines.

The Prime Minister's seemingly stout defence, for example, of "the basic structure of the Plan" let the cat out of the bag where it admitted that the problems and difficulties facing India today were due to the fact that "she was trying to go ahead fast" and the Plan compelled the country "to stretch itself to its utmost". In conceding that the strains and stresses had developed in spite of what he believed to be a modest rate of capital formation of 7 to 7½ per cent per annum at present, the Prime Minister probably forgot to mention that if a different kind of treatment had been meted out to the agricultural sector, the economic strains and stresses he spoke of might not have manifested themselves even in a possible attempt to maintain a rate of capital formation of 10 per cent or a little more per annum. But, then, it was supremely important for the ruling Congress Party to avoid the political strains and stresses which would have flowed from any such squeeze on agriculture.

As this was an insoluble dilemma—to tighten or not to tighten the screw on agriculture—it was implicit in the Prime Minister's statement that some things would have to be stopped or delayed as there were no resources. That Mr. Nehru was painfully aware of the fact of a crisis even on the internal resources front, could be inferred from his angry insistence on a "self-help movement" in the rural areas for digging temporary 'kutch' wells, for repairing small tanks, for growing short-duration crops like potatoes, 'bananas', etc. (Incidentally, it was amusing that the Prime Minister, in his understandable impatience with the slow-moving peasantry, thought he knew something of husbandry when he described 'bananas' as a short-duration crop!) It was, therefore, good to know there was coming about a shift in emphasis from the big things like major irrigation projects to small things like minor irrigation from tanks and wells. After all, it may yet turn out that in the difficult field of agriculture small things done in a big way would be more productive of good than big things that cannot be done in a big way for lack of resources, both external and internal.

The Finance Minister's speech was a shade more enlightening than that of the Prime Minister although he chose this time to speak of "the essential priorities in the Plan" instead of the "hard core". This terminological change was probably intended to convey that "the basic structure of the Plan" would be kept intact. It was,

possible that the structure of relative priorities, after deletion or postponement of some individual schemes and projects under each priority head, could well be the same as before. So, what was most relevant to note in his reply was not the proclaimed determination to keep the basic structure of priorities intact but the near-probability of some major projects being dropped. This was clear from his own statement that "in fact, if there is any diminution in the Plan of a substantial character in the public sector, it might have to be in the power projects and, perhaps, even in the one, two or three of the fertiliser projects". It was also clear that some of the programmes of industrial development in the private sector could not be undertaken for the present inasmuch as they required further commitments of foreign exchange.

Mr. Krishnamachari, of course, mentioned some power and fertiliser projects by way of example. That he had probably other major or minor projects in mind could be inferred from his other statement that the Government was "trying to provide funds, both external and internal, for carrying forward the projects which have already advanced considerably" and "to complete, to schedule, the programmes in respect of the railways, major ports, steel, coal and ancillary power" and that no new commitments were being undertaken outside them except against external assistance and foreign investment on deferred payment terms. In the context of the Prime Minister's and the Planning Commission's emphasis on minor irrigation, it could also be inferred that such major irrigation projects as had not been taken up or had not advanced considerably would be dropped or postponed. Since there would be a "bunching" of external commitments over the next 18 months and a large part of the deficit of Rs. 700 crores in foreign exchange would arise within this period, it was not difficult to see that a number of projects would automatically get postponed in point of time, if not dropped altogether.

As for actual performance in the first two years of the Plan, the picture described by the Finance Minister was not reassuring. For the two years together (1956-57 and 1957-58) expenditure on the Plan would be somewhat less than a third of the Plan outlay of Rs. 4,800 crores; the actual financial outlay would, of course, be considerably less than a third if the higher prices were taken into account. The Finance Minister did not appear to be very hopeful of finding resources for matching a target for the remaining three years of more than two-thirds of the total outlay of Rs. 4,800 crores when he said mildly there were "uncertainties in the situation" and politely told the Communist Members of Parliament: "There is a section of the House which is of the view that the Plan should not be pruned and the physical targets set down in the Plan must be adhered to. I appreciate the sentiment. But, in the ultimate analysis, a community gets the equivalent of what it puts in by way of its own effort and sacrifices". What the Indian community could put in "by way of its own effort and sacrifices" without collapsing in the process was by now clear, and if the Communists wanted that the Plan should be implemented as it was, their motives were not above board.

The State Trading Corporation

THE State Trading Corporation's annual report cannot, in view of the controversies it has raised, fail to awaken abundant interest. The earlier recommendations of the Committee on State Trading were evidently inconclusive, and in any event it is nobody's case that they served as the inspiration for the formation of the Corporation. The Corporation does not owe its existence to a statute of Parliament which, apart from the fact that it would have brought accountability to Parliament, ought to have been chosen as the sanction behind an instrument of such a radical departure from policy. It came into being quietly under normal registration in the middle of May 1956 with little indication from previous references to it on behalf of the Government that it would suddenly take concrete shape. Its purpose and functions have been defined in terms that leave room for uncertainty as to the scope of its operations. A reasonable and constructive approach demands that its trading operations and business techniques should be scrutinised to evolve a definite policy for its role as a supplementary agency to augment the country's trade.

The Corporation's report for the first accounting period ending on June 30, 1957, gives evidence which can be read or misread by chance. The Corporation has strayed into spheres where it has caused considerable overlap or superfluous replacement of existing arrangements which had demonstrated their utility as well as efficiency. The crucial figure in its financial results clearly reflects the genuine nature of its activities. Gross profits from trading operations have amounted for the thirteen-and-a-half-month period to Rs. 35 lakhs which is merely half of the profits from agency commission plus some income from service fees. In effect, the Corporation has elected (on its profits performance) to relegate its chief duty as a direct trader to a subordinate position. For the major part the Corporation has leaned heavily on procuring and selling agencies as also on business associates all of whom were long established in their individual lines of business. The very fact of their retention gives clear enough proof of their value in the country's trade. It has been neither demonstrated nor claimed on behalf of the Corporation that in the absence of its intervention these agencies would not have functioned as effectively as the demands of trade required. If the Corporation has been able to step in as an extra agency, it is because of the sanction which it derives from its character as a State organisation.

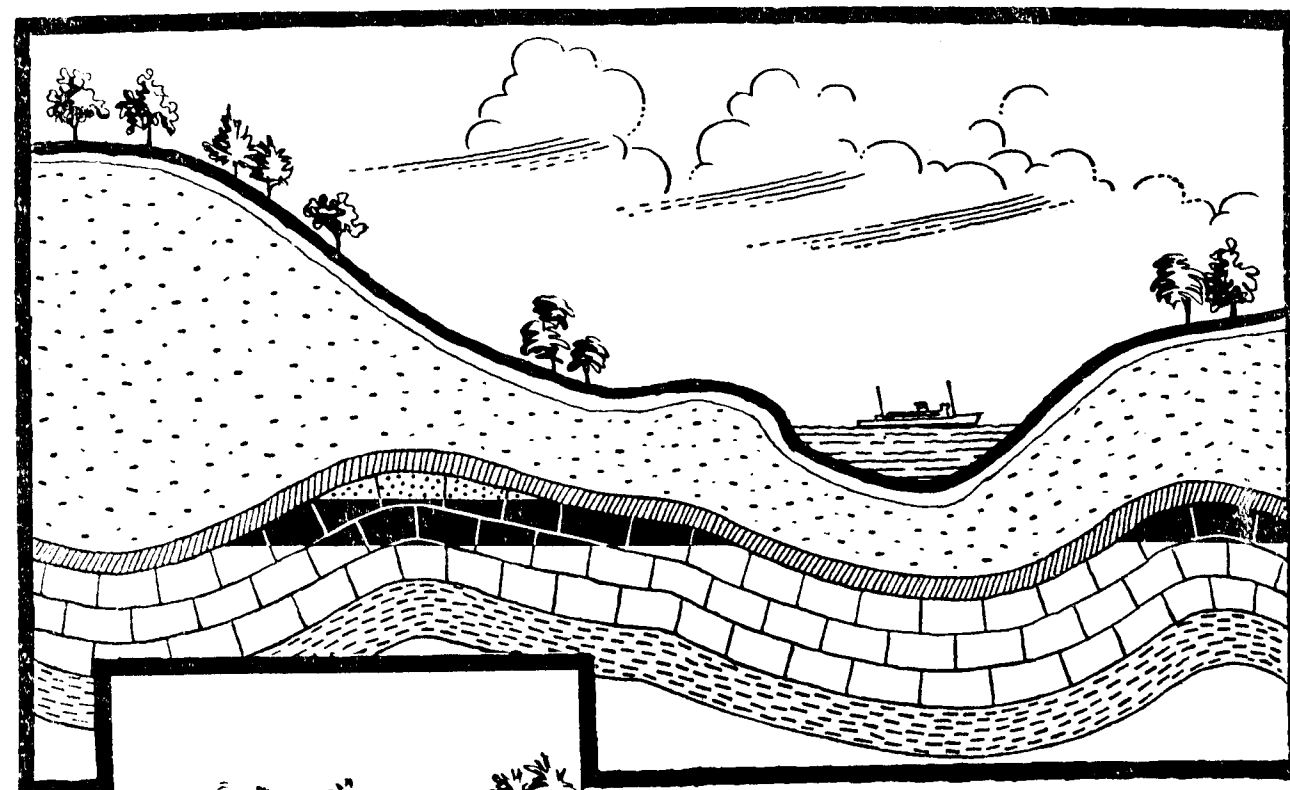
The report claims and should be given credit for the Corporation's specialised contribution in the form of what is described as link arrangements of items of essential imports with exports. These arrangements are in reality the outcome of bilateral transactions as in the case of Viet-Nam and Hungary where negotiations were needed at a Government level. The deal with Egypt is to be interpreted in the light of the strains exerted on her economy in the last year. But while credit is that without the major and active collaboration of the established trading firms or business houses the Corporation could not have been able to face up to the task of performing the contracts arising out of the link arrangements.

Exports more than any other sector of the country's trade demand, in the current phase, real effort for expansion and it is on the test of a successful drive for intensification of exports that the performance of any trade agency will continue to be judged. Credit is due to the Corporation for establishing certain new markets including iron ore in Italy, chrome ore in China, gunnies and Sann hemp in Viet-Nam and salt in Indonesia. The Corporation has also rendered considerable service to small-scale industries to enter the export market of which handicrafts and footwear are typical illustrations. Expansion of exports is an arduous and time-consuming function. But when full allowance is made for this factor, the Corporation has only a modest measure of success to claim. Nevertheless this is good work which should not pass unrecorded.

In essence, the Corporation has adopted a policy of devoting its resources to established lines of exports and almost entirely to export of ores. There exists a seller's market in iron ore by reason of the acute pressure of demand generated by the race for intensified production of steel in the producing countries. The Corporation was able to ship bulk consignments of iron ore on its own account on a very small scale. In the sphere of ores in the larger context, it took a wise decision to act in concert with the traditional private channels and it has frankly acknowledged the extent to which its activities were facilitated by the active co-operation of the liaison committee set up under the auspices of the Federation of Indian Chambers of Commerce and Industry. Many of the misgivings about the Corporation's participation in manganese exports could be removed after clear indications were given that the Corporation would move on the basis of joint sales programmes to be executed in a full spirit of collaboration.

The controversy over the Corporation's monopoly of imports and total internal distribution of cement has now become a matter of intimate knowledge to those interested in the problems of trade. It has not been demonstrated in this latest document how public interests have been promoted by vesting the monopoly in the hands of the Corporation. One significant fact which has transpired from the report is that the loss on imported cement amounted to Rs. 48 lakhs. It could have been larger as anticipated, if shipments had not been hampered by the Suez crisis. Thus there was no justification for earning a "surplus" of the order of Rs. 5.01 crores. The Corporation has been awarded a service fee at the rate of 1½ per cent of the gross turnover, while the disposal of the residue remains undecided for the present.

The Corporation has accepted a prudent policy in maintaining undisturbed the established channels of trade in a majority of cases. It is likely to stay as an integral part of this country's trade mechanism. But it would be well to recognise clearly the limitations on its capacity to function as a direct trader and conserve its resources for procurement of goods on Government account where existing departmental arrangements involve waste of time and money. In that event, resumption of other trade, in which it has participated, by the traditional agencies will be a smooth process.



The Story of Oil—3

Buried power

'Rock Oil' is the literal translation of the Latin words 'petra' and 'oleum' which make up the name petroleum. Trapped underground in the cells and fissures of porous rock, petroleum is a raw mineral consisting of liquid crude oil and natural gas. These are usually found together, and between them they are a major source of power for the world today and the basis of thousands of commodities useful to mankind.

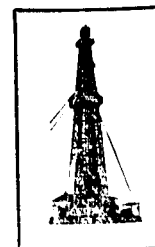
Petroleum is a mixture of substances called hydrocarbons. These are chemical compounds made up of the elements carbon and hydrogen (the former heavy, the latter light in weight). Hydrocarbons vary widely in nature and behaviour according to the different proportions of these

The drawing at the top shows the inside shape of an anticline. Compression has buckled up the earth's crust, squeezed it into these folds. The other illustration is of a fault, a dislocation in rocks. Two sections of the earth have been forced in different directions until they cracked, slipped out of position, and upset the alignment of all the rock strata involved. The black section indicates oil-bearing rock.

two elements they contain. Most are liquids at ordinary temperatures, but some are gases and other solids like bitumen.

Despite popular belief, this petroleum does not collect in large underground pools. If it did, exploration and discovery would be comparatively easy. Instead it lies, usually with a quantity of salt water, in layers of solid looking porous rocks closed in by walls or caps of non-porous rocks which prevent it escaping. There are three main types of oil trap—the 'anticline', an arch-shaped upward fold in the earth's rock layers; the 'fault', or fracture in the earth's crust whereby a non-porous layer has slipped to cut off a porous layer; and the 'stratigraphic' trap, where because of changes in the type of rock a porous layer becomes sealed off by non-porous rocks.

Thus, when geologists begin their search for oil, they start with the knowledge that certain types of rock formation are more likely to yield oil than others.



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ACC HONOURS THE CODE

3

"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."

Code of conduct—FORUM OF FREE ENTERPRISE

As an employer of labour the ACC can well point with satisfaction to the salary/wages and other emoluments paid to its employees and to the many welfare activities voluntarily undertaken over the years.

To take salary/wages first, compare these figures of ten years:

	1945-46	1955-56
No. of employees	17,500	29,000
Salary/wages & amenities	Rs. 127.3 lakhs	Rs. 421.5 lakhs

Thus while the increase in the number of employees was 66%, the increase in the salary/wages, etc. for the same period was over 230%!

As for welfare activities, employees of the ACC's 17 factories and two collieries have for a long time been enjoying a large number of amenities for their security and social welfare, namely: provident fund and gratuity; schools, hospitals and dispensaries, creches, canteens, cinemas, clubs, playing grounds; welfare and benefit fund, and co-operative societies.

All these benefits have been provided out of a consciousness of social obligation. The ACC believes that a well-paid, well-looking, after, happy and contented employee is the best employee.

THE ASSOCIATED CEMENT COMPANIES LIMITED
THE CEMENT MARKETING CO. OF INDIA PRIVATE LIMITED

THE WEEK'S NOTES

THE SPHINX AGAIN

THE NEWS following General Amer's visit to Moscow that the Egyptian request for a new Russian loan has been accepted will naturally be interpreted differently in different countries. In the West, notably in the United States and Britain, it will be read as a balancing act to prevent Egypt's strained economy from tilting under Western pressure. That economic pressure has been great, following what have been described as 'impossible' conditions on the purchase of Egyptian cotton and the slowness with which the West has been willing to grant Egypt a loan following the promising visit of Eugene Black, President of the World Bank, cannot be doubted. Whether or not this was intended, Egypt has been forced to approach the Soviet Union for assistance. In applying the heat surely the West has been unwise.

In the East, no doubt, there are political stakes both in the exuberant presence of Mr. Khrushchev at the reception for General Amer in Moscow and the indication that the loan—believed to be 700 million roubles or £60 million at the official exchange rate—will cover Egypt's deficit in payments for a period of at least two years. This economic security may, or may not, be dearly bought. In neutral countries where no particular importance is attached to receipt of aid from either side of the Iron Curtain, one is tempted to look upon the operation without political undertones.

So to regard it would be a serious mistake. It is obvious, even without any political instructions, that the receipt of a vast amount of equipment and capital goods of Russian types will involve, both for the purchase of spares and for replacements as a whole, a bias towards the Soviet group of countries for imports far beyond the period covered by the loan. Indeed, the loan comes on top of a great "natural" increase in Soviet-Egyptian trade for the first seven months of this year. One estimate is that the trade between the two countries at about \$40 million six times what it was in the same period of last year. Russian participation in Egyptian imports must grow quickly and, since the Soviet Union dislikes unbalanced trade, undoubtedly Russia will be a strong buyer of Egyptian cotton in years to come. In our quieter moments we will recognise that this is a double loss to us. There will be less Egyptian cotton available for us to purchase, and less of Russia's foreign capital for investment in India. We need not, therefore, hail Egypt's success with anything approaching enthusiasm. The fact that so many intelligent Indians fail to see the national interest in deals such as this provides more unhappy evidence of emotional elements which destroy sound perspective in Indian economic affairs.

BERTRAND RUSSELL'S APPEAL

IN AN 'open letter' (published in the 'New Statesman' of London) to President Eisenhower and Mr. Khrushchev, Bertrand Russell has made a powerful plea for agreement between "the two most powerful countries in the world" on the ground "that the matters in which the interests of Russia and America coincide are much more important than the matters in which they are thought to diverge". The identical interests of the two countries, according to Russell, lie in the consideration that "neither side can desire" a world war which would result "in the extermination of both". There is also the consideration that "the international anarchy which will inevitably result from the unrestricted diffusion of nuclear weapons is not to the interest of either Russia or America". The third point that Russell has made out is that "so long as the fear of world war dominates policy and the only deterrent is

the threat of universal death, so long there can be no limit to the diversion of expenditure of funds and human energy into channels of destruction". With such an identity of interests, the two Powers, it is hoped, "will abandon the futile strife and agree to allow to each a sphere proportionate to its present power" and to devote themselves jointly to the preservation of peace throughout the world. At the same time, "they can jointly refuse military or economic assistance to any country other than themselves which persists in the manufacture of nuclear weapons."

One wonders if Bertrand Russell who lays so much stress on the identical interests of the two countries and plays down their divergent interests does not concede the force of the latter where he pleads for "each a sphere proportionate to its present power". As the United States and the Soviet Union alone are the two most powerful countries, a sphere proportionate to the present power of each would virtually mean a division of the entire world into two major 'spheres of influence'. Will the 'divergent interests' of these two Powers disappear merely because the world is divided up into two spheres of influence? Will other sovereign nations agree to Russia and America being joint policemen of the world for preserving peace? Will not Russia claim the entire eastern hemisphere (where Communism has already advanced greatly) as her sphere of influence? Will America be willing to pay this enormous price for agreement with Russia? Will not a possible agreement of the kind pave the way for Communist rule in the West European democracies whose people are any day better off than the Soviet people? Will even India which aspires to be a leading democracy in Asia take kindly to an arrangement under which her possible coming under Communist rule might be facilitated? Questions like these suggest themselves when Bertrand Russell's open letter is perused, but there are no answers to them in what is otherwise a high-souled appeal for world peace.

WILL THE RUSSIAN STATE WITHER AWAY?

ONE OF the answers that Mr. Khrushchev gave in an interview he recently granted to the Chief Correspondent of the American "United Press" Agency in Moscow is, to say the least, unconvincing. This answer was about the Communist theory regarding 'the withering away of the state'. Here Mr. Khrushchev asserted that the state's withering-away process was already under way in the Soviet Union as changes were taking place in some organs of compulsion, but he did not specify what changes were taking place in which coercive organs of state power. In the same breath, the Soviet leader added that the process would be quickened if the danger of external pressure or attack greatly diminished, but he did not mention that this external pressure, if any, could only be of a defensive character and have been caused only by a world Communist movement guided informally, if not formally, by the Soviet Communist Party. That this informal guidance is very much of a fact may also be inferred from Mr. Khrushchev's remark elsewhere in the interview that periodic meetings with the top-level leaders of the Communist movement in other countries "are useful". The inference, therefore, is clear: So long as the pressure of World Communism continues unabated, the defensive counter-pressure of Democracy may be expected to continue as a natural consequence, and this circumstance (described by Communists as 'Capitalist encirclement') will only be used as an excuse for making the Soviet state still more powerful. The state's withering-away will then be as far away as ever.

To look at it from another angle. The withering-away of the state, it has all along been supposed, will

take place only in the stage of ultimate Communism, and no Communist theoretician has up till now claimed that the Soviet Union has reached anywhere near the end of her socialist phase. When Mr. Khrushchev claims that the process of the state withering away is already under way in Russia, he is definitely not on sure ground because it would mean that the system of "from each according to his ability and to each according to his need" is already coming into vogue and that the "administration of men" is being replaced by the "administration of things". Only dupes and simpletons outside Russia might believe that this millenium has arrived in that country, but surely nobody under Communist rule would be so naive as to believe that this is happening.

YUGOSLAVIA'S SECOND PLAN

YUGOSLAVIA IS celebrating her Republic Day on November 29. The usual political significance of the Day this year is overshadowed by the coincident circumstance that Yugoslavia is elaborating her second perspective Plan of economic development—the second Five-Year Plan of 1957-61. Although the second Plan is just under way after a lapse of five years from the close of the first Plan in 1951-52, there have been annual plans in the intervening period when the emphasis was not predominantly on heavy industry and when industrial production increased at an average annual rate of about 13 per cent. There is still less emphasis on heavy industry in the second Plan, even as there is no over-emphasis on small investment by way of reconstruction and enlargement primarily for the development of the light processing industries. Again, the second Plan does not favour agriculture at the expense of industrial production although it does provide for investments in the former. It is thus claimed that the Plan, as it is now designed, would ensure harmonious development and avoid scarcities of goods and stagnation of the individual sectors of the economy.

A unique feature of Yugoslav planning is decentralisation of investment funds as far as agriculture and small enterprises are concerned. As the Plan provides for a large number of small investments in the existing enterprises and in agriculture through co-operatives, the economic independence of enterprises in the disposal of funds is to be further emphasised. At the same time, the small enterprises, having larger funds at their disposal, will be objectively led by the very mechanism of the system towards unification and co-operation. On the other hand, the major industrial and other projects are scheduled individually under the central plan, and their financing and implementation will rest with the central authority.

It may be that, with the strengthening of decentralisation in the matter of decision-making regarding the allocation of small investments and with the retention of central decision-making in the matter of large and basic projects, Yugoslavia will have found a satisfactory answer to the question of centralisation and decentralisation in the organisation of a planned economy. But this is by no means certain, for the process of co-ordinating the need for planned regulation from the centre and the need for stimulation of the initiative of enterprises and lower economic organisations is an extremely difficult one. It is intriguing in this connection why a process of unification of small enterprises is also expected to come about. If this means consolidation of small enterprises into large units, the question arises whether the latter ones will come under central control and direction in due course or whether they will continue to be autonomous. It is, therefore, not clear if the Yugoslav experiment in economic decentralisation will be an unqualified success and thus have any lesson for India which faces an identical problem in planning.

AN ECONOMIST'S JUDGMENT

IT WAS a very constructive speech that Mr. Leon H. Keyserling, former Chairman of the Council of Economic Advisers to the President of the United States, made here at a recent meeting of the Members of Parliament. The speech was particularly noteworthy for the suggestions advanced to improve economic planning in India. One of these was that in order to reduce the clashes between the public sector and the private sector, there should be inter-related objectives and unifying goals extending over the whole economy and the policies and programmes in one sector should be mutually beneficial to those in the other sector. This suggestion is worthy of respect because it is intended to ensure the smooth functioning of a mixed economy which has a recognised place in democratic planning. If, as Mr. Keyserling says, 'constructive agreements' are to be substituted for 'deadening disputes', what is required is only a common willingness on the part of both sectors to learn from the experience of mixed economies in the West. This is, of course, more easily said than done, for the 'golden mean' is easy to contemplate but difficult to reach in practice.

Mr. Keyserling also expressed the view that "no amount of financial juggling can take the place of insufficient physical resources" and that "neither any mere re-sharing of an existing physical product nor any mere regulation thereof can take the place of expanding production and rising productivity". It is not clear if the American economist had deficit financing and egalitarian or redistributive taxation in mind when he referred to 'financial juggling' and 'mere re-sharing of an existing physical product'. If he had had these in mind, his judgment, mature as it is, may command respect. Perhaps the Union Finance Ministry has already reached the position that deficit financing and taxation alike should be kept within reasonable bounds for the rest of the second Plan period. As hints have been dropped to the effect that deficit financing would be limited to Rs. 900 crores and only marginal adjustments in the tax structure would be made, the remaining years of the second Plan will probably not have any more 'financial juggling' of the kind that Mr. Keyserling has criticised.

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A Window on the World

IS AN "ORDERLY" DEVALUATION POSSIBLE?

By

ODYSSEUS

WHAT IS THE CASE for flexible rates of exchange?

On November 22, we discussed their use as a temporary measure pending the return to convertibility of currencies at present divided into hard and soft and hedged about with various import restrictions. This week we turn to consider the idea of flexible exchange rates as a permanent feature of international currency relations. The leading advocate of flexible rates of exchange is Professor Friedrich Lutz of Zurich, with whom I recently had an opportunity of discussing the practical difficulties involved.

Professor Lutz observes that those who favour fixed rates of exchange frequently point out their advantages without explaining what is to be done when a serious balance of payments deficit arises. If all countries could bank on constant equilibrium in their balances, there would be no need for wide fluctuations, and fixed or flexible rates would be to all intents and purposes identical. But India's current foreign exchange deficit illustrates the point that fundamental disequilibria can arise.

If the policy is to keep exchange rates fixed, the authorities, when faced with disequilibrium, can institute deflationary pressure, which is the equivalent of returning to the gold standard and is what the UK seems currently to be attempting. If UK prices, and in particular UK wages, prove flexible downwards, deflation will work in the same way as a fall in the exchange rate. For in both cases, the equilibrium in the UK balance of payments will be restored by a fall in the UK domestic price level relative to the world price level. But in the contemporary world, when workers in most countries can rarely be persuaded to accept lower pay, downward flexibility of prices and wages must apparently be regarded as a thing of the past, a deflationary policy produces unemployment and a decline in national income, and thereby reduces the demand for imports.

The difficulties of restoring equilibrium through deflation are, Professor Lutz stresses, likely to be increased by the reactions of "surplus" countries. Unless they are engaged for other reasons in expansionist policies (e.g. as a cure for unemployment), they will be reluctant to increase the money supply which the rules of the gold standard prescribe, so that the entire burden of the deflationary adjustment will fall on the deficit country. It was this line of reasoning which led Professor Lutz to rebut my argument for the gold standard (published here on November 8), with the observation that, however desirable it is, no country is likely today to be ready to subject itself to the discipline which the gold standard imposes.

THE DANGER OF IMPORT RESTRICTIONS

A second way of maintaining fixed exchange rates in the face of a deficit is foreign exchange control and import restrictions, quotas, and licences. To continue to use these methods would be to reverse the direction in which post-war economic co-operation has sought to steer international trade. But, points out Professor

Lutz, those who, while objecting to the gold standard method of dealing with deficits, advocate fixed exchange have no choice but foreign exchange or import restrictions as the only way of ending a balance of payments crisis. And there undoubtedly remains grave danger that resort to this method may be made in the future. The disadvantages of this method are matters of post-war history: the arbitrariness of the administrative measures that have to be enforced; the direction of international trade into channels other than those determined by comparative advantage; the time-lag with which the measures are taken; the difficulty of abolishing controls once vested interests have grown up under their protection; the possible retaliation by other countries; the unforeseen domestic repercussions which frustrate the objects in view, as when consumers, prevented from buying imported goods, spend their money on buying goods previously exported.

Many who advocate fixed exchange rates as the ideal admit that they dislike deflation and import controls and are therefore willing to compromise on sudden devaluations thereby substituting a new "fixed" rate for the old one which can no longer be held. This is the method recognised by the International Monetary Fund, the authors of whose statutes approved of "orderly" (sic!) devaluations by which they meant that they thought that devaluations could be agreed upon by all members of the Fund so that competitive devaluations should be avoided.

Professor Lutz is against this method because:

(a) One of the main advantages of fixed exchange rates — the encouragement that they give to long-term international capital investment — is lost once the possibility of a sudden devaluation is admitted. When investors can no longer rely on the maintenance of fixed rates in all circumstances, they will — as today — think twice before investing in a foreign country.

(b) Whenever a strain on the exchange rate develops, the possibility of devaluation will induce speculators to sell the currency. This type of speculation is almost without risk, since the worst that can happen is that, if devaluation does not come, speculators will make no profits, but will incur no losses except for the minor costs of their operations. Professor Lutz stresses that under this system there can only be one-way, "bear" speculation, and no counter "bull" speculation, so that a devaluation may be forced which might have been otherwise avoided.

(c) The "orderly" devaluation exists only in the pious imagination of the IMF's founding fathers because within an hour of such a possibility having been mooted in its conclave, rumours of it would sweep the world and touch off universal "bear" speculation.

(d) The decision to devalue is usually put off until the strain, aggravated by speculation, becomes so intolerable that devaluation is forced.

A CHOICE OF EVILS

These are the weak points of fixed exchange rate policies, but Professor Lutz is at pains to point out that every policy has its weak points — including the flexible exchange rates that he himself advocates — and that in most of this world's problems there is no ideal solution but only a choice between greater or lesser evils. There is no perfect way of getting out of a balance of payments crisis (except not to have one) and even if the advantages and disadvantages of different policies can be set forth clearly, and agreed upon, the alternatives leave room for personal judgments and preferences. Some experts will prefer import controls, others fluctuating rates of exchange. Their choice will be much influenced by their prejudices for or against government intervention in economic affairs.

The main advantage that can be claimed for flexible rates is that they allow a country to avoid quantitative import controls and to follow (within certain broad limits which we will look at next week) an "independent" monetary policy, i.e., a policy that is unaffected by deficits or surpluses in its balance of payments. Under flexible rates a deficit does not force a country into contraction of its monetary supply followed by unemployment, nor does a surplus force it into an expansion of its monetary supply followed by rising prices.

In most discussions of flexible and fixed rates, only the avoidance of deflations is usually stressed, but the avoidance of monetary expansions is surely just as important. From time to time the authorities of some of the countries which are members of the European Payments Union have shown nervousness because of the credit expansion which surpluses threaten to cause. The classic example at this moment is, of course, Germany. Professor Lutz takes this nervousness to be a clear indication that these countries would not be — are not — ready to follow the rules of the gold standard, which would require that, when confronted with a balance of payments surplus, they should increase their money supply.

[This is the third in a set of four articles discussing the pros and cons of flexible and fixed rates of exchange. In the first article, entitled "Balance of Payments Problems", which appeared here on November 8, Odysseus outlined his own prejudices in favour of the orthodox gold standard. Thereafter, last week and this, he has outlined the case for flexible rates of exchange as propounded to him by Professor Lutz in a conversation in Zurich where the Professor holds the chair of Economics. Professor Lutz is the outstanding survivor of the School of economics initiated by the late Walter Eucken, whose influence was all-important in directing Germany back to a free enterprise economy with such impressive results after World War II. Next week, the final article of this series will cover the point made by some central bankers that the obligation to maintain fixed exchange rates provides them with a powerful defensive weapon against inflation, the objections, that fluctuating rates would (a) hamper international trade by adding to the risks of traders, (b) reduce the volume of international lending, and (c) provoke demands for higher wages from trades unions whenever the currency depreciated, (d) would encourage continuous "bear" speculation, and (e) would necessarily mean unstable rates. Economists who are interested in a full exposition of Professor Lutz's views on flexible rates will find them dealt with at length in a study that he published in the 'Banca Nazionale del Lavoro' Quarterly Review, dated December, 1954. —Ed.]



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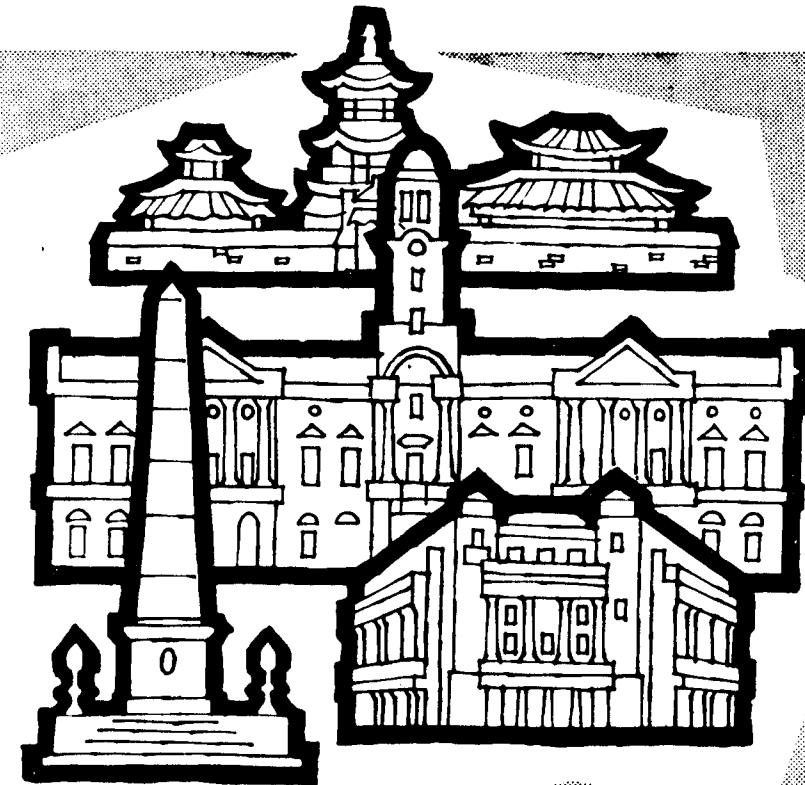
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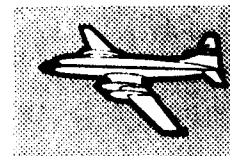


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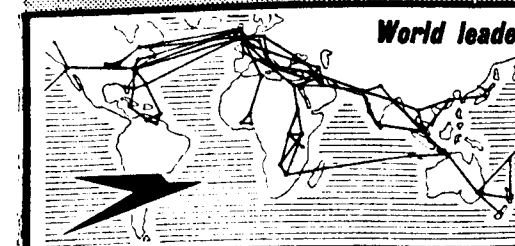


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FRANCE ON HER OWN

(From Our Special West European Correspondent)

PARIS, November 25.

BY the time this appears in print, the debate on Algeria should have begun at the United Nations, in the Political Committee, and the Americans will be rounding up their retinue of retainers to ensure a vote favourable to France, "favourable" in giving Paris another reprieve. The French Government, at least, is this week quite confident of a suitable outcome to this second U.N. discussion of the Algerian war; it is notably confident that it will have the verbal support of its two chief allies, Washington and London. So, as far as appearances go, France will not be alone in New York. But in Paris there are few illusions. The excuses, apologies and promises lavished from the Anglo-Saxon capitals in the last ten days, and even the assurance of support in the U.N. debate, have done nothing to efface the realisation that the delivery of British and American arms to Tunisia means that henceforth France is very much on her own in continuing the Algerian war.

It may seem curious, especially to readers in India, that this realisation has been so slow in dawning. But the French are very much convinced of the righteousness of their cause in Algeria (even if half of them are less so about some of the measures used to defend it) and have thought that, however embarrassed their allies might sometimes be about it, their case was too strong ever to be challenged within NATO. Washington and London have been saying this week that the decision to send arms to Bourguiba did not constitute such a challenge, but in diplomacy first impressions are often more reliable than the honeyed hypocrisies that follow. And last week the first impression throughout the Continent and North Africa was that Paris had been served a sharp and humiliating admonition for her dilatoriness, together with a warning that Anglo-Saxon tolerance for her Algerian policy was approaching the limits.

French opinion took it this way and there ensued an outburst of passionate anti-American and anti-British feeling which was not only extraordinary in its proportions, even in this politically excitable country, but attained classes of people usually free of the Latin distrust of the English-speaking nations. The sillier Persian newspapers took it for granted that this was another step in the Anglo-Saxon conspiracy to rob France of the Sahara petrol; but even the more level-headed ones saw in it an attempt to restore an Anglo-American joint management of the Western world, such as existed during the last war and such as it has been France's wish to avoid since. The British are suspected here of desperately wanting to restore this two-power hegemony, if not to revive the glories of the Churchill-Roosevelt condominium then at least to promote themselves to the position of the U.S.A.'s privileged ally. This British longing excites distrust everywhere on the Continent and in exploiting the fear of it France can usually manage to get support from the other Continental members of NATO. Most West European countries are ready enough to accept America's necessary leadership of their alliance, and even when America's wider responsibilities oblige her to cross a European nation's interest (as during Suez), the Americans are sooner or later forgiven — but what is not accepted is Anglo-Saxon leadership, and what is less readily for-

given is a situation in which the British seem to "gang up" with the Americans.

As will be shown below, the French case in the dispute about arms aid to Tunisia is absolutely baseless; the Anglo-American decision was undoubtedly a wise one. But the fact remains that British behaviour in this incident has been distinctly peculiar, and it is this that has given the affair its curious flavour. France's Arab policy was resoundingly disowned by the Americans during the Suez crisis, but then the British were with the French; in this new opposition to France's Arab policy, the British are with the Americans, and naturally attention here has been concentrated on this "desertion" or "betrayal" of the ally of last year more than on the reasons for the American decision. Rational or not, this reaction must have been foreseen in London and it is this that makes British anxiety to be the first to deliver arms in Tunis more strange. After all, the reasons invoked were the need to keep Tunisia in her present pro-Western mood and the urgency of forestalling deliveries from the Communist bloc and its appendages. But this task is normally left to the USA, who are quite capable of fulfilling it without British help. Deliveries of American arms alone would have met Tunisia's needs, served the Western strategic cause sufficiently and done much less damage to the unity of NATO (it being understood now in West Europe that the USA has other responsibilities besides its European alliance). Certainly no one would have thought it odd, least of all the Tunisians, if the British had not been associated with the delivery of arms. Belgium, Italy and possibly other European countries had declined to provide arms, not only because they wished to avoid offending the French but because they knew the Tunisians would not suffer since the USA would in the last resort fill the bill.

It was the British haste not to leave the job to the Americans and not to do as the other European nations had done, moreover to ensure that their unnecessary assistance arrived in Tunis before the American weapons and, by coincidence, during the visit of the British War Minister, generals and R. N. vessels, that made it obvious that the Tunisian affair was not just part of Western anti-Communist strategy in the Arab world but had other implications. It is the search for these other implications that has made the affair a full-scale NATO crisis. Without the precipitate British intervention, the affair would have seen initial French indignation being quickly assuaged with reminders of America's anti-Communist duties (or obsessions). As it is, observers (and not only in France) have cast about for explanations in such fantasies as Britain's wish to "pay France off" for the Common Market scheme which London is represented as determined to scuttle at all costs, in the repentance of the traditionally pro-Arab Foreign Office for its collusion with the Israelis last year, in Britain's anxiety to demonstrate in the Mediterranean that her holding on to Cyprus has nothing to do with colonialism, or in a British desire to make clear that London prefers her "special" connection with America to NATO unity and the Entente cordiale. Even if none of these suspicions are true (though the last can scarcely be unfounded) British participation in the Tunisian affair has brought it home to the French that, anti-Communism and Western strategy quite apart,

their Algerian policy finds no real support among their allies, not even in an imperialist country.

Whatever may have been Britain's special motives and, however much these may have given the affair its peculiar importance, the fact stands that France's position is indefensible and inconsistent. Paris claims that she was on the verge of providing arms for the Tunisian army, so the hysterical cries that Anglo-American arms will be used by the Algerian rebels to kill French troops must be insincere; the assurances France would have obtained from Bourguiba would have been no more valuable than the assurances he has given London and Washington. Moreover, though it is a fact that Tunisia is passively supporting the Algerian rebellion to a degree quite incompatible with her international obligations, it is also true that no weapons formerly belonging to the Tunisian forces have ever been found in the Algerian rebels' possession; arms are smuggled into Algeria via Tunisia but that is another question. The French attitude that more stringent conditions could have been imposed on Bourguiba before he received any arms is a reflection of the French unwillingness to take Tunisian independence seriously. Tunisia is admitted to be juridically independent but in many practical matters some French politicians and officials imagine that Tunisia can be treated as a dependent nation.

Both the anxiety about how much aid Tunisia will give or suffer to be given to the Algerian rebels and the limited acceptance of that country's independence are based on recognition of an undeniable fact that the writ of the Government in Tunis does not run throughout Tunisian territory. For it is a fact that Mr. Bourguiba's sovereignty is more readily accepted in international capitals than it is in many parts of Tunisia itself. Hence the main French argument in this affair is that Bourguiba is not master in his own house, and that is why it is folly for the Anglo-Saxons to entrust him with arms when a war against one of their allies is going on at Tunisia's doorstep. All of this is true, but far from supporting the French case, it justifies the Anglo-American decision. The reason the Government in Tunis is not master of Tunisia is just that it lacks the army and security forces required to enforce its will throughout the country. Most important, the infant Tunisian army and police are quite outnumbered

by the Algerian rebel forces that non-chalantly make themselves at home in Tunisia. Bourguiba cannot logically be charged with allowing the rebels to use his territory as a base and at the same time denied the force necessary to ensure that the rebels respect Tunisian sovereignty. A little more patience from the French and a lot less fuss, and it would probably emerge within a few months that the use Bourguiba makes of his new weapons would assist the French cause in North Africa.

It is not suggested that Bourguiba is going to use his new weapons to declare war on the Algerian rebels and thus join the French in their blind Algerian repression. But it is only the influence of Tunisia and Morocco that can bring nearer a peaceful solution in Algeria, and that influence cannot make itself felt as long as Tunisia has no power of its own, no allies willing to provide it with arms and no authority to prevent the rebels using Tunisia as their comfort station. The Algerian rebels, as was pointed out on this page earlier this month, are becoming a formidable military force, not strong enough to evince the French by main force but strong enough to dominate the Arab Governments of North Africa. As long as a solution in Algeria is still to be sought, the Governments in Rabat and Tunis will need to have increased physical force and prestige — while if that solution, when it comes, involves Algerian independence then it will be more than ever necessary that the neighbouring Arab nations have sufficient strength to avoid domination by a new Algerian people forged in war and bloodshed, respecting only the power of violence and (although not inclined to Communism) far from well disposed to the Western allies of France. It is, no doubt, that long-range calculation that weighed with the USA in deciding on a course that would plainly produce, and has produced, a vehement emotional reaction in France. In so far as this affair has shown the French how alone they are in continuing the Algerian struggle, one cannot prophesy what results it will have on their North African policy. One likes to imagine that this humiliating warning will incite them to seek a settlement with the rebels, but it is just as likely that it will increase their stubbornness in persisting in a war that must prove the ruin of their African empire and of their waning world influence.

WORLDGRAM

AGRICULTURE

River Valley Projects in Rajasthan under Second Plan: Twenty irrigation and multi-purpose projects, (other than the Rajasthan Canal) which will irrigate an area of 7.74 lakh acres in Rajasthan State, have been included in the second Five-Year Plan. The total cost of the schemes, some of which will be carried over to the third Five-Year Plan, is estimated at about Rs. 18.01 crores. Of this amount, Rs. 10.54 crores are likely to be spent during the second Plan period and 2.11 lakh acres will receive irrigation benefits during this period. A sum of Rs. 13 lakhs has been allocated for investigations during this Plan.

Proposed Poultry Farm at Bhubaneswar: A pilot poultry farm at Bhubaneswar was proposed to be set up by the Government of India, said Shri A. P. Jain, Minister for Food and Agriculture, in a written reply to a question by Shri Sanganna in the Lok Sabha recently. Shri Jain also stated that the Orissa Government had agreed to place a plot of land near Bhubaneswar at the disposal of the Government of India free of cost for setting up such a farm there.

Study of Agricultural Extension in India: A group of 17 senior officials from eleven Asian and Far Eastern countries will tour India for two weeks to study agricultural extension policy and administration in the country. Organised by the F.A.O. as a co-operative project, in which the Governments of India, Japan, and Philippines have agreed to serve as hosts, the Indian tour will begin on December 1. Similar tours have been undertaken in Japan and Philippines since November 4. This step has been taken to implement a recommendation of the F.A.O. Agricultural Extension Development Centre, held at Bhenal in December 1955.

INDUSTRY

Production Centres in Kerala: Schemes for the development of small-scale industries, envisaging the setting up of training and production centres, industrial co-operatives and common service centres in the States of Kerala, Madras and Mysore, have been approved by the Government of India. In Kerala seven training cum production centres are being set up for the manufacture of cycle parts, hardware fittings, locks and toys. Seven production units would be set up for the manufacture of precision instruments, furniture, doors and window frames, carpentry, lacquer work, and bell-metal and plastic products.

Handicrafts Emporium to be Set Up in Agra: Three more emporia for marketing handicrafts are to be set up under schemes sanctioned by the Government of India. About Rs. 8 lakhs as grants and loans have been sanctioned for the purpose by the Union Ministry of Commerce and Industry to the All-India Handicrafts Board and to the States of Uttar Pradesh, Mysore, Bombay, Orissa and Rajasthan on the recommendations of the Board. Of the three new emporia to be established, one will be at Agra and the other two at Mangalore and Belgaum in Mysore. The emporium in Agra will be near the Taj. This would help to increase the sale of Indian handicrafts, particularly to tourists who invariably visit the Taj.

Production of Mill-Made Cloth: The production of cotton textiles by mills during the first ten months of

1957 was 4,447 million yards as against 4,397 million yards in the comparable period of 1956. The total number of workers employed in cotton textile mills in 1956 was 9,32,855 as against 8,02,000 in 1953. The average number of workers employed in the first eight months of 1957 was 9,50,256.

Credit Facilities to Small Industrialists: Financial assistance of over Rs. 1.5 crores has been sanctioned by the Government of India to different States and Union territories for providing loans to small industrialists. These loans will be disbursed during the current financial year by the State Governments and the Administrations of Union territories under the State Aid to Industries Act and other regulations in force. Almost all State Governments have liberalised the rules for advancing funds to small industries under the State Aid to Industries Act. Loans will be given to bonafide small industrialists up to Rs. 1,000 on a personal bond and up to Rs. 5,000 on the security of one or more personal sureties.

Kargali Coal Washery Plant: Sardar Swaran Singh, Union Minister for Steel, Mines and Fuel, said in the Lok Sabha that the coal washery plant at Kargali was expected to work to its full capacity by July 1958. The Minister added that owing to difficulties met in the foundations of the coal washery and also in obtaining some imported machinery, delay had occurred and the plant might not be commissioned by January 1958 as anticipated earlier. Sardar Swaran Singh detailed further information about the washery plant and stated that when it was in full production, the number to be employed in its operation will consist of 132 unskilled categories of workers, 16 of skilled categories and 11 executive, supervisory and clerical personnel.

TRADE

Protection to Textile Machinery Industry Extended: The Government have accepted the Tariff Commission's main recommendation that protection to the cotton textile machinery industry in respect of complete ring frames, spindles, spinning rings, fluted rollers and automatic looms should be continued beyond December 31, 1957, for a further period of three years ending on December 31, 1960, and the protective duty should be continued at the existing rate of 10 per cent 'ad valorem'. Government have also accepted the recommendation that protection in respect of plain looms should be discontinued with effect from January 1, 1958. Government have taken note of certain other recommendations made by the Commission for assistance to the industry and will consider suitable action to the extent possible. The attention of the industry has been invited to the Commission's recommendations that it should (a) get in touch with the Forest Research Institute, Dehra Dun, and provide it with the information which it may require in carrying out investigation into the types of wood suitable for looms, (b) submit its case for the export of its products to the Export Promotion Directorate of the Ministry of Commerce and Industry, and (c) take steps to provide quick and adequate after-sale services at the centres where machines manufactured by different units are installed.

U.K. Trade in October: United Kingdom overseas trade showed its usual seasonal revival in October compared with September, although imports rose more sharply than exports, according to a Board of Trade announcement confirming the provisional figures for

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NEWS IN BRIEF

October issued earlier. British exports, at £271,800,000, were over £25,000,000 more than in September; and re-exports, at £11,200,000, were £1,500,000 more. Imports, rose in October by nearly £45,000,000 to £353,100,000. The visible trade deficit rose by £18,000,000 to £70,100,000.

Protection to Stearic and Oleic Acid Industry: The Government have accepted the Tariff Commission's main recommendation that protection to the stearic and oleic acid industry should be continued for a period of 2 years, that is, till December 31, 1959, at the existing rate of duty, viz., 35 per cent 'ad valorem' or 50 Naye Paise per lb., whichever is higher. Government have also taken note of certain ancillary recommendations made by the Commission for assistance to the industry for consideration and implementation as far as possible. The attention of the industry has been invited to the Commission's recommendation that it should actively collaborate with the Indian Central Oil Seeds Committee and make earnest efforts to establish the use of oils extracted from oil seeds like cotton seed and mowra seed for production of fatty acids. The attention of the manufacturers of derivatives of stearic and oleic acids has also been invited to the Commission's recommendation that they should take necessary steps to standardise their processes of manufacture so as to produce materials which would satisfy the requirements of the consuming industries.

FINANCE

Assistance Under P.L. 480 Programme: The Deputy Minister of Finance, Shri B. R. Bhagat revealed recently that the agreement entered into between the Governments of India and the U.S.A. on August 29, 1956 under the United States Public Law 480 had enabled India to obtain wheat, rice, cotton, tobacco and dairy products worth Rs. 109 crores from U.S.A. in rupees up to October 31, 1957. The purchase had meant considerable saving in foreign exchange and had resulted in making increased quantities of food grains available for domestic consumption and for building up reserve stocks.

Estate Duty Collections: The Finance Minister, Shri T. T. Krishnamachari, placed on the table of the Rajya Sabha a statement showing collection of Estate Duty from the year 1954-55. According to the Statement estate duty collections amounted to Rs. 85,14,416 in 1954-55; Rs. 1,73,26,756 in 1955-56; and Rs. 2,10,75,135 in 1956-57. During the current financial year, collections amounted to Rs. 64,09,654 up to the end of October. The statement also gives State-wise breakdown of the estate duty collections.

Inter-State Sales Tax: Shri B. R. Bhagat, Deputy Minister of Finance replied in the affirmative to a question by Shri Ramakrishna Reddy in the Lok Sabha whether the operation of Section 15 of the Central Sales Tax Act had been postponed from October 1 this year to January 1, 1958. The Deputy Minister added that an officer of the Finance Ministry had discussed with certain State Governments the difficulties anticipated by them on the enforcement of Section 15 of the Central Sales Tax Act, 1956. The agreed decision reached in the light of the above discussions would be incorporated in a Bill that would be brought before the House shortly.

Bank Payments Abroad: Shri B. R. Bhagat, Deputy Minister for Finance, told Sarvashri H. N. Mukerjee and M. Elias, in the Lok Sabha that the High Commission of India in the U.K. made remittances through the Reserve Bank of India, London. The amount of payments made by the Reserve Bank, through foreign banks, were: January-June 1956: £9,236,600 (Rs. 12,31,54,667); July-December 1956: £9,274,876 (Rs. 12,36,65,013); and January-June 1957: £30,806,461 (Rs. 41,07,52,813). The details of such payments made by the Indian Embassy, Washington, as available at present, were: January-June 1956: \$2,434,605.98 (Rs. 1,15,93,361.81) and July-October 1956: \$1,878,904.22 (Rs. 89,47,162.94).

Securities Contracts (Regulation) Act 1956: The Government of India have declared Section 13 of the Securities Contracts (Regulation) Act, 1956, to apply to the area comprising the limits of the Ahmedabad Municipal Corporation with effect from November 16, 1957. As a result of this declaration every contract in securities in this area which is entered into after November 16, 1957, otherwise than between members of the Ahmedabad Share, and Stock Brokers' Association, Ahmedabad, which has already been recognised by Government under Section 4 of the said Act, or through or with such members shall be illegal.

GENERAL

Janta Policies: The total value of the Janta policies issued up to October 28, 1957 was Rs. 62,95,961, according to a Statement laid on the Table of the Lok Sabha recently by Shri B. R. Bhagat, Deputy Minister of Finance. The centres that had been opened up to September 30, 1957 for issuing Janta policies were: Hyderabad and Kakinada in Andhra Pradesh; Bombay City, Sholapur and Ahmedabad in Bombay State; Madras, Kumbakonam and Coimbatore in Madras State; Rohtak and Sonapat in Punjab State; Kanpur in Uttar Pradesh; Calcutta and Siliguri in West Bengal and Delhi.

Electricity Output: During June, 1957, 799 public utility supply undertakings generated 896.1 million kilowatt hours (kwh.) of which 728.1 million kwh. were sold to ultimate consumers. The output in May, 1957, was 930.2 million kwh. Six generating undertakings were the new additions during the month. These are at Mangaldai in Assam, Katihar and Saharsa in Bihar and Mahuva, Nakhira and Nakhatrana in Bombay.

Traffic Handled at Calcutta Port: The total traffic handled during the second half of October, 1957, by Calcutta port amounted to 394,056 tons — the highest ever handled in recent months. In the second half of September, 1957, the port had handled 370,545 tons. The landing of 48,340 tons of steel during the fortnight also set up a record, the next best figure being 42,200 tons handled in the second half of March, 1957. Imports handled during the fortnight amounted to 203,521 tons, of which steel accounted for 48,340 tons and food grains, 44,976 tons. Exports were 190,535 tons of which ores were 36,052 tons. The tonnage of ore shipped from the new mechanical ore-berth on October 19 in three shifts amounted to 2,300 tons. The number of vessels which entered the port during the second half of October was 82 and the number which left was seventy-eight.

INDIAN

Applications for further export of rice products by shippers who have completed shipment of the maximum quantity of five tons will be considered on ad hoc basis, according to an Export Trade Control Notice.

It is reported Import licenses for lead and tin are being issued and some importers have actually received the licenses.

The Government of India have clarified that the expiry date of December 31, 1957, should be the date of arrival of goods into India in respect of the concession for importation by sailing vessels (country crafts).

Shipping bills for export of cotton yarn under the free licensing scheme will be validated for three months from the date of passing, in the first instance, instead of one month as hitherto.

The Rajasthan Government has created a health fund of Rs. 5 lakhs and has launched a vigorous drive to raise contributions for this fund.

It is reported iron ore exports from the three major ports of Calcutta, Bombay and Madras in October declined sharply to 76,900 tons from 114,942 tons in the previous month.

A room in the F.A.O. building in Rome, furnished with articles made from Indian timber and other materials has been presented to the World organisation by India.

The Government of India have accepted the Tariff Commission's main recommendations that protection to the automobile leaf spring industry should be continued up to December 31, 1959, and the standard rate of protective duty should be retained at the existing level of 50 per cent 'ad valorem'.

By the end of June 1957, 15,62,553 handlooms had been registered in different States under the Handloom Registration Order.

About 19 lakh houses are expected to be built during the second Five-Year Plan period in the public and private sectors against 13 lakh units added in the first Plan.

The Government of India has released a further quantity of 1.70 lakh tons sugar for free sale, says a Ministry of Food and Agriculture Press note.

The Indian standards Institution has issued two standard specifications for items relating to maize starch (corn flour) and IS:1007-1957 for custard powder.

Nearly Rs. 5.45 lakhs have been allotted for the uplift of backward classes in backward areas of Himachal Pradesh for the year 1957-58.

FOREIGN

Japan and New Zealand are expected to begin talks for a trade agreement at the beginning of next year. New Zealand is believed to be particularly interested in Japanese heavy electrical equipment and rolling stock.

Antigua is to seek a £130,000 loan in London for the extension of the Island's electricity scheme. Approval for this has been given in the Colony's Legislative Council. Steps are now being taken to purchase land for the site of the new power station.

Portugal's exports of sardines during the first nine months of this year rose to 23,284 tons, compared with 21,283 tons during the corresponding period of 1956.

The Malayan Government has extended its ban on the export of rubber seeds to cover all types of colonial seeds because all available seeds are needed for a small-holder's rubber replanting scheme.

The International Tin Council will meet in London on December 11, instead of on January 29 as originally planned. It is generally assumed that the main purpose in calling the meeting earlier is to consider whether or not to impose export quotas.

West German car and vehicle production in October reached all-time record with 115,119 units, compared with 101,458 in October 1956.

A French financial group headed by the nationalised Credit Lyonnais is to form, in association with Iranian interests, a Franco-Iranian bank in Tehran. French interests will hold 49 per cent of the capital. Another Franco-Iranian agreement provides for the building of a paper mill in Iran.

Germany is closely behind Britain as a leading export nation. With a record £277.3 million last month, German exports were 13.8 per cent higher than in October, 1956, and just 2 per cent below the British figure of £283 million. Imports amounted to £245 million, 10.3 per cent above a year ago.

It is reported China's National Economic Commission has approved the dispersed construction of 18 medium and small iron and steel plants.

The Ceylon Government has approved an 18 million rupee (£1.35 million) a year programme of rehabilitation for the tea industry. The programme, which will run for five years, contemplates the replacement of old bushes by fast yielding plants. Funds will be raised by a levy of about 1d on each pound of tea.

The world's merchant fleet rose sharply by 5,046,000 gross tons to a new record level of 110.2 million tons during the year ended July, 1957. Apart from the war years, for which figures are not available, this is the largest annual increase in world tonnage since 1920.

A Franco-Israeli trade agreement providing for a 25 per cent increase in Israel exports to France in 1958 has been signed.

Economic Report from the U. S.

CUT IN DISCOUNT RATE

(By GUY SIMS FITCH)

WASHINGTON, Nov. 18.—In a sudden, though not entirely unexpected move, the United States Federal Reserve Board last Thursday lowered its discount rate, signalling a relaxation of the tight rein it has held on the nation's credit supply for the past four years. The discount rate is the interest charged on loans that the nation's Federal Reserve Bank extends to commercial banks which are members of the Federal Reserve system. By making it less expensive for commercial banks to borrow money from the reserve, a reduced discount rate obviously increases their ability to grant loans and thus tends to stimulate general lending activity. The reduction, effective today, is from 3.5 to 3 per cent, and affects at this time only four of the reserve system's 12 district banks—those at New York, Atlanta, Richmond and St.-Louis. The other eight banks also are expected eventually to lower their rates to the 3 per cent figure.

Discount rate changes also may tend to set new patterns for all interest rates. Many analysts, for instance, expect the "prime" rate—the interest charged by commercial banks to customers with top credit ratings—to follow the discount rate downward. The prime rate at major banks now is generally 4.5 per cent. Once this is cut, other commercial rates also may start to drop. What makes this week's discount rate cut particularly significant is the fact that it is the first such reduction since April 1954—nearly four years ago. From a level of 1.5 per cent, the rate has been moved higher seven times since April 1955 the most recent boost coming last August, when it was raised from 3 to 3.5 per cent. These increases reflected the F.R.B. aim to curb surging money demand—a primary factor in the inflationary pressures of the

past few years—by making borrowing more costly. This first relaxation in nearly four years does not mean that the Board's experts see a marked economic downturn in the making, with the inflationary trend giving way to a serious deflation. All their recent statements indicate that they still consider inflation the chief threat to economic stability over the long run. But spokesmen for the Board, which seldom offers official explanations for its moves, have said that this week's discount rate cut was approved because inflation, for the time being, had ceased to be the dominant factor in the economy.

The recent drop in the volume of bank loans probably has been another significant factor in this week's F.R.B. action. Indicating that the "tight" money policy had taken hold, commercial bank loans to business in principal cities have dropped since the middle of this year by 800 million dollars to a total of 31,300 million dollars. In the same period last year, these loans increased by more than 1,200 million dollars. Whether the cut in the discount rate will be followed by other policy relaxations remains to be seen. So far, however, Board spokesmen have denied that any really dramatic policy reversal is in the wind. What all this seems to add up to, is a more or less gentle easing of tight policies in line with the moderate slackening in the rate of economic expansion—a good example of the government's "flexible" monetary policies in action. The discount rate reduction thus may be said to assume the role of a preventive rather than a remedial measure, one to help ensure that no serious deflation occurs and that economic growth continues on a sound and orderly basis.

FORUM OF FREE ENTERPRISE

An Appeal

The economic difficulties confronting the country have been accentuated by the recent failure of food crops in several States. This has created a critical state of affairs, which is reflected in inflationary pressures and a serious rise in the basic cost of living. This has brought with it hardship and suffering to many of our people.

The situation is such that the Government and the country need the support of all who can help, and particularly do we see a challenge to Free Enterprise to rally to the aid of the Nation.

This can be done in several ways. By a vigorous and resourceful determination to overcome the many difficulties which have arisen to retard our plans for industrialisation; by maintenance of the highest standards of integrity and fair dealing in the conduct of our business; by scrupulously eschewing any tendency to exploit a shortage of consumer goods; and by such realistic adjustment of Government's economic and financial policies as would enable the Nation to meet the situation effectively.

The Code of Conduct enunciated by the Forum is a model for Free Enterprise to follow. It is for each one of us, whether industrialists, businessmen or traders, to measure up to this Code in the steadfast and sustained determination to see the country through the troublous times which now beset her.



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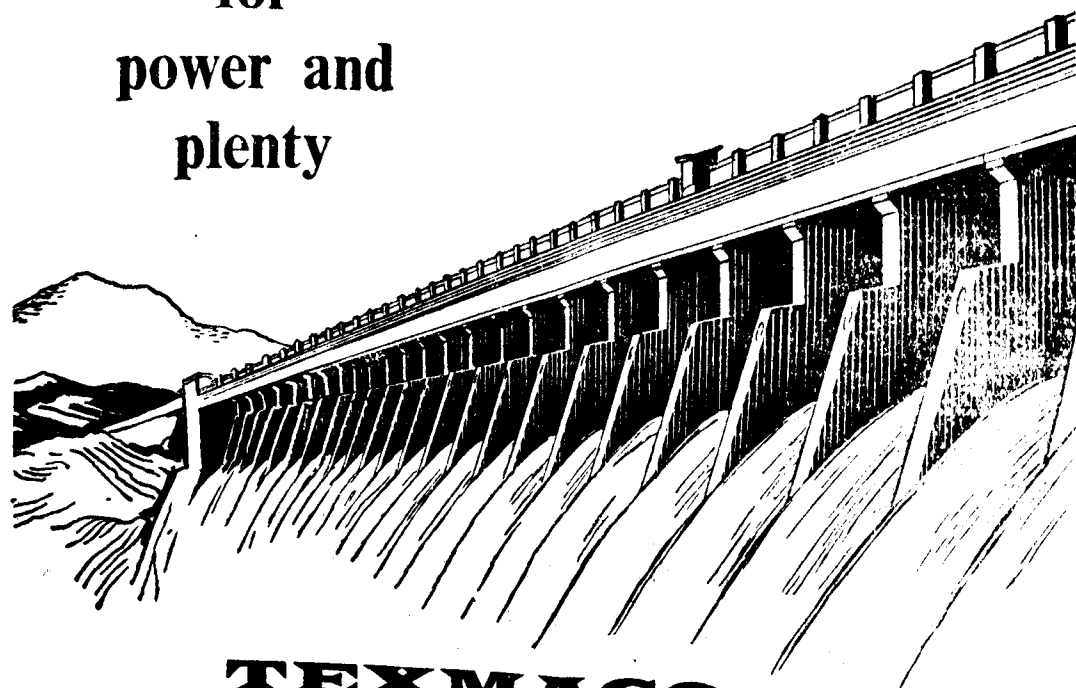
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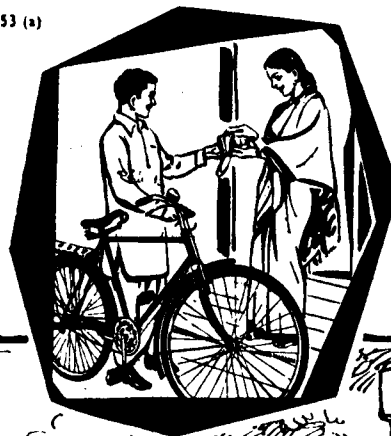
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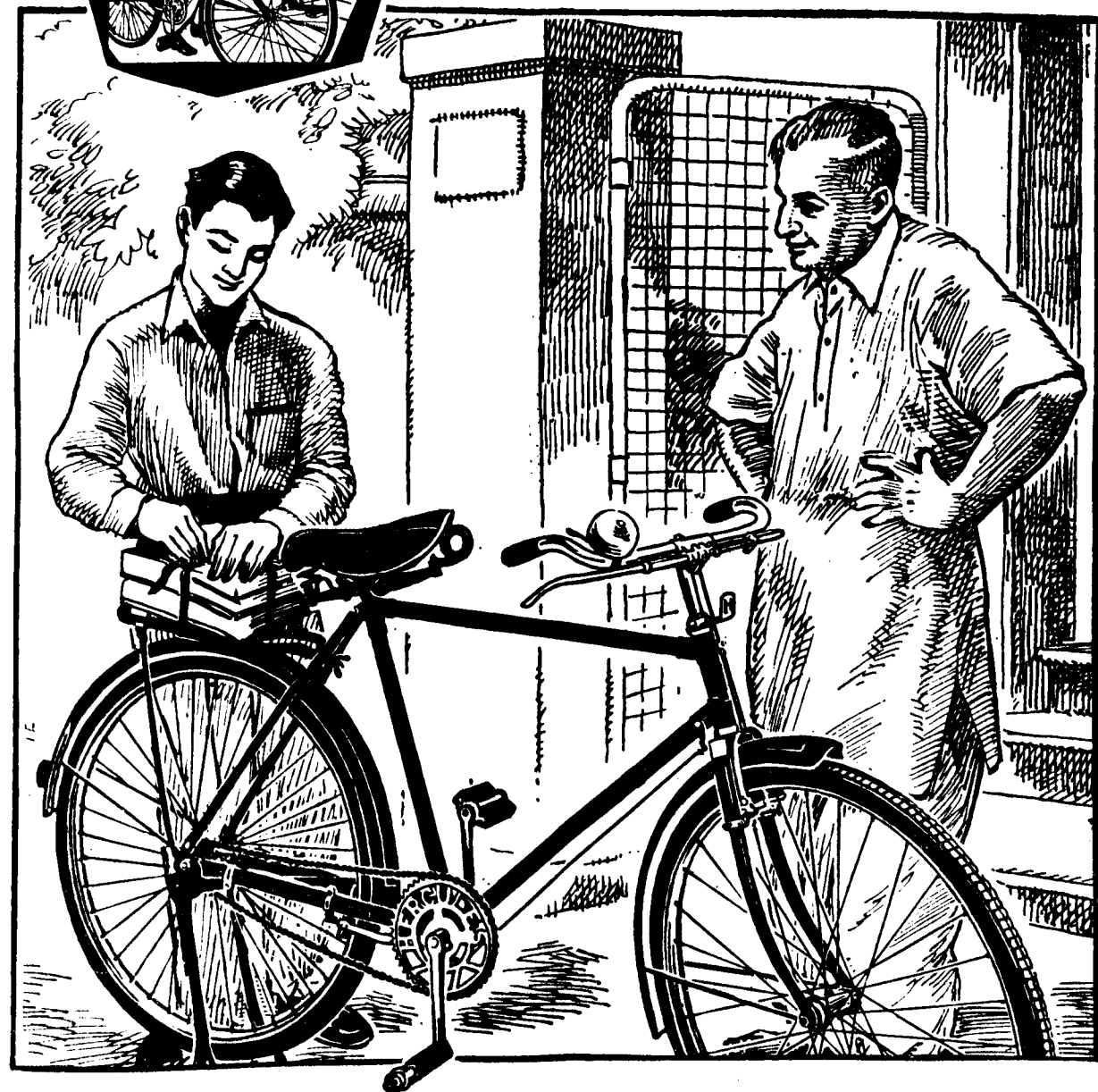
TXC-27

Astride India's rivers are rising mighty dams to bring power and plenty to the nation. With the completion of the major Plan projects, 171 million acre feet of India's river water will be harnessed. The new river valley schemes will release 2,000,000 KW power and irrigate 16 million acres. The total expenditure on irrigation, power and flood control during the next five years will be Rs. 913 crores, a 38% increase over the First Plan. These great development schemes constitute one of the most important aspects of the nation's efforts to achieve economic self-sufficiency. Texmaco, pioneer in many fields of engineering, working in technical collaboration with Voest of Linz, Austria, has constructed a wide range of hydraulic dam equipment for Rupar, Hirakud and other projects.

TIC 53 (a)



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ES 56

The Business World:

THE PLIGHT OF POWERLOOMS IN MAHARASHTRA

SOUTH Maharashtra constitutes the major area of the concentration of powerlooms in this country. This industry is operated either on a small or medium scale. The weaver in this region has shown a capacity for adaptation and assimilation of modernised techniques of production. The majority of the powerloom establishments are without requisite financial resources. Finance for working capital, and yarn are provided by trading firms on agreements of sale of output to them. The existing arrangements and terms of provision of finance have been evolved on a basis of mutual benefit. The fact that they are attractive from the weaver's viewpoint is borne out by operation of powerloom establishments in three shifts.

A crisis of closure has suddenly developed in the major powerloom centres of South Maharashtra. Available information for three centres shows that already 113 establishments with an installation of 396 powerlooms, and employing 663 workers have been closed down. An additional number of 18 establishments with 86 powerlooms, employing 133 workers are due to be closed on December 1, unless the notices of closure are withdrawn which seems highly unlikely. It is indeed ironical that this crisis should have been precipitated by the perverted view which the excise administration in Bombay State has chosen to take in the matter of interpretation of the departmental rules applicable to the excise duty on cloth.

When cotton cloth manufactured on powerlooms first became subject to the levy of the excise duty in May 1955, fabrics produced in factories or establishments with powerlooms not exceeding 4 were exempted from it. It was revealed in the course of the administration of the excise duty that attempts were made by some powerloom manufacturers to escape duty by resort to fragmentation of their units so as to bring them within the ambit of exemption. To plug the loophole, the relevant rule was amended in March 1956 to convey that cotton cloth manufactured by or on behalf of the same person in one or more factories in which less than 5 powerlooms in the aggregate are installed would be exempted. The real significance of the change lay in the shift in emphasis from the factory to the manufacturer. The exemption was related now to the manufacturer.

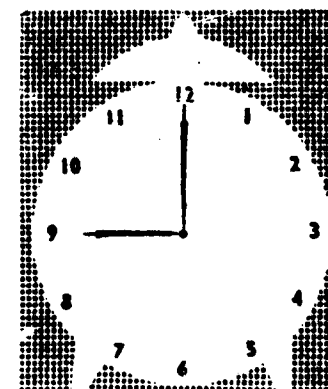
A crisis of closure has suddenly developed in the altered rule by the excise administration in Bombay and the term "manufactured by or on behalf of the same person" was interpreted to include the trader supplying credit to the individual weaver-proprietors of the factories. Notices have been issued against some of these trader-financiers for recovery of the excise duty at the rate of the composite mills calculated on the basis of square yards of cloth produced which is higher than the compounded rate of duty applied to powerloom factories. This interpretation and action has created serious embarrassment to the traders who remain genuine traders and can be considered in no sense as manufacturers. The liability so unwarrantedly imposed on them has compelled them to cease purchases from the small factories with less than 5 powerlooms. Deprived of their only stable and continuous source of supply of working capital, the small operators were constrained to close their establishments.

The intention behind the change in the rule effected in March 1956 and its correct interpretation need not be in doubt. Simultaneously with this change, the Collector of Excise, Bombay, clarified the position that the duty now related to the manufacturer and not to the factory. In the course of the last annual session of the Mahratta Chamber of Commerce and Industries in June last, Mr. B. R. Bhagat, Union Deputy Minister

of Finance, replying to the criticism against this un-called for levy of the duty, explained that the objects of the changed rule were to discourage fragmentation of factories to avoid the duty and to ensure that exemption is available only to genuine small manufacturers with less than 5 powerlooms.

It is clear that a technical flaw in the draft of the prevailing rule has caused all this confusion with its distressing consequences. Mr. A. R. Bhat, Secretary of the Mahratta Chamber of Commerce and Industries, has issued a fervent appeal for redress to the stricken small powerloom producer by withdrawing the notices which have brought catastrophe on him. The straight remedy consists in issuing clear and specific instructions to officials below regarding the tests to be applied in determining who is a genuine small manufacturer and where colourable arrangements have been made under cover of fragmentation to avoid the excise duty.

This tragic episode should underscore a major difficulty in the cotton textile plan. The second Plan assigns a production target of 400 million yards to the powerloom component of the textile industry on the assumption of a substantial addition of powerlooms to replace handlooms. A basic principle accepted in the Plan is to organize powerloom producers in co-operatives. The present plight of powerloom weavers in an area of concentration shows the feebleness of the drive for organisation of co-operatives to strengthen their resources position.



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PST 185

"A HOUSE THAT STANDS FOUR SQUARE WITH PROGRESS"

By
CROESUS

By a fortuitous coincidence, the century year of our First War of Independence also marks the completion of the hundredth year by the well known British Firm of Messrs. Killick Nixon and Co. known since the last ten years as Killick Industries Ltd. Although as a limited Company under the latter name the undertaking is only ten years old, it cannot be forgotten that, even as a limited Company, it is known only as heir to the high traditions set up by the old partnership formed on November 24, 1857, when Mr. Charles Killick and Mr. Robert Preston Nixon formed their partnership firm of Killick Nixon and Co.

Starting initially as a trading organisation, Killick Nixons was destined to promote and foster several successful industrial enterprises. These include the railways, cotton mill, mining and mineral (manganese and coal) development, shipping, electricity, and cement, among others. It is difficult today even to imagine the enormous pioneering effort that must have gone into the conception and execution of each of these undertakings. True, industries even today have many hurdles to cross and difficulties to overcome but in comparison with the difficulties of the last century, these verily pale into insignificance.

Although it was only in February, 1948, that Killick Nixon and Co. became Killick Industries Ltd. and there was an extensive change of ownership from British into Indian hands, the firm had always believed in working in co-operation with Indian interests, as witness a number of Indian directors on its Board and its efforts in bringing into being the Indian Cement Manufacturers' Association, a forerunner of the Cement Marketing Company Ltd. Closely in the wake of this came the eventual amalgamation of cement Companies managed by Killicks, namely the Bundi Cement Co., Ltd., Lakhari and the Punjab Portland Cement Co., Ltd. to form the present Associated Cement Cos., Ltd.

The change-over in ownership of the interests comprising Killick Industries Ltd. marks an important chapter in the transfer of British business interests to Indian hands. Thus, on February 1, 1948, out of an issued and paid-up capital of Rs. 1 crore, well over 80 per cent of the Company's capital was taken over by Indian nationals. It is interesting to note that 98.5 per cent of the share holders are Indian nationals. Another interesting feature, one that relates to the pattern of share holding in Killick Industries, is that as many as 97 per cent of the shareholders are those who own less than 100 shares, while only 2½ per cent own between 100 and 500 shares. In other words, the composition is wholly democratic.

Killick Industries Ltd. have always enjoyed the confidence of the Indian investor. This is clearly brought out by the fact that the Company has been able to raise over Rs. 7 crores by way of share capital alone since 1948. And what is even more noteworthy is that, on every occasion, the shares of the Company have been over-subscribed. Excluding the Company's investment in the A.C.C. amounting to some Rs. 17 crores, the total investment in the Killick group exceeds Rs. 25 crores.

The latest change affecting the Killick undertaking has been the acquisition of the sister interests represented by Messrs. Killick Nixon and Co., Ltd., which has now become a wholly owned subsidiary of Killick Industries Ltd. But far more important than this deve-

lopment is the Company's decision to branch out into light industries such as manufacture of steel files which fully entitles the Company to the claim that its record, as well as those of its managed units, during the last decade is "one which marches in step with the country's needs and desires as epitomised in the National Plans".

In a brief review, it is not possible to deal with everyone of the units—trading and industrial—of the Company although it is needless to point out that the Company's progress itself is bound up with the expansion and consolidation of all these units. Suffice it to say, therefore, to quote from the epilogue to the brochure brought out by the Killicks to mark the completion of a hundred years of trading and industrial service to the nation, that "all the undertakings of the Killicks have had modest beginnings and their transmutation into thriving units in the service of the country is not based on any magic process of alchemy but is the result of the conscious endeavour on the part of the pioneers, nurtured by unflinching hard work on the part of their successors in office and sustained by an investing public who have had no hesitation in sharing all their confidence". That, in a nutshell, is the notable achievement of a unit of Free Enterprise; a unit that not only takes legitimate pride for its past achievement but also considers it its moral obligation to sustain and enlarge the very material contribution that it has made to the progress of our nation. The least that one placed in my position can do—and I do so wholeheartedly—is to wish the House of Killicks Godspeed in this laudable aim of theirs.

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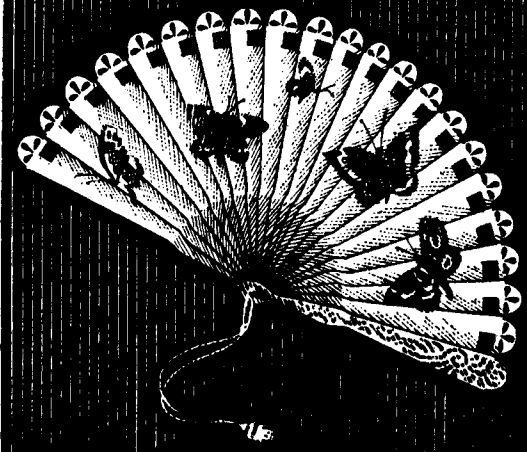
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BUSINESS NOTES

CONFERENCE ON JUTE

THE INTERNATIONAL CONFERENCE on Jute convened by the Government of Pakistan at Dacca this week is of particular interest to countries like India which have got a vital stake in the jute industry. Although the session of this Conference was brief, it covered important topics for group discussions on the jute trade, economic price for the jute grower, supply of raw jute to the purchaser abroad, rationalisation of jute contracts, review of transport problems, customs regulations, rules framed by the State Bank of Pakistan, and so forth. Fifteen countries were represented at the conference among which India was one.

The official aims of policy for raw jute were described in broad outline by the Chief Minister of East Pakistan and the Minister in charge of Jute and Co-operation. Substitutes for jute held a potential threat and as such it was of utmost importance that stability in prices and supplies ought to be ensured in the international market at competitive levels. Since these two objects were the basic essentials of the future of jute trade, it was explained that the Pakistan Government's policy was aimed at achieving them. An unfortunate fact about the jute trade was the very wide fluctuations in prices which undermined the future stability of its trade and gave ample scope for substitutes to make a headway. These fluctuations were due in a large measure to rank speculation which was rampant in the jute trade. The Pakistan Government's policy, therefore, was to remove the element of the speculating middlemen to minimise the fluctuations. Stability of prices and regulation of the crop were sought to be ensured in order to safeguard the position of jute in the commodity markets through the government-sponsored agency—the East Pakistan Jute Marketing Corporation. It was explained that the aim of Government's policy was not to nationalise the jute trade but to rationalise it in order to subserve the above objectives.

As basic aims of policy these objectives are laudable. But it is problematic how far State participation in and direction of trade can help to realise them. The experience of state trading in free economies is far from encouraging. India has found over the years that the high price of raw jute is an important factor which hampers her exports of jute manufactures. If the group discussions at this conference yield some tangible results, especially on the problems of prices, it will be to the good of the jute manufacturing as well as importing countries.

RATIONALISATION OF PROCEDURE FOR REBATE

IT IS now common knowledge that a sense of urgency has been imparted by the problem of foreign exchange to the drive for intensification of exports. Acting promptly on the recommendation of the Export Promotion Committee, the Government of India has simplified and liberalised the procedure for obtaining rebate of import duty and excise duty entering into the cost of exported articles. Since the Sea Customs Act, 1878, was amended towards the fag-end of 1953 and rules were framed thereunder, provision of drawback of import duty paid on raw materials used in the manufacture of exported articles has not proved to be of full value as intended for obvious reasons. Registration of individual manufacturers and their products as well as the quarterly revisions for rates and other complicated administrative details made the entire procedure so cumbersome and irksome that in practice many exporters preferred to forgo the rebate. A serious handicap raised by the procedure was the difficulty of

taking the rebate into account in quoting prices for contracts of sales overseas. In effect, the object of the concession of rebate to enhance the competitive strength of Indian exports could not be realised in a large number of transactions.

The procedure now rationalised dispenses with niceties of calculation and allows full rebate of import duty paid on raw materials in place of $\frac{1}{3}$ of it as heretofore. The rates fixed for different commodities are to remain constant for a minimum period of six months, as against three months before, to make continuity of quotations possible over reasonable periods. In case flat rates of rebate are difficult to be fixed on the basis of commodities, the rates will be prescribed for individual manufactures. There is further an assurance that the amended rules would be published two months in advance of their coming into force to facilitate due intimation for price quotations in contracts. Rules have already been framed for 22 articles and over 20 cases are under consideration for their purpose. Extended application of the liberalised facility of rebate will depend on the interest shown by manufacturers and exporters in setting the official machinery in motion.

Rebate of excise duty under the replaced formula presented real difficulties in practice. Long delays were involved in the departmental investigation of claims for rebate and in the meantime funds of exporters were locked up enhancing the size and interest charges of investment in exports. Alternatively, exporters had the option of executing bonds (apart from other collateral prescribed documents) accompanied by deposit in cash of the amount to be furnished by the exporter, with the guarantee of a scheduled bank plus endorsement by the Reserve Bank of India. The rationalised procedure brings claims of rebate of excise duty on a par with that for import duty in all material respects. Where both the elements of import duty and excise duty are involved on various materials which enter into the manufacture of the final product, a composite rate is to be fixed wherever practicable.

This rationalisation would undoubtedly go to remove the outstanding handicaps. It is to be trusted that there would be similar willingness on the part of the Government to eliminate such difficulties as may be revealed by experience.

POWER DEVELOPMENT IN AHMEDABAD: UNCERTAINTY

THERE WAS a pointed reference, in the speech to the shareholders, at the last annual general meeting of the Ahmedabad Electricity Co., Ltd., by Mr. K. G. Milne, the Chairman to the pattern of future power development in Ahmedabad region. The subject has suddenly assumed importance because of the pending decision of the Government of India regarding the location of the first atomic power station in the country. While the Government is credited with the intention of making known its decision before the end of the year, the business interests of Gujerat have been strongly urging the location of the plant in Ahmedabad. If, as is supposed, a Calderhall type of power station is put up eventually its capacity would be some 140,000 kw. Meanwhile, the capacity of the Ahmedabad Electricity Co. Ltd., itself which began as a small diesel station of just 282 kw. in 1915, is expected to reach a total generating capacity of 157,500 kw. by the end of 1958, after bringing into service the 15,000 kw. turbo-alternator set already ordered by the company. In addition to this, the Company proposes to instal a further 30,000 kw. set with two associated boilers as the first part of the second half of its "C" station. Even after this, there

would still be room on the present power station site for the addition of a further 30,000 kw.

The Ahmedabad Electricity Co. Ltd. is not conspicuous merely by its potentialities as described above. It has a commendable role of service to its credit in the industrial development of the city of Ahmedabad for the past so many years (45 years). In view of this, and also by reason of the present financial stringency, what with the foreign exchange crisis looming, so large on the economic horizon of this country, it is a point for consideration whether the country should be at all overreager to push ahead with its atomic power project, however fascinating the idea, and the prospect. In any case, although the electricity supply industry may not at present rank as the "hard core" of the Plan, as Mr. Milne remarked, it is debatable whether we can afford to stagger our power development, especially in such industrially developing regions as Ahmedabad. To aim high has certainly its virtues, but in the pursuit of a high aim, it is very important that one must be of the earth earthy, or, in other words, one must be a practical realist.

CLEARANCE OF CONGESTION AT PORTS

THE STATEMENT laid on the table in the Rajya Sabha on November 26 by Mr. Humayun Kabir, giving an outline of the suggestions made by Sir Eric Millbourne, leader of the UK Team of Port Experts invited to India under the auspices of the Colombo Plan, gives an indication of the expeditious manner in which the team means to tackle its business. The first problem which needs prompt attention is the ways and means to increase the rate of the flow of cargo through the ports in order to ensure that goods from the ships to internal destinations or from the sources of original despatch to the ships are handled as swiftly as possible. This question would necessarily require a study of the present methods of handling such cargo before decisions can be arrived at to evolve improvements upon them. Another question relevant to this investigation would be the acquisition of necessary mobile equipment.

An examination of these two questions is intended to mitigate the current pressure of cargo traffic on port facilities. As an immediate short-term problem it has undoubtedly the first priority. Nevertheless, real relief lasting over the long period can come from provision of additional berths. Before the berths can be provided it will be necessary to acquire and instal cargo handling machines to cope with bulky cargoes such as food grains and mineral ores. Two members of the team—Mr. Cave and Mr. Smith—who were entrusted with the task of carrying out this investigation are said to have submitted their reports on their visits to the ports of Calcutta, Bombay, Vishakhapatnam and Madras, to the Central Government. These reports are being studied by the port authorities. Congestion at the ports is now fairly liquidated, but its recurrence may be threatened any time. The recommendations of the team are calculated to arm the port authorities to deal with any such eventualities.

WOOL PARADE IN BOMBAY!

WITH THE mercury still standing as high as 33 degrees centigrade in Bombay, although Bombayites are about to enter the last month of the calendar year, many must have wondered at, if not doubted, the wisdom of the International Wool Exhibition (Indian Branch) in holding a "Fashion Presentation" of woollen dresses. But, barring the participants who had no other alternative audience, it is to be wondered if anyone who witnessed the Presentation went away still entertaining such a doubt. For the vivid presentation opened up a vista

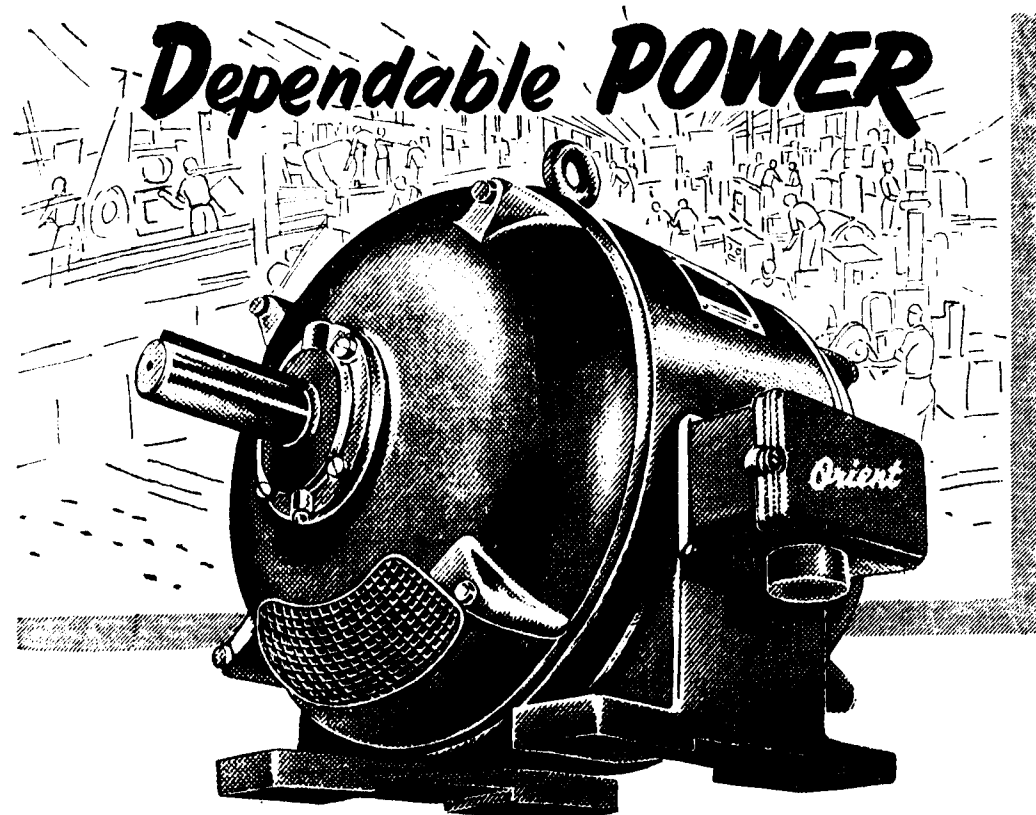
of uses to which wool—the sponsors would perhaps prefer to say 'only wool'—could be put and effectively, too by those who have the right taste.

It is to be doubted whether in spite of all its attractions, wool would win over the Bombayite, who seems destined to perspire even with his cotton garments on for as many as ten out of the twelve months year in and year out. But it is apparent that wool and wool interests have shaken all complacency out of Bombay's non-wool interests—cotton, silk and art silk interests. These interests must already be preparing—if they have not, it is really high time they did so in particular the cotton textile interests; what with the cloth stocks in our cotton mills accumulating so heavily—to arrange for similar fashion parades by mannequins, attractively attired in the best cotton dresses that sartorial artists and dress designers can devise. Fortunately for them, a splendid occasion is soon presenting itself in the form of the forthcoming Textile Industries Fair. This eagerly looked forward month-old event is expected to attract millions of visitors not only from all over the country but even from abroad. It would not be a bad idea if the Fair authorities themselves were to sponsor such a show, for a little while on each day of the Fair. They should not be satisfied with just a night's fashion show and ball as they are believed to be contemplating at present. Already they have allowed wool interests to steal the thunder right under their feet and maybe, the wool interests have some other surprise up their sleeves to throw on the slow-moving cotton interests at the Fair itself.

SINDRI'S SWIFT STRIDES

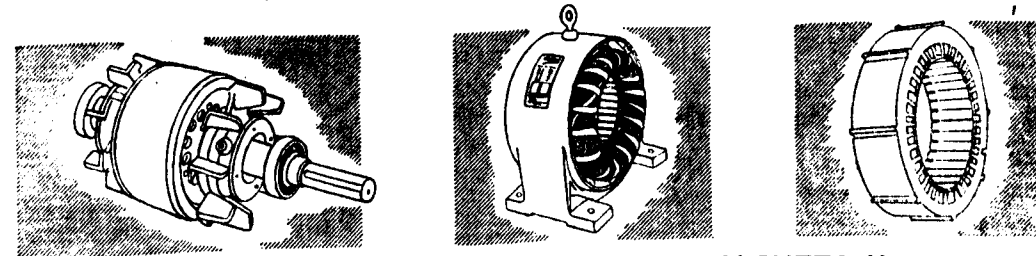
THE ANNUAL report of the Sindri Fertilizers for the year ended March 1957 just to hand shows all round progress attained by this project. Not only is there increased production, but the gross profits for the year are also fairly high as compared to the preceding year. The total production of ammonium sulphate during the year was 3,33,705 tons as against 3,26,062 tons during the preceding year, an increase of 7,643 tons. Monthly production of 32,397 tons was achieved in October 1956 establishing a record daily average of 1,045 tons. The despatches of fertilizer to the various states were also larger. The gross profits for the year amounted to Rs. 4,09,59,873 as against Rs. 3,75,17,773 an increase of Rs. 34,42,095 over the preceding year. After providing Rs. 1,91,38,029 for depreciation and utilising Rs. 13,50,000 in paying interest on the loans to the Government of India at 4½ per cent per annum, and adding Rs. 18,06,048, the amount brought forward from last year's account, the balance available was Rs. 2,22,77,892. Out of this amount Rs. 32,28,632 is provided as reserve for repairs and renewals, Rs. 40,00,000 as taxation reserve, and Rs. 45,00,000 as general reserve and Rs. 85,00,000 as dividend to the shareholders, namely, Government of India at 5 per cent per annum on the capital. This leaves a net profit of Rs. 20,49,260 as against Rs. 18,06,048 during the previous year.

So far as the progress of expansion schemes is concerned, a considerable headway has been made in Sindri's Rs. 11-crore scheme. A good deal of work in construction of buildings and installation of equipment has been completed. The work on the installation of an additional boiler has been started and the building of the extension to the sulphate plant has sufficiently progressed. More amenities and increased housing facilities have been provided for the workers. Relations with labour have continued to be cordial. The credit for this excellent performance in the field of production as well as labour-management relations is to be given to those in charge of the undertaking. While the performance in Sindri is to be applauded, it would be well if the spirit of Sindri be imbibed in other public undertakings.



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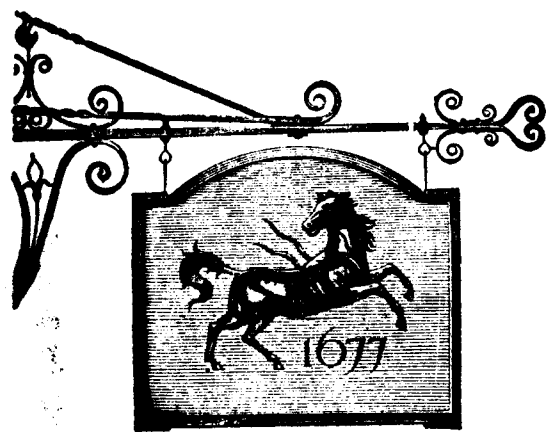
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Letters to the Editor

THE 'COMPETITION' FROM CO-OPERATIVE BANKS

Sir,

I shall be grateful if you will kindly publish the following letter in response to the comments of 'Croesus' in the issue of your esteemed Journal dated November 8:-

The fears expressed by 'Croesus' in your issue of November 8, that 'at the rate at which the Government has been increasing financing agencies and expanding the scope of the existing ones, there may soon develop a very keen competition' are unwarranted. The fact is that these agencies are not created by Government nor is it responsible for expanding their scope. Since the area of operation of each co-operative institution is exclusive, the question of competition against each other also does not arise.

'Croesus' opines that it does not lie in any co-operative's mouth to complain of competition from commercial banks in the matter of deposits. Is he aware that even the Indian Banks' Association exclusively confined to joint-stock banks has not viewed the unhealthy competition amongst banks for deposits with favour? He seems to be under the impression that agricultural credit is the only legitimate function of co-operative banks. I would humbly request him to glance at the history of co-operative banking in this country as well as in other parts of the world.

His main complaint is that the co-operative banks are providing also medium term and long term finance to co-operative sugar factories with the help of the Reserve Bank, the State Bank of India and the Government guarantees. Factually, these Banks are not giving any long term finance to sugar co-operatives and credit for their fixed assets is given only pending the receipt of the Industrial Finance Corporation loans. If facilities for raising the funds are being provided, that is because the Government has not sponsored an institution such as the Industrial Credit and Investment Cor-

poration of India, Bombay, whose activities are exclusively confined to the private sector. The question is: Are the facilities made available to the co-operative sector by the Government in excess of what are available to the private sector?

Yours faithfully,

G. M. LAUD.

Dated: November 22, 1957.

BOMBAY-14.

GERMANY AND INDIA

Sir,

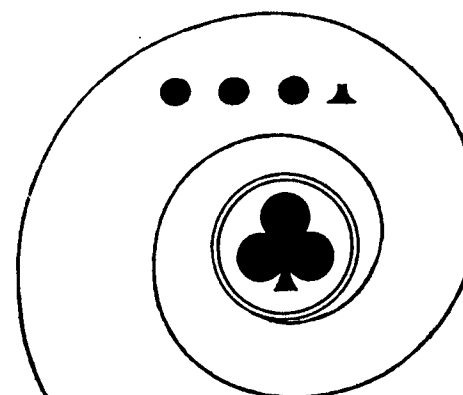
In the last issue of 'The Eastern Economist' appears an article claiming to reflect the views of German businessmen and government officials, which are supposed to be inimical to assisting India with financial credits during the second Five-Year Plan.

I have been carrying on interviews continuously in Germany from the spring of 1956 to last August. I have interviewed the leading industrialists of Germany, and the top government officials. My conclusions are diametrically opposed to that of your correspondent. Most Germans with any acquaintanceship with Indian problems, whether former Vice-Chancellor Franz Bluecher, Fritz Berg or Otto Wolff von Amerongen are convinced that India can do no different than what she is doing. There is a great deal of sympathy with India's problems, and an expressed desire to help India as far as German capital and government can.

Yours faithfully,

DR. DAVID RODNICK

Dated: November 21, 1957.
NEW DELHI.



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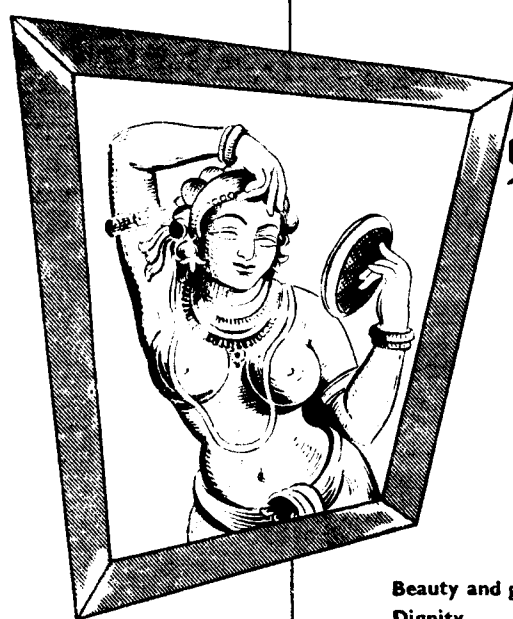
AHMEDABAD-2

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COMPANY AFFAIRS

THE BELAPUR COMPANY LTD.

According to the Report of the Directors of the Belapur (Sugar) Co. Ltd. for the year 1956-57, the Company achieved further records during the year under review. Thus, the net profit for the year, namely Rs. 7,94,580 and the quantity of sugar produced (valued at Rs. 193,40,464) are both stated to be all-time records. The record production of sugar during the year under review is especially creditable, because the percentage recovery was actually slightly lower than the highest reached by the Company, thanks to the extended crushing season.

After providing Rs. 2,60,407 for depreciation (as against Rs. 315,675 for the previous year) and providing Rs. 20,00,000 for taxation which includes Rs. 60,000 for Wealth Tax (as against Rs. 17,75,000 for the previous year), the net profit amounted to Rs. 47,94,580. Adding to this Rs. 70,646, being excess provisions written back, and Rs. 52,911 brought forward from the previous year, the total available for appropriation amounts to Rs. 49,18,137. Out of this, it is proposed to appropriate Rs. 25,37,874 for paying a dividend of Rs. 18 per share free of Income-tax (as against Rs. 16 per share for the previous year) and to transfer to General Reserve, Reserve for Housing, and Reserve for Gratuity Rs. 10,00,000, Rs. 10,00,000 and Rs. 80,000, respectively. This still leaves a balance of over Rs. 3,00,000 to be carried forward to the current year, as against a sum less than Rs. 53,000 brought in from the previous year.

The Directors' observations on the sugar prices during the year under review, although of academical interest now, are significant. They say there was not a great rise in sugar prices throughout the year, the tendency being slightly upward, except when the Government doubled the Excise Duty which had the effect

of putting up the market rates, but even then only to the extent of the increase. This clearly disproves the charge that sugar interests charged consumers more than what the rise in the Excise Duty actually warranted.

THE AHMEDABAD ELECTRICITY CO., LTD.

As in the case of other electricity undertakings, in the case of this Company also, the latest accounts are not for a whole year. They are only for the six months ended March 31, 1957. The six months' total supply of energy for purposes of public and private lighting, fans, etc.; for power, and for bulk supply to North Gujarat Grid amounted to 285.7 million kW. hours, which compares with 548.7 million kW hours for the 12-month period of 1955-56 and nearly 486 million kW. hours for the year 1954-55.

After providing Rs. 22,04,814 for depreciation as per provisions of the Electricity (Supply) Act 1948 and Rs. 4,93,400 for taxation, the gross profit of the Company for the period under review amounted to Rs. 26,30,393. Adding to this Rs. 468 brought forward from the previous accounting period and Rs. 26,03,383 transferred from the Equalisation of Dividends Reserve, the total disposable amount works out to Rs. 32,24,361. Out of this, a sum of Rs. 3,39,681 has been set aside for the Statutory Contingency Reserve, and a total of Rs. 40,521 written off on Account Promotion Expenditure, Stamp Duty and Brokerage on Mortgage Debentures, New Share Capital Issue Expenses and Discount on new issue of Mortgage Debentures, leaving to be distributed Rs. 23,44,159. The dividend of Rs. 3.25 per share recommended by the directors in respect of the accounting period under review takes away Rs. 28,43,006, so that there remains a balance of only Rs. 1,153 to be carried forward to the current year's accounts.

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COMMODITY NEWS AND NOTES

INCREASE IN AREA FOR TUR

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India first estimate of tur, 1957-58, puts the current year's area at 4,923,000 acres, as against the corresponding adjusted estimate of 4,803,000 acres for 1956-57. Thus, the current year's area shows an increase of 120,000 acres or 2.5 per cent in area over last year. The increase in area during the current year has been shared mainly by Uttar 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 decreases registered in Madhya Pradesh, Andhra Pradesh and Madras States. This estimate covers the period up to the end of August 1957. Till then, the condition of the crop was reported to be generally satisfactory. This estimate does not cover the entire area sown to the crop. Past experience has shown that the area under the crop at the first estimate stage forms roughly 85 per cent of the area reported at the final estimate stage.

COAL OUTPUT IN JULY 1957

Coal output in India during July 1957 was 3,296,150 tons—about 20,000 tons less than the output in the previous month. According to information received from the Chief Inspector of Mines in India, despatches of coal during July were 3,044,875 tons as compared with 2,896,909 tons in June. Coal stocks at pitheads at the end of July were 3,065,599 tons as against 3,254,448 tons at the beginning of the month. During July, 830 collieries were reported to be working with an average daily employment of 317,565 workers. Output per man-shift was estimated at 1.16 tons for miners and loaders, 0.59 ton for all workers underground and in open-workings and 0.39 ton for all persons employed including surface workers. The percentage of absenteeism was 15.53. Nine coke plants at collieries and elsewhere produced 364,390 tons of hard, soft and other kinds of coke during the month, and despatched 207,388 tons during the month.

DEVELOPMENT PLAN FOR WOOL

A comprehensive programme for the improvement of sheep and wool in the country has been drawn up by the Union Ministry of Food and Agriculture. This includes research in evolving superior breeds followed by field tests and a regular supply of stud sheep to flock-owners. A provision of Rs. 1.5 crores has been made for this purpose in the second Five-Year Plan. Under this programme three new Sheep Breeding Farms, with testing laboratories attached, will be set up in Himachal Pradesh, Madhya Pradesh, and Saurashtra, for producing superior stud rams, both for pure breeding and cross-breeding. For evolving superior breeding stock in rural conditions 24 Sheep and Wool Extension Centres were established in 1956-57; another 166 will be set up during this year; and by March 1961 a total of 396 Centres at a cost of Rs. 150 lakhs will have been set up in major wool producing States—Andhra Pradesh, Bombay, Himachal Pradesh, Madras, Madhya Pradesh, Punjab, Uttar Pradesh, Mysore and Jammu and Kashmir. These centres will provide superior woolled rams, introduce better management practices, organize proper shearing and marketing of wool, and give first-aid to sheep. Besides, it is planned to set up during 1957-58 three Wool Utilization Centres in the existing Sheep Breeding Farms in Uttar Pradesh,

Rajasthan and Bombay. A programme of compulsory grading of wool meant for export being carried out for the last two years by the Directorate of Marketing and Inspection is being continued. This ensures grading of wool according to specifications laid down in this behalf and ensures that only quality wool will be exported.



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THE AMALGAMATED ELECTRICITY CO. LTD.

The Registers of Members and Transfer Books of the Company will be closed from 16th to 29th December, 1957, both days inclusive, in connection with Final Dividend for the second-half year ended 31st March, 1957, payable on or after 30th December, 1957.

BY Order of the Board,

For THE AMALGAMATED ELECTRICITY CO. LTD.

For N. C. Javeri & Co.

N. C. Javeri,

Partner,

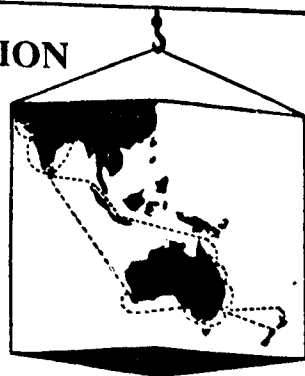
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BOMBAY,

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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-ma- nufactured Articles	Manufac- tured Articles	Miscel- laneous	General Index	Govt. and Semi- Govt.	Deben- tures	Prefer- ence	V. D. I.
1947-48	..	306.1	377.5	281.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	378.2	..	..	..	..
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	419.8	338.2	372.9	546.4	360.4	90.9	100.8	87.3	121.6
1956-57	..	388.5	501.9	402.3	384.6	559.3	414.0	90.5	100.1	82.9	121.2
March 1957	..	402.7	518.1	403.3	384.1	569.6	421.3	89.9	98.9	79.8	111.5
April	..	408.3	514.7	400.0	384.3	567.1	422.1	89.9	99.0	78.7	106.8
May	..	419.3*	536.3	406.5	387.7*	572.3	431.2	89.4	99.1	78.4	104.1
June	..	433.2*	541.4*	413.0	392.4	578.0	439.2	89.5	99.0	77.6	102.6
July	..	439.8	544.4	413.3	392.3	637.1	443.5	89.2	98.8	76.6	105.2
August	..	440.9	530.6	411.2	392.7	643.3	441.8	89.0	98.8	75.6	103.0
September	..	424.1	525.3	409.1	394.7	644.0	435.9	89.0	98.0	74.0	99.0
7-9-1957	..	432.4	534.8	409.1	394.2	645.9	438.4	89.0	98.4	74.3	101.2
14-9-1957	..	428.9	527.1	410.2	394.6	640.7	437.8	89.0	98.0	74.1	99.8
21-9-1957	..	419.4	527.0	409.7	395.0	644.5	434.9	89.0	97.9	74.0	98.5
28-9-1957	..	416.1	521.8	407.1	395.0	644.9	432.6	89.0	97.9	73.8	97.6
5-10-1957	..	414.6	532.7	406.1	395.0	643.4	433.5	89.0	97.7	73.6	97.3
12-10-1957	..	415.4	534.7	405.5	394.7	641.6	433.8	89.1	97.7	73.6	97.6
19-10-1957	..	418.1	533.0	405.6	395.7	645.4	434.9	89.0	97.7	73.6	97.3

* Average of weeks.

Revised*

†Economic Adviser's Series.

††Reserve Bank Series.

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmeda- bad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbil- pur†	Madras June 1936 = 100	Ludhi- ana†	Jamshed pur†	
1939 (Aug-Dec.)	103	—	—	—	—	103	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	124
1949	292	307	248	132	348	478	377	151	323	164	138	130
1950	298	313	257	132	349	434	372	153	325	165	145	133
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	155	145
1954	342	359	244	138	327	408	373	139	341	148	149	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	356	152	146	145
1956 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	436	411	156	372	157	144	149
February	341	357	253	150	350	438	411	158	369	157	148	148
March	340	356	254	150	348	433	415	158	367	158	148	148
April	340	356	256	148	345	427	415	162	369	161	152	149
May	347	363	257	151	352	441	418	163	369	157	156	150
June	354	370	259	152	371	446	422	168	373	159	156	153
July	360	376	263	152	371	459	422	—	375	159	164	155
August	361	377	265	155	—	468	—	—	373	—	—	156
September	—	—	—	149	—	464	—	—	—	—	—	—

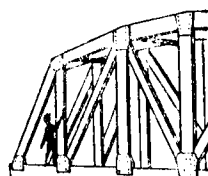
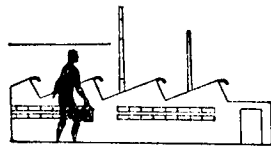
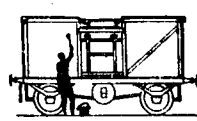
†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

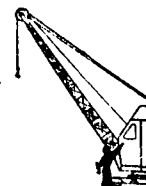
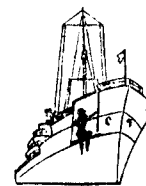
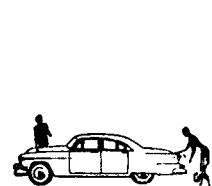
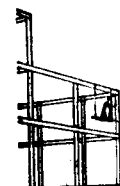
	WEEK ENDED											
	25-10-1957			18-10-1957			11-10-1957			4-10-1957		
	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age
Gold (per fine tola) ..	107.97	107.25	107.68	107.03	106.25	106.67	107.25	106.69	107.05	107.34	106.44	106.64
Silver (per 100 fine tolas)	182.31	180.94	181.64	183.19	181.31	181.89	184.37	182.75	183.36	184.87	183.87	184.31



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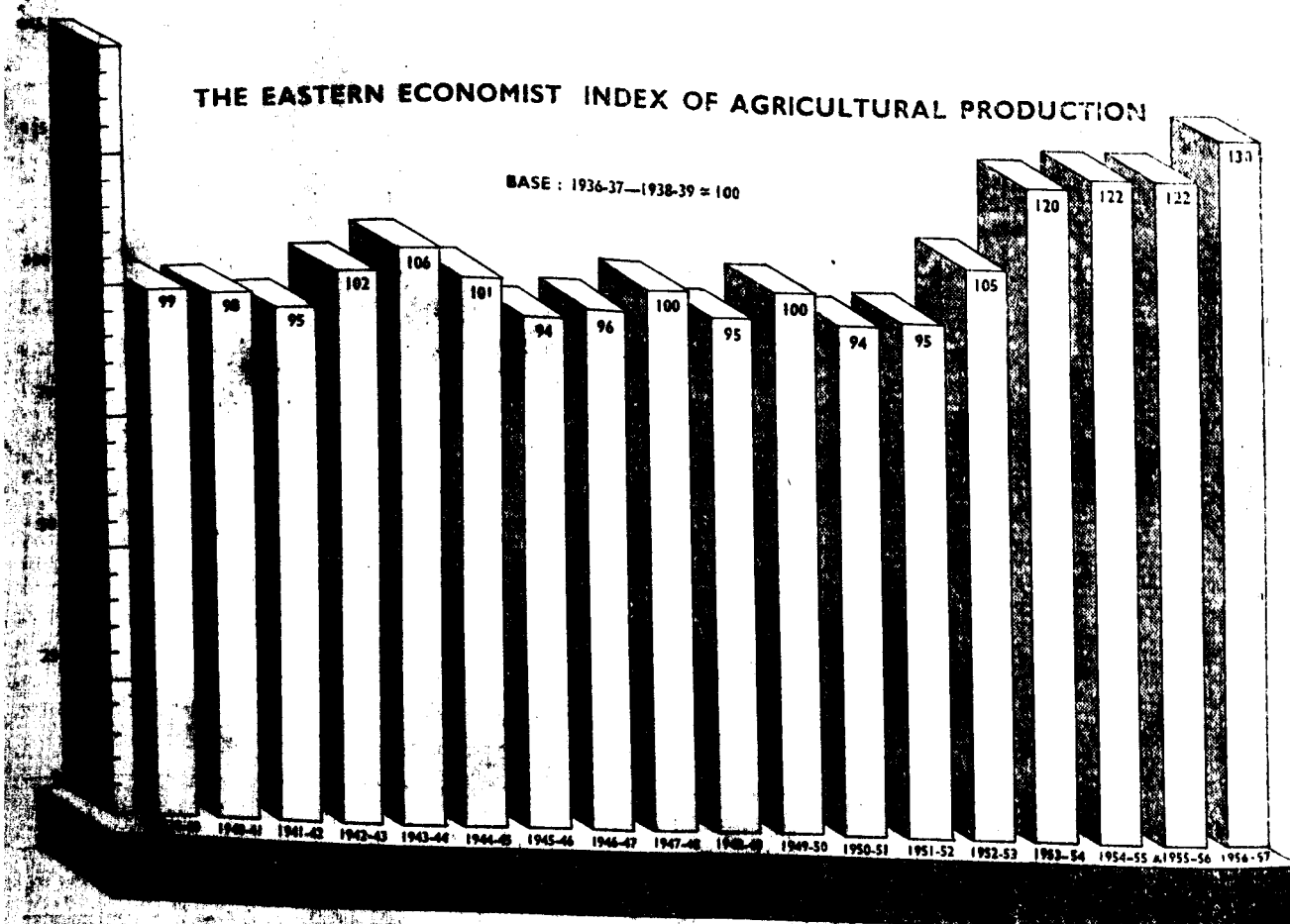
**THE EASTERN ECONOMIST
INDEX OF
INDIAN AGRICULTURAL PRODUCTION**

(Base : Average for 1936-37 to 1938-39 = 100)

	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	(*) 1955-56	(P) 1956-57
Food Grains	103	107	104	95	96	102	96	99	91	91	104	122	121	121	129
Rice ..	99	109	102	96	104	102	98	101	88	90	98	118	107	117	123
Wheat ..	99	90	97	84	67	77	77	86	87	82	101	106	120	117	124
Millets ..	112	111	114	99	99	108	89	99	93	96	111	136	142	119	130
Grams ..	111	122	103	100	115	143	145	117	115	105	133	146	164	171	190
Fibres	78	87	55	56	53	58	53	78	85	100	98	105	112	114	130
Cotton ..	76	89	54	52	51	54	46	65	72	77	77	97	106	98	116
Jute ..	87	77	62	78	66	83	99	154	164	235	229	156	146	210	211
Oilseeds	98	104	107	97	100	104	95	106	103	104	100	111	127	113	121
Sesamum ..	106	102	88	88	81	88	84	108	113	110	113	132	147	114	112
Groundnut ..	91	125	122	110	114	109	92	107	109	97	92	114	131	123	130
Rape & Mustard ..	102	93	111	96	107	169	99	107	101	122	112	112	130	114	137
Linseed ..	92	86	89	83	77	101	99	97	85	73	83	83	91	88	82
Miscellaneous	117	116	112	124	112	121	121	126	127	126	127	130	141	144	152
Sugarcane ..	100	114	108	102	110	131	109	111	128	136	113	104	125	133	160
Tobacco ..	86	75	93	97	79	69	75	78	76	61	71	75	73	76	88
Tea ..	113	135	121	136	147	152	156	158	158	164	162	164	174	180	180
Coffee ..	102	108	108	159	96	99	139	128	116	130	142	184	156	209	263
General Index	102	106	101	94	96	100	95	100	94	95	105	120	122	122	130

(*) Revised.

(P) Provisional



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The Eastern Economist

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Searchlight on Community Development

NO Plan project has been subjected to such continuous evaluation and searching criticism in the last four years as the National Extension Service and Community Development programme. It was only in April last that the fourth Evaluation Report, based on a sample survey of 702 villages spread over 17 evaluation areas, revealed a none too flattering state of affairs in all the development blocks which were three to four years old. The survey revealed, among other things, that only about 39 per cent and 2 per cent respectively of all villages were covered by minor irrigation from wells and tube-wells, that land reclamation, soil conservation and consolidation of holdings were done only in 23 per cent, 12 per cent and 18.5 per cent respectively of all villages and that credit and non-credit co-operatives were functioning only in 51 per cent and 13 per cent respectively of villages. It was, however, a redeeming feature that improved seeds and manures and/or fertilisers were being distributed in 89 per cent and 88 per cent respectively of all villages and improved methods of cultivation were being propagated in 60 per cent of villages.

Behind these figures, however, there were even more disquieting ones where the Report summed up the level of different activities. For example, the average area benefited from minor irrigation was just 8.84 acres per village and the average number of irrigation wells was just 1.96 and the average number of actively working co-operatives only 0.62 per thousand population. The most disappointing state of affairs was seen in the non-use of 9 per cent of ordinary wells and of 57 per cent of tube-wells and in the inactivity of 13 per cent of credit and 30 per cent of non-credit co-operatives.

This was the picture of performance in the field of Community Development by the end of last year — a picture that was handed down to the Study Team led by Mr. Balvantray G. Mehta. The latest report by this Study Team of the Committee on Plan Projects, coming so soon after the Fourth Evaluation Report in April last, is at once a measure of the crucial importance attached to Community Development in India's planned economy. Some of the Team's findings are frankly critical of the programme's failure in at least two crucial respects — the attempt to evoke popular initiative and the effort to bring about additional food production. These findings also, it would appear, merit summary recapitulation before the Team's relevant recommendations for improving the Community Development programme are examined.

"One of the least successful aspects of the C.D. and N.E.S. work", says the Team's Report, "is its attempt to evoke popular initiative. We have found that few of the local bodies at a level higher than the panchayat have shown any enthusiasm or interest in this work; and even the panchayats have not come into the field to any appreciable extent. An attempt has been made to harness local initiative through the formation of *ad hoc* bodies mostly with nominated personnel and invariably advisory in character. These bodies have so far given no indication of durable strength nor the leadership necessary to provide the motive force for continuing the improvement of economic and social conditions in rural areas". Out of this withering criticism has flowed the Team's recommendation that the existing local bodies like the district boards, the block advisory committees and the district planning committees be replaced by a single representative institution — "statutory, elective, comprehensive in its duties and functions, equipped with necessary executive machinery and in possession of adequate resources" — to take charge of all aspects of development work in the rural areas.

What is visualised, in the creation of such an institution, is a complete devolution, by the Government, of certain duties and of control over the resources required for discharging those duties. This would mean decentralisation of responsibility and power below the State level in the entire field of development covering agriculture, animal husbandry, co-operation, minor irrigation, village industries, primary education, local communications, sanitation, health and medical relief, local amenities, etc. This is a formidable assignment to a local body like the recommended Panchayat Samiti — to be constituted in each N.E.S. Block area by indirect elections from the village panchayats of that area — which, the Team believes, will not turn out to be inefficient or corrupt. This belief is based on the Team's im-

pression — which may be deemed more or less correct — that "the lack of efficiency of many of our present rural self-governing bodies has been due to too large a jurisdiction, too few powers and too scanty finances" and on their conviction that corruption can be eliminated "by constant and intelligent vigilance on the part of the citizens". But, as indirect elections may or may not hinder possible corruption, one cannot be too dogmatic on this score. In any case the considerable sources of income to be assigned to the Panchayat Samiti — sources like 40 per cent of the State's land revenue, share of motor vehicles tax, surcharge of duty on transfer of immovable property, voluntary public contributions, Government grants, etc — would appear to call for a degree of governmental control and regulation which, however, is ruled out by the Team. It is open to doubt if the suggested 'guidance' alone in technical and administrative matters would be sufficient to ensure efficiency and integrity where enormous responsibilities and finances are involved.

The Study Team's finding in respect of agriculture is no less disquieting than its finding in respect of popular initiative. "The all-India average of additional food production in the Community Development and N.E.S. Blocks", the Report records, "comes to only 10.8 per cent, varying in individual States from 2.7 per cent to 19 per cent; only Andhra Pradesh shows 41.4 per cent. These figures make unhappy reading and merely emphasise the need for greater attention to the agricultural sector in our schemes of community development". This disappointing performance is attributed to the small average quantity (2,468 maunds) of improved seeds distributed per annum per block, to lack of attention to evolving and distributing improved seeds of coarser grains especially for unirrigated lands, to the fact that only 331 seed farms (out of the 4,328, each of about 25 acres, proposed for the first three years of the second Plan period) have so far been established, to the widespread acute deficiency of soil nitrogen, to the abandonment of compost manure pits after a time on account of their distance from the cultivator's house and to virtual lack of attention to green manures.

The Team's diagnosis appears to be wholly correct. But what is the remedy in the present situation of shortage of chemical fertilisers? The Report has hit the nail on the head where it proves the distinct possibilities of green manures as one of the best sources of nitrogen: "In every field, whether irrigated or not, it is possible to produce its full requirements of green manure in all areas with over 20 inches of rainfall. By growing the green manure plants or shrubs on the borders of fields, it has been demonstrated in Madras that the usual crops are not affected. A small 2 to 4 oz. packet of green manure seeds, costing about one anna, helps to sow on the borders of an acre field. . . . Experimental work already done shows that green manuring not only increases the yield of paddy but lowers its water requirements as well. Green manuring which is the cheapest form of manuring paddy is capable of very rapid extension within a short period". There is absolutely no exaggeration in the Team's estimate of the possibilities of green manuring which, in the context of shortage of chemical fertilisers, could well be the biggest single factor for raising agricultural productivity at least in the N.E.S. and Community Project areas.

The Colombo Plan

SEVEN years of sustained co-operation in development projects under the Colombo Plan have justified the wisdom of giving flexibility to its structure and operating techniques. Although at its inception it looked like another step in economic collaboration among the countries of the Commonwealth, it had never been the idea of its original members to give it a limited complexion. It is clear that the enlargement of its scope, covering at present sixteen member countries, has brought indisputable gains to it. The entry of the United States in 1951 in the very second year gave it massive accession of strength. During the seven years of its career an outlay of the order of \$3,500 million has been incurred on capital and technical assistance. The United States contribution to it has been as solid as \$3,000 million. In the seventh year, nine-tenths of the outlay of \$1,000 million has flown from this major donor. This pattern of assistance could not be otherwise for it conforms to the general pattern of economic aid in the larger international set-up. But the assistance provided by other extra-regional participants — Canada, the United Kingdom, Australia and New Zealand — is of great intrinsic value since the requirements of the receiving countries of South and South-East Asia in respect of technical equipment, expert guidance and training facilities were substantially fulfilled by them.

Easily the most outstanding fact about the Colombo Plan in its seventh year is the accelerated rate of its progress which reached a new peak. This development is not only significant but it is bound to strike as paradoxical when it is read in the context of the course of world economy last year. While the tempo of expansion of world economy continued last year, it undoubtedly registered a relative decline. World industrial production went up in 1956 above the level of 1955 by 5 per cent which was only half as much as the rate of increase in the previous year. The overall reflection of growth is seen in the volume of world exports which disclosed a declining rate of expansion from 10 per cent in 1955 to 8 per cent in 1956. The United States economy witnessed a slackening in the pace of growth and each of the remaining countries outside the South and South-East Asian region participating in the Colombo Plan as a donor had to contend with inflationary pressures. While all indications pointed to a note of moderation in external economic aid, the outlay on capital and technical assistance under the Colombo Plan in 1956-57 reached two-seventh of the total during the seven years, or double the annual average for the period.

The Colombo Plan lays no pretence to serve as a regional Master Plan nor does it imply integration of any sort of the individual national plans of the countries of South Asia even in respect of the aid offered under its auspices. This absence of direction of resources and priorities is probably the strongest point of the scheme of assistance which has served to step up its tempo. It has helped, in its own measure, to fortify faith in planning as a technique of orderly development. With the exception of Thailand, all the countries of the Asian region have now their programmes of development operating at various stages. The new strides taken in the sphere of planning in 1956-57 are impressive as marking a new phase in economic development in the region. The

Colombo Plan has a positive contribution to its credit in it.

The report of the Consultative Committee of the Colombo Plan for 1956 recorded the significant finding that over the region as a whole national income continued to rise at a rate somewhat above the rate in the growth of population at 10 million per annum. The latest report states that this increase in national income was maintained last year. Higher levels of agricultural output had their own contribution to the growth in national income over the last two years. Nevertheless, the new accent which is being placed on industrialisation is also a positive factor in this progress. Planning in the countries of the South and South-East Asian region has dictated the inevitability of diversification of the economies of those countries with deliberate expansion of industry. New demands have been created for rapid adoption of scientific techniques of production in the domain of industry as well as agriculture. It is as a consequence of this simultaneous pressure of demand for skills that the technical assistance provided under the Colombo Plan has proved so fruitful and has been accelerated. Basic resources in agriculture, irrigation, transport and communications, power and mining are the major objects of technical assistance in which the Commonwealth extra-regional participants are providing the major share. But the demands of industry have produced a distinct impact on the programmes for technical assistance. It is neither necessary nor strictly feasible to assess the value of the individual contributions of the "outside" countries to technical assistance, but the vital fact which needs to be mentioned is that towards the close of 1956-57 there were 1,858 trainees studying abroad and 207 experts loaned to Asian countries under the Colombo Plan.

The seventh year has highlighted one of the front rank problems in planning in the South and South-East Asian region. Despite the comparative success achieved by the countries of the region in sustaining higher output of food grains, increasing industrial production and large imports, pressures of inflation proved too strong to control. Evidently, high outlays on programmes in the public as well as private sectors, much in excess of the savings actually mobilised inevitably required expansion of credit which accentuated the levels of money supply, income and demand. Public sector investment in development in these countries has kept on rising at a rapid rate from £611 million in 1954-55 to £803 million in 1955-56 which is estimated to be raised to £1,023 million in the current year. It is obvious as the examples of India and other countries have underlined that a fast rate of increase in development outlays carries real risks of landing them in balance of payments difficulties of a great magnitude. It only emphasises the necessity for maintaining flexibility in planning by a process of adjusting outlays to available resources mainly to be raised domestically. Assistance of the kind provided under the Colombo Plan has an undoubted effect of easing the impact of payments disequilibrium on the economies. There can be no room for doubt, therefore, that, when the question of extending the life of the Colombo Plan beyond 1961 is taken up two years hence, the unanimous decision will be to preserve and expand this institution.

Taxation and Private Foreign Investment

THE National Council of Applied Economic Research has now released in the form of a book its illuminating thesis on the subject of taxation in India and its impact on the inflow of private foreign investment. Its story is quickly told. There is no doubt that the climate for foreign investment in India is, at the moment, far more favourable than in many Asian countries but still our tax laws and regulations have created several unfavourable reactions abroad and have been responsible for impeding a regular inflow of private foreign capital. The Director-General of the Council, Dr. P. S. Lokanathan, and his colleagues need to be congratulated for the precise manner in which they have made recommendations for changing the tax structure of the country.

The underlying principle which governs the flow of private foreign investments is that the investor is interested in having "something more" than is obtainable in his own land. If we need more foreign capital, we have out of necessity, to exert ourselves to attract it. The idea that foreign capital is hammering at our doors for entry is the crudest nonsense conceived in view of the fact that recently tax laws in a very large number of countries have been designed to woo the investor, who turns out to be *persona multissima grata* in every free country of the world.

The crux of the problem is corporate taxation. The Council has recommended that foreign companies, (their branches as well as subsidiaries) should not be subject to the compulsory deposit scheme under Section 10 of the Indian Income-Tax Act. The Government's anxiety to disallow any misuse of resources is being taken for improper interference in private business by the capital-exporting countries. The extremely adverse effect of this scheme on foreign investors necessitates its complete withdrawal. In regard to the taxation of bonus shares, the Council has recommended that "the tax on bonus issues be reconsidered in conjunction with the recommendation that for the purpose of the excess dividends tax, the dividend rate of companies be computed upon the basis of total capital employed rather than upon the basis of paid-up capital. If the excess dividends tax is applied to the total capital, the issue of bonus shares will not become a method of evading this tax. There would then be justification for the levy of a tax on bonus shares".

A complete chapter devoted to Section 23A companies makes a searching analysis of the reaction of the foreign investor to this Section in the Income-Tax Act. The Section under question has been made extremely harsh by the Government of India with the only object of checking evasion of super-tax on personal income by those who control the working of these companies. The Council has recommended that a new definition would not apply to a company which was not a private company within the meaning of the Companies Act and of which "shares carrying not less than 33-1/3 per cent of the voting power had been allotted unconditionally to or acquired uncondi-

tionally by and were throughout the previous year beneficially held by the public if the shares were at any time during the previous year dealt in at a recognised stock exchange in India". Also if the "affairs of the company or the shares carrying more than 66-2/3 per cent of the total voting power were at no time during the year controlled or held by less than 6 per cent," it should come under the purview of the new definition.

The Council has also suggested that no company should be brought within the purview of Section 23A on the ground that a substantial part of its capital was held by such public companies as the Life Insurance Corporation of India or the Industrial Credit and Investment Corporation of India Ltd. Also a company whose share capital is owned by two or more companies to which Section 23A does not apply should be exempted from the application of that section.

On the subject of taxation of non-resident companies the Council is of the opinion that all those non-resident companies which limit their activities in India to only purchasing operations should be exempted from income-tax in India. In a similar manner, royalty payments, technical service fees, and interest payments to non-resident companies should be exempted from super-tax.

An important recommendation which the Council has made relates to emoluments of foreign technicians. The Council has suggested that the tax exemption for foreign technicians should be broadened in order to include a "limited" number of essential management personnel and staff approved by Government for each eligible enterprise. At what rungs of topmost management is this incentive most needed? Perhaps only trial and error will show. In general, however, it would be wise to err on the side of liberality at least in the beginning. This has already been *The Eastern Economist's* recommendation in its Blue Supplement 'Problems of Private Foreign Investment'.

What is the probable magnitude of private foreign investment that might be had if all the recommendations of the Council were accepted by the Government of India? The immediate impact, it has been acknowledged, may be a slight fall in the yield of revenue but the recommendations have been made more for the sake of attracting additional private capital in the long run in stead of solving any short-term problem of foreign exchange. It is known that the only country which has a great potential for exporting capital is the United States. During the last twelve years investments made by U.S. firms abroad totalled nearly Rs. 4,400 crores. The major recipients have hitherto been Canada, Latin America, West Europe and the oil-bearing areas of the Middle East. The share of the Indian Union does not exceed Rs. 40 crores. If a congenial climate for foreign investment were created by accepting the recommendations of the Council, this figure could, without doubt, be increased manifold.

THE WEEK'S NOTES

THE PASSION FOR IRRELEVANCE

THE DEBATE on food in the Lok Sabha on Tuesday this week has shown how easily marginal issues can distract the public mind. Major headlines in Delhi were to the effect that licensing was to be introduced in the food grains trade and that private enterprise was to be allowed to start fertiliser units. As far as could be determined from the very unsatisfying reply by the Food Minister, this was the full extent of the policy changes which the Asoka Mehta Committee has brought forth. Not, indeed, that the Committee itself had much more constructive to suggest. But if its analysis of the situation is accepted, the Government would have needed a much more dramatic revision of policy than the Food Minister seemed to consider necessary. The Food Minister said nothing to suggest he differed from the analysis of the Mehta Report. How then can the Food Minister be so complacent?

The Food Minister asserted that the failure of land reforms in the States was not a failure of the Centre. He wanted the Centre to have larger powers in this regard. But no one was told exactly how these larger powers were to be applied.

Thus, it would seem, with certain long-term propositions — the removal of alleged speculation by licensing, the possibility (only) of new private fertiliser plants, and some vague promises of land reform — the Food Minister proposes to deal with the current crisis in production. If this satisfies the country, the country will deserve the Food Minister it has got.

COMMONWEALTH UNITY

THE INDIAN Finance Minister's speech at the Commonwealth Parliamentary Conference here contained an academic analysis of the problems connected with economic relations between Commonwealth countries but, as he himself said, it advanced no suggestions for solving them. If a right diagnosis could be half the cure, the posing of problems in the manner he did was worth having although some of them were, perhaps, inherently insoluble. One of the latter set of problems stemmed from the fact that the economies of many Commonwealth countries were non-complementary in the sense that they had to depend on the export of one or more commodities, largely agricultural. The Commonwealth, however, could not provide any cushion for price fluctuations in these commodities. And so Mr. Krishnamachari did well to pose the problem frankly by saying that "it is obvious that aid should be sought from outside the Commonwealth or, in the alternative, ways and means must be found of making the Commonwealth area mutually more self-sufficient within and less dependent as a unit on outside countries". If the latter alternative should happen to be not feasible, the case for mutually beneficial economic relations between India and countries outside the Commonwealth was clear. In this connection the inability of the more advanced countries of the Commonwealth to meet the larger part of the capital requirements of the under-developed member-countries was also obvious.

It would, therefore, appear that any attempt to secure Commonwealth unity in the sense of economic inter-dependence in the largest measure is not likely to succeed. But it would not be anything like a tragedy if such perfect economic unity does not come about. The idea that economic unity is a basic condition for political unity is not quite tenable in a world where

politics determines economics to a far greater extent than economics determines politics. It is, therefore, much more important to maintain and improve the political unity of the Commonwealth—the kind of unity which, in spite of the stresses and strains to which it has been subjected in recent years, is still an eyesore to world communism—if such economic inter-dependence as there is already is not to be undermined completely. The utility of the Commonwealth as a political entity and the need for maintaining its unity in that sphere need not be over-emphasised.

The utility of the Commonwealth as the biggest political laboratory for establishing the vitality of the two-party system is also there. It is sound common-sense on the part of voters in Canada, Great Britain, Australia and New Zealand that has helped in the evolution of two nearly equal parties which could alternately come to power and ensure stable and balanced progress in the social and economic spheres in the conditions of parliamentary democracy. This commonsense is worthy of emulation by citizens in such younger and newer parliamentary democracies as India and Ceylon. The choice of Labour in one election and the choice of Conservatives or Liberals in another may well ensure, for example, the general acceptance of the welfare goals of socialism and the emergence of moderation as far as nationalisation and other extreme economic programmes are concerned. Such a thing has happened in the United Kingdom, and the British Labour Party's public ownership plank has undergone a change for the better in the direction of moderation as a consequence, probably, of the operation of the two-party system. Where one is a party of the Right and the other a party of the Left, a balanced two-party system may mean that the former would be rendered progressive and the latter moderate. With parliamentary institutions prevailing in all the countries of the Commonwealth, the continued political unity of this institution of international co-operation would also be in the lasting interests of Democracy itself.

COMMUNISTS AND TRUTH

THE FULL text, printed in "The New York Times," of the recent Moscow declaration of the Communist parties of the twelve Socialist countries — Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania, Russia, China, North Korea, Outer Mongolia and North Viet-Nam — is a Communist document true to its type. It is a model of long-windedness, verbosity and repetitiveness, and this is understandable, for more words are needed to distort or conceal truths. Some of these truths could still be seen in such exaggerated statements as are quoted below if the reader merely recalls the opposites (with or without qualifications, as the case may be) of what the Communist words convey:

It (socialism) has insured development of the productive forces at a rate unprecedented and impossible for capitalism, and the raising of the material and cultural levels of the working people.

In the Socialist states the broad masses of the working people enjoy genuine freedom and democratic rights.

In many respects (in the capitalist countries) modern science and engineering are not being used in the interests of social progress for all mankind, be-

cause capitalism fetters and deforms the development of the productive forces of society.

The temporary high business activity (in the world capitalist economy) helps to keep up the reformist illusions among part of the workers in the capitalist countries.

The broad invasion (in the greater part of the capitalist world) of agriculture by the monopolies and the price policy dictated by them, the system of bank credits and loans and the increased taxation caused by the arms drive have resulted in the steady ruin and impoverishment of the main mass of the peasantry.

The aggressive imperialist circles of the United States, by pursuing the so-called 'positions of strength' policy, seek to bring most countries of the world under their sway and to hamper the onward march of mankind in accordance with the laws of social development.

The Communist countries base their relations on principles of complete equality, respect for territorial integrity, state independence and sovereignty and non-interference is one another's affairs.

It (the imperialist bourgeoisie) misrepresents socialism and smears Marxism-Leninism, misleads and confuses the masses.

The Communist parties are loyal defenders of the national and democratic interests of the peoples of all countries.

The working class and its vanguard — the Marxist-Leninist party — seek to achieve the Socialist revolution by peaceful means.

Any comment on these quoted sentences would be superfluous except in the case of the last one. The emphasis here on 'peaceful means' is merely tactical, it does not denote any change in the basic strategy of violence. Communists believe that "today in a number of capitalist countries the working class headed by its vanguard (that is, the Communist party) has the opportunity, given a united working class and popular front... to secure a firm majority in parliament, transform parliament from an instrument serving the class interests of the bourgeoisie into an instrument serving the working people, launch a non-parliamentary mass struggle, smash the resistance of the reactionary forces and create the necessary conditions for peaceful (sic.) realisation of the Socialist revolution". It would require uncommon naivete to believe that there will be no 'violence' in state power as wielded by the Communists and in non-parliamentary mass struggle. Perhaps the Communists believe that killing alone is violence and, short of killing, everything else is non-violence! Communists, in Marx's time, disdained to conceal their aims, but the Bolsheviks of today disdain to reveal theirs wholly. Success in capturing power has probably been responsible for this change from revelation of aims to their concealment.

FOREIGN EXCHANGE FOR EGYPT'S PLANS

THERE IS now more light on how Egypt has nearly solved the problem of financing the foreign exchange cost—estimated at £120 million—of her industrial plans. Of this, £80 million is expected to come, by way of machinery and factory equipment on deferred payment terms, from two Communist countries—the Soviet Union (£60 million) and Czechoslovakia (£20 million). Although the proposed agreements with the two countries, the expected net earning of foreign ex-

change on trade account and the foreign exchange revenue from the Suez Canal may, together, suffice for her industrialisation programme, Egypt will still not be in a position to build the High Aswan Dam and other public works unless she comes to terms with the West on the outstanding issue of compensation for the nationalised Suez Canal Maritime Company. That Egypt is anxious to get her external reserves (blocked in the West) as well as long-term finance from that side for her Aswan Dam project could be inferred from her asking the World Bank to mediate in the matter of compensation to the former Suez Canal Company. If the Egyptian Government comes to display a fair and helpful attitude in this regard, it is not inconceivable that the World Bank may again come into the picture for possible financing of the Aswan project. Both Egypt and the West may, then, return to the point where they broke off in July, 1956. That is a consummation to be devoutly hoped for if the likely increase in Russian influence in the mercurial Middle East area is not to result in further tensions.

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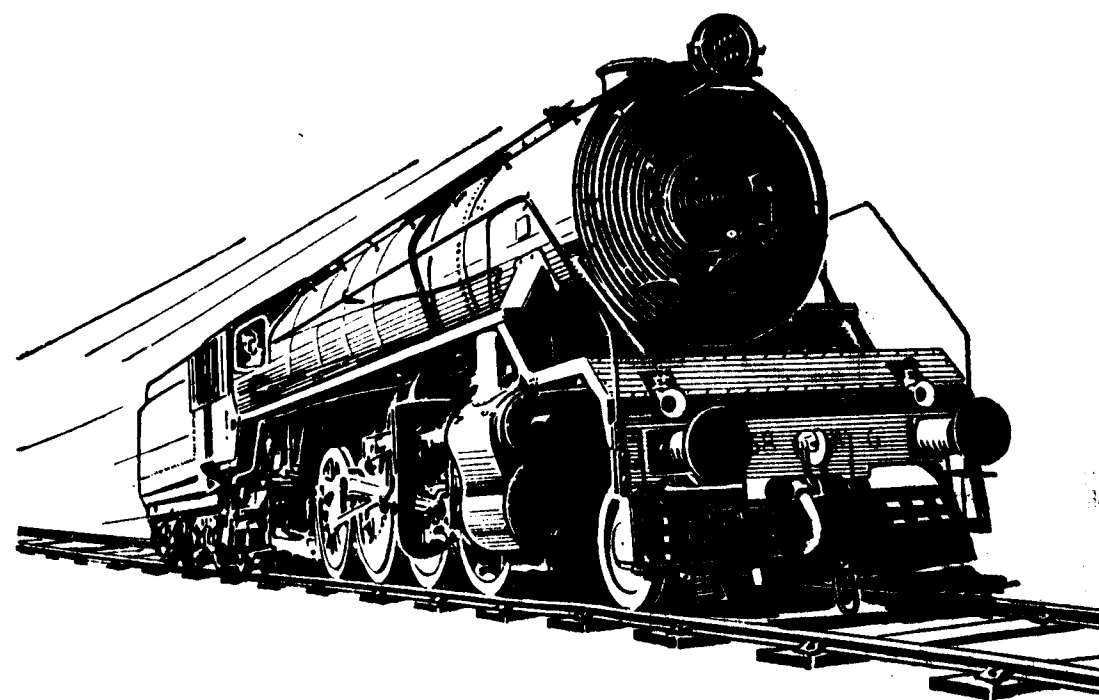
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per minute
of work

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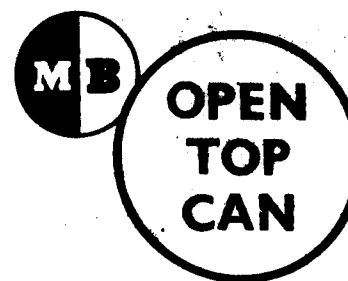
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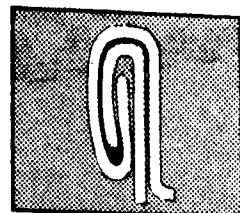
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A Window on the World

EXCHANGE RATES: FIXED OR FLEXIBLE A CHOICE OF EVILS

By
ODYSSEUS

ARE FLEXIBLE RATES of exchange practical? We are mulling over this question because (1) it is relevant to India's balance of payments difficulties, and (2) proposals for flexible rates are suspect to many central bankers, business men, and economists. I shared this suspicion. (See this column for November 1). I have been led to re-consider the problem by a talk that I subsequently had with Professor Friedrich Lutz in Zurich.

Professor Lutz states the case for flexible rates with such fairness to alternative policies that his moderation compels respect. Whatever your conclusion, you may agree that the choice between fixed and flexible rates is not one between good and evil but between evils.

An argument that I put to Professor Lutz was that fluctuating rates would impede trade by adding to business risks, but the Professor maintained that with a freely functioning forward exchange market, exporters and importers could shift the risks onto speculators — those much maligned people whose profession it is to deal in risks. Whatever policy is adopted there will always be risks. If deflation is pursued to cure a balance of payments disequilibrium, the trader risks a decline in domestic demand and prices. If import controls are instituted, they may decrease or cut off his supplies.

Flexible rates would reduce the volume of trade? Professor Lutz concedes that they might if — as in the 19th century — investors could be certain that the countries in which they invested would never alter their exchange rates or institute exchange control. Today's investors, with a quarter of a century's experience of international fooling around with rates and restrictions, would utter a hoarse laugh if any Finance Minister were to announce that he would never again use such measures to protect his balance of payments. We must realise that, even with a formal proclamation of fixed exchange rates, private capital will never again flow as easily and willingly across frontiers, wherever wanted, regardless of nationality, as it did in the 19th century. A burnt investor dreads the fire as much as any child.

Do flexible rates start off wage-price spirals? A fall in the exchange rates make imports more expensive, raises the cost of living, provokes demands for higher wages. If these demands are granted, the objectors argue, the beneficial effects of the depreciation of the currency will be lost. But this objection applies as much to sudden devaluations as to flexible rates. If wage demands are met, the central bank will have to finance them by expanding the supply of money. If the central bank refuses, unemployment will follow — because you can only pay the same wages with less money by employing fewer people. In that case, flexible rates would have much the same result as maintaining fixed rates by deflationary pressure. Nevertheless, Professor Lutz argues, the effects would not be identical because the unemployment created would be less than that caused by a deliberately deflationary policy, since under deflation the real wages of the

workers remaining in employment rise instead of staying at their old level. Nevertheless one of the advantages of a flexible rate would be lost. If, on the other hand, the central bank does provide the necessary addition to the money supply, the nation is in fact allowing the trades unions to lay down its monetary policy. This is the dilemma which arises whenever unions get wage increases higher than productivity justifies. Wage grants which follow a fall in the exchange rate amount to wage increases exceeding productivity, because the deterioration in the terms of trade caused by depreciation means a lower productivity of labour which should be reflected in lower real wages. To maintain real wages is to shift the decline in real income on to other groups, including those who become unemployed.

But even if demands for increased money wages following a fall in the exchange rate cannot be entirely resisted, Professor Lutz observes that in no case will the rise in the cost of living index fully reflect the fall in the exchange rate because a large (usually the larger) part of the commodities in the cost of living index are domestic goods and services. A wage-price spiral will modify but cannot nullify the effect of a currency depreciation on the balance of payments. Moreover the time lag between (a) the depreciation and whatever rise in the cost of living it causes and (b) the rise in the cost of living and rise in the wage level, provides a considerable interval in which the depreciation exerts a maximum effect on the balance of payments.

Import restrictions — the alternative to flexible rates — divert expenditure from imports to other goods which may be exports, or imports still on the free list, or domestic goods not on the cost of living index, so that import restrictions may not improve the balance of payments as much as was hoped. When the grave disadvantages of trade restrictions are borne in mind, the argument seems to support Professor Lutz's preference for flexible rates — unless you are one of those central planners whose eyes light with joy at opportunities for restrictions, quotas, licences, and other ways of compelling people to do what you think is good for them.

Would flexible rates promote "bear" speculation? When speculators anticipate movements in rates, and by buying or selling according to their forecasts, smooth out these movements, they perform an important service. If most speculators guess the future course of the rate approximately correctly, they bring into action at an early stage the forces which lead to adjustment in the balance of payments. The effect of speculation is to provide incentives to export more and to import less from the very first moment that balance of payment trends reveal themselves in one direction or another. If we could be sure that speculators would always forecast trends correctly, flexible exchange rates would, just because of speculation, adjust the balance of payments quickly and smoothly.

But would not speculators always be driving the rate below the equilibrium level? The risk of this is much greater with a so-called fixed rate, that you are

trying to defend as long as you can, than with flexible rates when you move at once in accordance with market supply and demand. Do not forget that with flexible rates the over-buying of foreign currencies could not persist since the cheapening of your own currency would sooner or later cause exports to rise and imports to fall enough to create an excess supply of foreign currencies, and this would lead to the rate's recovery. Secondly, to assume over-speculation implies that the speculators must in the end have incurred losses. But the forecasts made by speculators will, from a certain point onwards, begin to differ and therefore to cancel each other out and to flatten the curve in the rate. Flexible rates encourage bulls as much as bears.

Professor Lutz thinks it unlikely that speculation would accentuate rate fluctuations. Those who fear over-speculation are thinking of the 1930's when purchases of foreign currencies came partly from people seeking safety for their savings in flight. That the rates were then sometimes pushed below the level warranted was not therefore due solely to professional speculators. Speculation against the Franc was, as long as France clung to a fixed rate, just the sort of riskless, one-way speculation that flexible rates would render impossible.

Would flexible rates require Exchange Equalisation funds? Such funds would only be useful if the salaried officials who operated them were abler than risk-taking speculators and judged the future of rates more accu-

ately. I can think of no reason why they should. What is more, officials in attempting to smooth out day to day fluctuations may quite easily be led to "defend" the rate in situations which need fundamental adjustment of the balance of payments through a fall in the rate. Moreover if several countries follow flexible rate policies and each has its own equalisation fund acting independently, they may start fighting each other.

Professor Lutz's final word is that flexible rates do not necessarily mean unstable rates. As long as the balance of payments was approximately in equilibrium, rates would not move widely and the difference between (a) flexible and (b) fixed rates would not be much noticed. The fear that flexible rates would involve radical changes is unjustified — except, of course, in the event of a serious balance of payments crisis. It is in precisely that event that Professor Lutz believes that a flexible rate policy minimises the adverse effects on the country involved.

These ideas should it seems to me, be chewed over in the Ministry of Finance and in the Reserve Bank.

(This is the final article in a series of four discussing balance of payments problems. Economists interested in a full exposition of Professor F. A. Lutz's views will find them in the "Banca Nazionale del Lavoro Quarterly Review", for December, 1954.—Ed.)

THE CRISIS IN N.A.T.O.

(From Our Special West European Correspondent)

PARIS, December 2.

PRESIDENT EISENHOWER'S inability to come here to Paris for the NATO meeting next month considerably reduces the importance of that conference and postpones a settlement of the Western alliance's major problems until next spring—but that is probably no bad thing. The atmosphere in Paris is, and will remain throughout December, quite unsuited to rational discussion of those problems, at least at the political level. At the military level, the reorganisation of NATO can proceed undisturbed by the storms created by French politicians and the uncertainties created by the President's health, and it is in fact going forward under the direction of General Norstad, Commander-in-Chief of the Allied Powers in Europe. If these military plans can be completed during the winter, it will be time enough for a political confrontation in the spring and by then the air may have cleared in Paris. Mr. Macmillan's visit here this week showed the uselessness of trying to discuss the future of NATO as long as the French are thinking not about the common defence against Russia but about the defence of Algeria from the rebels.

For the French have succeeded in creating a noisy side-show, which threatened to change the whole meaning and purpose of the NATO conference next month. As an American put it ruefully the other day, "We're worried about Russian atomic missiles and the French won't stop talking about a few hundred lousy rifles we gave the Tunisians. What century do these people live in anyhow?" Next month's conference is supposed to deal with interdependence and Atlantic unity, but at present the Anglo-Saxons mean one thing by unity and the French quite another. It is better that a top-level meeting be delayed until all parties are willing to talk about the same subject, and since the question that is worrying the Anglo-Saxons is vital it can be hoped that within a month or two the French will have returned to their senses and will be ready to discuss the defence of the West against Russian missiles.

The smokescreen of diversion is so thick here that it is necessary to look back to the month of October and recall the real reasons for the spectacular decision of President Eisenhower to come to Paris for the NATO meeting. Mr. Macmillan had gone to Washington immediately after the successful Russian launching of long-range missiles and of artificial satellites, and it was the Western reply to this new threat that was discussed in Washington. The French were absent from those talks through their own fault: they were having their longest and most obscure cabinet crisis to date. It was clear to the Americans after those talks (though perhaps less clear to the British) that no Anglo-American partnership would be adequate to counter the new Russian threat and that new forms of co-operation would be required between all the members of NATO. It was then that the President decided to come to Paris, to promote this new co-operation; and just to make plain that it was an all-NATO affair and not an Anglo-American directory that was proposed, he threw in a snubbing for the British by declining to go to London to return the Queen's recent visit to Washington. This snubbing was duly appreciated on the Continent and at that stage everyone was clear on the fact that the

urgent problem was to devise a new and unified plan for the disposition of missiles to meet the Russian threat.

A leakage in the London Press about the form this new plan would take suggested that in practice it would amount to the creation within NATO of a privileged Anglo-American partnership, based on the fact that only these two countries possessed hydrogen bombs. Such a plan was denied to exist, both in Washington and London, but in any case it was not an unreasonable scheme and could have been 'put across' in some disguised form by President Eisenhower at the Paris meeting. But at this stage there supervened the incredibly clumsy collusion between the British and Americans about supplying arms to the Tunisians. (Why this decision was wise in intention but clumsy in execution was argued on this page last week.) This incident aroused fears on the Continent (and not only in France) that Anglo-American domination within the new defence scheme would be at the expense of the other partners. Thus the "unity" that was to be the subject of the December meeting quite changed meaning: it no longer meant a united defence against Russian missiles but united support for all members of the alliance in their minor political difficulties, notably for France in Algeria (which is a minor problem for the West alongside the defence against Russia).

When the smokescreen has cleared it will be seen that the basic problem stands. The essence of that problem lies in the fact that the Russians have, or will have in significant numbers soon, missiles with a range of 5,000 miles, while the Americans have missiles with a range of only 1,500 miles. (The "Snark", which indeed has a range of 5,000 miles is not a missile but a pilotless plane and is more vulnerable than a normal bomber.) This means that the USA can be attacked from Russia but Russia can only be attacked from West Europe. It has often been said since the last war that America's main line of defence was in Europe but for the first time that is quite literally true. This situation will not last indefinitely, for presumably within a decade the USA will be as well protected by long-range missiles as Russia is now; when that day comes, the importance of West Europe will relapse to the "relative" importance it had for American defence before 1957. But meanwhile its importance is not relative but absolute: the only possible American defence against Russia must be based in the other NATO countries. Indeed, within this limited period, the USA can have a definite advantage over Russia because it is likely that medium-range missiles can be produced by the West in large numbers before Russian long-range missiles are ready in equal numbers.

Now the new fact that for a few years the defence of the USA can only be undertaken from foreign territory (and by defence we mean not ultimate defence in a long war but the actions that must be taken in the first half-hour of a war) poses evident political problems. These are all the greater because the retaliation that the use of such defences would invoke would be so immense and devastating that there could obviously arise differences of opinion about when and on whose authority they would be used. If the decision to launch medium range missiles on Russia from West Europe

A TREASURE TO OWN



Dessert Plate of Worcester Porcelain
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A PLEASURE TO SMOKE



Willis
The "Three Castles"

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were left to the West Europeans, then, granted that this is the USA's only immediate defence against Russian attack, America could be virtually disarmed by Russian intimidation of West Europe. But if this decision were left entirely to the US forces in Europe, West Europe would be virtually disarmed because there could be no guarantee that the Americans would be willing to start an atomic war for the sake of what appeared from Washington to be a "limited" objective.

The disproportion in the ranges of Russian and American missiles can be cancelled out, as far as the main antagonists are concerned, by the geographical advantage of the Americans, thanks to the bases in West Europe. So from the point of view of the two principal powers, the balance is still even—but only as long as there is full and confident agreement within the Western alliance about the use of those bases. Such agreement and such confidence do not exist today, and yet this is an essential part of Western defence and of the defence of US territory itself. The Americans do not have confidence in the Continentals because they realise the danger of the Continentals being sensitive to this argument now being addressed to them from Moscow: "Why mix yourselves up in Russo-American quarrels? We Russians do not need to attack your countries as long as they do not contain American bases because we are quite capable, with our long-range missiles, of dealing with the Americans over your heads. Even if a nuclear war comes, you can escape it unscathed, for in a war carried on in the 5,000-mile range you are no longer in the firing line, unless you insist on putting yourselves there by harbouring American missiles—which moreover you have no guarantee will ever be used in your defence because the retaliation for their use would fall not only on yourselves but on the USA itself. In a pinch the Americans will sacrifice you rather than have our long-range missiles begin falling on US cities."

And precisely because the Continentals are sensitive

at least to the latter part of this argument, they do not trust the Americans. In France particularly, people are saying, "The Americans sacrificed our vital interests in the Suez war, even though we were under the threat of Russian missile attack, and now they are ready to sacrifice our vital interests in Algeria by arming our enemies via Tunisia. No doubt the Americans do not regard us as completely expendable; there would come a point where they would fight, even for us—but that might be too late on our calculation of what constitutes our vital interests. Meantime we are expected to resign our right to make our own nuclear weapons and yet to run the risk of harbouring American missiles". While, in West Germany this month, Professor von Weizsacker, the atomic scientist, asked, "Would the USA be ready to risk destruction of their own cities to protect the town of, say, Munich against Russian attack?"—the professor did not say the answer was no, but he showed no confidence that it was yes. The NATO parliamentarians who met in Paris earlier this month admitted "In all the member-countries of the Atlantic Pact one can see an increasing anxiety and an indecision in public opinion, to the detriment of a firm will to defend themselves"—and the French delegation underlined the fact by walking out of that conference because of the delivery of arms to Tunisia.

These are the problems that NATO must discuss when a top-level meeting takes place. Meanwhile a complicated system of mutual guarantees between the Americans and their Continental allies must be worked out, including specific agreements about the conditions in which missiles stocked in West Europe would be used. General Norstad is engaged on this task now. But the military understandings must be endorsed in a political covenant, because they will pre-suppose that there is unification of foreign policy within the alliance. But a united foreign policy, especially as regards Africa and the Arab world, is impossible until the Algerian problem is resolved.

WORLDGRAM

AGRICULTURE

Fishery Co-operation and Administration: A six-week training centre in fishery co-operation and administration will begin at Sydney and Adelaide in Australia on December 16. The centre has been organised by the FAO in co-operation with the Australian Government and the Indo-Pacific Fisheries Council. It is expected that four Indian officers—one from the Orissa and three from Bombay will participate in the centre. The programme includes practical instruction, demonstration and discussion on special problems of organisation and methods in fishery co-operatives in the Indo-Pacific region.

Cow-Dung Gas Plants: Cow-dung gas plants had been installed in 11 villages of the Union Territory of Delhi, which were under intensive cultivation scheme of the Indian Agricultural Research Institute of the Ministry of Food and Agriculture. These villages were Nangloi (two plants), Qumarrudin Nagar, Nilothi, Baprola, Gheora, Tikri Kalan, Hasthal, Tilangpur Kotla, Bakre Wala, Hiren Khudna and Ranhaula. Experiments were continuing on this gas plant for utilisation of leaves, straw, etc., along with dung for gas production. Other experiments were for operation of larger sized gas plants and modification for manipulation of the counterpoise weights. As a result of experiments, it had been possible to simplify the design, and reduce the cost of the gas plant to Rs. 350.

INDUSTRY

Co-operative Sugar Mills: Replying to a question by Shri Raghunath Singh in the Lok Sabha, Dr. Panjabrao S. Deshmukh, Union Minister for Co-operation, said that 39 licences had so far been granted for the establishment of co-operative sugar mills. Of these, eight factories had already gone into production, while another four had completed construction work and were expected to catch 1957-58 season. The Minister added that, besides these, three factories had started erection work. One of them was expected to have a trial run towards the end of February 1958.

Manufacture of Manganese Sulphate and Copper Oxide: The Union Minister of Education and Scientific Research told Shri Barman and Shri S. C. Samanta in the Lok Sabha that processes on (i) "manganese sulphate from Indian ores" and (ii) "electrolytic cuprous oxide" had been developed at the Central Electro-Chemical Research Institute, Karaikudi. There were some possibilities of exporting manganese sulphate, the Minister added, to foreign countries if production costs were low. There appeared no possibilities of export of cuprous oxide. The full implications of possible savings in foreign exchange by indigenous production would be known only when commercial production was established. The process 'electrolytic cuprous oxide' had been leased out to industry for commercial exploitation. Negotiations for commercial development of the process 'manganese sulphate from Indian ores' were in progress.

TRADE

Trade Arrangement between India and the Democratic Republic of Viet-Nam: An agreement was concluded recently between the State Trading Corporation of India and the National Corporation for Import and Export of Agricultural Products, a State enterprise of the Democratic Republic of Viet-Nam, for the supply of 7,000 metric tons of rice by the latter. The Viet-

Nam Government have agreed to utilise the sale proceeds of the rice for purchase of Indian goods specified in the Trade Arrangement between India and the Democratic Republic of Viet-Nam.

Indo-West German Trade: In reply to a question by Shri P. C. Bhanj Deo in the Rajya Sabha, the Deputy Minister for Commerce and Industry, Shri Satish Chandra said that the adverse balance of trade with West Germany amounted to Rs. 75 crores during 1956-57. The adverse balance in 1955-56 was Rs. 45.4 crores and Rs. 25.5 crores in the year before that. Shri Satish Chandra said the adverse balance was expected to be redressed by curtailment of imports, expansion of exports and diversification and development of foreign trade on a multilateral basis. It was considered that it was possible to augment the export of ores, cotton piecegoods, jute manufactures, tea, tobacco, pepper, cashewnuts, leather manufactures, handloom fabrics and handicrafts.

Import of Silver Coins from Tibet: According to a Statement laid on the Table of the Rajya Sabha recently by the Deputy Minister of Finance, Shri B. R. Bhagat, 2,76,10,450 pieces of silver coins were imported from Tibet during 1956-57. In the current financial year up to October 1,48,96,267 pieces of such coins were imported from Tibet. The weight of these coins was 2,37,09,766 ounces (Troy) during 1956-57 and 1,28,00,999 ounces (Troy) up to October in 1957-58. The amount of import duty levied on the coins was Rs. 1,23,77,699 and Rs. 65,02,006 in 1956-57 and 1957-58 (up to October) respectively.

FINANCE

Bank Advances against Food Grains: The Deputy Minister of Finance, Shri B. R. Bhagat, laid on the table of the Lok Sabha recently a Statement showing the comparative figures of bank advances against food grains since 1954. According to the Statement, the position of all India Bank advances against food grains was as follows:

Date	Total advances against all types of food grains	Advances against paddy and Rice	Advances against wheat and other food grains
30-8-1957	20.2	6.5	13.7
31-8-1956	26.0	7.5	18.5
26-8-1955	18.1	5.8	12.3
27-8-1954	19.6	7.0	12.6

The Deputy Minister also placed on the table of the House a second statement showing bank advances against paddy and rice in certain States. According to it, the advances were as follows:

Name of State	(In lakhs of rupees)	
	Amount as on the 30th August, 1957	Amount as on the 31st August, 1956
West Bengal	63	79
Assam	3	5
Orissa	12	3
Andhra (including Hyderabad)	282	343
Madras	42	57
Kerala	19	15
Mysore	20	15

The Deputy Minister added that complete data regarding the position as on 31st October, 1957, was not yet ready.

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Bank Deposits and Company Reserves: The Finance Minister Shri T. T. Krishnamachari revealed in the Lok Sabha that the statutory deposits of banks with the Reserve Bank as on October 4, 1957, amounted to Rs. 94.15 crores. The Reserve Bank, he said, did not accept time deposits. For the State Bank, only consolidated figures of "deposits and other accounts" were available and these stood on October 4, 1957, at Rs. 349.49 crores. Figures of "demand and time liabilities" of the Scheduled Banks as on October 4, 1957, were Rs. 723.18 crores and Rs. 626.50 crores respectively; figures of demand and time deposits as such were not available. The Finance Minister said that information in regard to deposits of non-scheduled banks as on the above date was not yet available. As on the last Friday of May 1957, the demand deposits and time deposits with them were Rs. 27.08 crores and Rs. 45.87 crores respectively. Asked to state the total reserves of Joint Stock Concerns at the beginning of the current financial year, the Finance Minister said that information was available only in regard to 750 joint stock public limited companies registered in India with paid-up capital of not less than Rs. 5 lakhs each, excluding banking, insurance and investment companies, Government companies, companies limited by guarantee and non-profit associations. Their total reserves in the accounting year July 1955 to June 1956 aggregated Rs. 332.50 crores.

*

Customs and Excise Revenue for August, 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 August 1957, amounted to Rs. 15.76 crores as compared with Rs. 13.42 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. 13.20 crores as against Rs. 11.14 crores; export duties for Rs. 2.13 crores as against Rs. 1.98 crores and land customs, miscellaneous and air customs for Rs. 43 lakhs as against Rs. 30 lakhs. The total gross collection of Union excise duties amounted to Rs. 23.17 crores as compared with Rs. 15.12 crores. During the five months, April to August, 1957, the grand total of gross customs and Union excise revenue realised was Rs. 180.83 crores as compared with Rs. 135.55 crores during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 68.79 crores as against Rs. 54.28 crores, export duties for Rs. 7.64 crores as against Rs. 9.19 crores, land customs, miscellaneous and air customs for Rs. 1.74 crores as against Rs. 1.24 crores and Union excise duties for Rs. 102.66 crores as against Rs. 70.84 crores.

*

Foreign Investments: The Finance Minister, Shri T. T. Krishnamachari laid on the Table of the Lok Sabha two Statements showing the extent of foreign investments in some important industries and its percentage to total foreign investment in this country, as at the end of 1953. According to the Statements 32 per cent of the total foreign investment in this country has been in the manufacturing industries; 23 per cent in trading; 17 per cent in plantation; 12 per cent in utilities and transport; 2 per cent in mining and 14 per cent in other fields.

*

Industrial Finance Corporation: The Finance Minister, Shri T. T. Krishnamachari revealed in the Lok Sabha that it has been decided tentatively to

grant an additional loan of Rs. 5 crores to the Industrial Finance Corporation during the current financial year. The total amount of loan given by Government to the Corporation till September 30, 1957 was Rs. 10 crores. The Finance Minister explained that the loans so far made available carried 4½ per cent interest and were repayable in 17 annual equated instalments. Shri T. T. Krishnamachari also stated that the total amount of loans sanctioned by the Corporation up to the end of September this year was Rs. 55,11,50,000. Loan amounts actually disbursed up to the above date was Rs. 28,32,37,522.94 np. The largest amount of loan given to a single concern was Rs. 3.06 crores (inclusive of an additional loan of Rs 50 lakhs sanctioned subject to Government guarantee) and the largest amount sanctioned to a group of concerns under the same management was Rs. 3,39,25,800 (inclusive of the Rs. 3.06 crores loan mentioned above).

GENERAL

Provident Fund Benefits for Workers: The number of workers getting benefits under the Employees' Provident Fund Act, after its amendment by Parliament in December 1956, was 4.94 lakhs up to September 30, 1957. Nearly 292 factories covered by the Act had not so far deposited the provident fund money with the concerned authorities according to the provisions of the Act. Recovery proceedings under Section 8 of the Act had been undertaken. Prosecutions had also been launched where necessary.

*

Foreign Shipping Companies: According to a Statement laid on the Table of the Lok Sabha by the Deputy Minister of Finance, Shri B. R. Bhagat, estimated freight payments to foreign shipping interests on account of our imports and exports (on private and Government accounts) during the years 1954, 1955 and 1956 were Rs. 55 crores Rs. 67 crores and Rs. 74 crores respectively. The total freight payments on food imports were as follows:

Year	(Crores of Rs.)
1954-55	6.17 (including Rs. 3.58 for sugar)
1955-56	3.02 (" Rs. 0.42 " ")
1956-57	18.31

The Deputy Minister added that steps had been and were being taken to expand industrial tonnage to the maximum extent possible under the first and second Five-Year Plans.

*

Expenditure on Exploration of Mineral Oil: Shri K. D. Malaviya revealed in the Lok Sabha recently, that the expenditure incurred by the Oil and Natural Gas Commission yearwise was: 1955-56—Rs. 3 lakhs; 1956-57—Rs. 79 lakhs; and 1957-58—Rs. 87 lakhs (From 1-4-57 to 31-10-57). The Government of India had also contributed the following amounts towards the cost of Indo-Stanvac Petroleum Project for exploration in West Bengal, in which Government had a 25 per cent interest: 1954-55—8 lakhs; 1955-56—30 lakhs; 1956-57—30 lakhs; and 1957-58—41 lakhs.

*

Electricity Output: During June, 1957, 799 public utility supply undertakings generated 896.1 million kilowatt hours (kwh) of which 726.1 million kwh. were sold to ultimate consumers. The output in May, 1957, was 930.2 million kwh. Six generating undertakings were the new additions during the month. These are at Mangaldai in Assam, Katihar and Saharsa in Bihar and Mahuva, Nakhira and Nakhatrana in Bombay. The figures of output and sale for June, 1956, are 794.9 million kwh. and 658.5 million kwh.

NEWS IN BRIEF

INDIAN

Heavy booking of orders for 75 machine tools reached at about Rs. 30 lakhs is reported by the State owned Hindustan Machine Tools factory at Bangalore for the month of October, 1957. This brings the total orders booked during the current calendar year up to date to 478 machines valued at over Rs. 1.9 crores.

*

The Indian Standards Institution has published an Indian standard specification for copper naphenate IS: 1078—1957.

*

The Government of India has decided to release a fresh quota of onions for exports for the period September 1957—February 1958, the Commerce and Industry Ministry announced in a press note released recently.

*

Problems relating to the production of standard quality goods—industrial as well as agricultural—will be discussed at a seven-day convention in Madras convened by the Indian Standards Institution.

*

A sum of Rs. 1,17,354 has been collected by way of small savings by the University Planning Forums, according to reports received so far.

*

There are at present 5,58,089 villages in India with a population of 29.5 crores, and there are about 5.4 crore houses to accommodate this population.

*

The Government of India have decided, as a further measure to promote exports, that exporters will be allowed full rebate of the import duty paid on raw materials used in articles which are exported.

*

Goods worth over Rs. 10 lakhs were produced by the cottage and small-scale industries, till July this year, in the Bihar Sharif industrial pilot project.

*

The Indian Institute of Science at Bangalore has found out a new technique for the utilisation of power alcohol as fuel for diesel engines by which it was claimed that 80 per cent of diesel oil required could be replaced by power alcohol.

*

The total loans granted by the Industrial Finance Corporation to industrial co-operatives amounted to Rs. 10,72,50,000.

*

The total freight bills on our export and import cargoes for the three years 1954, 1955, 1956 were Rs. 63 crores, Rs. 80 crores, and Rs. 91 crores respectively.

*

It is reported that timber worth Rs. 18,54,069 was exported by the Andaman Forest Department during the year 1955-56.

*

Shri K. D. Malaviya, Union Minister of Mines and Oil, stated in the Lok Sabha that Messrs. Foster Wheeler Corporation of the USA had been selected as consultants for the preparation of the project studies for the proposed refinery. The preparation of the report was likely to cost approximately Rs. 3 lakhs.

FOREIGN

It is reported the Australian trading banks have decided to increase the interest rate on advances for wool shipped overseas from 6 to 8 per cent.

*

An agreement has been concluded between Swedish iron-ore exporters and West German importers for delivery in 1958 of an unchanged total of 6.5 million tons. Prices are also unchanged, but there will be a 30 per cent price reduction, according to reports.

*

A 30 per cent increase in investments in West European coal and steel industries is planned for 1957-58, according to the High Authority's annual investment survey. The total for the two years is put at \$2,670 million of which \$1,482 million was originally scheduled for 1957, although part will be carried forward to next year.

*

The Japanese governing Liberal Democratic Party has announced a draft economic plan designed to increase exports to \$4,730 million by 1962 from \$2,500 million last year.

*

A bank is being set up in Turkey to promote private industrial undertakings. The name of the new institution is the Industrial Bank, which will have branches in all industrial areas.

*

During the first nine months of 1957, Turkish exports to Britain amounted to 17.94 million against imports worth £16.76 million. This is the first time for several years that exports to the UK have exceeded imports.

*

Foreign companies are showing increasing interest in the development of Israel's natural resources, particularly of potash, phosphates and copper. Several companies have expressed readiness to invest capital in these projects.

*

A plan has been submitted to the Dutch Government for a 1,640 metre road bridge over the river Maas between Rotterdam and Dordrecht. This would be the largest bridge in Holland and would cost about £4.2 million. It would be completed by 1962.

*

Newzealand's overseas transaction for the year ended October 31 showed a deficit of £14.2 million compared with a surplus of £4.6 million last year. Total receipts rose by £8.2 million to £330.4 million but payments rose by £27 million to £344.6 million.

*

It is reported negotiations for a trade agreement between Australia and the Federation of Malaya will start early next year. This is the first country with which the Independent Federation will have such an agreement.

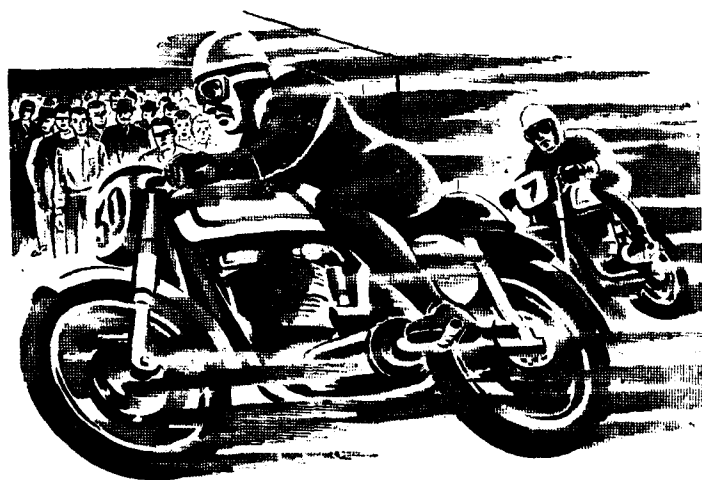
*

Egypt is to receive £20 million worth of industrial credits from Czechoslovakia. The terms are similar to those of the Russian £62 million loan with a 12-year repayment period at 2½ per cent interest.

*

A balance of payments deficit of Rs. 140.9 million for the July-September quarter is reported by the Pakistan Ministry of Finance. Receipts totalled Rs. 399.4 million and expenditure Rs. 540.3 million.

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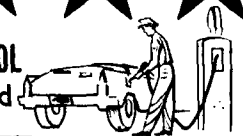
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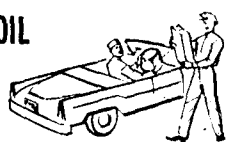
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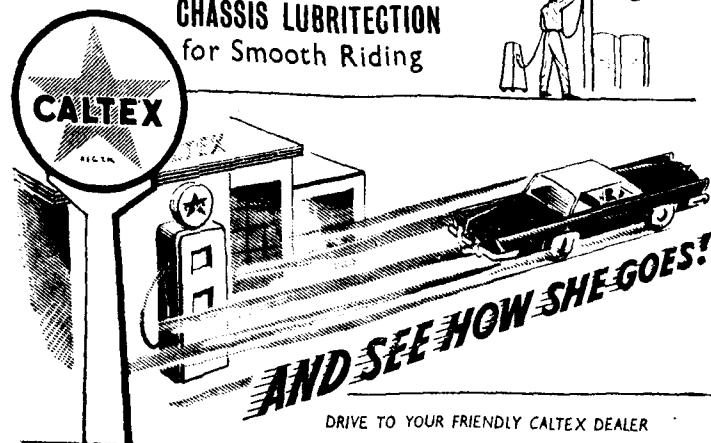
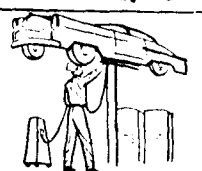
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Special Article

KORBA AGAIN

(CONTRIBUTED)

A MILE to the north of Korba town, almost on the bank of the Hasdeo river, the National Coal Development Corporation is sinking a colliery to work the good coal of the Ghordewa Seam. Twin inclines, 150 feet apart, are burrowing down the dip of the seam. The coal here is about six feet thick, the dip is one in five. Both inclines are already one hundred and fifty feet into the coal, and, at that depth, a cross gallery is being driven to link the two. Some day in the future long wall working will begin and a conveyor belt, laid in the eastern incline, will bring this good coal to the surface. Two miles to the south of this colliery, within a quarter of a mile of Korba station, a great pit has been opened up in the ground. Over an area of about six acres, the overburden, twenty feet or so of earth, has been removed to lay bare the mass of poor coal and shale which go to make up the Thick Seam, or Jatraj Seam as it is more precisely called. Indeed it will save confusion if, in these notes, the term Jatraj Seam is always used. Then the two main seams, Ghordewa and Jatraj, will each be identified with the name of the village where they were first discovered and where, for the first time, boreholes were sunk through their thickness. At the bottom of this open quarry at Korba, a large power excavator is busy digging out the coal with its two ton capacity bucket. As it digs it makes a space for its own future work. It is standing on the coal itself, for, as yet, only the upper portion of the seam has been dug out. And the whole seam is eighty foot thick. Tipping trucks cart the coal from the excavator's bucket to the station yard at Korba. North of the present pit a further six or more acres are being prepared for work. This is hand labour; women carrying baskets are taking away the earth to expose the coal that lies beneath.

Thus then the two main assets of the Korba field are in simultaneous exploitation: the Ghordewa Seam, five to seven feet thick, an ash content of 11 to 12 per cent, good coal, useable at once by many customers, the Jatraj Seam, existing in enormous quantities, 80 to 150 feet thick, an ash content, for the whole seam of about 35 per cent, useable, in its present state, in only a few industries. There are, indeed, several other seams in the field but these are the two of main importance.

It is curious to note how the pendulum of interest has swung from one seam to the other during the passage of time. When the pioneers first went to Ghordewa they were moved by a very simple creed. They knew that, in those years, there came every day seventy to eighty wagons of coal from the east. They brought the good coal from Jherria and Raniganj to feed the locomotives of the Bengal-Nagpur Railway, and of the G.I.P. Railway beyond Nagpur. They brought coal for the mills and factories of Nagpur, Bombay and the industrial west. From the coalfields of Bengal and Bihar to Bilaspur was a journey of 400 miles. If, so the pioneers argued, they could find good coal, as good or even nearly as good, as the coals from Jherria and Raniganj, then four hundred miles of journey would be cut out, locomotive power saved and turn round of wagons hastened. They did find the good coal, first at Ghordewa, then at Surrakacher, then at Dangania and finally, by a large leap into the unknown, at Rajgamar on the other side of the Hasdeo,

eight miles east of Korba. They did not neglect the Thick Seam, they drilled through it at Jatraj—118 feet thick—and at Binjra—156 feet thick. But they regarded the exploitation of this thick seam as something for the future, looking to the establishment one day of a Thermal Power Plant on the banks of the Hasdeo. Their concentration was on the steam raising coal of the Ghordewa Seam and, had it not been for the world slump of 1930, that coal would long ere this have been on the market.

This aspect of the field, the priority of importance of the Ghordewa Seam remained their guiding policy in 1946. In 1948, however, the new industrial policy for India was announced. The Government of Madhya Pradesh took an interest in the field. At once the enormous quantities of the Jatraj Thick Seam attracted their attention. The Board of Industries, set up by the Government of Madhya Pradesh, produced a plan for a power station at Korba to burn the low grade coal of the Jatraj seam. This was to generate current to smelt the bauxite from the neighbouring hills and produce aluminium bars. Electrical machinery was ordered from Switzerland and reached Champa station. There it remained for some six months while the scheme was reconsidered. Then the project was abandoned and the machinery sold away to South India. The Board of Industries also investigated the Ghordewa Seam. Working along the line of strike already established by the pioneers on the western side of the river, the Board established the existence of the same seam of good coal north of Korba. There was talk of the Railway Board taking up a block north and east of Korba.

Then in 1952 there came a reversal of policy. The opening up of the Korba field was to be left the private enterprise. Once more the emphasis turned to the Ghordewa Seam. Once more the geographical factor assumed prominence. Markets in far-away Bombay were interested in the supply of this good coal, four hundred miles nearer than Bengal or Bihar. Plans for the mining of 40,000 tons per month were set in motion.

But this phase was of short duration. Two years had not passed before everything was changed once more. The second Five-Year Plan was taking shape and with it the Bhilai Steel Plant. Korba was to be a major item in the programme of the nationalised production of coal and was specifically linked with Bhilai. Power for Bhilai—and for other users—was to be raised at Korba in a plant built to burn the poor coal of the Jatraj Seam. Coal from the Ghordewa Seam was to go direct to the steel plant. In the heyday of optimistic generalisations there were some very wild guesses as to what the Korba field could contribute to the industry of India. There was the target of four million tons by the end of 1960. Once again the size and apparent ease of working of the Jatraj Seam attracted imagination. Eventually in the summer of 1956, press comment envisaged the opening of one deep mine and three open cast mines, an emphasis on the Jatraj Seam of three to one.

There was also some optimistic miscalculation as to the coking qualities of the Ghordewa Seam. In 1952, the Madhya Pradesh Board of Industries working upon

relatively small samples brought from Rajgamar, thought that 40 per cent Ghordeewa Seam coal, mixed with 60 per cent coking coal from Jherria would give a good metallurgical coke. It was even suggested that the mixture might be 50—50 per cent. Today, more critical tests show that only 20 per cent of Ghordeewa coal can be used in the make up of coke for the Bhilai blast furnaces.

All that makes it essential to revert to the old consideration of the railway wagons. Today, the traffic of coal into Bilaspur from points east, nearly all of it from Jherria and Raniganj collieries four hundred miles away, has risen to about 250 wagons a day. But the requirements of Bhilai alone will be in the nature of 200 wagons a day. And, quite obviously, the increase in rail traffic between Bilaspur and Bhilai is going to bring with it increased consumption of coal in railway engines. If, therefore, Ghordeewa coal is only going to contribute 20 per cent towards Bhilai's need for metallurgical coke, that will mean that about 150 extra wagons each day will have to come to Bhilai all the way from Bengal or Bihar. Surely the only way to get this problem straightened out is to mine Ghordeewa coal as quickly as possible for steam raising purposes so that it can replace Bengal and Bihar coal in all the other outlets—apart from Bhilai—at Bilaspur and west thereof. For, though the doubling of the line will greatly increase the capacity for the running of trains, the problems of wagon space, locomotive power and wagon turn round remain as serious as they were thirty years ago. And the completion date for the doubling of the line may yet be far away.

For the treatment of the Jatraj coal, washing is proposed. It is hoped to produce a washed product with an ash content reduced to 20 per cent. The recent agreement with Russia provides for a washery to be erected at Korba with a capacity of two million tons a year. If the machinery, as reported, is to come in 1959 it seems unlikely that the plant will be in operation before 1961. Till then, if the Jatraj coal is to be sold on the market it can only be sold to brick burners, lime burners and such like customers. Moreover it is not an attractive load for overburdened railways. After all, in every train of fifty wagons the equivalent of seventeen wagons will be carrying useless ash. Though the fuel may be cheap the wagon problem remains.

By the end of next year the Korba Power Station will commence to burn the Jatraj coal in the specially constructed furnaces. That is, provided that the present programme of building is maintained and the high power transmission lines across one hundred and twenty miles of country to Bhilai are erected by that time. For the rest, until the washery is completed, the Jatraj coal, if sold at all will have to be sold on the basis of 30 per cent ash, at best.

The emphasis shifts back to the Ghordeewa Seam. It is rumoured that the railway bridge planned to carry the line westwards over the Hasdeo at Korba to open up the field at Dangania and Ghordeewa may have to be postponed owing to shortage of steel. Perhaps, of all the bridges in the Plan, this one would most quickly pay returns on its building. But perhaps it is not essential. The development planned by private enterprise in 1953 provided for an aerial ropeway, to carry up to 100 tons per hour, to cross the Hasdeo and link the colliery at Dangania with railhead at Korba. That would have cost seven lakhs of rupees. What its cost would be today is another question. But the need is great and some such improvisation may be necessary.

There is another aspect of the whole matter. When the planners of the second Five-Year Plan first looked at Korba it may have seemed as if it would be a

Nationalised Project catering for Nationalised Industries. In other words that the coal raised at Korba would be used almost entirely by the state-owned Steel Plant at Bhilai, by the Indian State Railways, by the Madhya Pradesh Electricity Board and perhaps in the far future by a state owned aluminium plant. But now it looks as if the field must sell its coal on the open market and particularly to those private consumers west of Bilaspur who now buy from Bengal or Bihar, if only to prevent an intolerable strain falling on the main South-Eastern Railway line.

It is said that India is to have a mixed economy. It is often added in conversation that Great Britain has a mixed economy. But in Great Britain there is not much mixing within each great industry. Railways, coal mining, electrical power, these are all nationalised. Steel, chemicals, textiles, the automobile industry, the aircraft industry, the huge range of machinery building these are in the hands of private enterprise. In Germany, France, and also in Italy there are, indeed, instances for both state-owned and privately owned works and factories engaged side by side in the same industry. But in these countries care is usually taken to see that state-owned works are left, so far as is possible, free from direct control by the state. The great Howaldt Werft at Hamburg, which has built so many ships for India is entirely owned by the German state. But it is conducted as if it were a private enterprise. Herr Theodor Schecker, the managing director, is himself an employee of the firm he so capably controls. He most certainly is not a German civil servant. What applies to European countries does not necessarily apply to India, but there is no harm in looking overseas to see how things are managed there. If the Corporation is to work as a component part of a great coal industry of India, entering the open market and competing on fair terms with private enterprise, then, it would seem, it should be given flexible organisation and a great measure of self control, subject always to the necessary safeguards for its own shareholders — the people of India.

As for the Korba field, it is important to keep always in mind that its special geographical position gives it an importance in the industrial pattern of India on its own merits, quite apart from its links with any other projects in the second Five-Year Plan. It is forty years now since W. J. Considine sat on Bilaspur station and counted the railway wagons as they rolled in from the east carrying coal to Bilaspur and points west thereof. The conclusions that he reached are as valid and important today as they were then, for they are based upon geography.

THE EASTERN ECONOMIST

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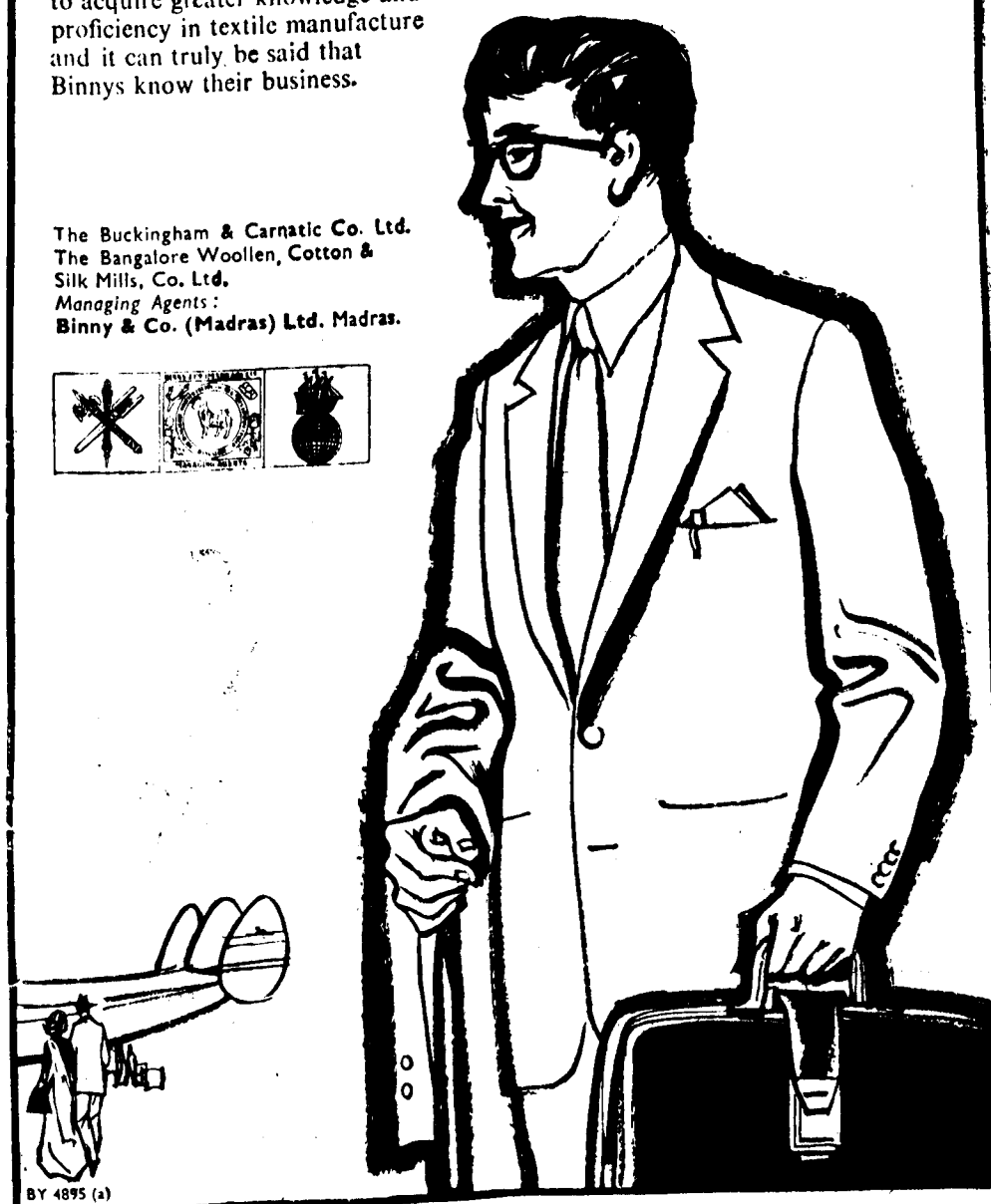
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Economic Report from the U.S.

DEFENCE SPENDING

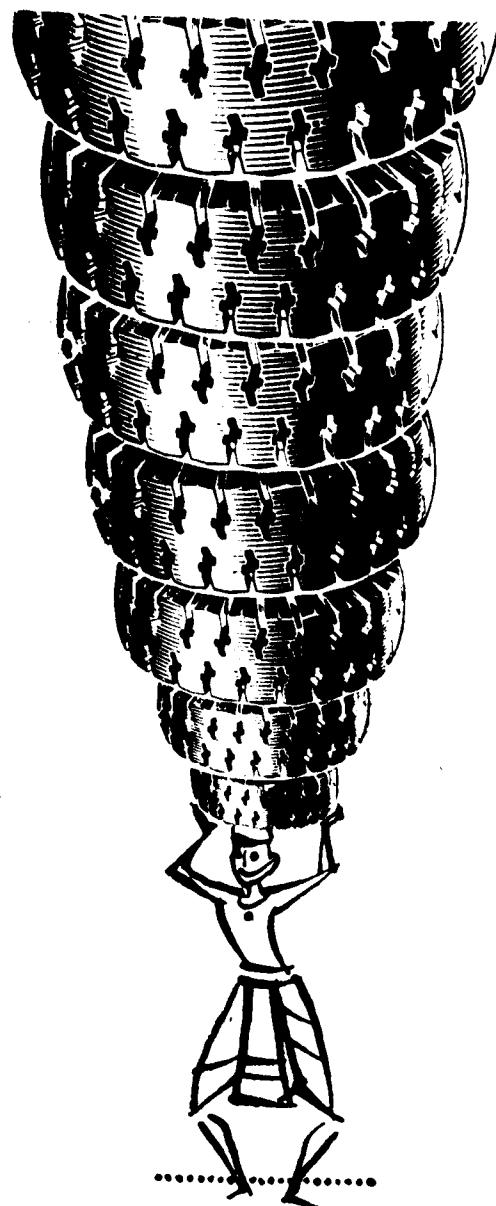
(By GUY SIMS FITCH)

WASHINGTON, Nov. 26.—It appears clear now that the Eisenhower Administration, backed by an awakened public and a determined Congress, will be stepping up its defence spending next year. But it appears equally clear that the step-up will be moderate, and that it will largely take the form of accelerating some programmes and re-evaluating others. Final budget decisions for the coming year will not be announced for some weeks. But defence department officials have indicated that the increase in defence outlays will come to \$2,000 million at most. In that case, total defence spending next year would not exceed \$40,000 million, an increase of less than 5 per cent over the current rate. Research and development programmes, in particular, would receive increased emphasis. But this would be balanced somewhat by trimming less urgent defence outlays and keeping a tight hold on Federal spending for civilian functions. Thus, next year's budget outlays may not be much larger — if at all larger — than this year's spending rate of about \$72,000 million.

On this basis the increase in defence spending would have only a limited impact on the nation's economic activity. And it becomes evident that the Administration is not looking toward higher Federal outlays as a means of bolstering an economy that has showed signs of levelling off in recent months. Nor does it mean that a balanced budget necessarily takes precedence over national security — quite the contrary, in fact, as President Eisenhower has stated. It is generally recognized, however, that money is not the only or even the primary solution to the problem of scientific progress, whether in the defence or non-defence fields. After all, the defence department, already is spending more than \$5,000 million a year on programmes related to research and development, and more than \$2,500 million on missile procurement—areas in which substantial progress has been made. And while spending large sums for advanced weapons, the department is continuing to pump money into the more conventional arsenal that stands ready to help defence free nations today. There is no doubt, however, that new defence funds could be put to good use. They could help push proven new weapons into production more quickly, for instance, and could further stimulate the kind of basic research that may enhance man's knowledge and lead to important practical applications. But it is in other factors, which would prevail regardless of defence developments, that economists see the major sources of U.S. economic strength. Anticipated, for example, are further rises in state and local government spending for public services, and in new construction contract awards. Even housing, which has been lagging this year, is expected to show improvement next year.

And if any economic stimulants are needed. They probably will originate in the Government's flexible monetary policies. In view of the new stress on defence spending, a tax cut is not considered likely. But a taste of the kind of action that could be taken is seen in the Federal Reserve Board's recent reduction of its discount rate — the interest charge on loans made to commercial banks that are members of the Federal Reserve System. Of course, the Administration will be using these so-called anti-recessionary weapons with great care. There is no desire to see a resurgence of the inflationary pressures that have

only recently abated; last month, for the first time in more than a year, the consumer price index — the commonly accepted measurement of living costs — showed no rise over the previous month. But these monetary policies, rather than a modest boost defence spending, are the principal tools of economic stabilization. And it is their availability, coupled with the basic soundness of the U.S. economy, that strengthens the belief that the current showdown in business activity will be moderate and buried.

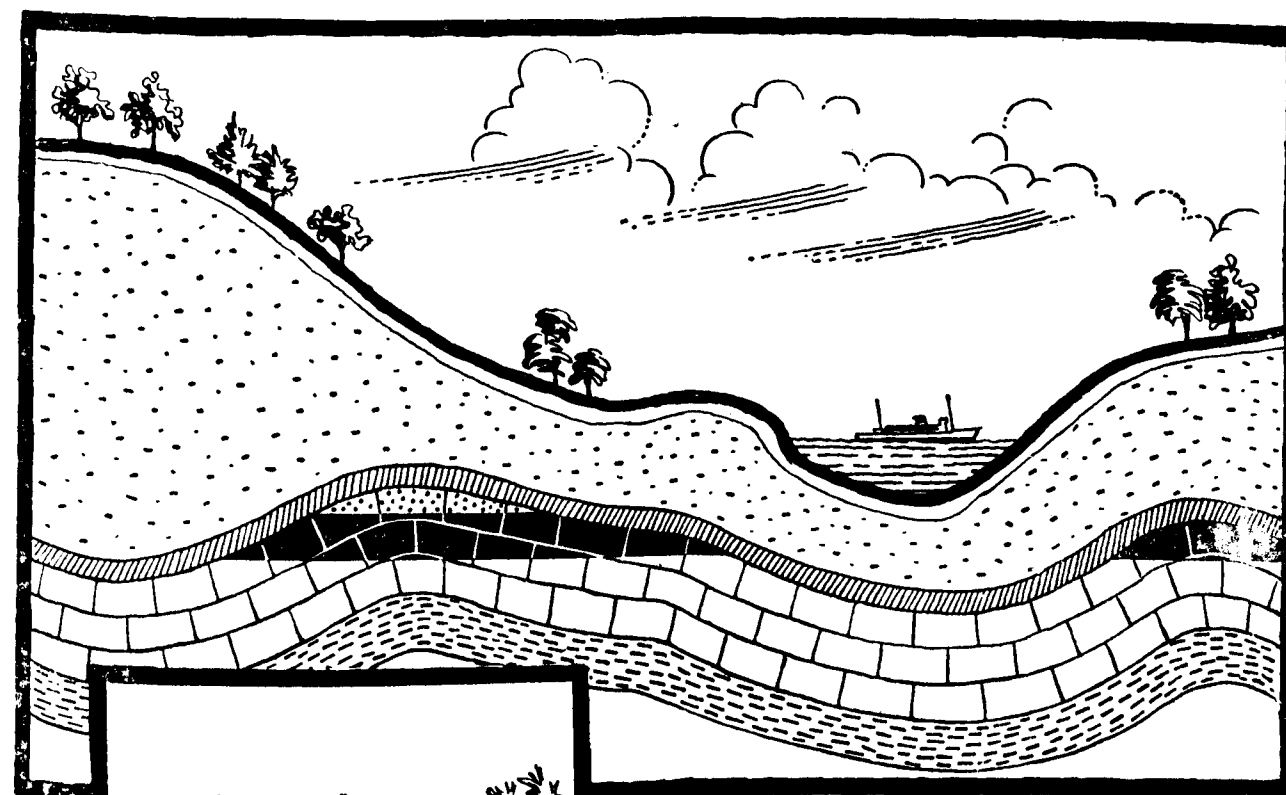


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The Story of Oil—3

Buried power

'Rock Oil' is the literal translation of the Latin words 'petra' and 'oleum' which make up the name petroleum. Trapped underground in the cells and fissures of porous rock, petroleum is a raw mineral consisting of liquid crude oil and natural gas. These are usually found together, and between them they are a major source of power for the world today and the basis of thousands of commodities useful to mankind.

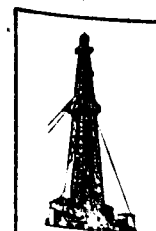
Petroleum is a mixture of substances called hydrocarbons. These are chemical compounds made up of the elements carbon and hydrogen (the former heavy, the latter light in weight). Hydrocarbons vary widely in nature and behaviour according to the different proportions of these

The drawing at the top shows the inside shape of an anticline. Compression has buckled up the earth's crust, squeezed it into these folds. The other illustration is of a fault, a dislocation in rocks. Two sections of the earth have been forced in different directions until they cracked, slipped out of position, and upset the alignment of all the rock strata involved. The black section indicates oil-bearing rock.

two elements they contain. Most are liquids at ordinary temperatures, but some are gases and other solids like bitumen.

Despite popular belief, this petroleum does not collect in large underground pools. If it did, exploration and discovery would be comparatively easy. Instead it lies, usually with a quantity of salt water, in layers of solid looking porous rocks closed in by walls or caps of non-porous rocks which prevent it escaping. There are three main types of oil trap—the 'anticline', an arch-shaped upward fold in the earth's rock layers; the 'fault', or fracture in the earth's crust whereby a non-porous layer has slipped to cut off a porous layer; and the 'stratigraphic' trap, where because of changes in the type of rock a porous layer becomes sealed off by non-porous rocks.

Thus, when geologists begin their search for oil, they start with the knowledge that certain types of rock formation are more likely to yield oil than others.



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SUTLEJ COTTON MILLS LIMITED NOTICE

NOTICE is hereby given that the 23rd Annual General Meeting of the SUTLEJ COTTON MILLS LTD. will be held at the Registered Office of the Company at 39 The Mall, Amritsar on 10th day of December 1957 at 3.30 P.M. to transact the following business:

1. To receive and adopt Directors' Report and Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 1957.

2. To declare Dividend.

3. To consider and if thought fit to pass the following resolution as Ordinary Resolution of which a Special Notice as required by Section 281 of the Companies Act, 1956 has been received by the Company.

"RESOLVED that pursuant to provisions of Sections 280 and 281 and other applicable provisions if any of the Companies Act, 1956, in case of Shri R. D. Birla, an Ex-Officio Director of the Company and nominated by Messrs. Birla Brothers Private Ltd., Managing Agents of the Company, who has attained the age of 65 years, it is hereby specifically declared that the age limit for Directors prescribed under Section 280 of the said Act shall not apply to him."

4. To appoint a Director in place of Sir Rahimtoola Meharally Chinoy who has attained the age of 75 years and who retires by rotation but being eligible offers himself for re-election and to consider and if thought fit to pass the following resolution as Ordinary Resolution of which Special Notice as required by Section 281 of the Companies Act, 1956 has been received by the Company.

"RESOLVED that pursuant to provisions of Sections 280 and 281 and other applicable provisions if any of the Companies Act, 1956 Sir Rahimtoola Meharally Chinoy who has attained the age of 75 years and retires from office by rotation be and is hereby appointed a Director of the Company and it is hereby specifically declared that the age limit for Directors prescribed under Section 280 of the said Act shall not apply to him."

5. To elect a Director in place of Shri Ramanlal Gokaldas Saraiya who retires by rotation but being eligible offers himself for re-election.

6. To appoint Auditors for the current year in the place of the present Auditors Messrs. K. N. Gutgutia and Co. who retire but offer themselves for re-appointment and to fix the remuneration of the Auditors and in this connection also to consider and if thought fit to pass the following resolutions in respect of each of which a Special Notice as required under the provisions of Section 225 the Companies Act, 1956 has been received by the Company from a shareholder.

(i) "RESOLVED that Messrs. K. N. Gutgutia and Co., Chartered Accountants and retiring Auditors of the Company be not reappointed Auditors of the Company for the next term."

(ii) RESOLVED that Messrs. S. R. Batliboi and Co., Chartered Accountants of 1B, Old Post Office Street, Calcutta-1, be appointed as Auditors of the Company for the current year on the same remuneration in place of Messrs. K. N. Gutgutia and Co., Chartered Accountants, the present Auditors of the Company who are to retire at the next Annual General Meeting."

7. To transact any other business which may be

brought before the meeting with the permission of the Chair.

By Order of the Board,
For SUTLEJ COTTON MILLS LTD.,
Birla Brothers Private Ltd.,
Managing Agents.

AMRITSAR.

Dated 8th Nov., 1957.

Notes: 1. A Member entitled to attend and vote is entitled to appoint a proxy and the proxy need not be a member.

2. An explanatory statement as required by Section 173 of the Companies Act, 1956 concerning the above resolutions is annexed.

3. Shareholders are requested to notify any change of address failing which the Dividend Warrants will be posted to their addresses as registered with the Company.

4. Dividends as recommended by the Directors if sanctioned at the Annual General Meeting will be paid to the shareholders whose names are in the Register of the Company as on 10th December, 1957 through the United Commercial Bank Ltd. on and after 10th December, 1957.

5. The Share Transfer Books of the Company will remain closed from 25th November to 10th December, 1957 both days inclusive.

ANNEXURE TO THE NOTICE DATED 8TH NOV., 1957 CONVENING ANNUAL GENERAL MEETING ON 10TH DEC., 1957.

Explanatory Statement as required by Section 173 of the Companies Act, 1956.

To,

THE SHAREHOLDERS
OF THE SUTLEJ COTTON MILLS LTD.

Dear Sir/Madam,

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 8th Nov., 1957.

1. ITEM NO. 3. Shri R. D. Birla who is an Ex-Officio Director of the Company nominated by the Managing Agents M/s. Birla Brothers Private Ltd., and who is not liable to retirement by rotation, has attained the age of 65 years and under the provisions of Section 281 of the Companies Act, 1956, an Ordinary Resolution with a Special Notice specifically waiving the age limit is necessary in respect of his continuing as a Director of the Company and a Special Notice in respect thereof has been received by the Company.

Shri R. D. Birla is an industrialist, business man and financier of wide and varied experience and it is in the interest of the Company to have the advantage of his services and guidance by his continuation on the Board of Directors of the Company by specifically waiving the age limit in his case. Shri R. D. Birla is a Managing Director of M/s. Birla Brothers Private Ltd., Managing Agents of the Company.

2. ITEM NO. 4. Sir Rahimtoola Meharally Chinoy has attained the age of 75 years and retires by rotation but is otherwise eligible for reappointment. A Special Notice has been received by the Company from a shareholder of this resolution as required by Section

281 of the Companies Act, 1956.

Sir Rahimtoola Meharally Chinoy is a business man of very wide experience and the Company has had the advantage of his valuable services and advice during the period of his association with the Company as a Director. As it is in the interest of the Company that it should continue to receive the benefit of his experience it is desirable that he be reappointed as a Director of the Company and the age limit be specifically waived in his case.

3. ITEM NO. 6. The present Auditors of the Company retire at the conclusion of the Annual General Meeting but have offered themselves for re-appointment. In this connection a Special Notice of resolution under Section 225 of the Companies Act, 1956 has been received from a shareholder stating that the present Auditors shall not be reappointed for another term. Another shareholder has given a Special Notice of a resolution under Section 225 of the Companies Act, 1956 to appoint Messrs. S. R. Batliboi and Co., Chartered Accountants, Calcutta, in place of the present Auditors. No representation has been received from the present Auditors pursuant to Section 225 of the Companies Act, 1956.

By Order of the Board,
For **SUTLEJ COTTON MILLS LTD.,**
Birla Brothers Private Ltd.,
Managing Agents.

AMRITSAR,

Dated 8th Nov., 1957.

TWENTY-THIRD ANNUAL REPORT, 1957 DIRECTORS' REPORT

To,

THE SHAREHOLDERS,

Your Directors beg to place before you the Audited Accounts for the year ended 31st March, 1957.

After debiting all expenses including interest and commission, providing for depreciation and Indian and Pakistan taxes, the combined Revenue and Profit and Loss Account is Rs. 16,79,076 which together with the old balance of Rs. 30,60,554 carried forward from the previous accounts makes a total of Rs. 47,39,630 which includes the credit balances of the Company's branches in the former Indian States not transferred to the Head Office:

Your Directors recommend that the above amount be dealt with as follows:

To transfer of General Reserve ..	Rs. 9,00,000
To pay dividend on 1,50,000 ordinary shares @ Rs. 6 per Share free of tax ..	Rs. 9,00,000
And to carry forward ..	Rs. 29,39,630
TOTAL ..	Rs. 47,39,630

The Profit and Loss Account for the year under review discloses a fall in the profits of the Company as compared to the previous year. This is due to the increasing competition in the Cotton Textile Industry in Pakistan and due to consumable materials and stores, which were already in short supply as a result of the stringent import policy of the Government, becoming more scarce and costlier on account of the Suez crisis.

In order to capture the market for finer qualities in which the competition is not yet so keen, efforts were being made to obtain licences for the import of Chamber sets and Printing Machinery necessary for the production of these finer varieties but your Directors regret to report that in spite of their best efforts, it has not yet been possible to secure the licences. The search for additional markets which became necessary

to face the growing competition, is however being intensified and the Company has already established a new Sales Depot in East Pakistan, namely in Dacca in addition to the one we already had in Chittagong.

SHRI RAMANLAL GOKALDAS SARAIYA retires as a Director by rotation, but being eligible offers himself for re-election.

SHRI R. D. BIRLA, who is an Ex-Officio Director of the Company, has attained the age of 65 years and it is necessary to pass a resolution under Section 281 of the Companies Act, 1956 specifically declaring that the age limit prescribed for the Director under Section 280 of the Companies Act 1956 shall not apply to him for which the requisite special notice has been received by the Company as required by Section 281 of the Companies Act, 1956.

SIR RAHIMTOOLA MEHARALLY CHINYOY retires as a Director by rotation and being eligible offers himself for re-election. As he has attained the age of 75 years it is necessary to pass a resolution under Section 281 of the Companies Act, 1956 for his appointment specifically declaring that the age limit prescribed for the Directors under Section 280 of the Companies Act, 1956 shall not apply to him for which the requisite special notice has been received by the Company as required by Section 281 of the Companies Act, 1956.

The Auditors, Messrs. K. N. GUTGUTIA & CO., Chartered Accountants, also retire and are eligible for re-appointment. A Shareholder has, however, given notice of a resolution for the appointment of Messrs. S. R. Batliboi and Co., as Auditors. Another Shareholder has given notice of a resolution expressly providing that Messrs. K. N. Gutgutia and Co., should not be re-appointed as Auditors.

You are requested to appoint Auditors and fix their remuneration.

R. D. BIRLA,
Chairman.

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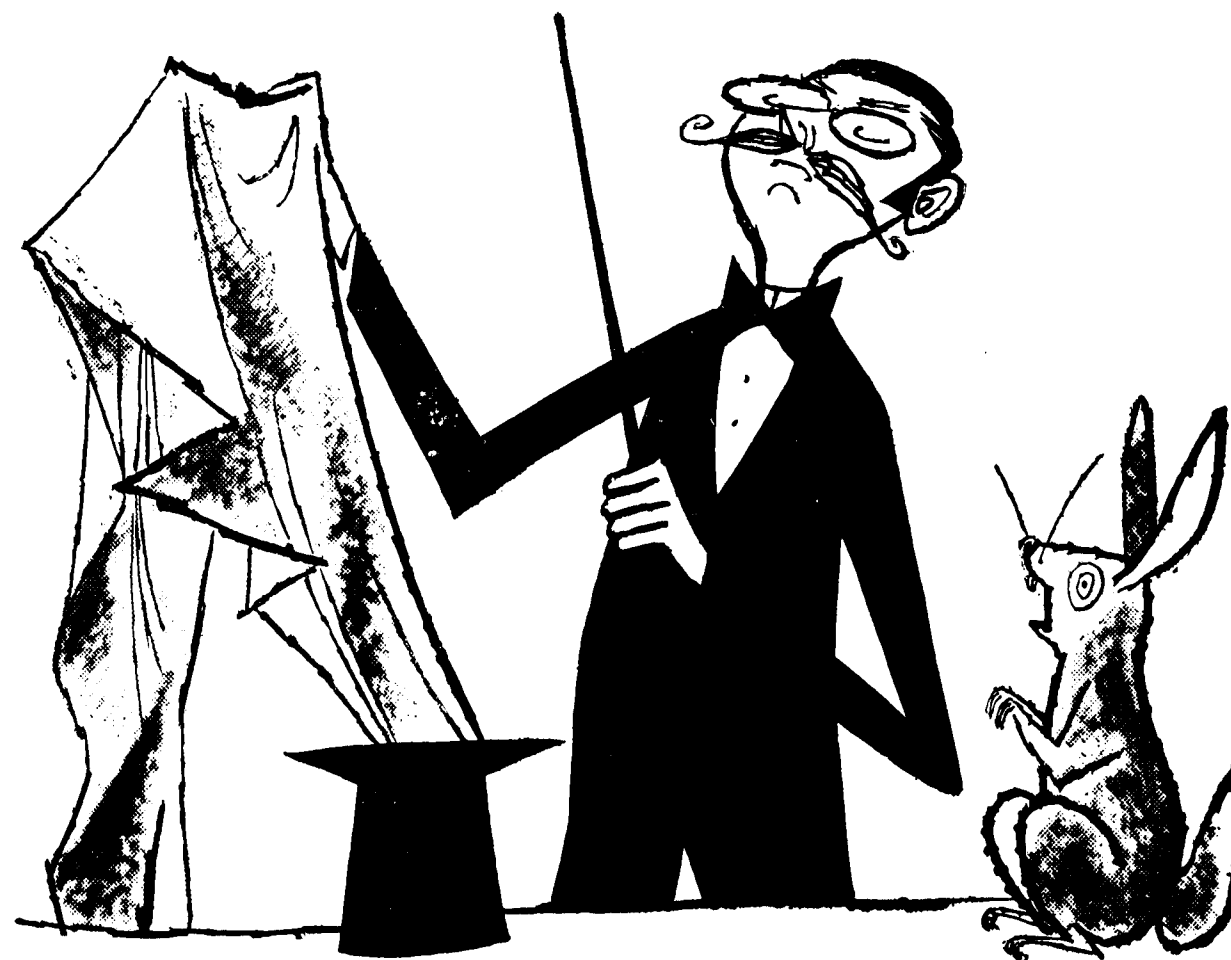
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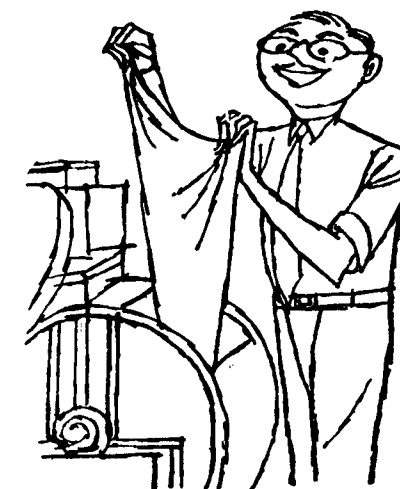
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34,00,000 PERSONS**PROFITABLE FOR CONSUMERS AND MERCHANTS ALIKE****THE BIRLA COTTON SPINNING & WEAVING MILLS LTD.****BIRLA LINES, DELHI.****BUSINESS NOTES****POLICY FOR SCRAP EXPORT**

OUR CURRENT search for all possible exploitable sources of augmenting our foreign exchange earnings is beginning to yield results in the form of concrete and practicable suggestions. The Scrap Traders and Exporters' Association, Bombay, has made a fervent plea for a complete rehaul of the Government's existing policy for export of iron and steel scrap with the specific object of promoting exports. It is apparent from the case it has made out that available sources in the shape of cast iron borings, turnings and mild steel scrap, which producers are unable to dispose of for sheer lack of demand, can be put to effective use in export without prejudice to the demand for home consumption. Reasonable incentives covering different aspects of the scrap trade will need to be offered, as they are offered in other countries, to direct sizeable quantities of scrap into the export channel.

The existing position is governed by the Scrap Control Order under the administration of the Iron and Steel Controller. In terms of the Control Order, railways, ordnance factories, and major engineering firms have been declared to be "controlled sources," subject to the obligation of placing their scrap arisings at the disposal of the Iron and Steel Controller. The system of control involves grouping of scrap into three groups and a complicated classification of scrap into 70 categories. Their central flaw is that they not only overlap but are too intricate for the producers to follow. In consequence large quantities are lost to the trade. The controlled prices of heavy melting scrap have been pitched at a low level of Rs. 100 per ton. There are salutary aspects of the control policy like compulsory allocation of specified types of scrap by the exporter to the local furnaces in the proportion of 10 per cent of exports. But the price fixed for allocated scrap is said to be below the exporter's procurement cost. On the whole, the Control Order evolved against the background of conditions obtaining during the last war is causing hardship to the trade and loss of exports. It needs to be rationalised and made to suit present and prospective requirements of the country.

It would appear that genuine ground exists for making a reassessment of the country's resources in scrap. The Scrap Traders and Exporters' Association has gone into comprehensive estimates in this respect. Only the crucial figures may be touched here for a general assessment. The Association has pointed out major discrepancies in the estimates of available scrap from major sources made by the Scrap Investigation Committee. The Committee has taken the figure of consumption of finished steel in 1956 at 1,800,000 tons and in deducing the quantity of scrap it has assumed the ratio of capital scrap to process scrap at the level of 1:1 as in the UK. Process scrap arisings have been taken at the ratio of 10 per cent of finished steel consumption. The figure of process scrap works to 180,000 and together with capital and re-roller scrap, it totals up to 400,000 tons. The discrepancies pointed out by the Association are that consumption of finished steel in 1956 was 3,100,000 tons and the UK ratio between capital and process scrap was 2:1. On this basis, the arisings would amount to 510,000 tons of process scrap and 620,000 tons of capital scrap alone adding up to 930,000 tons. It is not necessary to accept the Association's assumptions of 15 per cent as the ratio of arisings of process scrap and 2.4:1 as the ratio between capital and process scrap for India since they are open to question.

The incentives for export intensification which the Association has urged briefly are: Export policy should be liberalised to allow shipments of heavy melting

scrap along with bundled scrap, control of scrap prices should be dismantled as the controlled prices are unreasonably low by international standards, including standards accepted even by steel non-producing countries, and railway freight should be lowered. These demands are on the whole unexceptionable. The demand for withdrawal of compulsory allocations of scrap to local furnaces carries little force, particularly when the change in the price policy is realised. Allocation ought to be retained in the interest of the small producer. The earnings of foreign currency, on the assumption of acceptance of this policy, are placed at Rs. 10 crores per annum immediately with progressive increase above Rs. 15 crores a year during the second Plan period.

MERGER OF RAILWAY FEDERATIONS

IT IS a matter of satisfaction that the differences between the National Federation of Indian Railwaymen and the All-India Railwaymen's Federation have been ironed out and the two have decided to unite. The rivalry between the two unions has long been a source of uneasy labour relations on the railways. The recent strike threat by the A.I.R.F. was mainly attributed to this rivalry and the reluctance on the part of the Government not to recognise this body as representative of labour. It is not for the first time that the two unions have accepted the unity formula. As long ago as 1953, the rival labour unions merged into the National Federation of Indian Railwaymen, but again split into two a couple of years later, each claiming the exclusive right to represent the new Federation. With the efforts of Mr. Giri and Mr. Jaya Prakash Narain some sort of rapprochement was arrived at in March in 1956. According to the formula then accepted a certain procedure was laid down for determining the strength and status of each organisation and for establishing a joint machinery for achieving unity in the common interest. Provision was also made for settlement of disputed issues through arbitration by a retired High Court or a Sessions Judge. This agreement, however, remained on paper on account of the insistence of the A.I.R.F. to claim parity with the N.F.I.R. It needs to be pointed out that personal factors and purely sectional considerations were also responsible in undermining the unity between the two Federations.

The March 1956 agreement had provided that the last date for elections for office-bearers should be July 31, 1958, and for setting up of a joint committee of the two groups which would be in charge of the implementation of the terms of the agreement. Any dispute arising in respect of the implementation, it was provided, should be discussed by the Committee in the presence of observers and then recourse would be had to arbitration. Under the unity decision now arrived at although the offer to provide for the two Federations a common channel of reference and negotiation for all important disputes has been accepted by the A.I.R.F., it is laid down that the working of the joint committee and the unity formula would be reviewed after three months. This, however, may not cause any anxiety if there is willingness to maintain unity. It should not be overlooked that this is by no means a small "if". The immediate need is to complete the election of office bearers by July next as laid down in the agreement for it would help the members of the two unions to exercise their right of democratic practice as to who should represent them. So far as the decision regarding the recognition of one trade union for one industry is concerned, it is, of course, a wise one for the healthier growth of the trade union movement. The earlier this principle is extended to other industries the more conducive it will be to smoother industrial relations.

PROSPECTS OF COFFEE EXPORT

FROM WHAT the Chairman of the Coffee Board, Mr. K. Srinivasan, said at the Board meeting recently, it is obvious there are some encouraging trends about coffee production. For example, the two qualities of the crop, Arabica and Robusta, had registered increases to a total, up to the end of October 1957, of 41,498 tons, the largest so far. The final payments are expected to be not less than the previous year's level and it is not unlikely that they may be even slightly higher. However, the crop currently being picked is estimated to be some 5,000 tons lower. This has been attributed to various reasons. Among the more important are those that always affect agricultural production in India, namely, the unkindly behaviour of rainfall and the spread of pests and diseases.

In the matter of off-take also, whether in the internal market or abroad, the figures have shown an advance. But whereas internal prices ruled fairly high, the same was not true in regard to the prices realised on exported quantities. Apparently, therefore, there is a definite demand for more coffee in the home market. In the larger interest of the country, however, a healthier development would have been if more and more Indian coffee were exported to earn for the country foreign exchange which is its greatest requirement at the present time. It is heartening that exportable surpluses are becoming sizable. Over some time in the past, it has been seen that among a number of importing countries West Germany is India's largest customer. It is true that in the case of certain countries like the United States, Sweden, Finland, and Australia, regulations and impediments at the other end put a check on exports from here. But in some others, it appears that a little more imagination and understanding may help in developing those markets into larger ones. The visit of a trade delegation including a few members of the Board to Europe and the U.K. could bear fruitful results.

In any case, it needs constantly to be remembered that any foreign market can be held and developed only if export quantities are examined thoroughly and no goods below standard find their way into them. At the same time, there is every reason to hope that when open bidding is introduced it would attract more enterprising customers. The urgent need of today is to find effective ways and means in order that at least 20,000 tons of coffee may be sold abroad in the first six months of each year. Therefore, the accent must be more on propaganda and publicity in foreign markets. This, however, has to be backed up by research at home both in regard to production and storage, and usage. Again, there needs to be a general atmosphere conducive to higher production. In this respect, recent happenings in Kerala estates have not been altogether happy.

FINANCIAL ASSISTANCE FOR SMALL INDUSTRIES

AT THE fourth conference of State Financial Corporations held in Bombay towards the end of last month, many points were made which should, if implemented, help in a smoother working of the Corporations and a greater assistance to small industries. By and large, the Corporations have been set up with the main purpose of making available finance to small industrial entrepreneurs. It is agreed on all sides that on the improved production of small industries depends to a considerable extent the successful implementation of the Plan. Even while the Plan was still in its initial stages, much store was being laid by on small industries. To the apprehension expressed in some quarters that the Plan was

weighted heavily on the heavy industry side, the planners' answer was that production in small and village industries would be organised such that large quantities of goods would be manufactured both for consumption and for further use by large scale industries. For, what is the final product of a small industry is, in many cases, the raw material or a necessary component in the manufacturing process of a large industry.

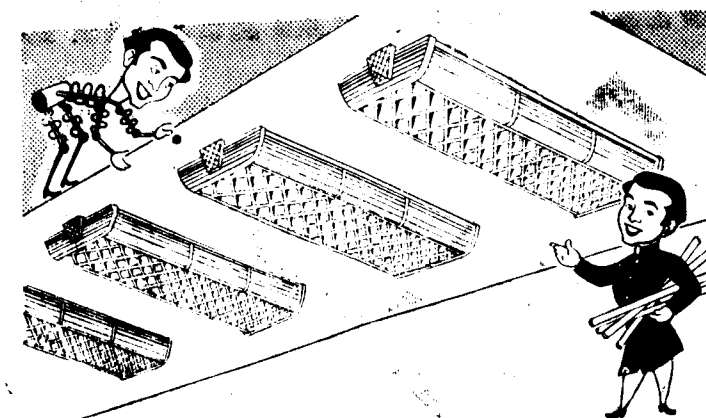
It is now sufficiently known that performance in this sector has fallen far short of expectations and requirements. Obviously, the failure should be the consequence of the combination of various factors. Perhaps the most important of these factors is the paucity of finance with the small entrepreneur. The arrival of the State Financial Corporations may be said to have eased the position. But in the overall picture of the country's needs much more will have to be done. The effort has necessarily to be co-operative with full co-ordination between the various agencies like the State Bank, the Financial Corporations and commercial and co-operative banks. It needs no emphasis that the State Bank of India has to play a dominant role in this field which was one of the major considerations underlying the idea of setting up the Bank. Again, more and more accent must be placed on the supply of finance by institutions, rather than by Government departments, for a more proper utilisation of the loans disbursed. This has been the experience of other countries like Japan where small industries play a substantial part in the making of a prosperous economy.

RUPEE TRAVELLERS' CHEQUES

IN ORDER to promote tourism in the country the State Bank of India has introduced the rupee travellers' cheques to provide easy currency facilities to tourists. In view of the tight foreign exchange position, the scheme is to be commended for it is bound to help the tourist trade and thereby bring us more foreign exchange earnings. Since the development of tourism depends a lot on the facilities afforded to the foreign travellers, the facilities that a traveller would always like to have is a mode of carrying travel funds in a safe, spendable and refundable form. The advantage of this rupee travellers' cheques scheme is that it combines all these requirements.

The inspiration for the scheme was derived from the report issued by the Statistical Section of the Ministry of Transport following the pilot survey conducted by them in 1955 on the pattern of tourism in India. The position revealed in the said report was that foreign tourists not infrequently prefer to convert a portion of their travel funds into rupees and would be inclined to spend more if they felt that they would get the rupee funds changed back into their own currency when they depart. This is quite natural as no tourist would ever like to be left with a large fund of currency which he might be required to reconvert at a discount. It is to be borne in mind that the commission paid on conversion and reconversion is not inconsequential. There is no doubt that the rupee travellers' cheques would sell and gain in popularity as the rupee is quite stable.

The State Bank proposes to utilise its 600 offices and network of its correspondents in almost every town of importance in the world to popularise its rupee travellers' cheques. It is not only the foreign tourist that the State Bank seeks to serve, but the traveller within the country too and thus foster internal tourism. In order that the rupee travellers' cheques should become quite popular, it is essential that they be given effective publicity.



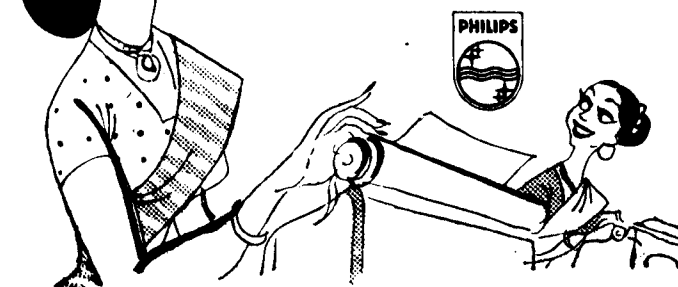
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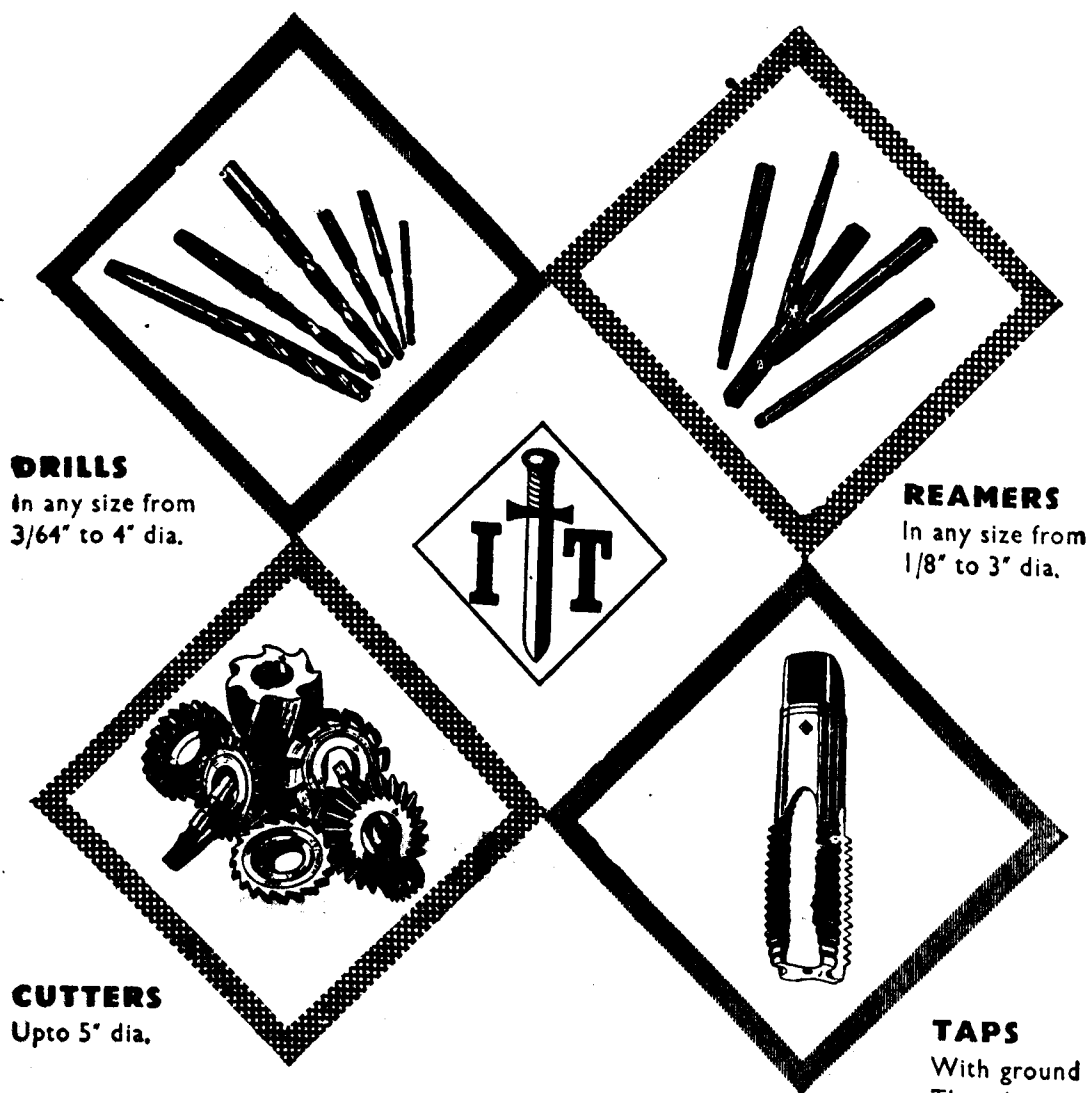
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COMMODITY NEWS AND NOTES

LAC EXPORTS

Exports of lac from India in 1956-57 fetched foreign exchange worth nearly Rs. 9.5 crores. The value of lac exports was Rs. 6.7 crores in 1953-54. The principal markets for Indian lac are the United States, the United Kingdom, the Soviet Union, West Germany, Italy, Argentina, France, Australia and Japan. An Export Promotion Council has been set up with Government assistance to maintain and promote lac exports. Indian lac has been displayed in a number of international exhibitions and it has been included as one of the items for exports from India in trade agreements with a number of countries. Measures have also been adopted to remove unhealthy speculation in this commodity since this is an important factor in the export of lac. On the recommendation of the Forward Markets Commission futures trading in lac was banned in December 1954. The ban is still in force. The National Council of Applied Economic Research has been asked by Government to undertake a study of export markets for lac and lac products. An interim report was recently submitted by the Council and the final report is expected shortly. Gramophone records, electrical goods, varnishes, sealing wax, floor polishes, toys, abrasive paper, and lacquerware are some of the articles in the production of which lac is used. Measures adopted for increasing the production of lac include the setting up of regional farms, intensified campaign to popularise cultivation of lac and imparting of training in lac cultivation. The States of Bihar, Madras, Uttar Pradesh, West Bengal, Orissa, Punjab and Madhya Pradesh, where lac is grown, have been given financial assistance for increasing output. The production of stick lac, which is the raw material for producing shellac and seed lac, is expected to go up to 15.5 maunds per year by the end of the second Five-Year Plan from the present level of 11 lakh maunds. India, till recently, used to produce nearly 90 per cent of the world production of lac. But now there is competition from certain other lac growing countries particularly Thailand, and from synthetic resins.

PRODUCTION OF COPPER ORE IN INDIA

The production of copper ore in India during the quarter ending September 1957, was 98,352 tons, according to the Indian Bureau of Mines. The production of copper ore during January-September 1957 was 299,723 tons which showed an increase of 16,131 tons compared to the corresponding period of the previous year. The entire output of copper ore is from the Singhbhum district of Bihar State.

SUGAR PRODUCTION

The production of indigenous sugar amounted to 0.56 lakh tons up to November 15, 1957, in the current season, as against 0.43 lakh tons in the corresponding period of the last year. The total off-take, including quantities despatched for exports, was 0.72 lakh tons. The stocks with the factories on November 15, 1957, stood at 4.13 lakh tons.

INCREASED PRODUCTION OF LEAD AND ZINC ORES IN INDIA

The production of lead and zinc ores in India increased to 24,004 tons during the quarter ending September, 1957 from 22,095 tons in the preceding quarter, according to the Indian Bureau of Mines. The production was also higher by 4,318 tons as compared to the corresponding quarter of 1956. The entire production is reported from the Zawar mines of Rajasthan. The lead and zinc concentrates recovered from the ores

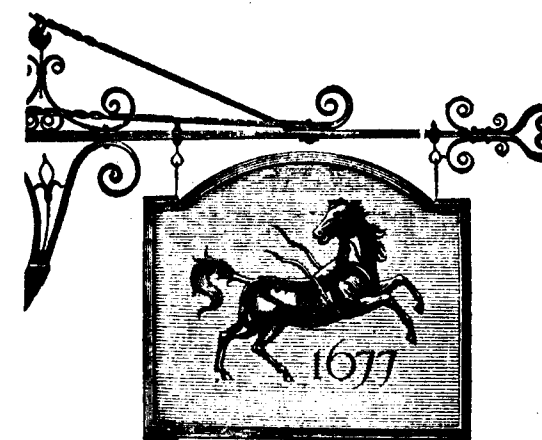
during the third quarter of 1957 totalled 1,340 and 1,906 tons respectively as compared to 1,114 and 1,458 tons in the preceding quarter. The lead concentrates are sent to the smelting plant at Tundoo in Bihar. In the absence of a smelting plant in India, zinc concentrates are sent to Japan for smelting.

IRON ORE DEPOSITS IN HIMACHAL PRADESH

Deposits of iron ore had been recovered in the Chachiot Tehsil of Himachal Pradesh by the Geological Survey of India, said Shri K. D. Malaviya, Union Minister for Mines and Oil, in reply to a question by Shri C. L. Varma in the Rajya Sabha. "These deposits, however, occur in remote areas and the quantity of good quality iron ore is not large", stated the Minister and added that the Geological Survey of India had included the systematic mapping of parts of the Mandi district in the field programme for the year 1957-58. Exploitation would depend on the result of the investigations. Production of Iron and Steel as a cottage industry, however, was not economic, concluded the Minister.

EXPORT DUTY ON SOFT COTTON WASTE REDUCED

In accordance with their policy of keeping export duties under constant review, Government have decided to reduce the export duty on soft cotton waste from 30 per cent 'ad valorem' to 15 per cent 'ad valorem' with effect from November 29, 1957.



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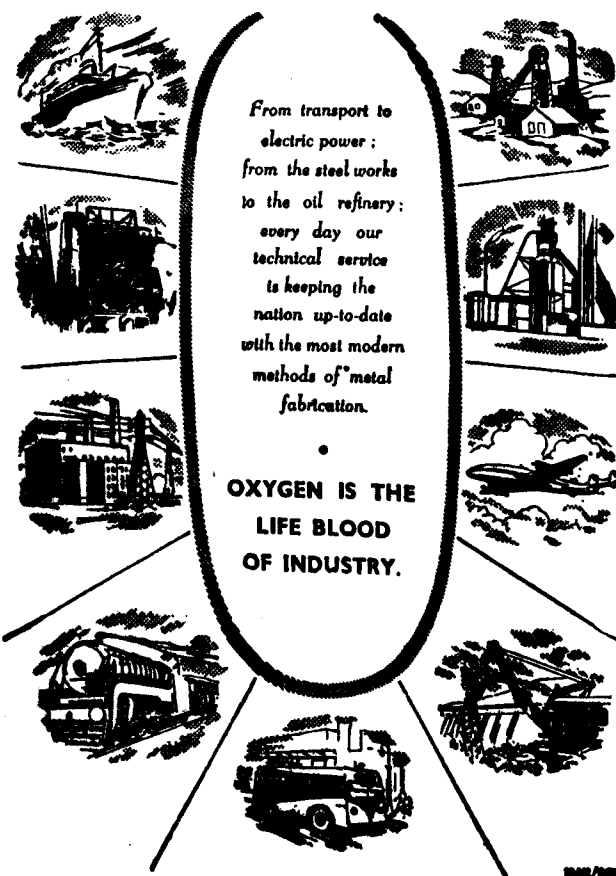
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INDIA'S REGIONAL BALANCE OF PAYMENTS ON CURRENT ACCOUNT

(Rupees crores)			
	April-June 1957	Jan.-Mar. 1957	April-June 1956
STERLING AREA			
Imports c.i.f. . .	117.1	110.4	103.4
Exports f.o.b. . .	69.6	91.7	82.8
Trade Balance . .	-47.5	-18.7	-20.6
Invisibles (Net) . .	+ 21.2	+ 23.4	+ 22.7
Official Donations . .	+ 0.2	+ 1.2	+ 0.2
Current Account (Net) . .	-26.1	+ 5.9	+ 2.3
Imports c.i.f. . .	67.9	73.3	38.6
DOLLAR AREA			
Exports f.o.b. . .	25.5	32.6	28.9
Trade Balance . .	-42.4	-40.7	- 9.7
Invisibles (Net) . .	+ 4.0	+ 3.1	+ 0.2
Official Donations . .	+ 4.7	+ 13.1	+ 9.3
Current Account (Net) . .	-33.7	-24.5	- 0.2
(Rupees crores)			
	April-June 1957	Jan.-Mar. 1957	April-June 1956
O.E.E.C. COUNTRIES			
Imports c.i.f. . .	87.2	71.5	57.6
Exports f.o.b. . .	16.1	17.6	15.4
Trade Balance . .	-71.1	-53.9	-42.2
Invisibles (Net) . .	+ 0.9	+ 0.7	- 1.9
Official Donations . .	+ 0.1	—	—
Current Account (Net) . .	-70.1	-53.2	-44.1
REST OF NON-STERLING AREA			
Imports c.i.f. . .	50.9	50.5	30.6
Exports f.o.b. . .	28.6	35.3	26.4
Trade Balance . .	-22.3	-15.2	- 4.2
Invisibles (Net) . .	+ 2.5	+ 5.2	+ 1.6
Official Donations . .	—	—	+ 0.1
Current Account (Net) . .	-19.8	-10.0	- 2.5

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CENSUS OF MANUFACTURING INDUSTRIES, 1954

Industry	No. of registered factories in existence	Factories from which returns were received	Fixed capital Employed (Rs. Lakhs)	Working Capital Employed (Rs. Lakhs)	Total Capital Employed (Rs. Lakhs)	No. of workers employed (Thousands)	No. of persons other than workers employed (Thousands)	Total No. of persons employed (Thousands)
	(1)	(2)	(3)	(4)	(5): (3+4)	(6)	(7)	(8): (6+7)
1. Wheat flour . . .	66	62	202.74	348.50	551.24	4.945	1.211	6.156
2. Rice milling . . .	1,514	1,462	669.81	1,160.94	1,830.76	47.873	9.399	57.272
3. Biscuit making . .	100	94	264.80	113.39	378.19	4.522	1.046	5.568
4. Fruit and vegetable processing . . .	31	27	78.08	46.06	124.14	1.293	.296	1.589
(a) Sugar . . .	160	154	2,225.20	4,688.22	6,913.42	101.077	19.631	120.708
(b) Gur . . .	..	..	..	..	..	..	..	..
6. Distiller and breweries . . .	50	47	249.15	190.62	439.77	3.793	.965	4.758
7. Starch . . .	16	13	82.89	86.55	169.44	1.664	.248	1.912
8. Vegetable oils . .	1,019	947	1,207.36	1,259.33	2,466.69	35.119	7.072	42.191
(a) Oil seeds crushing and extraction & processing of vegetable oils excluding edible Hydrogenated oils								
(b) Edible Hydrogenated oils . . .	29	28	647.28	675.09	1,322.37	7.197	1.615	8.812
9. Paints & varnishes . .	52	51	166.94	276.72	443.66	4.083	1.401	5.484
10. Soap . . .	52	46	390.73	500.27	891.00	5.163	1.224	6.387
11. Tanning . . .	124	120	98.59	274.56	373.15	8.117	1.536	9.653
12. Cement . . .	21	21	1632.93	879.77	2512.70	15.143	2.962	18.105
13. Glass & glassware . .	128	120	509.13	173.53	682.66	22.273	1.867	24.140
14. Ceramics . . .	76	69	396.36	239.07	635.43	17.991	2.560	20.551
15. Plywood & tea-chests . .	61	50	160.15	104.61	264.76	3.812	.798	4.610
16. Paper & paperboard . .	49	47	1,270.37	754.80	2,025.17	21.822	3.517	25.339
17. Matches . . .	44	40	187.60	219.22	406.82	14.440	1.551	15.991
18. Cotton textiles . . .	521	488	8967.82	15,743.91	24,771.73	675.528	46.95b	722.482
19. Woollen textiles . . .	61	59	347.53	756.61	1,104.14	14.654	1.817	16.471
20. Jute textiles . . .	106	105	3130.37	3,396.01	6,526.38	354.939	16.485	271.415
21. Chemicals . . .	319	303	4116.08	2442.84	6558.92	34.955	10.862	45.637
22. Aluminium, copper & brass . . .	242	213	796.48	1036.45	1832.93	19.274	3.299	22.573
23. Iron & Steel . . .	126	124	3589.99	3428.62	7018.61	69.566	16.068	85.634
24. Bicycles . . .	54	52	287.29	261.22	488.51	5.596	1.064	6.660
25. Sewing machines . . .	9	9	91.59	81.58	173.17	3.110	.454	3.564
26. Producer gas plants . .	..	..	..	..	..	..	..	..
27. Electric lamps . . .	10	10	125.98	74.71	200.69	1.940	.400	2.340
28. Electric fans . . .	23	22	92.14	133.99	226.13	3.241	.919	4.160
29. General Engineering & Electrical Engineering . . .	2,002	1,854	3573.99	3,929.29	7,503.08	130.565	24.043	154.608
TOTAL . . .	7,067	6,637	3,55,59.17	43,216.48	78,775.65	1,533.686	181.084	1,714.770

CENSUS OF MANUFACTURING INDUSTRIES — 1954

Industry	Wages paid to workers (Rs. Lakhs) (1)	Salaries paid to persons other than workers (Rs. Lakhs) (2)	Money Value of other benefits or privileges (Rs. Lakhs) (3)	Total Salaries and wages paid (Rs. Lakhs) (4): (1+2+3)	Value at factory of materials, fuel etc. (Rs. Lakhs) (5)	Value of work done by factory by other concerns (Rs. Lakhs) (6)	Depreciation (Rs. Lakhs) (7)	Total of materials and fuel consumed and depreciation (Rs. Lakhs) (8): (5+6+7)
1. Wheat flour	46.61	21.94	1.45	69.99	2,354.09	2.05	13.60	2,369.74
2. Rice milling	160.37	66.96	11.03	238.36	6,642.84	4.46	41.37	6,688.68
3. Biscuit making	38.14	21.10	2.95	62.20	366.89	1.22	18.84	386.95
4. Fruit and Vegetable processing	7.18	5.40	.36	12.93	68.49	.30	4.25	73.94
5. Sugar and Gur								
(a) Sugar	692.92	280.31	54.38	1,027.61	8,121.01	3.45	161.79	8,286.25
(b) Gur	—	—	—	—	—	—	—	—
6. Distilleries and Breweries	33.93	23.38	2.36	59.66	185.86	2.71	17.68	206.25
7. Starch	13.88	4.60	.25	18.73	227.36	.19	5.94	233.49
8. Vegetable Oils								
(a) Oil seed crushing and extraction and processing of Vegetable oils excluding edible Hydrogenated oils	164.70	75.86	3.17	243.73	8,928.31	4.34	39.02	9,021.67
(b) Edible Hydro-generated oils	91.88	49.03	5.06	146.02	3,492.19	.95	51.75	3,544.39
9. Paints & varnishes	48.11	39.26	1.09	88.46	532.79	.21	9.50	542.50
10. Soap	73.09	43.06	5.78	121.94	1092.98	8.48	29.53	1130.99
11. Tanning	61.55	21.32	.84	83.71	822.24	2.81	6.27	831.33
12. Cement	190.01	74.70	23.70	288.41	1445.90	1.42	132.84	1580.16
13. Glass & glassware	141.44	33.65	5.30	180.39	338.84	.85	30.44	370.13
14. Ceramics	153.29	50.75	11.11	215.15	189.79	.67	27.15	217.61
15. Plywood & tea-chests	24.09	14.00	3.07	41.16	158.17	.40	9.76	168.32
16. Paper & paper-board	212.43	98.04	13.32	323.79	1,171.50	9.79	164.14	1,285.43
17. Matches	137.17	41.02	6.20	184.39	329.87	6.01	12.17	348.06
18. Cotton textiles	8,762.78	1,230.45	200.74	10,193.97	27,665.73	383.08	545.13	28,593.93
19. Woollen textiles	158.88	48.83	12.14	219.85	1,135.00	8.67	21.27	1,164.94
20. Jute textiles	2439.66	382.75	53.51	2,875.92	8,023.25	8.13	177.31	8,208.69
21. Chemicals	408.25	297.73	23.31	729.29	3,308.64	16.25	312.50	3,637.39
22. Aluminium copper & brass	206.33	80.49	11.11	297.03	2,168.83	21.28	63.07	2,253.08
23. Iron & steel	1,235.83	449.32	127.55	1,812.70	4,052.52	22.56	305.24	4,380.31
24. Bicycles	63.23	29.02	.55	92.80	377.60	3.35	17.71	398.65
25. Sewing machines	55.87	14.29	.11	70.27	117.14	.35	4.61	122.10
26. Producer gas plants	—	—	—	—	—	—	—	—
27. Electric lamps	21.53	12.57	2.14	36.24	90.89	.93	7.34	99.17
28. Electric fans	35.45	16.97	1.04	53.46	100.85	.98	5.27	107.10
29. General Engineering & Electrical Engineering	1,439.78	578.47	43.40	2,066.66	4833.20	112.94	265.96	5,212.10
TOTAL	1,71,18.38	41,05.32	632.02	218,55.72	8,83,42.77	628.73	2491.45	9,14,62.95

CENSUS OF MANUFACTURING INDUSTRIES—1954.

Industry	Factory value of products and by products (Rs. lakhs) (1)	Value of work done for customers (Rs. lakhs) (2)	Total of products & by products manufactured for sale (Rs. lakhs) (3): (1+2)	Value added by manufacture (Rs. lakhs) (4)	Value added as percentage of productive capital (5)	Value added per person employed (Rs. thousand) (6)	Value added as percentage of gross output (7)
1. Wheat flour	25,85.36	13.88	2599.25	229.50	41.6	3.728	8.9
2. Rice milling	69,98.02	111.39	71,09.41	4,20.73	23.0	.735	5.9
3. Biscuit making	532.54	.03	532.57	145.61	38.5	2.615	27.4
4. Fruit and vegetable processing	100.18	7.44	107.62	34.58	27.9	2.176	32.1
5. Sugar and gur							
(a) Sugar	110,78.37	.74	11079.10	2792.85	40.4	2.314	25.2
(b) Gur	—	—	—	—	—	—	—
6. Distilleries and breweries	321.43	—	321.42	115.17	26.2	2.421	35.8
7. Starch	270.34	.37	270.71	37.21	22.0	1.945	13.7
8. Vegetable oils							
(a) Oil seed crushing and extraction and processing of vegetables oils excluding edible hydrogenated oils	90,91.54	49.87	9141.41	119.74	4.9	.284	1.3
(b) Edible hydrogenated oil	3741.04	3.04	3744.08	199.19	15.1	2.260	5.3
9. Paints and Varnishes	839.50	.25	839.75	297.25	67.0	5.420	35.4
10. Soap	1574.91	12.81	1587.72	456.73	51.2	7.150	28.8
11. Tanning	941.87	17.11	958.98	127.65	34.2	1.322	13.3
12. Cement	2622.90	—	2622.90	1042.75	41.5	5.759	39.7
13. Glass and Glassware	576.00	4.86	580.86	210.73	30.9	.873	36.3
14. Ceramics	505.17	.01	505.18	287.57	45.3	1.399	56.9
15. Plywood and Tea-chests	258.05	.04	258.09	89.77	33.9	1.947	34.8
16. Paper and Paper-Board	2087.47	.41	2087.88	802.45	39.6	3.167	38.4
17. Matches	690.10	—	690.10	342.04	84.1	2.139	49.5
18. Cotton Textiles	42960.98	103.94	43064.92	14470.99	58.6	2.003	33.6
19. Woollen Textiles	1468.52	3.09	1471.61	306.67	27.8	1.862	20.9
20. Jute Textiles	12335.42	.13	12335.55	4126.86	63.2	1.520	33.5
21. Chemicals	5624.57	54.62	5679.19	2041.80	31.1	4.474	36.0
22. Aluminium Copper and Brass	2883.29	48.61	2931.90	678.81	37.0	3.007	23.1
23. Iron and Steel	8589.08	38.30	8627.38	4247.07	60.5	4.960	49.3
24. Bicycles	620.98	2.90	623.88	225.23	46.1	3.382	36.1
25. Sewing Machines	179.65	.58	180.23	58.14	33.6	1.631	32.2
26. Producer Gas Plants	—	—	—	—	—	—	—
27. Electric Lamps	163.04	—	163.04	63.88	31.8	2.730	39.2
28. Electric Fans	203.96	8.68	212.64	105.44	46.7	2.537	49.6
29. General Engineering and Electrical Engineering	7785.19	642.15	8,427.34	3215.25	42.9	2.080	38.1
TOTAL	12,76,29.47	11,25.24	12,87,54.71	3,72,91.76	47.3	2.175	29.0

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The Eastern Economist

VOL. XXIX, NO. 24.

NEW DELHI: DECEMBER 13, 1957

ONE RUPEE

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A Good Report

ACTIVITY is still the soul of wit. Everyone will recognise, therefore, at least one outstanding feature in the report which the Indian Industrial Association has made to the Federation of the Chambers of Commerce and Industry on its tour abroad. It is a blue book, at least in that its cover is, happily, covered by a blue cloth. But it is not a blue book in content or in style. The entire report is contained in 52 pages of large type and displays a remarkable effort at compression. The appendices, another 20 pages of smaller type and in their own way are as informative on the details which they deal. It is, however, the general character of the report which should raise discussion and even controversy.

Some confusion has been caused by an apparent contradiction in the report on the political situation in the United States. In one portion of the report the authors refer to the point that a loan from the United States is unlikely because the Congress of the United States is "economically minded and not politically very favourably

disposed towards India". In another, it is said that there is no political hostility against India. Surely, the explanation is to be found in the point that hostility is a permanent and unchangeable attitude of mind whereas the "unfavourable opinion at the moment is based on misunderstanding on certain aspects of the implementation of our policy. But this can be a passing phase if we work towards the removal of misunderstanding". The inconsistency is, therefore, more apparent than real, the implication being that there is a shadow at the present time but not a permanent or unchangeable condition. It would have been helpful if the authors had more to say on this point.

The Delegation has done well to raise directly issues, which must inevitably be controversial, in a provocative manner. This is no reason, however, to question the facts as stated. The Delegation is convinced that there will be "reasonably large" investments from the United States and some from Germany. As regards suppliers' credit, "there seems to be no difficulty in the

United States, France or Germany", and the present difficulties in Britain are regarded "as of a temporary nature". But both the volume and the timing of these investments is limited by the raising of the rupee capital with which in most cases the foreign investment is to be matched. This implies "about 20 per cent of the cost of foreign equipment in cash and almost the whole of the rupee counterpart of expenditure on the project". The Delegation is impressed—one might almost say oppressed—by the difficulties of obtaining this necessary rupee capital.

It is here that the central problem of economic development in India arises. It is argued that, unless a major change in policy is designed to foster savings in both the personal and corporate sectors and to change banking policy on the lines of Japan and Germany, no breaking of the bottleneck will be possible. The problem of encouraging savings raises at once the issue of taxation. The Delegation has published in detail a note presented by the Department of Commerce, Washington in which it is clear that Indian tax rates are acting as a severe deterrent. The Commerce Department's note states: "While the rate of Wealth Tax ($\frac{1}{2}$ per cent for firms) is not in itself onerous, its very existence does tend to discourage the foreign investor. At the present time, corporate tax and super tax as well as personal income tax in India is quite high. While recently enacted changes in Indian Income-tax Law did effect modest reductions in certain categories of taxes, on balance the tax liability of both foreign and domestic companies in India still remains one of the highest in the world." There are also adverse notes on the deposits scheme, on the screening procedure, and the outlook the Government has on the private and public sectors. The note, obviously, has the approval of the Delegation although this is not precisely stated. But the question, naturally, arises, however, whether changes in taxation even on the lines of the Department of Commerce's note will achieve the requisite rupee capital formation which is, as stated above, the limiting condition of Indian economic development.

Assuming—which is on the face of it unlikely—that alterations in the tax structure of the country could augment personal and corporate savings by something like Rs. 50 crores a year, there would still be left a major problem in regard to rupee capital formation. This is in part due to the fact that profits in the corporate sector have fallen substantially in the last 12 months, and diminished steeply as food prices have risen. In neither case can a modification in domestic policy be decisive. So far as changes in taxation and private savings are concerned, they must be deemed to be marginal in the total context of what is to be accomplished. At one stage the Delegation argues that productive investment of the order of Rs. 4000 crores in the next five years is possible. It is obvious that only a major mobilisation of banking funds can provide the greater portion of the rupee capital to go into so large an undertaking. Assuming the foreign exchange component is Rs. 1600 crores, the rate of current rupee capital formation in industry would need to be about Rs. 500 crores per year. Even if all welfare expenditure were removed—and this is not practical politics—this could not be accomplished except by a drastic change in the depth, as well as volume, of bank advances.

The central point raised by this report, therefore, relates to the use of the banking system to finance medium-term development. The authors have probably taken insufficient note of the spectacular rise in bank deposits in the last four months and the remarkable easing of the position in regard to bank resources, for which part at least of the credit must go to the Reserve Bank of India's pressure on the scheduled banks to reduce advances against food grains and sugar. It is not, however, so much the past which is in question as the future. *The Eastern Economist* holds the view that the banking system has within itself at the present time a capacity for providing rupee finance on a scale which makes bank finance, and not a change in taxation to produce private capital formation, the central element in the solution of the acute dilemma which this report underlines.

This is in no way to approve of the measures of taxation which the Finance Minister introduced in his last Budget. But even if all these obnoxious measures are removed, the addition to private capital formation cannot conceivably exceed Rs. 50 crores per year or Rs. 250 crores in five years—in other words, there is no complete solution to India's capital formation needs to be found from marginal, or even drastic, changes in taxation policy. These changes are required to remove serious deterrents to foreign investment, not to add very significantly to rupee capital. They are, of course, none the less necessary but the purpose of their removal should not be confused. The rupee dilemma can only be met in an adequate degree by a large-scale mobilisation of bank resources, not by marginal, or even substantial, changes in taxation alone.

Happily the time is now opportune to introduce reforms in the banking system which will enable the scheduled banks to get integrated into the operations of industry like the banks in Germany and Japan. If this stimulating report did no more than bring about new thinking on the utilisation of banking resources it would have been well worth while. As it is, the report is full of other fare—for the business men, the economist (and the economic historian) as well as the administrator. Let each throw in, in the language of the old socialist gospel, his talents to the limit of his capacity and take according to his contribution.

It would be unwise to suppose that this stimulating and helpful report changes in any manner the short-period character of the current crisis. The foreign exchange problems which are upon us and even the rupee problem to which the authors draw pointed attention cannot be solved in the very short period. It is no fair criticism of the report to say that it has no solution in the short period of the deepening crisis. It presents a sound economic philosophy; over the last few years we have tended as much in a fit of absence of mind as of emotional ideology to go the wrong way. If this report shows the price we are paying for our errors its work would have been worth while. It is, above all, in the intellectual analysis of our difficulties at the moment that great contributions can be made. It is unfair to expect industrialists to coin new money both here and abroad. Alchemy, or the art of transmitting the basic metals into gold, is buried in the past. But the use of the mind to increase wealth, as a modern form of an ancient art, is not less valuable on this account.

Life Insurance after Nationalisation

THE Lok Sabha debate on the Life Insurance Corporation's interim report has not strengthened the case for nationalisation. When the full report for the period ending with the current calendar year will see the light of the day, the picture is hardly likely to show any variation except in the trend crying a halt to the precipitous decline in new business. The interim report has only served to lend corroboration to the consensus of opinion already voiced on the Corporation's standards of servicing and discharging its overall functions. These standards have disclosed a distinct deterioration. The initial difficulties with which the Corporation was confronted need not be minimised. Integration of 243 heterogeneous units was undoubtedly a task of great magnitude. The haste with which nationalisation was pushed through ignored this magnitude. Its price has been dearly paid in terms of the setback which this industry has received in its vital, dynamic phase.

The teething troubles of the Corporation have stemmed essentially from the problems of reorganisation of the pattern of business administration and integration of staff. Old policies which form the bulk of this business continue to be serviced by means of the stop-gap arrangement necessitating the retention of the identity of the erstwhile independent units. Devolution of this function to the divisional offices is still far off. Settlement of claims, disposal of routine business, grant of loans, payment of agents' remuneration and most other normal functions are performed without due sense of urgency and with little regard to the hardship or vexation that is caused. The spirit of service which was so characteristic of the pre-nationalisation set-up is not much in evidence.

Nationalisation engendered exaggerated hopes of a generous deal in terms of pay and conditions of work which precedents in public sector undertakings have served to foster. Integration of the services of the supervisory, clerical and subordinate staff raised genuine difficulties because of wide variations in scales of remuneration and grades prescribed in different units as well as in the levels of experience and proficiency required. Standardisation of pay scales and grades could not obviously be fixed on the basis of the levels obtaining in the top units as insisted upon by the staff unions. The terms have been finally agreed upon with a wide degree of accommodation. The net effect of the liberal terms is to increase the wage bill for these categories by Rs. 60 lakhs per annum. Insurance is a basic business and the question will need to be answered how far the increased emoluments are related to capacity to pay. On the score of the quality and volume of service rendered, the higher remuneration remains to be justified. Procurement of new business is directly dependent on the incentives offered to the field workers who have been awarded a belated deal only a couple of months ago. Reorganisation has not been conducive so far to efficiency in operation. Will the promised amendment Bill for reorganisation close this protracted chapter?

Investment policy is admittedly the crux of the management of life funds. It is difficult to understand why the Corporation should still be in search of a policy for investment, when its basic structure has already been evolved by law and convention over the years and has stood the

tests of security and profitability. In the Lok Sabha debate investment policy was the target of bitter criticism. In launching a vehement attack against investment in equity shares and debentures, however, bias was permitted to bypass the statistical position. The Corporation's investments on June 30, 1957, at Rs. 361 crores show an excess of Rs. 20 crores above the volume on the eve of taking over. The excess has been distributed in the proportions of a little more than a half for government and approved securities and the residue for equity capital. The percentage shares of the two have been very nearly maintained. The Corporation has performed a timely and valuable function in imparting strength to the capital market in the private sector. It is possible to argue that it could have handled its investment portfolio more cautiously and effectively. But the Finance Minister's impassioned statement must suffice to repel all insinuations about extraneous influence in individual investments. The reality of the situation is that the imbalance in investment lies in the allocation of a low share in the neighbourhood of 25 per cent to debentures, preference and ordinary shares, mortgages and loans.

Nevertheless, the Government has taken a proper policy decision to set up a statutory investment board which would ensure safe placements by virtue of intimate knowledge of movements in the capital market. The bifurcation of functions which it will secure is bound to leave the Corporation free to concentrate its resources on efficient servicing of old policies and energetic procurement of new business. The Finance Minister is reported to have stressed in the course of the debate that the Corporation's funds should be invested in public concerns expanding under State auspices and that that was the culmination to be desired. If this statement attributed to him is correct and made without qualifications, it would certainly constitute a crucial departure from the avowed policy. The firm assurance given on behalf of the Government during the discussion on the nationalisation bill to the effect that the proportion of life funds then available for investment in equity and other private requirements would be maintained unimpaired must be implemented without any reservations.

It is reassuring that no attempt was made to explain away the failure of the Corporation in acquiring new business warranted by conditions prevailing in the insurance market. Mr. Krishnamachari has put the Corporation's performance in the true perspective in his categorical statement that no marshalling of a few extenuating circumstances here and there could wholly cover up its lapses. A serious lapse has occurred in the steep fall in new business of the order of about Rs. 60 crores in 1956. Achievement in the first half of 1957 at Rs. 75 crores presented a dismal prospect. The position, however, has been retrieved since then and the volume of new business has been stepped up to Rs. 196 crores in the latter half of November. Allowing for the higher tempo of procurement since June last and the year-end rush activity, it is apparent that a shortfall of Rs. 35 crores, or perhaps more, will be disclosed below the peak year of 1955 while actually business should be curving up. Judgment on the quality of business ought to be reserved until the expense and lapse ratios are disclosed. Or, should the Corporation's silence on these vital criteria be interpreted as an eloquent testimony?

An Ill Wind

INDONESIA has been in a ferment following the failure of the Afro-Asian resolution in the United Nations calling for a renewal of negotiations between Jakarta and The Hague over the future of West Irian (West New Guinea) now in Dutch hands. The resolution which was supported by 41 nations and opposed by 29 others could not, however, become operative because it failed to get a two-thirds majority. Indonesian disappointment which has since found its vent in popular demonstrations and retaliatory measures against Dutch nationals and industrial and trading concerns in Java and elsewhere in Indonesia appears to have been as much over the supposed disinclination of the United Nations to support Jakarta's claim to West Irian as over the failure of that body to assist negotiations between the parties for a peaceful settlement of the dispute.

The plausible explanation that the Indonesian Government has had to resort to some coercive measures, in the circumstances of national resentment, to forestall the Communists who would otherwise have exploited the situation may not cut much ice in a country like India which is not too far away to size up the unwisdom of jeopardising present Dutch investments and discouraging future flow of capital into under-developed Indonesia for the doubtful advantage of a largely jungle territory that West Irian is. A more convincing explanation is that President Sukarno has deftly exploited the situation to rally his divided country—divided by bitter internal differences—under one platform over a national issue. If this is the right explanation, it cannot be flattering to the Indonesian leaders who have thus sought to divert people's attention away from internal problems. It is not difficult to see the wholly negative approach of a President giving nationalist horse the reins and provoking extreme popular excitement over an external issue which is no more capable of an early or easy solution than the confusing internal situation. This country, true to its peaceful tradition, has therefore done well to counsel moderation and abjuration of violent means in the matter of this dispute.

This dispute, by its very nature, is not such as to call for a violent solution because the Dutch case is no less understandable than that of Indonesia and West Irian is not such a valuable territory (except for some oil that it has) that may be recalled, West Irian was specifically excluded by the Dutch from the terms under which the East Indies were turned over to the Indonesian Government; its future was left open to mutual negotiations. But the talks broke down in 1950 because the Indonesian Government demanded unconditional transfer of the territory to its sovereignty. The dispute then went to the United Nations where, like the Kashmir dispute, it has become a "perennial".

The fact that Indonesia agreed in 1949 to the exclusion of West Irian from her sovereignty for the time being may not be overlooked in this connection. There should have been some special reasons for the then exclusion of a territory which formed part of the Dutch East Indies. Were these reasons connected with the oil fields of Sorong in which the Dutch had invested? Did Australia owning the eastern half of New Guinea have any

objection to the outright transfer, without safeguards, of West Irian to Indonesia? The reasons can only be guessed in the light of the joint statement recently issued by the Netherlands and Australia to the effect that they would retain control of New Guinea until such time as the Papuans "will be in a position to determine their own destiny". If this means that Australia has reasons to fear a possible future Indonesian claim to East New Guinea on the ground that an otherwise homogeneous island was artificially divided into two halves, the Dutch alone cannot be held responsible for the present stalemate. Where thus Australia is also in the picture, her case in regard to this matter may also have to be understood before the dispute can be settled to the satisfaction of all the parties. Where a third country like Australia is also involved in the affair, the case for a negotiated settlement is further reinforced if Indonesia's external relations are not to get embittered.

It may suit the purposes of Communists who are surrounding President Sukarno to bring about a deterioration in the external relations of Indonesia with non-Communist countries and a situation of economic instability and chaos on the internal front by driving out the Dutch who have interests accounting for about 70 per cent of the total estate production and 70 per cent of the inter-island, shipping. That they have nearly succeeded in their purposes may be inferred from the alarm and dismay caused by the strikes in Dutch firms, the seizure of many vessels of the Dutch Inter-island Shipping Company, the expulsion of jobless Dutch citizens and the seizure (nationalisation?) of Dutch estates and factories. These measures which were strongly suggestive of expropriation have been most unfortunate not only because they have produced adverse reactions in the West—Mr. Hugh Gaitskell, British Labour leader, has just described them as "arbitrary, unjustified and lacking in humanity, whatever the merits of the question"—but also because they represent a tremendous blow to the confidence of foreign investors who have all along been expected to contribute to the economic progress of under-developed Asian countries including Indonesia.

The statement made on behalf of the Indonesian Government that the seizure of Dutch interests was not nationalisation can hardly allay the fears of foreign investors. The contemplated management without ownership, by the Indonesian Government, of the Dutch enterprises under a new law on foreign investment may be well within the sovereign rights of that Government but may not restore the shattered confidence of investors. It is to be devoutly hoped that the proposed law would be fair to foreign investors not only in the interests of Indonesia but in those of some of her sympathisers and well-wishers in the region. It would not be in the interests of Indonesia if, by taking over the Dutch estates, she were to lose technical assistance and financial credit and to risk losing some markets for her exports on which her economy depends so heavily. And it would not be in the interests of any non-Communist Asian country if Indonesia were to persist and go too far in her present course for, in that event, foreign capital will have been frightened away from Asia. It is an ill wind that blows nobody any good.



The Story of Oil—

Exploring for oil

It is impossible for anyone to say exactly where petroleum will be found. It accumulates in isolated subterranean traps, and these are what the oil-explorers seek, rather than the oil itself.

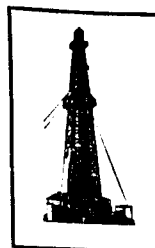
It must first be decided where conditions in past geological time have favoured the formation of oil. This is usually land which was once the site of an ancient sea. Having selected a likely area, the next step is to survey the surface, mapping exposed rocks and searching for any oil which has seeped to the surface.

The geologist is all the time patiently searching for signs that could point to the existence of underground rock traps. Traps suitable for an accumulation of oil consist of porous rocks in which the oil (if any is there) is hemmed in on all sides by non-porous rock. Clues to such buried

structures may be found in the banks of rivers and streams, for here the earth's rock layers are often exposed to view, enabling the geologist to calculate their age and measure the directions in which they slope beneath the surface. The rocks may contain the fossilised remains of plants and animals that lived millions of years ago, when crude oil was being formed.

Aerial photographs help the geologist too. They reveal a surprising amount of geological evidence, even in densely wooded country, enabling him to map the differences in rock structure.

When all surface sources of information have been exhausted, the next step in the search for oil is to explore deep beneath the surface of the earth. The science which makes this possible is known as geophysics.

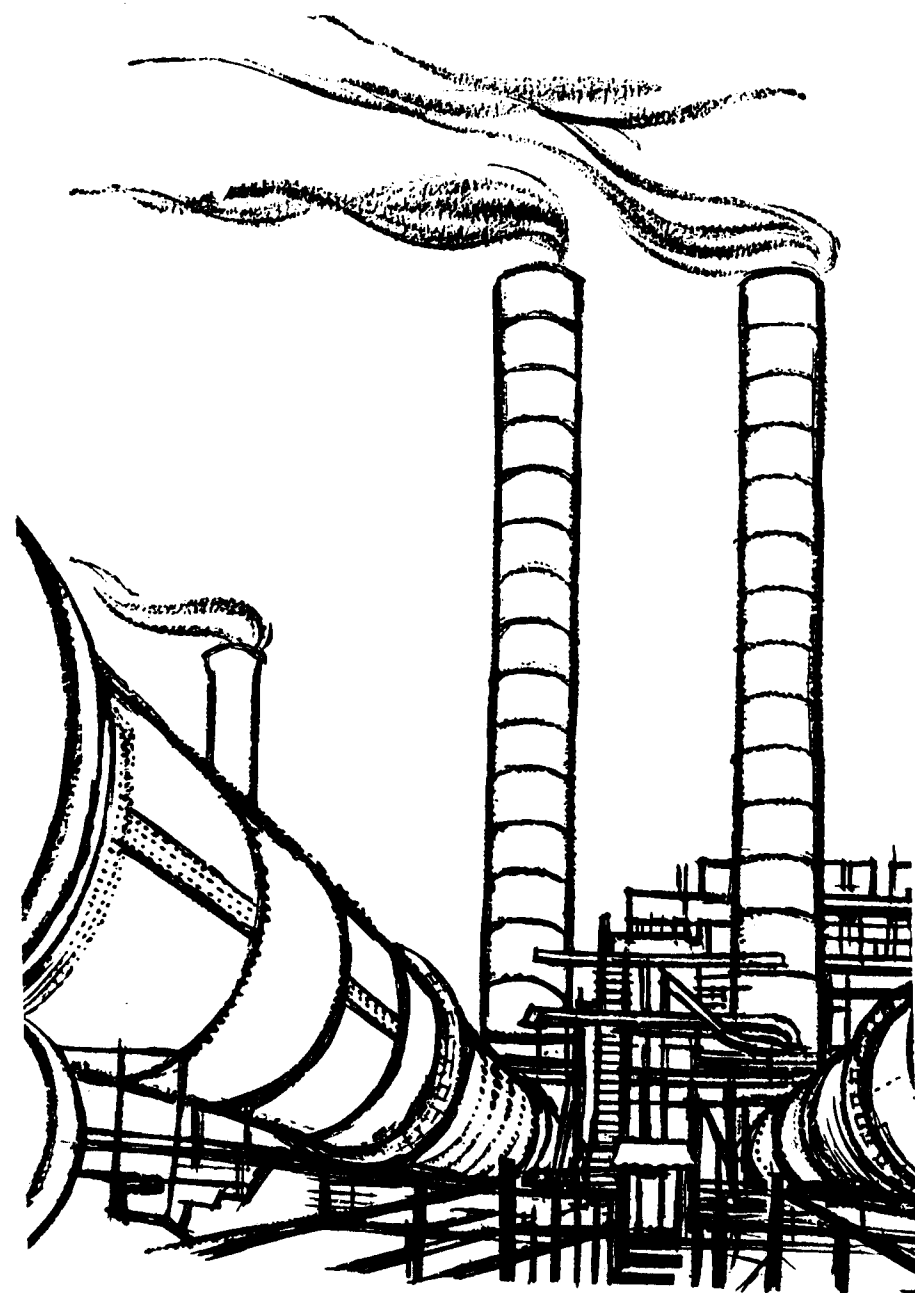


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THE WEEK'S NOTES

CASTE SYSTEM AND UNTOUCHABILITY

EVERY MAN hath some self-respect, and the Harijan is as much a human being as any other. If an upper caste Hindu refuses to drink the water offered by a Harijan, the latter's self-respect demands that he find a man from whom he will not take water. The 'higher caste of Harijans' of Dabhoda village in Ahmedabad District may, therefore, be excused if they do not allow the Bhangis to draw water from their public wells. This small fact of social discrimination practised by one section of Harijans against another section — a fact recorded in the 1956-57 Report of the Commissioner for Scheduled Castes and Scheduled Tribes — may not be startling to those who are well aware of the divisive character of the Hindu caste system with its multitudinous sub-castes and sub-sub-castes. Even this small fact is a significant reminder of the difficulties in the way of dissuading a 'superior' caste or sub-caste from its traditional practice of social discrimination. It is truly amazing that while every 'superior' caste or sub-caste has a vested interest in denying social equality to an 'inferior' caste or sub-caste, it feels hurt when it is looked down upon by a caste or sub-caste still further up. So long as every caste or sub-caste is not willing to do unto others what it would very much like others to do unto itself, the process of eradication of caste consciousness in which it is soaked is going to be very, very slow. No amount of angry declamation against the caste system can conjure it away, and this is realised by the Prime Minister himself. So long as caste distinctions and caste prejudices continue, the observance of untouchability in some form or other, more particularly in the rural areas, is bound to continue. This is actually the position today although untouchability has been abolished under the Constitution and the Untouchability (offences) Act has been in force since 1955. The Commissioner for Scheduled Castes and Scheduled Tribes is, therefore, right in saying "that any number of enactments would not by themselves transform the situation unless there is a change in the mental attitudes of the people".

DIRECT AND INDIRECT TAXATION

THE PLACE of direct and indirect taxation in democratic socialist countries was discussed at a parliamentary seminar here. A British Labour M.P. expressed the view that an elaborate use of indirect taxation could be a "swindle" and that the disincentive effect of direct taxation was very often exaggerated. This is an extreme view not applicable to a country like India which cannot be described as "socialist". So long as India's is a mixed economy in which the private sector is predominant, the disincentive effects of taxation are not irrelevant. The Labour M.P.'s view may be in consonance with his party's plank regarding egalitarian taxation—a plank which has obviously to appear more radical now that its public ownership plank has become moderate. It is not quite certain that his view is wholly applicable even to a country like Britain which has reached a high level of economic development. Dr. B. N. Ganguli, on the other hand, appeared to be on surer ground when he said that tax methods, however refined they might be, could not bring about radical changes in income distribution. If, thus, the redistributive effects of direct taxation are exaggerated and its disincentive effects on saving and investment are all too obvious in actual practice, there is no case for a predominant emphasis on it. As far as India is concerned, even the present proportion (35:65) between direct and indirect taxation in the Central fisc appears to be unreasonable in the context of the country's under-development.

TAX LOAD ON ELECTRIC SUPPLY INDUSTRY

TAXATION HAS always been a sore problem with the Electric Supply Industry. Thus, as Mr. K. G. Milne, Chairman of the Federation of Electricity Undertakings of India, told at the annual meeting of the Federation, last week, in Bombay, "not only has a quirk of law resulted in large numbers of consumers of electric power getting their ever increasing demands at a price free from the usual income-tax addition, but the resulting loss of tax revenue to the State is being transferred on to the shareholders of the supply companies when the law has set out to promise a reward 'free of tax!' Further, while the law has saddled the shareholder with the problem of tax deferred till later years, the consumers are not even called upon to contribute to the development funds adequately. This explains why the share of even the largest and quite rapidly growing electric supply undertakings are standing below par. In view of the increasing importance of electric power, the plea of Mr. Milne to make all attempts "to grapple with the unsolved problems arising from provisions for deferred tax liability and denial of grossing up of dividends in the hands of the shareholders" deserves the utmost consideration.

It is interesting to note, in this connection, that Mr. S. K. Patil, the Union Minister for Irrigation and Power, who inaugurated the annual meeting of the Federation, assured consideration of all the genuine difficulties of the private sector, especially the provision for deferred tax liability. In view of the low 'per capita' generation of electricity in the country, which stands only at 25 kw, as against 6,500 kw in Norway, 4,860 kw in Canada, and 3,520 kw in the U.S.A., and the increasing demand for power as a result of rural electrification, the work of generating power should receive top priority. It is accordingly gratifying to note, from the reassuring reply of the Union Minister, that this industry has been included in the priority list, despite its being in the third category. The past record of private enterprise in this field which has, according to Mr. Patil himself, made remarkable progress during the past ten years, is at once a proof and guarantee of its capacity to meet the increasing energy needs of the country in the years to come. With proper incentives and encouragement from the Government, the target of 6.9 million kw. set for the second Plan period should not be difficult of achievement.

YUGOSLAVIA AND MOSCOW DECLARATION

THE MOSCOW declaration of the twelve ruling Communist parties, it may be recalled, laid down a set of "basic laws" governing socialist development. Two of these were about "the abolition of capitalist ownership and the establishment of public ownership of the basic means of production" and "gradual socialist reconstruction of agriculture". The declaration further laid down that "exaggeration of the role of national peculiarities or departure, under the pretext of these peculiarities, from the universal Marxist-Leninist truth on the Socialist revolution and Socialist construction is harmful to the Socialist cause". When the Communist Party of Yugoslavia refused to be a signatory to this declaration, one of the interpretations at the time was that Marshal Tito's representatives were not convinced of the wisdom of spelling out the "basic laws" of socialist development in that manner. One wonders if the renewed charge of "revisionism" against Yugoslavia is on the ground that that country's "socialist development" deviates from the "basic laws" laid down in the Moscow declaration.

It is, however, not clear that the accusation of "revisionism" is on the score of economic reorganisation. The Yugoslav Communist Party has merely stated that the Moscow declaration "contains certain attitudes and appraisals which are contrary to its standpoint and which it considers to be incorrect". What parts of the Moscow declaration are considered by Yugoslavia to be incorrect, is not made clear. As Marshal Tito has resolutely rejected the "insinuation of revisionism", it looks as though another controversy analogous to the one between the Cominform and Yugoslavia in 1948 might come about. But this expected controversy will probably not be as acrimonious as the 1948 one for two reasons. For one thing, the Moscow declaration does tolerate a degree, although very limited, of diversity among Communist parties in regard to both means and ends; for another, the agreed "common line" of the twelve ruling Communist parties contains enough ambiguities which could be differently interpreted by different Communist parties. As the doctrine of "different roads to Socialism" is, by its very nature, realistic, it is not inconceivable that Yugoslavia this time may have allies in some other ruling Communist parties.

MALAYA'S PLAN PROBLEMS

IN NOT a few essentials does Malaya's Five-Year Plan for development run parallel with our own. The central problem is of finding the necessary finance. No less difficult to overcome is the dearth of technical personnel within the country to pull the Plan to a successful conclusion. The total outlay of the Plan has been put, in terms of Indian rupees, at some Rs. 217 crores of which over Rs. 40 crores is yet uncovered by any resource, even after it is assumed that nearly as much will come in the form of foreign loans and aids. While, therefore, a substantial part of the financial requirements, in foreign exchange or domestic resources, is still intangible, as the Plan proceeds the rising prices of capital goods throughout the world may further add to the country's worries. To that extent it would not be wholly incorrect to characterise the Plan as ambitious. But like India's second Plan again, there is nothing outrageous about the targets. The vast bulk of Malays are far too low on the economic ladder even compared to their own countrymen of Chinese origin, whether in trade or in plantations.

If that is true, then, from the Malay angle, the Plan should appear tilted. Roughly, replanting of rubber alone absorbs as high a percentage as 60 of the total Governmental investment in agriculture and industry. Generally, Malay areas are over-populated and there is little scope of further development mainly for lack of land. Being concentrated in such areas, Malay holdings are naturally small. Replanting would cause an unavoidable lapse of time between one crop and another which they can ill afford. It needs to be understood that rubber is not only the country's most important estate crop. It is also the smallholders' principal commercial crop.

In the development of electric power as much as in other public utilities like roads and railways, Malays do not give the impression of being altogether happy. That, however, should not suggest that the Plan is not essentially sound. Even if it is admitted that by far rubber plantations or tin mines owned or run by big Chinese and Europeans, it cannot be denied that ultimately the country as a whole will stand to gain. There can hardly be any all-round 'balanced' development over short durations like five-year plan periods. Planning is a long-term process and development can be termed balanced or otherwise after a series of plans have been put through.

Malaya like most other under-developed countries desires to industrialise rapidly in order to raise her

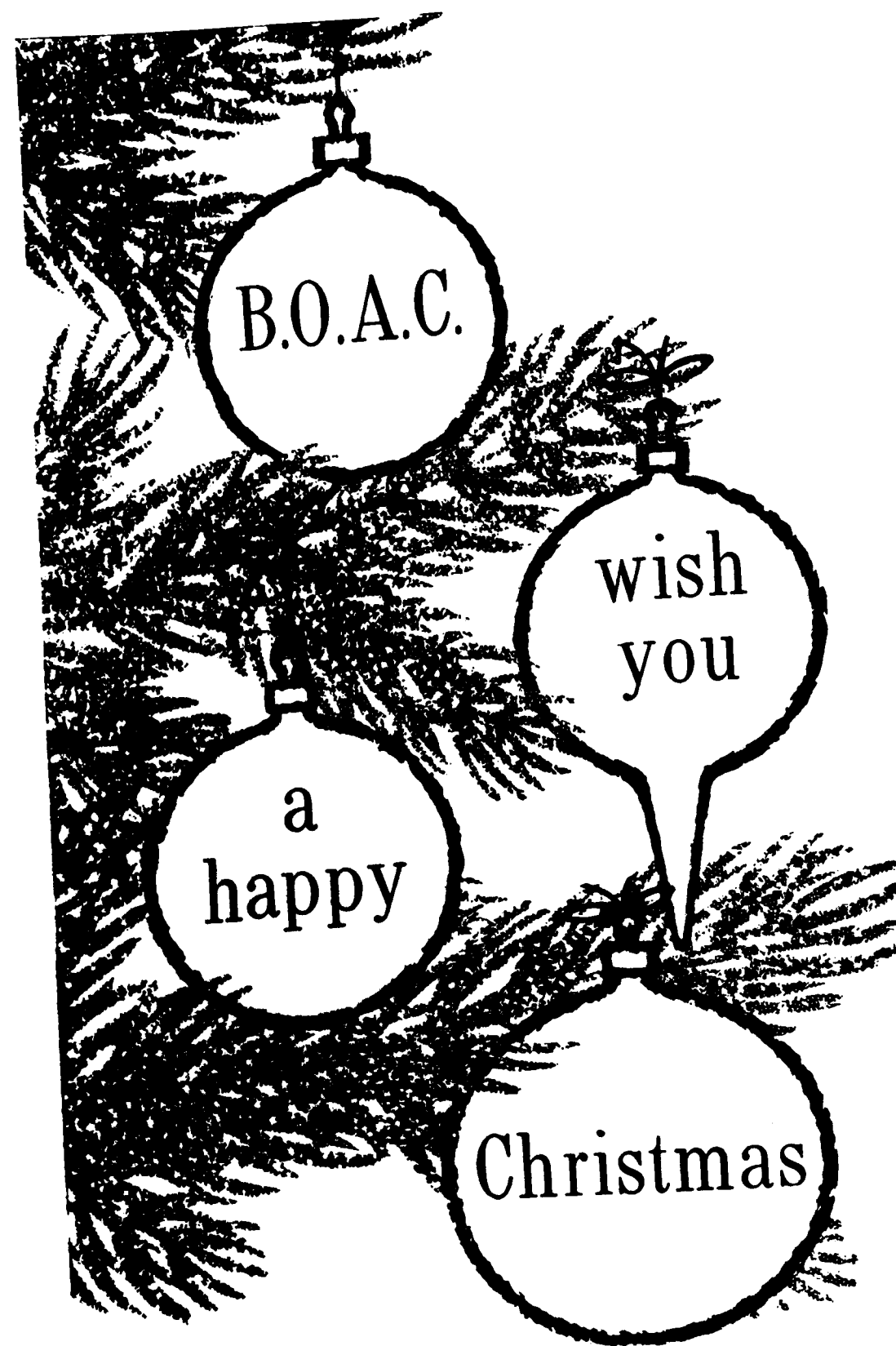
living standards. She has chosen her own way of attracting capital for developmental purposes. At the moment her decision to give tax and other concessions to foreign capital seems to be feasible. Once a base is established, it would be comparatively easier for the indigenous private capital to cast off its shyness. For the financial requirements of the public sector also, new resources have to be developed. Although there has been substantial increase in the national product during the past few years, Government revenues have not gone up in the same proportion. This is attributed to a narrow coverage of income and profit taxation. Expenditure, on the other hand, has been mounting, particularly in the spheres of education and other social objectives. All in all, the Plan deserves the sympathetic and co-operative understanding of all friends of Malaya. On the successful implementation of this depends, to a large extent, the future of democracy in this youngest State.

LABOUR VICTORY IN NEW ZEALAND

IN NEW ZEALAND'S General Election Labour has come out victorious defeating the National Party which had ruled the country for eight years. The number of seats annexed by the victorious party is forty-one, while those captured by the defeated National Party are thirty-nine in a House of eighty. The Communists and the Social Credit League have been completely routed. The votes of the Social Credit League dropped by a third, whereas all the five Communist candidates lost their deposits.

On the face of it the defeat of the National Party looks surprising particularly when that party had given an era of prosperity to New Zealand. But a further probing reveals that the New Zealanders were not happy with a rising cost of living and had a simmering discontent against the National Party. The dismantling of controls created by the earlier Labour administration was also responsible to some extent for the downfall of the Nationalists. As a matter of fact the defeat of the National party was the result of a variety of incoherent grievances that had piled.

It remains to be seen whether Mr. Walter Nash, the new Prime Minister, will be able to establish a stable foothold as the path that lies ahead of him is certainly not a bed of roses, what with a precarious majority. He certainly has no clear mandate to begin radical repairs and additions. The party is committed at the moment to an immediate income tax rebate; there is the promise of an income tax rebate of up to £100 on the gross tax levied for the financial year that ended in March 1957. Then again there are the extensive promises to improve the present retirement pensions and freeing them from means tests when the age of 65 is reached. All this involves a huge financial outlay and the question is being asked where the money for all these purposes would come from. There is, however, no doubt that the Labour Party would make a definite bid to build up New Zealand's depleted overseas balances. Since the Labour Party in New Zealand has always stood for a protectionist policy, the protective cover for most of its industries is a foregone conclusion. The most crucial problem that faces New Zealand at the moment is the falling prices of its exports which consist mostly of dairy products. Mr. Nash, the new Prime Minister, has said that trade posts would be established in Asia, Africa, Europe and America as alternatives to Britain. On the foreign policy front, it is certain that the Labour party would stand for strong Commonwealth ties. Death penalty may be abolished soon in New Zealand for it has never found favour with the Labour party.



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A Window on the World

THEIR FINEST MEMORIAL

By
ODYSSEUS

IT WAS my happiness this week to chance upon two books, and a BBC broadcast, which should make every Indian friend of Britain and every British friend of India rejoice. The books are "The Viceroyalty of Lord Irwin: 1926-31" (Oxf. Univ. Press. 1957. 21s.) by S. Gopal, the distinguished historian son of a distinguished philosopher and statesman father, Shri Sarvagopal Radhakrishnan; "Talking of Gandhiji" (Orient Longmans, 1957 Rs. 6) by Francis Watson, British biographer and broadcaster, who spent the years 1938-45 in India; and "India's Attitude to the Commonwealth", a BBC broadcast by Dr. V. K. R. V. Rao, Vice-Chancellor of Delhi University, reproduced in the "Asian Review" (3 Victoria St., London. SW. 1) for October. 1957.

When I recall that India waged a nationalist struggle against the British with ever mounting heat and bitterness during the half century preceding August 15, 1947, these three publications strike me as extraordinary tributes to the qualities of head and heart of Indians and British alike. Consider: Lord Irwin of Indians and British alike. Consider: Lord Irwin was viceroy during five years which saw some of the bitterest moments of the nationalist struggle; there was a general protest against Dyarchy; the arrival of the Simon Commission to report on further constitutional development had stirred up political unrest, intensified communal feelings, sharpened political rivalries, fanned anti-British feelings to white heat among the politically minded, and Gandhiji's new methods were awakening the masses to political consciousness. Gandhiji let loose the boycott of British goods and followed this up with the second civil disobedience campaign. The Round Table Conference (out of which the Government of India Act of 1935 was to emerge) began in discouraging circumstances; the turmoil in India, far from scaring the British, aroused anti-Indian feelings, stiffened the attitudes of both the Conservative and Labour parties, convincing both that the time for independence was not yet, and rendering difficult and thankless the task of forward-looking, liberal-minded statesmen, such as Sir Samuel Hoare, the Secretary of State for India. In short, this was a period when passions ran high in India and in Britain, the sort of period that gives birth to a combination of virulent hate propaganda against the enemy, and a heroic mythology around their leaders by the rank and file of both antagonists.

IRWIN AND INDIA

As one turns the pages of Mr. S. Gopal's book, Lord Irwin emerges as a man who, once he had decided what the best course was, pursued it with courage, regardless of the hostility and disagreeable political consequences entailed for him at home—a great statesman, a great peace maker, a man of great piety. Mr. Gopal depicts Irwin as "in the great line of Wellesley, Dalhousie, and Curzon" in an age when air travel and radio communications made it easy to throw all problems into the lap of the British cabinet and leave the responsibility for awkward decisions to them. Since Edwin Montagu's declaration of 1917, expectations in India had risen ever higher. The problem as Irwin saw it was this:

"I am always racking my brain as to how to get out of this futile and vicious circle by which we say

'No advance without co-operation' and they say 'No co-operation without advance'. I cannot help feeling that it is a question much more psychological than political. One of the extreme swaraj people said to me the other day that if only they could trust us it would not matter to them whether they waited five or fifty years. How, then, to make them believe that we mean what we say?"

Irwin, says Mr. Gopal, realised "that the Congress was divided in mind, fretting and fumbling, lacking the assurance either to wait or to strike, and that the initiative could be seized by the government." He therefore went to London with detailed proposals for constitutional advance and, finding no response, determined to act on his own. He spiked the guns of the hesitant Conservatives and Labourites in London by announcing on his return to India that he had been "authorised on behalf of His Majesty's Government to state clearly that in their judgment it is implicit in the Declaration of 1917 that the natural issue of India's constitutional progress, as there contemplated, is the attainment of Dominion status."

Thus it was Irwin who started the train of events which led to the Act of 1935 which provided the foundation on which the structure of independent India was raised on August 15, 1947. As Mr. Gopal says, "It was clear that the viceroy... was anxious to carry forward the established aspirations of the Indian people. The statement, it is true, failed to divert the Congress from civil disobedience, but in all the confusion and upheaval that followed it remained a spar afloat; and it was that, and not the Simon Commission Report which finally reached the shore. The Round Table Conference, and the participation of the Congress in it, were the achievements of the Government of India and not of the statutory commission. Throughout the hurried sequence of events in 1930, Irwin never lost his foothold; while asserting authority, he was always on guard lest patience fail and judgment falter; never retreating, he was yet ever ready to treat."

GANDHIJI AND BRITAIN

Books on Gandhiji are innumerable. I do not, however, hesitate to assert that one of the most outstanding, on a par with "Essays on Mahatma Gandhi", edited by S. Radhakrishnan and "Mahatma Gandhi" by Po'ak, Brailsford, and Pethick Lawrence (Odhams, 1949), is Francis Watson's newly published "Talking of Gandhiji". This, the script of four BBC Third programme productions, brings Gandhiji's aims and personality to life through the skilfully combined reminiscences of 64 men and women who had intimate dealings with him at various periods of his long life. Although originally meant to be heard, the script is extremely readable. The book is the permanent record of the biggest project ever devoted by the BBC to the presentation of one man. It took four years to record the 15 miles of tape containing 190,000 spoken words, which have been sub-edited down to 35,000 words.

Many of these reminiscences throw new light on the characters and actions of the participants, among whom are H. N. Brailsford, Devadas Gandhi, Indira

Gandhi, Pandit Nehru, Dr. Zakir Hussain, G. B. Mav-lankar, Lord Mountbatten, Gilbert Murray, Padmaja Naidu, Pyarelal and Sushila Nayar, Rajendra Prasad, C. Rajagopalachari, B. C. Roy, Ian Stephens, H. S. Suhrawardy, Samuel Hoare, and G. D. Birla. From their joint efforts, there emerges a wonderful portrait of the politician, saint, and genius, that was Gandhiji. Neither politicians, nor geniuses, and still less saints, have ever been easy to understand. To the ordinary mortal, they often seem full of inconsistencies. But Francis Watson's recordings strikingly bear out Mr. Gopal's view that Gandhiji "was one of those immortals who transcend all boundaries, and his genius is difficult to define. But its fundamental traits are clear. His intellect never broke away from his emotions; he was sagacious but was also overborne by moods of impulsive gallantry.... A direct approach on a personal level could dissolve the vehemence that he showed in rebutting rational arguments; the common belief in the invincible forces of faith could transform for him an adversary into a partner. Irwin... appreciated both the strength and the virtues of Gandhi. He knew that Gandhi was not merely a powerful leader who voiced the inarticulate dissatisfaction of millions but also a politician inspired by spiritual values and a genuine friendliness towards Britain. Hence the viceroy could with confidence initiate negotiations and 'drink tea with treason'. Even if the parleys had ended in failure to reach a settlement, they would have been worth while. For the burden of the hours that the two men spent together was not a series of compromises on the various points at issue but an acceptance by each representative figure of the sincerity of the other."

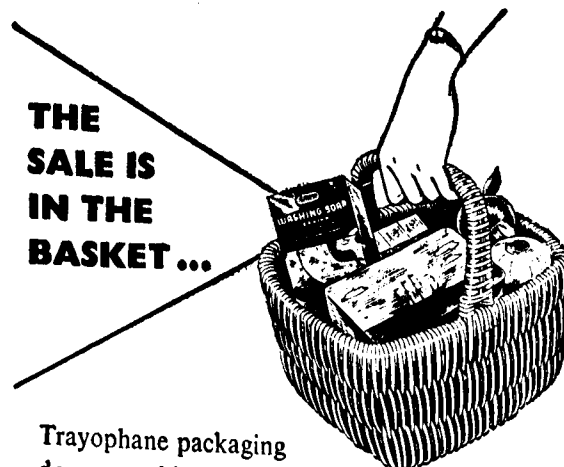
WHITE, BROWN, YELLOW, AND BLACK COMMONWEALTH

Dr. V. K. R. V. Rao's broadcast on India's attitude towards the Commonwealth is a constructive refutation of criticisms of the UK. He covers much ground and contributes to clearer thought on controversial points. Dr. Rao concludes: "I believe that the Commonwealth will grow in numbers and prestige and will stand out in the world as a mosaic of white, brown, black, and yellow peoples of sovereign nations, linked in freedom and democracy. It will no longer be an Empire Commonwealth; it will just be a Commonwealth; and the empire, to the extent that it remains a memory, will be a selective memory of pleasant things characteristic of the best of British culture and civilisation rather than use of the unpleasant concomitants of colonial rule. The Commonwealth will stand for racial equality, peace among nations, and economic development of the underdeveloped countries of the world."

These three important writings suggest that independent India should be a source of pride to Indians and British alike, because it is a joint Indo-British product. The British brought with them to India the fruits of the European Renaissance in politics, learning, the arts, and economics. That was their contribution. But if Indians had not had the intelligence, capacities, and cultural inheritance, needed to assimilate these ideas, and to seize with both hands the opportunities opened up, independent India would have been a vastly different and poorer place. A nation's finest and most abiding memorials are not roads, railways, or buildings, but the new vision with which it endows men's minds. That it should be an Indian historian who helps us to a juster appreciation of the contribution towards the independence of India made by a great Englishman seems to me the finest possible tribute to the British. That it should be a British writer, sponsored by the official British Broadcasting Corporation and by an Indo-British publishing company, who throws fresh

light on a great Indian saint, is equally the finest possible tribute to Indians. That the Vice-Chancellor of an Indian university should be anxious to strengthen Indo-British co-operation, I take to be further evidence of the intermingled-ness of Indian and British aims and values. One has only to pose the question "What motive led those two Indians and this Briton to wish to undertake the task that each set himself?" to realise the tremendous force of the joint Indo-British impact on our two peoples.

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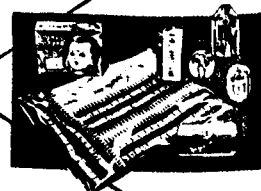


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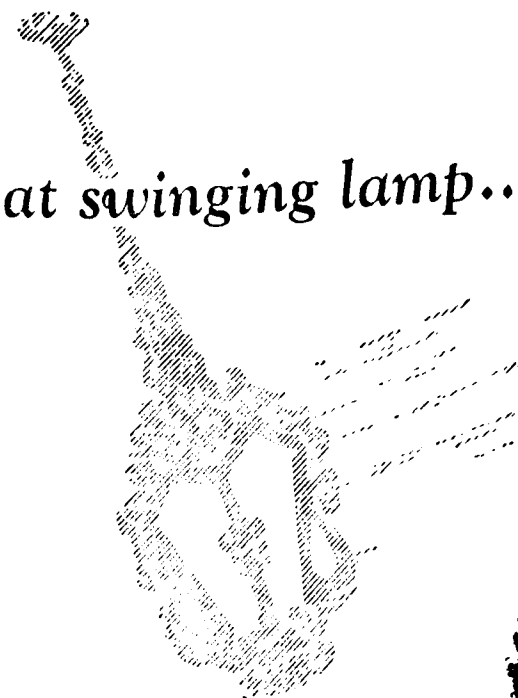
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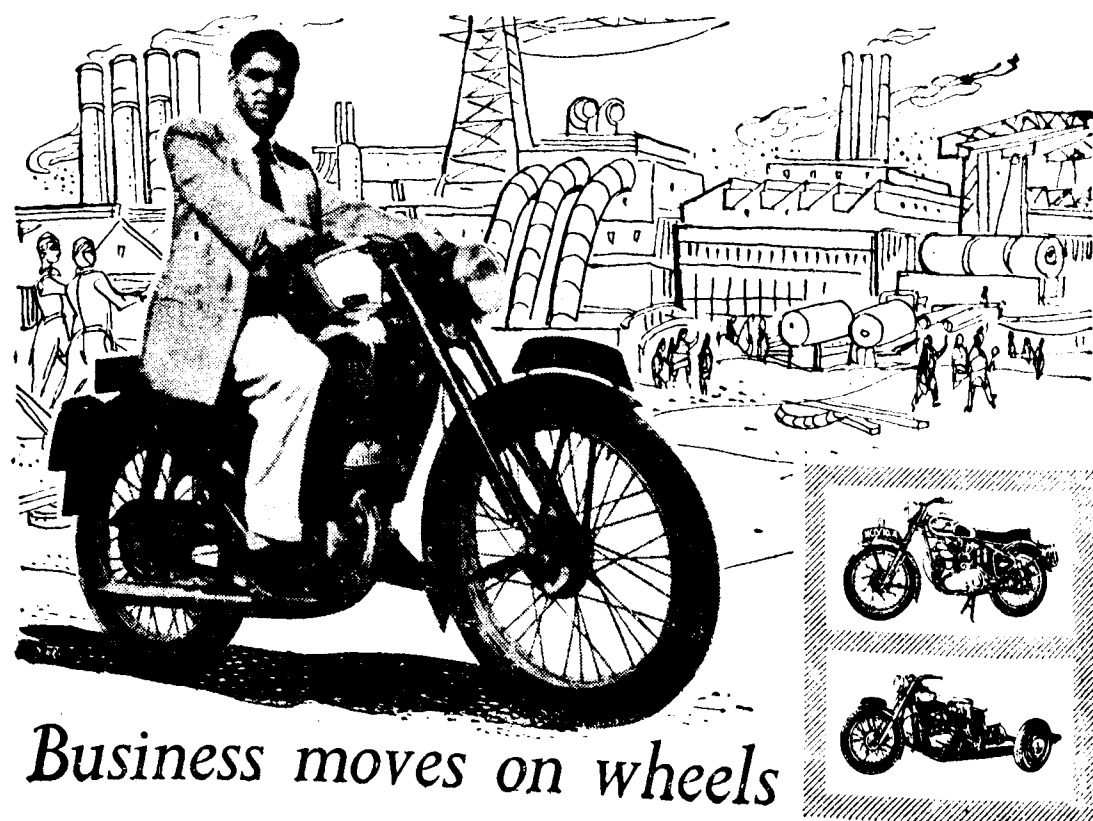
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OVER-EXPORTATION AND SLUMP DANGERS

(From Our Special West European Correspondent)

PARIS, December 8.

THE view that there is any danger of a world economic depression at present is very much a minority view, but still a view that is well represented in the European financial Press. 'The Tribune de Geneve' lately forecast that the Dow Jones index would fall to 400 shortly; 'The Neue Zürcher Zeitung' in its last quarterly review of world commodity markets picked out the signs that for the first time for over a decade prices were coming under cyclical depressive influences; the share prices with unusual attention, and feeling about them was summed up in M. de Jouvenel's observation the other day: "The most important person in the free world today is undoubtedly Mr. William McChesney Martin, Junior, President of the Federal Reserve Board." And now in Der Volkswirt, a German economist, Dr. A. Reithinger, has produced the most categorical, detailed and reasoned slump forecast since Colin Clark's. (Clark is mentioned precisely to recall how wrong such forecasts can be). Reithinger's article has attracted considerable interest among the specialists; 'Les Problemes Economiques', for instance, reproduced it as the first article in their current issue. But whether he is right or wrong about a slump, Reithinger does focus attention on a curious situation that has arisen in international trade, a situation in which India finds an evident place.

His argument is that the pyramiding of private credit between 1926 and 1929 which led to the great depression has a direct parallel in the over-exportation that has occurred between 1953 and 1957; there has occurred a vast increase in world exports which are inadequately financed and herein lies the danger of an international payments crisis which could produce a depression. Most observers look only at the expansion of world trade that this over-exportation causes, and conclude that we are in a period of sound and durable prosperity. But Reithinger looks rather at the artificial credit foundation of this export boom, especially the extent to which it is made possible only by generous export credits, long-deferred payments and by the running down of currency reserves in the importing countries. These are proofs that the importing countries cannot and could not settle their swollen import bills by any supply of goods and services nor by acceptable long-term credits, and their ability to do so would shrink even further if the current fall in raw material prices continued.

It is admitted that any failure in the indebted countries would today have less spectacular effects than the failures that began in East Europe in the late twenties, because then private credits were involved and thus when the British and American banks found that their credits were frozen this had immediate consequences on the British and American economies. Today the position is healthier in that exports have to a large extent been financed not by short and medium term bank credit but by Western Governments through their State budgets and through international financial institutions, and the freezing of these credits need not have immediate and disastrous effects on the national economies of the lending and exporting countries. But these are dated credits withal, and are not the genuine export of perpetual capital such as ordinary investments. Moreover the payments deficits of the

importing countries are financed by bank credits in the exporting countries, which are thus tied up just as they were in the twenties. That such risks are often covered by a State guarantee and that there is in the main exporting countries a continual inflation to feed these credits does not convince Dr. Reithinger that they are without danger.

More significant, he draws attention to the pathologically large part that export industries now play in the national economies of many Western countries. In West Germany exports now absorb 24 per cent of the output of the capital goods industries, against 12 per cent for the pre-war Reich; this proportion is even higher, 30-50 per cent, in some West German heavy industries. It is 40 per cent in several Scandinavian countries. Excessively high proportions are also found in Great Britain, where exports have been feverishly promoted to maintain that country's position as the sterling area's banker, in Italy where exports have been intensively developed to absorb domestic unemployment, and in general in Western countries where full employment, cheap money and the political anxiety to play a part in the industrialisation of backward countries in Asia and Africa have all combined to push exports beyond a safe level. Reithinger concludes that Europe's excessive dependence on exports and the backward countries' excessive reliance on imports both rest on an artificial credit foundation which is not in turn founded on a real export of capital.

Before passing on to the figures that are the most interesting part of this study, notice that it is significant that this view should be put forward precisely in West Germany. For even if Reithinger's case does not have general validity, he is pointing to the pathological aspect of West Germany's present trading position: the fantastic and unhealthy expansion of exports by a country that pays its own workers among the lowest wages in West Europe, which is unwilling to advance real capital exports to the rest of the world, and which has run all its trading partners into debt so that it has caused a dangerous lack of liquidity throughout West Europe and the Middle East. On this limited part of his case we can fully agree, and in the following quotation Reithinger says no more than has been said on this page repeatedly: "The elimination of the extreme creditor position of West Germany, which is at present denying the world more liquidity than the recently restored dollar gap, is more urgent than the improvement of the French economic situation."

The following table shows the increase in exports from the two major industrial areas of the trading world, the United States and the OEEC countries of West Europe:-

EXPORTS IN THOUSANDS OF MILLIONS OF DOLLARS

Year	From OEEC	From USA	From both together
1950	18.6	10.1	28.7
1953	26.1	15.6	41.7
1956	34.8	18.8	53.6
1957 (First six months doubled)	39.8	21.8	61.6

Of course, a good part of this large increase in exports is paid for in reciprocal exports and thus is no cause for anxiety, but a very good thing. But the disturbing thing is that the expansion of exports is being directed faster toward the less advanced industrial regions than to the various parts of the heavily industrialised world. This comes out in the following table which shows the distribution of combined US and OEEC exports among four zones: the European Payments Union area, the dollar area, the sterling area apart from Great Britain, and the rest of the world:

EXPORTS IN THOUSANDS OF MILLIONS OF DOLLARS

From USA and OEEC	To EPU	To \$ area	To outer sterling area	To rest of the world
1950	17.8	6.0	3.7	5.0
1953	23.3	8.8	4.8	9.7
1956	32.0	10.5	7.1	11.1
1957 (First six months doubled)	35.3	12.2	7.8	14.0

Thus exports to the sounder credit countries (the two left-hand columns) have only doubled, while exports to the countries whose credit is less sound (or at least depends more heavily on raw material prices, which seem to be falling) have almost trebled.

Reithinger then seeks to calculate the amount of "over-exportation" that occurred in 1956 and the first six months of 1957 by adding up the deficits accumulated in the various regions, i.e. the imports they took in excess of their ability to pay for them otherwise than by drawing down their currency reserves and obtaining dated credits. He gets this result:

PAYMENTS DEFICITS IN THOUSANDS OF MILLIONS OF DOLLARS

Europe	2 to 2.5
Asia	1 to 1.5
Near East and Africa	1 to 1.5
Latin America, etc.	0.5
Together	4.5 to 6

These deficits occurred despite the fact that the USA was pumping dollars into the world trading system by means of military and economic aid and by other measures. This supplied \$4,000 million in 1956 and without it the above total for over-exportation would have been about \$10,000 million — ten thousand million dollars in eighteen months.

Whether this situation in itself is as dangerous as Reithinger argues will depend on the movement of raw material prices, which are the main sources of earnings for the indebted overseas countries, and on the extent to which in the exporting countries bank credit is involved in this remarkable expansion of exports. Even if it could not by itself cause trouble, this overemphasis on exports to backward countries whose ability to pay for them is problematical would gravely complicate any cyclical depression arising for other reasons. It is as well to say again that the belief that any such cyclical depression is in sight is a minority view. But it is also a minority view that, if such as cycle began, modern governments could easily stop it with a few Keynesian incantations. The optimistic opinion, once expressed by a gentleman who has since become India's Finance Minister, that slumps can be quickly cured nowadays is shared by no one.



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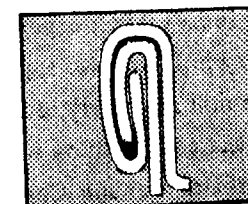
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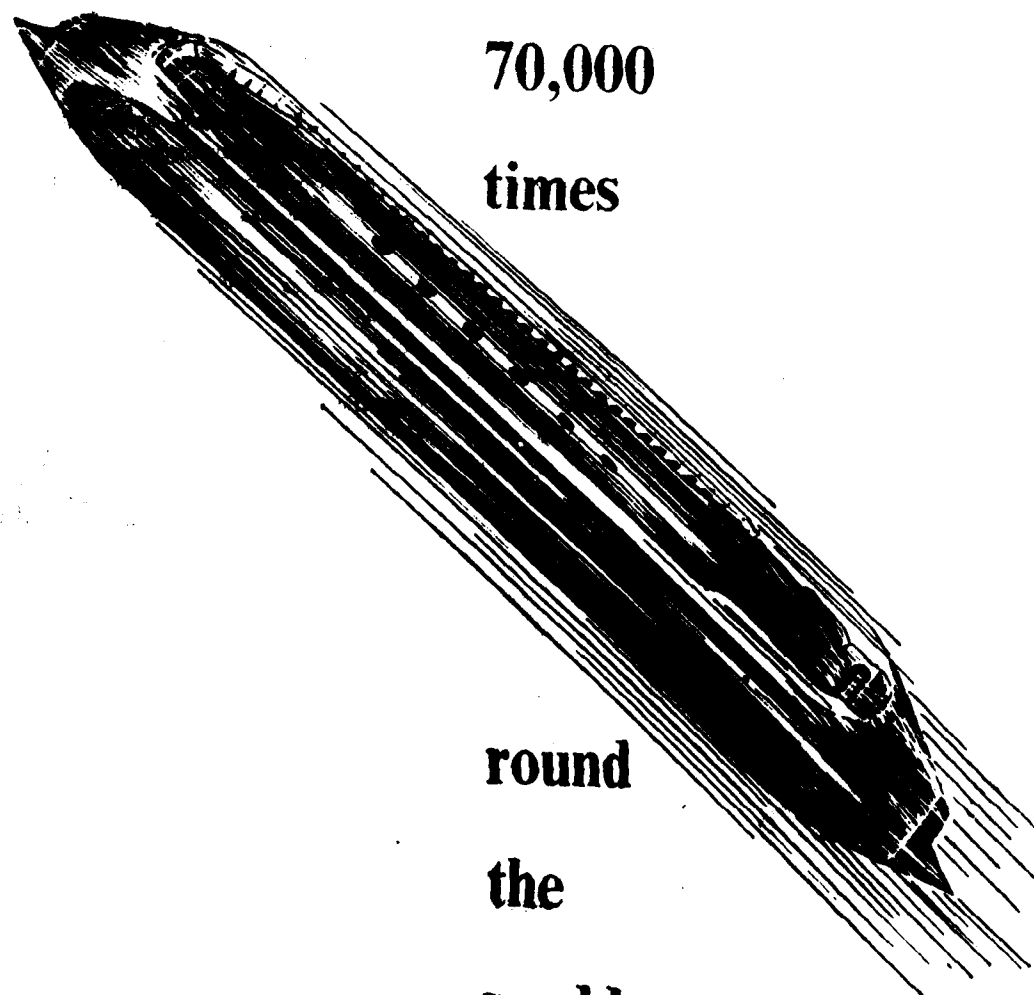
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To and fro fly the shuttles in the 70,000 looms of India's 105 jute mills. Each travelling at a speed of 9,000 picks an hour (the length of a pick averages two yards), these shuttles together cover a distance equivalent to about 70,000 trips round the world, weaving 1,000,000 tons of jute cloth each year. The jute industry is India's most important foreign exchange earner; jute products form over 60% of India's dollar exports. Texmaco, pioneer manufacturer of cotton textile machinery in India, also supplies this important industry with the complete range of jute mill machinery, designed and built to established international standards, in technical collaboration with the world renowned British company, Fairbairn Lawson Combe Barbour Ltd.

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AGRICULTURE

Two Central Warehouses for West Bengal in 1957-58: Two warehouses of the Central Warehousing Corporation — one at Midnapore and the other at Cooch-Bihar—were proposed in West Bengal in 1957-58. The number of marketing societies proposed for West Bengal was 21. These included seven marketing societies of the primary type. One apex marketing society to be newly organised, and 13 marketing societies to be reorganised during the year 1957-58. Further a sum of Rs. 11.29 lakhs was approved for marketing schemes.

Growing Sea Island Cotton in India: As part of the campaign for increased agricultural production efforts are being made to step up country's out-put of better quality cotton. A scheme was launched in June this year which envisages the coverage by 1961 of over 2½ lakh acres of land under the "Andrews" variety of Sea Island cotton — the world's finest cotton. In its home in the West Indies, which commands a monopoly, the staple length of some of its constituent varieties is as high as 1½" to 2" capable of spinning over 150's counts. Already over 1,200 lbs. of "Andrews" seed, obtained from last year's crop, have been sown to produce 50,000 lbs. of seed at the end of this year. Through the process of multiplication, 25 lakh lbs of seed will be made available in 1959-60, sufficient to cover 2½ lakh acres — 1.30 lakh acres in Kerala; 1 lakh acres in Mysore and 20,000 acres in Assam.

Schemes for Evolution of Superior Strains of Paddy: The evolution of superior strains of paddy suitable for the areas which are inundated during the rains and for alkaline and saline soils, and a study of the improved technique of the Chinese methods of paddy cultivation were three new research schemes approved by the Advisory Board of the Indian Council of Agricultural Research, which met here recently. The Board had also recommended setting up a committee to advise on the design and structure of farmers' houses, storage godowns and cattle-sheds. Presided over by Dr. M. S. Randhawa, Vice-President of the Council and Additional Secretary, Union Ministry of Food and Agriculture, the Board has approved about 195 new and current schemes for research in agriculture, animal husbandry and veterinary science. The schemes will now be considered by the Standing Finance Committee and the Governing Body of ICAR, meeting of which are expected to be held towards the end of December.

Training in Farm Management at National Level: To spread the results of the FAO farm management development centres at the international level, each member-country should organise a national centre for training of suitable persons. The member-countries might also request the FAO for services of specialists. This was one of the recommendations of the four-week FAO Farm Management Development Centre for Asia and the Far East, which concluded here recently. The recommendations, available, have been forwarded to the FAO for consideration. The New Delhi Centre, in which 35 delegates from ten countries, namely, Burma, Ceylon, Malaya, Nepal, Indonesia, Japan, Thailand, Philippines, Pakistan and India, participated, also suggested that three similar centres should be organised annually for the next three years in Asian or the Far-Eastern countries. The centres will study methods of using farm management research to improve planning execution and evaluation of development projects at the farm and village levels; improving extension work in farm management under different technological and welfare conditions; and farm management problems in

accumulating, allocating and economizing the use of capital. The Centre further recommended the appointment of a FAO farm management specialist at Bangkok. This, it was stated, will help member-Governments in organising international development and national training centres, conducting studies, and exchanging experiences in farm management. The Centre also suggest that the FAO should organise a working party, consisting of four or five specialists from the FAO and member countries, to assist in preparation of manuals for use by extension workers and an annotated bibliography of farm management research and extension literature.

INDUSTRY

Draft Specifications for Fire Fighting Equipment: The Indian Standards Institution has issued six draft specifications for fire fighting equipment. These specifications cover motor fire engines of capacities 350-500 GPM, 700-1000 GPM motor fire engines 300-500 GPM with pump and water tank, small motor fire engine 80-120 GPM with portable pump set and water tank, emergency tender, and mechanically operated turntable ladder for fire brigade use. These specifications form part of a series of specifications prepared by the Indian Standards Institution to cover fire fighting accessories and fire fighting units comprehensively. Earlier specifications covering fire fighting equipment and fire fighting accessories have been widely circulated and are now under finalisation. The specifications lay down requirements for the engine, pump, as also the accessories, that are to go with each unit. Performance tests regarding suitability and performance under road conditions for each of these engines have also been prescribed.

Sweden's Paper Output: Swedish mills rolled out some 1.57 million tons of paper and board. This is a two-thirds improvement on the pre-war peak recorded in 1937 and fifteen times as much as in 1900, the Svenska Handelsbanken "Index" writes in a survey. Slightly less than 3 per cent of the world production of paper and board takes place in Sweden. At the beginning of this century exports of paper represented 2.5 per cent of Sweden's total exports; today the corresponding share is 9 per cent. Last year's paper exports totalled 920,000 tons or, in terms of money, more than Kr. 900,000,000 (£62,000,000); (\$175,000,000). Domestic consumption of paper has risen markedly in recent years. This is clearly shown in the percentage of production devoted to exports, viz. 75 per cent during the early 1920s, 66 per cent during the middle of 1930's and less than 60 per cent during the past few years.

TRADE

Total Commonwealth Trade: A rise of seven per cent in total Commonwealth trade in 1956 is shown in the 77th edition of the 'Statistical Abstract' for the Commonwealth and the Sterling Area, just published for Britain's Board of Trade by H. M. Stationery Office. The 'Abstract,' which brings together in one volume the basic trade statistics of the Commonwealth and Sterling Area countries up to 1956, discloses that imports into India rose by 21 per cent from £505,000,000 in 1955 to £610,000,000 the following year. The 'Statistical Abstract' shows that intra-Commonwealth imports were practically unchanged in value and amounted to two per cent less than total imports in 1955. Intra-Commonwealth exports rose by £100,000,000 in value in 1956, but were also two per cent less than total exports in the previous year. Total Commonwealth imports in 1956 amounted to £10,045 million — a rise of almost

£600,000,000 over 1955, while total exports rose by £625,000,000 to £8,682 million. The increases in imports were mainly in mineral fuels, base metals and machinery. A large part of the increase was taken by Canada, whose imports rose by £363,000,000 to £2,074 million.

*

Trade With Middle East Countries: India's exports to the middle East countries has registered an increase of about 65 per cent during the past four years. Exports in 1956-57 were worth Rs. 43.10 crores as against Rs. 26.14 crores in 1953-54. India's total trade with these countries has increased by about 30 per cent during this period. The total trade in 1956-57 was of the order of Rs. 127 crores as against Rs. 98.35 crores in 1953-54. Exports to Egypt were worth Rs. 11.39 crores in 1956-57 — an increase of over three times the value of exports in 1953-54. Exports to that country were valued at Rs. 8.09 crores in 1954-55 and Rs. 9.47 crores in 1955-56. India exported goods worth Rs. 4.56 crores to Iran in 1956-57 as against Rs. 1.52 crores in 1953-54. In the case of the Sudan also the increase was sizeable. Indian exports to that country in 1956-57 were valued at Rs. 9.42 crores as compared with Rs. 5.11 crores in 1953-54. India's exports to Saudi Arabia were worth Rs. 5.59 crores in 1956-57 as compared with Rs. 3.48 crores in 1953-54. The value of exports to Iraq increased slightly to Rs. 2.83 crores in 1956-57 from Rs. 2.45 crores in 1953-54. There was also a slight increase in the exports to Bahrain. While exports to Turkey and the Lebanon were almost steady the value of exports to Syria showed a slight decline. The principal commodities exported to the Middle East countries are tea, jute goods, spices, cotton textiles and engineering goods. Raw cotton, mineral oils, dates and dry fruits are the main commodities imported by India from these countries. The value of imports from Iran in 1956-57 (Rs. 32.68 crores) was 16 times the value of imports in 1953-54 (Rs. 2.04 crores). India imported goods worth Rs. 16 crores from Saudi Arabia in 1956-57 as against Rs. 14.82 crores in 1953-54. Imports from the Lebanon increased to Rs. 28 lakhs in 1956-57 from Rs. 7 lakhs in 1953-54. Imports from Bahrain islands and Egypt showed declines while from the other countries these were almost steady. Imports from the Sudan increased from Rs. 7.48 crores in 1953-54 to Rs. 9.29 crores in 1956-57.

*

Protection to Copper and Aluminium Conductors Industry: Government have accepted the Tariff Commission's recommendation that protection granted to electrolytic copper rods (tariff item No. 64(4) and bare copper conductors and A.C.S.R. (tariff item No. 72(12)) may be continued at the existing rates of protective duty for a further period of three years ending December 31, 1960. Government have also accepted the Commission's recommendation that all aluminium conductors (A.A.C.), irrespective of their conductivity in terms of copper wires may be protected and brought under I.C.T. item No. 72(12) and assessed to the same rate of protective duty as A.C.S.R. i.e. 35 per cent 'ad valorem'. The protective duty on A.A.C. is being brought into force with immediate effect.

FINANCE

Ford Foundation Grants to India: A total grant of over \$2.4 million was announced by the Ford Foundation for various educational schemes in October 1957. Out of this grant, \$2,045,000 are meant for various schemes sponsored by the Government of India including \$885,000 to English Language Teaching Institute and \$418,000 to All-India Council for Secondary Education for establishment of departments of extension services at secondary schools teachers' training colleges. An

amount of \$400,690 has been granted to private organizations. This amount, among other schemes, includes \$120,000 for Southern Language Books Trust, \$69,000 to India Literacy Board, Lucknow, for training in the preparation of reading material for neo-literates and \$14,000 to Agricultural Missions Inc., New York, for research and writing on changes in village life and caste system.

*

Short-term Investment: As it appears that there is a demand on the part of institutional investors and the market generally for short-term investment, the Government of India have decided to create a further issue of 3½ per cent Bonds 1962 for Rs. 30 crores. The securities will be available for sale on Government account by the Reserve Bank of India through the usual procedure for the sale of special issues at prices to be ascertained from the Bank.

*

Rebate on Excise Duty: The Government of India have decided that the procedure for export out of India of articles under claim of rebate of duty on excisable goods used in their manufacture should be extended to Tarpaulins as well. It is already applicable to ready-made apparel, tents, sugar products, cotton bags, umbrella cloth, chaddars, pillow cases, table covers, embroideries and laces. Manufacturers of tarpaulins who wish to export them out of India under this procedure may contact the Collector of Central Excise in whose jurisdiction their factory is situated for further detailed information.

GENERAL

Assistance Under the Wheat Loan Educational Exchange Programme: During 1955-56 and 1956-57, books for Indian institutions of the value of \$487,700 and \$325,000 respectively and equipment for Indian institutions of the value of \$516,000 and \$375,000 respectively were received under the Wheat Loan Educational Exchange Programme. Besides 11 Indian librarians and 21 scientists were invited for study tours in the U.S.A. and the services of two U.S. scientists were made available to India during 1955-56, and 24 Indian teachers, one scientist, one administrator and one librarian were invited for study tours during 1956-57 and the services of nine general educational experts were made available during 1956-57. Among the universities which have received equipment under the programme are Aligarh, Agra, Allahabad, Andhra, Annamalai, Banaras, Baroda, Bihar, Bombay, Calcutta, Delhi, Gauhati, Gujarat, Jammu and Kashmir, Karnatak, Lucknow, Madras, Nagpur, Osmania, Patna, Poona, Punjab, Roorkee, Saugor, Travancore and Utkal. Besides, nine institutions in Bombay, Calcutta, Delhi, Madras, Agra and Coonoor also received the equipment.

*

Welfare Schemes for Ladakh: Provision of Rs. 64.63 lakhs has been made for the execution of development schemes in the Ladakh area during the second Five-Year Plan period. The allotment includes Rs. 18.47 lakhs for road construction, Rs. 15.15 lakhs for Community Development and Rs. 14.00 lakhs for the execution of medium irrigation works.

*

Employment Situation During September: Employment Exchanges secured 16,805 placements during September 1957 as compared with 18,052 in the previous month. The decrease was mainly reported by Exchanges in West Bengal, Bihar and Kerala. Exchanges in Punjab, Delhi and Bombay, however, registered an increase. Of the total placements, 4,422 were under the Central Government, 7,961 under State Governments, 1,813 under quasi-Government establishments and local bodies and the rest under other employers.

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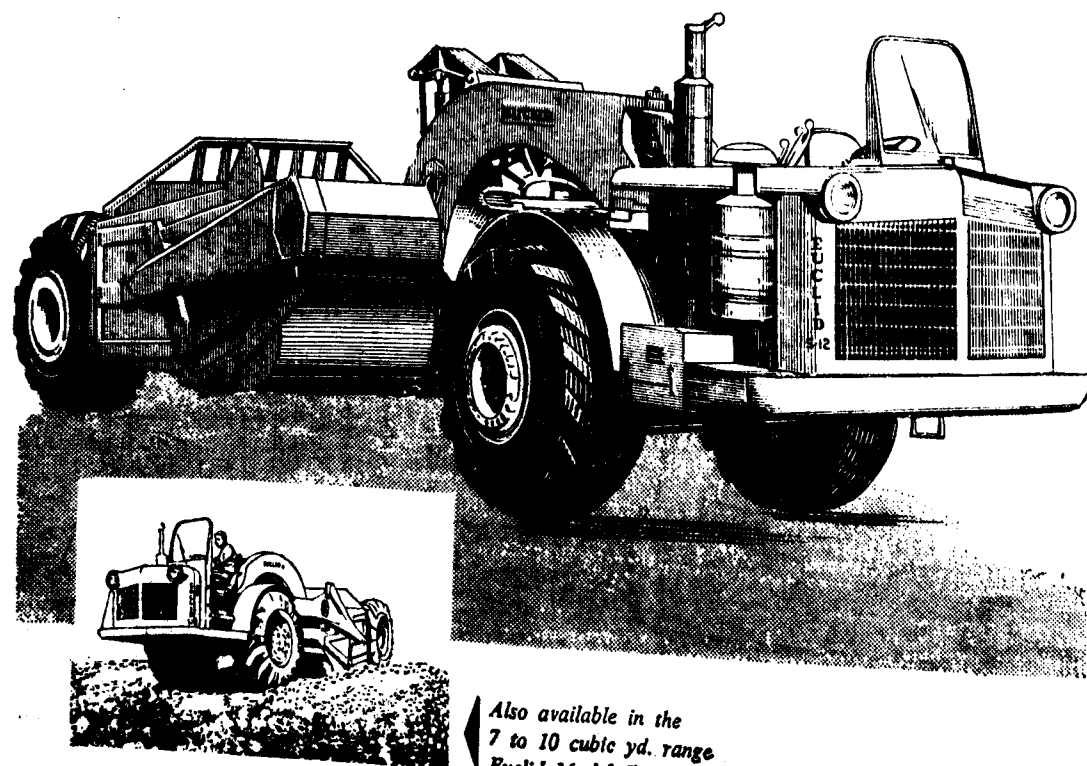
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NEWS IN BRIEF

INDIAN

The exportable surplus of coffee out of 1957-58 crop has been fixed at 7,180 tons. This was based on the revised estimate for the season placed at 37,000 tons, consisting of 24,000 tons and 13,000 tons of Arabica and Robusta respectively.

Bombay is now the largest State in India, more than half the size of Pakistan. In population, however, it ranks second in the country, the first place being enjoyed by Uttar Pradesh, with 63 million persons, 15 million more than Bombay.

To give impetus to the export of sugar products, the Government of India has further simplified the procedure for the grant of rebate on excise duty on the sugar used in the manufacture of these products.

The Government of India has issued a notification fixing the price of tea, for the purpose of determining the export duty at Rs. 3.35 per pound as against Rs. 3.30 per pound in force from November 1, 1957. There is no change in the existing rate of duty of 38 nP per pound.

It is reported the Government had approved in principle the request of the Hindustan Motors Ltd., for the manufacture of trucks in collaboration with the General Motors Corporation of the United States of America. The requirements of the country for trucks and buses by 1960-61 would be about 40,000.

A sum of Rs. 20 crores has been earmarked during the second Plan for slum clearance to provide 1,10,000 developed plots or tenements.

The children of mica mine workers in Bihar will be provided with further facilities for education under a new scheme sanctioned by the Government of India.

A sum of Rs. 595 lakhs was allotted for the Mysore Iron and Steel Works under the second Five-Year Plan and a production of 85,000 tons of finished steel per annum was envisaged. The present annual production of steel works at the beginning of the second Five-Year Plan was about 36,000 tons per annum.

The total amount of deposits under the compulsory deposit scheme up to the end of October this year in respect of all the assesses was Rs. 2.96 crores.

Deficit financing by the Central and State Governments during 1956-57 amounted to Rs. 238 crores, the Deputy Minister, Shri B. R. Bhagat revealed in the Lok Sabha recently.

For development of fruit production, grants and loans amounting to Rs. 3,75,155 and Rs. 31,07,000 were sanctioned for 1957-58 for nine States and three Union Territories.

The Deputy Minister for Finance, Shri B. R. Bhagat, told Shri P. C. Bhanj Dev in the Rajya Sabha recently that Government had so far obtained loans amounting to \$356.34 million from the World Bank.

The Indian Standards Institution has issued for eliciting comments, two draft standards for cotton spindle tape and for cotton tubular banding to drive spindles in cotton textile mills.

FOREIGN

A bank to specialise in financing trade with the Soviet Union and its satellites has been formed in Berlin. Registered as Berliner Import and Export Bank, it has a basic capital of DM 4 million.

The Committee appointed by the Government to report on the tenure of urban land in Northern Rhodesia recommends that the Government should make a positive declaration of policy in favour of freehold, with the exception of African townships and housing areas in European municipalities.

It is reported strong Italian and German economic delegations have arrived in Iran for trade and investment talks.

Australia's wheat crop this year is estimated by the Bureau of Agricultural Economics at little more than 90 million bushels, which would be the smallest since the 1944-45 drought, when the harvest was only 53 million bushels.

It is reported the Russian credit to Egypt of £62 million can be used to obtain industrial equipment from any other Communist country, but the offer of £20 million by Czechoslovakia applies apparently only to products of that country.

The short-term credit to Belgium of Swiss Frs. 75 million provided by an international banking consortium at an interest rate of 5½ per cent has been granted to a semi-State Company but is guaranteed by the Belgian State.

Poland is to expand and modernise her oil industry. One of the country's oldest refineries at Glinik Moreampolski, in South-Eastern Poland is to be rebuilt and brought up to date. When completed it will have a yearly capacity of 150,000 tons, equal to that of the whole Polish oil industry at the present time.

The £8.5 million titanium-dioxide plant of the Bayer Chemical Works was inaugurated at Urdingen, near trefeld. It has an initial output of 150,000 tons per year — to be raised soon to 50,000 tons.

More than 400 British companies are now established as manufacturers in Australia or financially associated with Australian manufacturing concerns, according to a Survey just completed by the Trade Department.

A Company to conduct trade with Ghana is being established in Israel as part of the Israeli drive for closer economic relations with the new African State.

The Swiss Confederation's public debt will be reduced to Sw. Frs. 6,519 million (£503 million) by the provision for repayment of Sw. Frs. 7,125 million (£555 million) by the provision, for repayment of Sw. Frs. 638 million (£52 million) in the 1957 and 1958 budgets.

It is reported the Ministry of Power intends to cease all imports of U.S. coal after January 1958. This will produce a saving of over \$57 million a year.

A Letter to the Editor

THE 'COMPETITION' FROM CO-OPERATIVE BANKS

Sir,

I have carefully read the letter, addressed to you by Mr. G. M. Laud, Managing Director of the Bombay State Co-operative Bank, Ltd., and published in 'The Eastern Economist' dated November 29, 1957, in reply to my article on "Co-operative Credit: Possible Pitfalls". I am afraid Mr. Laud has missed the crux of my complaint, namely, that, after trying to monopolise the business and deposits of all types of co-operative institutions (even by making them withdraw their deposits, if any, with commercial banks), it cannot "lie in any co-operator's mouth to complain that commercial banks are proving to be serious competitors and are attracting deposits from both the general public and the co-operative sector at the cost of co-operative institutions". Otherwise, he would not have maintained, as he has done in his letter, that, "since the area of operation of each co-operative institution is exclusive, the question of competition against each other also does not arise". For this would mean that I was referring to competition among co-operative institution. Actually, I was not thinking here so much of competition among co-operative institutions 'inter se'—and I believe my wording (which I have reread) does not lead to this interpretation either—as between co-operative institutions and commercial banks, a bogey which co-operators have themselves raised. Evidently these co-operators, it looks, are not going to stop with just creating this bogey, but seem to be making a bid to create a separate sector for themselves—the co-operative sector, as distinct from the private and the public sectors. So the private sector will henceforth have to watch the steady encroachment of not only the public sector but also the co-operative sector. Already the first shot has been fired by the Bombay spokesman of co-operators when he challengingly asks: "Are the facilities made available to the co-operative sector by the Government in excess of what are available to the private sector?" I must say the question, as it stands, is very carefully worded, but, to be fair, it should have read: "Are the facilities made available to the co-operative sector by the Government in excess of those made available to the private sector by the Government?" Surely you can't blame the private sector for creating more facilities for itself. Anyway, in the modified, proper form in which the question is put, it is, to say the least, a rhetorical question, that is a question for which the answer is implicit (and it is an affirmative answer, if this has also to be added, so as to leave no room whatever for doubt in any one's mind). Considering the resources and the turnover of co-operative institutions 'vis-a-vis' the resources and the turnover of the private sector, the facilities made available to the co-operative sector by the Government are relatively excessive.

Mr. Laud has questioned whether I am "aware that even the Indian Banks' Association, exclusively confined to joint-stock banks, has not viewed the unhealthy competition among deposits with favour", and adds: "He (Croesus) seems to be under the impression that agricultural credit is the only legitimate function of co-operative banks. I would humbly request him to glance at the history of co-operative banking in this country as well as in other parts of the world". My answer to this is that, thanks to the courtesy of the Indian Banks' Association, I am aware of its views on the subject of unhealthy competition among banks for deposits. But this is besides the point. What is relevant in this context is to see whether it is fair for co-operative banks to want to keep for themselves, of

course with the help of Government, all the monies of co-operative institutions, thereby shutting out the commercial banks from even entering into this sphere and, at the same time, to complain that commercial banks, by offering higher rates of deposits, are trying to wean away deposits of co-operative institutions. When Mr. R. G. Saraiya, the Chairman of Mr. Laud's Bank, has himself appealed to co-operative institutions to keep all their deposits with co-operative banks and the Registrar of Co-operative Societies also has backed up this appeal, how can commercial banks take away the deposits from co-operative Banks whatever the rates of interest they offer?

If I had the power to direct the co-operative movement in this country, I would not only have insisted on co-operative banks confining themselves to agricultural credit, but would have taken pride if only I could have succeeded in achieving that much honestly. In 1955-56, agriculture contributed Rs. 4220 crores out of the net domestic product at factor cost of Rs. 9650 crores. Is it not overvaulting ambition for co-operative banks not to be content to cater to a productive economic activity—accounting for as much as about Rs. 43.75 per cent of the total national income of the country?

Now for a few words about co-operative banks' assistance to industrial co-operatives. I am not opposed to this, but here, again, I fear, there is a woeful lack of sense of proportion. Whether as short-term or as medium or intermediate term, or on long-term, advances to individual co-operatives tend to hamper, eventually, if not now, the primary and more legitimate work of co-operative banks, namely that of giving help to agriculture. Take the case of sugar co-operatives, for example. What is the stake of the participants in a sugar co-operative of Bombay State? On the basis of Rs. 100 lakhs (estimated to be the requirements of a sugar co-operative up to the time it reaches the stage of crushing cane), these participants contribute only Rs. 15 lakhs and the State Government contributes a like sum, the entire remaining amount of Rs. 70 lakhs having to be found by co-operative banks directly or indirectly. There are 18 sugar co-operatives in the State in different stages, and, barring the 4 or even 6 which have advanced far enough, the requirements of the others would aggregate Rs. 840 lakhs, which is not a small sum. To divert so much of money, even if it be for only short intervals, thanks to Government's active assistance to co-operatives through the Finance Corporation, the State Bank of India and the Reserve Bank, is to starve the legitimate needs of agriculture. Perhaps I am mistaken. If so, I shall be glad to have enlightenment on this point from my esteemed friend, Mr. Laud.

I am grateful to Mr. Laud for asking me to refresh my memory about the history of co-operative banking in this country as well as in other parts of the world. After doing so, as per his advice, I must say I feel more than ever convinced that the extension of the co-operative movement to any other sphere before satisfying all the needs of agriculture or at the cost of agriculture is not in the best interests of our country, notwithstanding the sacred injunction in our constitution that our ideal is to be a co-operative commonwealth.

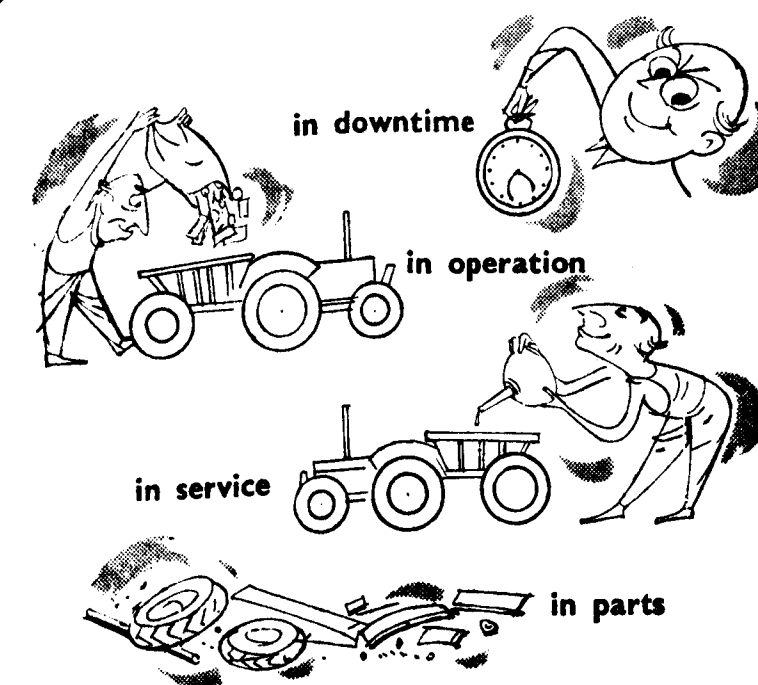
Yours faithfully,

CROESUS

Dated December 7, 1957.

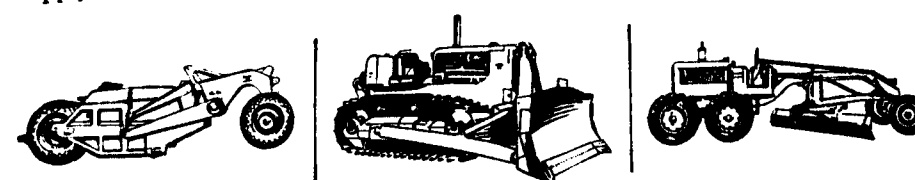
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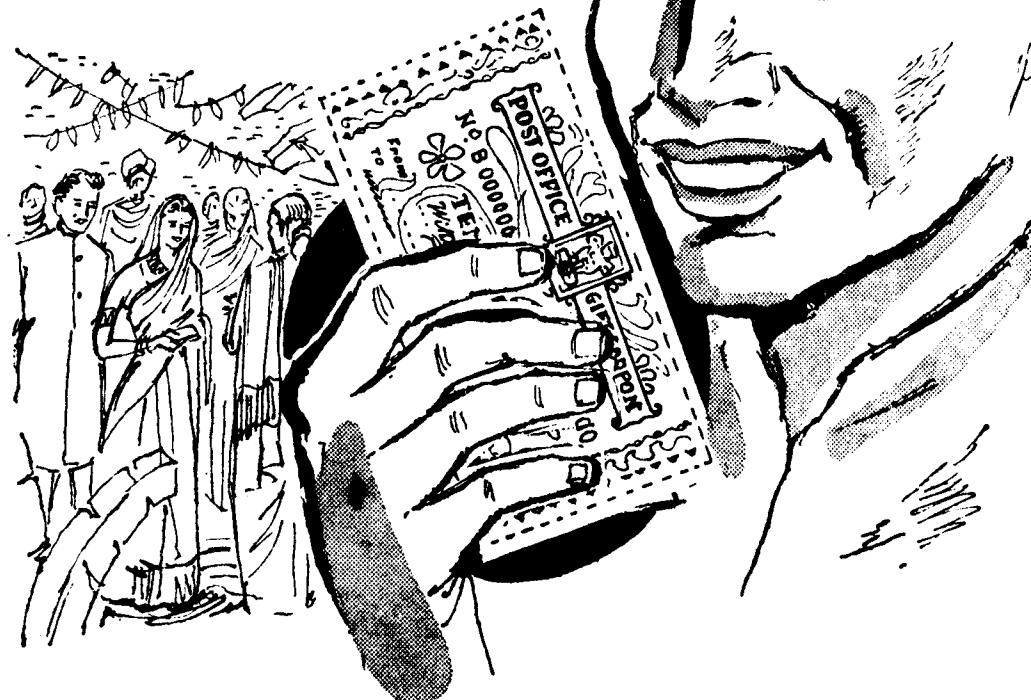
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Special Article

PRIVATE VS. PUBLIC SECTOR

(By P. KODANDA RAO)

THE question of private 'versus' public enterprise seems to be a problem with no solution. It has attained special importance and urgency in India today, not only because of the policy of the Government of India, but also because of the climate of opinion in foreign countries, like Britain and Germany and, more particularly, America, which are in a position to give economic help to India for her second Five-Year Plan. It may be useful to review the problem as objectively as possible by those who are not committed to either preference.

The anti-thesis, implicit in the concept of private 'versus' public enterprise was valid when the state was the king, and the ruler and the ruled were two different, separate species, as it were, and with interests not always identical. The anti-thesis loses much, if not all, of its validity in a democracy, particularly with adult franchise. Sovereignty rests in all the enfranchised citizens, and the rulers are themselves the ruled. The relation between the citizens, the legislature and the cabinet corresponds broadly to the general body, the managing committee and the manager of any business or social service organisation. There is inherent anti-thesis between the sovereign people and their agent, the government. If today the notion still prevails, even in a democracy, of the people 'versus' the government, it is largely a hang-over of past history. In every democratic country, including America, the sovereign electorate has delegated an increasing share in national economy to its agent, the government, in the national interest. The American Government has assumed the rôle of the supreme manager of the total economy, as regulator of individual welfare and as re-distributor of the wealth created by the economy.

Perhaps it was not true that undiluted private enterprise prevailed even in America at any time. It has been mixed economy, because of subsidies, tariffs, etc., which the state gave private enterprise at the expense of the public. In India, even before independence, state enterprise and state assistance to private industry were considerable. Mixed economy has been accepted by free-enterprisers. The only relevant question is the extent of each economy. In this matter there seems to be no subjective agreement or objective criteria, but only a traditional bias and arbitrary demarcation. It is not easy to decide on any objective tests if, say, the steel industry should be allocated to the private or the public sector. In India today it is in both sectors. While the state in India runs both the postal and the telegraphic services, the state in America runs only the postal service, while private enterprise runs the telegraphic service.

It is generally claimed that private enterprise, because of the 'profit' motive, is more efficient and in consequence, renders better service to the public than state enterprise, which has only the service motive. There are vast fields of service, where the profit motive is not the primary incentive, which may not, on that account, be held to be inefficient. Nor is the profit motive absent in state enterprises, as for instance, the Indian railways, if profit is the surplus of income after meeting the expenses. The only difference is that profits in private industry accrue to the fewer shareholders, and profits in the public industry accrue to the generality of the public. In so far as the profit

incentive stimulates efficiency, it operates only when the 'producer' of the profit gets the benefit of it, as when a carpenter works for himself, and not when it accrues to another, whether in the public or the private sector. It happens that profits are produced by the active workers, from the general manager to the unskilled labourer, while the profits accrue to the passive contributors of capital, like the shareholders in private enterprise and the general public in public enterprise. The producers of profit in either case receive only their salaries and wages, fixed without reference to the profits. There is no convincing reason why workers, from the high executive downwards, will work with higher efficiency in a private enterprise than in a public one, if in either case they do not profit by the profits they work to produce. The profit motive will operate if the profits accrue to the producers thereof, at least in part, in the form of bonuses, profit-sharing, etc. To the extent this is effected, the distinction between profit-producer and profit-consumer is reduced, if not eliminated.

Much of the discussion on the relative merits of public and private sectors is qualitative and subjective, and not quantitative and objective. Advocates of either side produce partisan evidence to prove their case, like lawyers, but few take a judicial view, like the judge. It is not true that all private enterprises are efficient and profitable, and all public enterprises are inefficient and unprofitable, making the choice easy and certain. Perhaps the most sensible view was presented by Mr. Arthur Gaitskill, till recently the Chairman of the State Board and Managing Director of the Gezira Irrigation Scheme, Sudan, in his paper submitted to the Study of Human Relations in Industrial Communities in the Commonwealth, held in Oxford in July 1956. He said that his Board "did not get bogged down by emphasising either private enterprise or state enterprise as better because it had some esoteric ideological virtue", but concerned itself with the right objective of raising the standard of living and suited the means to the end. Its success depended on the personality of its promoters and their devotion to social and democratic as well as economic ideals. He added that the main problem of our age, especially in under-developed countries, was not the conflict between state and private enterprise, for both are needed, but whether the state is to be the master or servant of the people. The political is more significant than the economic aspect.

It seems a paradox of democracy that while any citizen, however un-informed or ill-informed, is free to give public expression to his incompetent views and criticise the government, some of the best-informed and most competent citizens like judges and other high civil servants are, because they are government employees, precluded from giving public expression to their views, particularly if they are critical of government. They are no doubt free to submit their candid views to government confidentially through the proper channels and appraise government of them. But in so far as efficiency of democracy depends on well-informed public opinion, it is denied access to one source which has a wealth of knowledge and experience and of wisdom that comes from both. It is a double denial. The civil servant is denied one of the fundamental rights guaranteed by the Constitution, and the public is denied

access to knowledge and experience which it needs to form well-informed public opinion.

In justification of the denial it is often said that if the civil servants differed from their Ministers publicly they would not loyally carry out the latter's policies. This assumption is questionable. In the first place, it is one of the strongest traditions of the service to implement loyally the decisions of government, even if they disapproved of them. Secondly, if so minded, they can even now sabotage them by a great variety of means. The public expression of their differences with the Government will not, on that account, undermine their implementation of the order of their superiors. On the other hand, it will be of the greatest value to the public in the formulation of well-informed opinion, basic to efficient democracy. There is no case for private enterprise simply to overcome the political disadvantages of public enterprise. It is better in every

way to give civil liberties to civil servants.

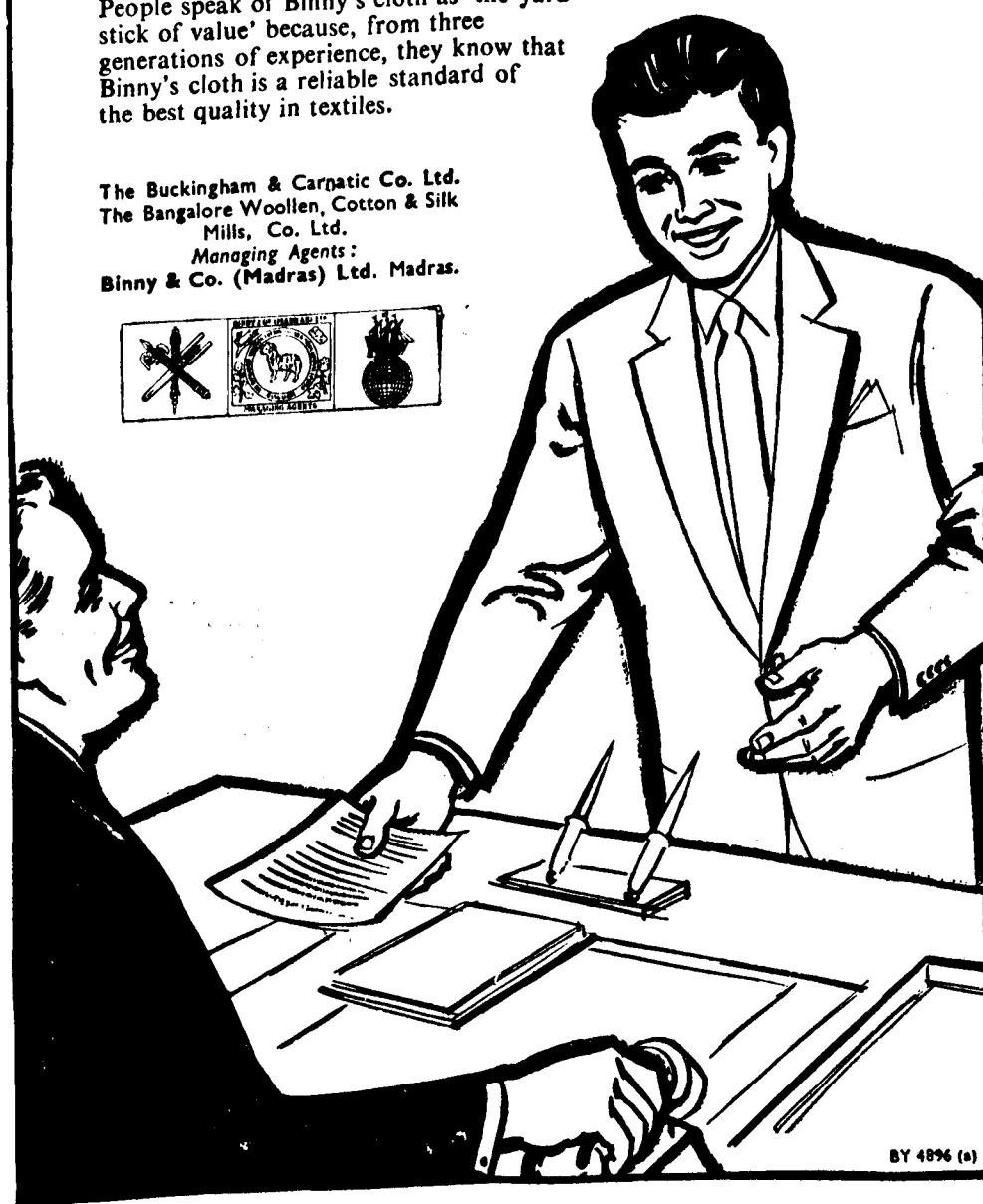
While the economic differential between private and public enterprise has lost much of its validity today, the political differential is as valid as ever. As a rule, employees are not permitted to criticise their employers in public. The greater the number of citizens who are employees of government, the greater the number of citizens who are denied the right to criticise it publicly. In consequence, the more extensive the economic sphere of government, the more the number of government employees, and the more citizens who are precluded from criticising the government. If the state becomes the sole employer, all will be state employees and none shall be free to criticise it publicly. If free enterprise is one of the greater freedoms in a democracy, so is freedom of speech, including the freedom to criticise government. It is also an obligation. The drawback of public enterprise is more political than economic.

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Economic Report from the U.S.

NUCLEAR POWER PLANTS

(By GUY SIMS FITCH)

WASHINGTON, Dec. 4—The first full-scale peacetime atomic power plant in the United States underwent a successful operating test at shippingport, Pennsylvania, this week—and the news was greeted with quiet satisfaction here in the nation's capital. For this initial test-splitting of uranium atoms marked the major preliminary step to the actual production of commercial quantities of nuclear-powered electricity at shippingport. The target date for full operation of the shippingport plant is set for sometime before the end of this year—well ahead of earlier schedules. A number of additional tests will be made with the reactor (the atomic furnace of the plant) in the next few weeks, according to US Atomic Energy Commission (AEC) officials here, and the power level will be raised gradually. When it reaches full power, the shippingport plant will produce a minimum of 60,000 kilowatts of electricity, and will help meet some of the power needs of the city of Pittsburgh.

Several smaller power reactors already are operating in the United States, of course, and a full-scale plant has been operating for about a year at Calder Hall, in the United Kingdom. The shippingport facility, however, is believed to be the world's first major nuclear station devoted exclusively to civilian needs. While it will be a fully commercial operation, the shippingport plant will be far from competitive, economically, with modern conventional power stations in the coal-rich Pennsylvania area. This was recognized when work on the plant was begun some three years ago. The primary purpose of shippingport then is not to produce atomic electricity economically but to advance reactor technology for peacetime power generation, and this underscores one of the most significant aspects of the US peacetime atomic energy programme.

American companies certainly know how to generate electricity from the atom. But as with other US scientific endeavours, great care is being taken to solve basic problems and lay firm foundations for fruitful progress. The intention has not been to develop and build a particular reactor quickly, as a kind of "show-case" for the rest of the world. On the contrary American industry, working in co-operation with government agencies, has been testing various types of reactors to determine the most practical methods of using fission energy to produce electric power at reasonable cost. As of last September, there were in the United States 14 major nuclear power reactors being built or under study—all recommended as feasible by A.E.C. experts—by 69 electric power companies and projects are destined to produce, when completed, 1.5 million kilowatts of electricity, enough for a city of one million persons. The government is footing a good part of the bill for most of these undertakings, but the companies involved also are earmarking a total of about \$400 million for them. In the case of the \$110 million shippingport plant, the A.E.C. is sharing utility which will operate the station, and the Westinghouse Electric Corporation, which designed and built the

reactor. The lessons learned in constructing the shippingport reactor, particularly in the development of new engineering processes and the fabrication and use of new materials, will be of great help in building other types of reactors for other nuclear stations. Shippingport's heavy steel-plate reactor vessel, or container, for instance, required special welding, machining and heat-treating methods—all involving industrial and scientific pioneering. To build the shippingport reactor—and other reactors, too—engineers, metallurgists and chemists also have been working with new materials, like beryllium and zirconium, capable of withstanding radiation and corrosion. And they have been developing mechanisms that cannot leak or break down. As they continue to meet and surmount problems, American scientists are bringing ever closer the day when nuclear power will be both economical and commercial, and peacetime atomic power plants will be standard arts of electricity-generating systems around the world.

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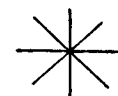
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SISTA'S-SB-15

The Business World:**THE ROLE OF THE TEXTILE INDUSTRY**

By

CROESUS

I DO not know whether the textile interests concerned conceived the idea of the Textile Industries Fair, inaugurated by the Union Minister for Commerce and Industry, Mr. Morarji Desai, last Saturday, with a view to focussing public attention on the cloth situation in the country today generally and on the state of the Indian textile machinery manufacturing industry in particular. But the inaugural speech of Mr. Desai was eagerly looked forward to, especially by the mill interests, for some hopeful indication of the government's mind as to what it proposed to do to resolve the daily worsening crisis of cloth stocks accumulation in the country. Although there was no categorical promise of relief to the mill interests, there was an indirect indication, in a somewhat round about way, when Mr. Desai said that the Government was fully seized of the position, and that it would come to the rescue of the industry, albeit only after making certain that the remedy in view would meet not only the short-term needs of the industry but also the long-term ones. Whatever this may mean, it has served to kindle some hope in certain quarters at least. From the mill industry's point of view as well as from the point of view of the economy of the country as a whole, on the other hand, the effect of the Minister's remarks has been, to say the least, disappointing.

Although I listened intently to the long, and, at times, desultory, speech of the Union Minister for Commerce and Industry on this occasion, I could not help feeling that, even in the highest quarters of Government, there is still rather insufficient appreciation, if not understanding, of the widespread ramifications of the textile industry into the economic fabric of our country. Whether by intent or otherwise, Mr. Ramnath A. Podar, Chairman of the Reception Committee of the Textile Industries Fair, did well to make a pointed reference to these ramifications in the course of his welcome speech. Because of the extreme importance of this aspect of the matter, I make no apologies to reproduce in full the relevant remarks here, in the words of Mr. Podar himself:

"The Textile Industry" he said, "is also the mainstay of the Handloom Industry, which draws its supply of yarn from it, to produce over 1,600 million yards of cloth. The powerloom industry, which produces about 250 million yards of cloth, derives also its sustenance in the form of yarn from the Textile Mill Industry. A Producer Goods Industry like the Textile Machinery Industry and a number of auxiliary enterprises, together with farmers, earn their living by supplying goods to the Textile Mills. The advent of the Dyestuff Industry is largely due to the Textile Industry which is a major consumer of coal-tar dyes. As a natural corollary to the Dyestuff Industry, we have the embryo of a Pharmaceutical Industry which holds out promise of developing into a national enterprise of vast dimensions. A contributory cause to the growth of the Heavy Chemical Industry is the existence of a prosperous and well-established Textile Industry".

My purpose in drawing pointed attention to these remarks is to indicate the potential risks of the Go-

vernment still refusing to do anything about giving relief to the cotton mill industry by way of either a reduction or abolition of the excise duty on cloth. If the industry has to await, as Mr. Desai seems to be contemplating, a well considered remedy to the ills of the textile industry for all time to come, the remedy may be not only too late to prove helpful to the industry but serious damage to the economic fabric of the country may befall betimes. For, the effect of delaying relief to the mill industry is bound to start a disastrous cyclic effect. Thus, if cloth remains unsold, the mills would be obliged to curtail or stop further production; this would mean the cutting down of orders for not only the textile machinery industry, which Mr. Desai has promised to help in every possible way, but a number of industries besides, such as the dyestuffs industry, the pharmaceutical industry, and the heavy chemical industry, among others. Also, the handloom and the powerloom industries may be in danger of insufficient supplies of cotton yarn and all these, in turn, are sure to impinge, in no uncertain degree, on the employment position in the country. Hence the urgency of affording relief to the mill industry.

But this despatch must relate more to the T.I.F. which, as is by now evident to all, is the biggest Industries Fair ever held in the country. I do not think I can improve upon what Mr. Podar has said about the importance and the objectives of this Fair. Said Mr. Podar:

"It is the first time that a Fair of this nature has been conceived and executed on such an elaborate scale. This Fair also fulfils a longfelt want for an organised effort to exhibit what our infant machinery manufacturing industry has achieved during its short existence. It gives, moreover, a comprehensive view of the variety of items that the Textile Stores and Accessories Industries can produce. Displays of this type bring to light the gaps in the industry and throw into relief, against the background of the well-developed industry in the West, our achievements and our shortcomings. To those who have embarked on the field of machinery manufacture, this is a challenge and an opportunity to fight and overcome the odds that beset this infant industry, and strike new paths. It appears to me that, from the point of view of maintaining the machinery production at the highest pitch of efficiency, maintenance of a high standard of manufacture, and from the point of view of the application of new and improved techniques, exhibitions of this nature are essential and should be at least a triennial feature, if not an annual affair".

After this, it is only necessary to say a few words about the textile machinery manufacturing industry. Historically speaking, as Mr. K. K. Birla has observed in an exhaustive article in the comprehensive T.I.F.'s Souvenir, published by the T.I. Fair Committee, this industry is a product of the exigencies of the Second World War. For reasons which Mr. Desai explained, the industry could not make much headway until the attainment of independence by this country. Actually, organised production by the industry began only in 1953, when, for the first time, in a big way, spinning machinery and some processing items were manufactur-

ed here. It is estimated that the production of textile machinery manufacture in India in the year 1953-54 was of the value of Rs. 1.75 crores. As against this, the production in 1956-57 was valued at as much as Rs. 9 crores per annum. This is no mean achievement by any standard of judgment, and it is just as well that the interests concerned should give the credit for this achievement as much to the Government as to the manufacturers of textile machinery themselves. The protection to the cotton textile machinery industry, which has only recently been continued for a further period of three years, that is until December 31, 1960, has not only stopped the import of the machinery of the types produced in this country, thereby saving precious foreign exchange for India, but has also speeded up the pace of collaboration with foreign enterprises which might otherwise have taken years to achieve, as Mr. Podar rightly remarked.

Notwithstanding the progress that the textile machinery manufacturing industry of this country has achieved

ed so far, it is gratifying to note that there is no tendency in the concerned circles to rest on their oars. On the contrary, it is the industry itself that has taken the lead, in active collaboration with the trade and with the blessings of the Government, to take stock of the achievements to date, not so much with a view, be it noted, to patting itself on its back for its past achievements as to be ready and prepared to take on further obligations. 'There remains as yet a great deal to be done; a very substantial area in the sphere of manufacture has yet to be covered', exhorted Mr. Podar. In doing so, the T.I.F. Reception Committee Chairman asked the textile machinery manufacturers not to limit themselves to the production of conventional types but to be alive to vast technological changes that have taken place and continue to take place around us. 'A machinery producer', as he rightly advised, 'should not only be a research worker but he should for ever be a diligent student'. Viewed only thus and thus alone can it be said that there is almost unlimited scope for this industry.

TRADE DELEGATION FROM SUDAN

By

CROESUS

NEGOTIATIONS have begun between the Sudan Trade Delegation which is now in India, and the cotton textile interests of this country in regard to purchase of Sudan cotton. The talks in Bombay, held early this week, in this connection, are but a preliminary to the final agreement that the Delegation and the Government of India are expected to reach shortly in Delhi. Meanwhile, from available reports, the talks with the textile interests do not appear to have begun well enough, in that the Leader of the Sudanese Delegation is believed to have taken up a somewhat firm stand on every one of the points on which Indian cotton and textile interests are hoping to get some reassuring replies from the Delegation.

Now there are two or three points on which India would particularly appreciate a gesture from the visiting Delegation. The first is an arrangement whereby Sudan cotton could be imported by India against payment in Rupees. This is, of course, purely a temporary arrangement necessitated by the acute foreign exchange shortage of this country at present. Although the last word may not have been said by the Delegation on this subject, there are reports in some Bombay cotton circles that Sudan feels hesitant to accede to this — contrary to what Indian interests had been led to expect. While this may be partly due to Sudan's own foreign exchange difficulty, there is a disposition among Indian cotton interests to attribute this rather sudden change of attitude to the recent brisk sales at the Khartoum auctions. Be that as it may, the Leader of the Delegation is stated to have justified his country's alleged inability to accept payment in Rupees by arguing that the pattern of trade between the two countries enables India to acquire more sterling from Sudan by way of exports to that country and that, therefore, India should not grudge utilising the sterling so got from Sudan herself to pay for imports of Sudan cotton.

The second, and a rather ticklish, point would appear to be the question of who should benefit from the recent substantial reduction in the export duty on cotton by the Sudanese authorities. One expected that the Delegation would readily accede to the suggestion of Indian interests that this benefit should go to Indian buyers, especially as Indian buyers did not grudge to take on the burden of the increase in import duty on

Sudan cotton effected on February 28, 1957. However, according to certain cotton circles, the Sudan Delegation was disposed to take a more legalistic view of the contractual obligation and to have insisted that the benefit of the reduction in export duty ought to pass on to the producers of cotton in Sudan.

There is, however, a section of cotton interests who argue that the attitude of the Sudanese Delegation as alleged above is a distortion of the correct position and that the chances are still bright for the conclusion of an agreement that would be mutually acceptable. One devoutly hopes that this section is in the right.

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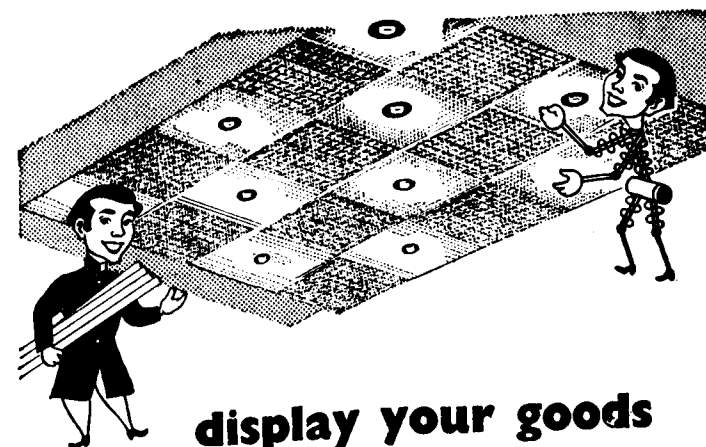
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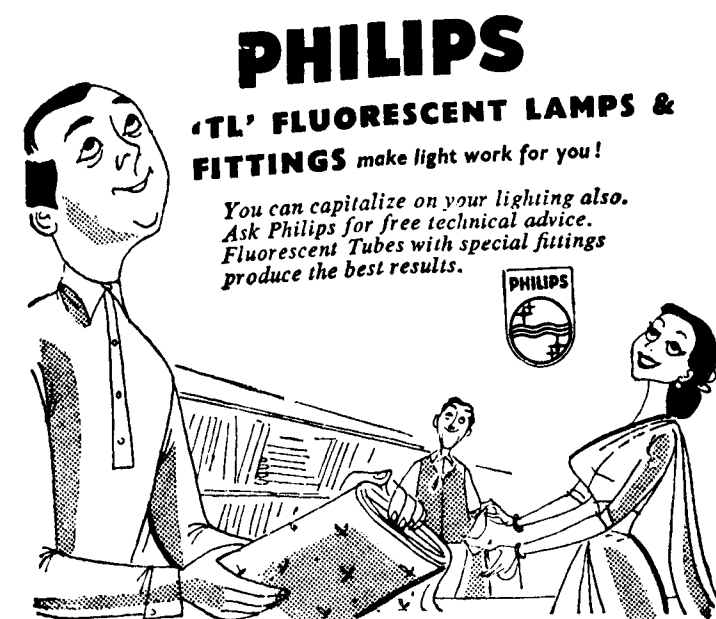
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BUSINESS NOTES

OIL REFINERIES: A HAPPY CONCLUSION

WITH THE announcement recently in Parliament about the Government's decision to set up two oil refineries, one in Assam and the other at Barauni in Bihar, an unpleasant tugging draws to a happy close. Not a little of the credit for this compromise belongs to the Burmah Oil Company which has offered a £10-million loan to the rupee company for meeting the foreign exchange requirements of the project. It will be recalled that negotiations were going on between the Government of India and the B.O.C. and Assam Oil Company for quite a long time regarding the formation of a rupee company which would take on the exploitation of oil reserves discovered in Nahorkatiya and other areas in Assam. Under the terms of the agreement now reached, the company will sell its crude oil production to the two refineries which are to be under the public sector. The refineries are to be set up in two stages. In the first stage, 'the pipelines and other related facilities' are to be laid up to an intermediate locality somewhere in Assam. Later, the facilities will be extended up to the larger refinery at Barauni. The decision to commission the two refineries with an intermediate break of a year or so is appropriate inasmuch as, in the initial stages, crude oil would not be available in sufficient quantities to keep both the refineries fully occupied. It is expected that the first refinery in Assam, which would be necessarily smaller than the Barauni refinery for reasons of the limited market, would be on stream in three years.

There is, however, in the present decision something more than merely a compromise between the contending States of Assam and Bihar. It has been estimated that two-thirds of the total share capital of the company, approaching some Rs. 58 crores, is contributed by the A.O.C. and the remaining one-third by the Government of India. Of the Rs. 58 crores, Rs. 18 crores would be absorbed in the production of crude oil and Rs. 40 crores for the laying of pipelines etc. As much as 50 per cent of the entire amount is to be in foreign exchange which will be contributed wholly by the A.O.C. Perhaps more than for other considerations, the decision should be welcomed for the flexibility the Government has shown in regard to the shareholding. But for this change in attitude on the part of the Government, it would have been considerably more difficult to arrive anywhere near a successful solution. The tremendous drain on the country's foreign exchange reserves, and its likely continuance for some time more, has heavily underlined the need for a substantial departure from erstwhile policies. It may not be too much to hope that this agreement is only the first of similar others to follow to cover various branches of India's developmental programmes.

PROSPECTS OF INDO-GERMAN TRADE

THE REPORT of the Indian Trade Delegation to West Germany, which is now available, contains many important points that should receive proper attention at appropriate levels. It is now known that, with all her goodwill for India, West Germany would always like to purchase from the best possible source, irrespective of the origin of the goods of purchase. In this she is no different from other countries which like to exercise caution in developing new trade relations. In other words, West Germany is no easy market for Indian manufactures unless all efforts are put in to overcome their caution. It is, however, of no ordinary significance that there is awareness in West Germany that the present current of trade, which is flowing in almost only one direction, cannot conceivably continue indefinitely. If the position is to be rectified to any degree, it would need promoting imports into Germany of

Indian goods in larger quantities, apart from the other means, of no less importance, of greater investment by West Germany in India. Almost certainly, India's imports from West Germany will continue to increase, which only underlines the necessity of vigorously pushing Indian goods in the German market.

The position as it stands today is largely depressing, notwithstanding the inevitable results of the changing pattern of India's foreign trade. Over the years between 1950 and 1956-57, the position has been changing with amazing rapidity. Thus, 1950 was the last year when India had a surplus balance with West Germany. From then on imports have been multiplying with the result that the balance has been increasingly adverse for this country. More recently, in 1954-55 the adverse balance was of the order of Rs. 25 crores which went up to Rs. 45.5 crores in 1955-56. According to the partly estimated figures for 1956-57, it has leapt up to as much as Rs. 76 crores. On the export side the performance is not altogether happy. In point of fact, it has failed even to maintain the 1954-55 level. Thus, there has occurred a decline in India's exports to West Germany from Rs. 15 crores in 1954-55 to Rs. 14.8 crores a year later, and further to Rs. 14 crores in 1956-57.

To say that the growing industrialisation in the country absorbs larger quantities of goods exported hitherto, like groundnut oil, manganese and iron ores, only partly explains the decline. Not even the import regulations in West Germany provide a full answer. There are some items like tea, coffee, cotton, wool, tobacco, among many others, to which no import control applies. There are others like cotton piecegoods, leather, wool and art silk fabrics, etc., in the export of which India is interested but has not been able to utilise even the not very liberal quotas allotted under the existing Indo-West German Trade Agreement. Obviously, the scope for expansion of Indian exports does exist. It is not necessary to work only for direct exports which has its advantages as well as disadvantages. What is necessary at the present time is to concentrate on expansion of exports, whether these be direct or indirect. Perhaps the most important method would be to conduct market research in order to determine German tastes and requirements, and endeavour to supply goods accordingly.

CONSERVATION OF FOREIGN EXCHANGE THROUGH SHIPPING

SIR A. RAMASWAMY MUDALIAR has made definite suggestions for the conservation of foreign exchange through expansion of Indian shipping as well as its more intensive employment in the course of his presidential address at the recent annual meeting of the India Steamship Company. He has made out a strong case for the grant of development rebate on shipping, at the higher rate of at least 40 per cent (in place of the current 25 per cent) to equate it with the recently enhanced rate in the UK. He has, likewise, argued with cogent reasons that foreign exchange difficulties should not be given the same weight in the development of shipping as in other development projects, for the obvious reason that the potential of shipping to earn direct foreign exchange is unquestionably high. Both these matters touch long-range policies and it is hardly expected that immediate decisions will be taken on them. Their inherent force does not diminish for this reason.

But it is in the sphere of Government's discretion as a bulk shipper that Sir A. Ramaswamy Mudaliar's sound plea for intensive utilisation of Indian shipping ought to find ready acceptance. He has dilated at some length on the contracts which the State Trading Cor-



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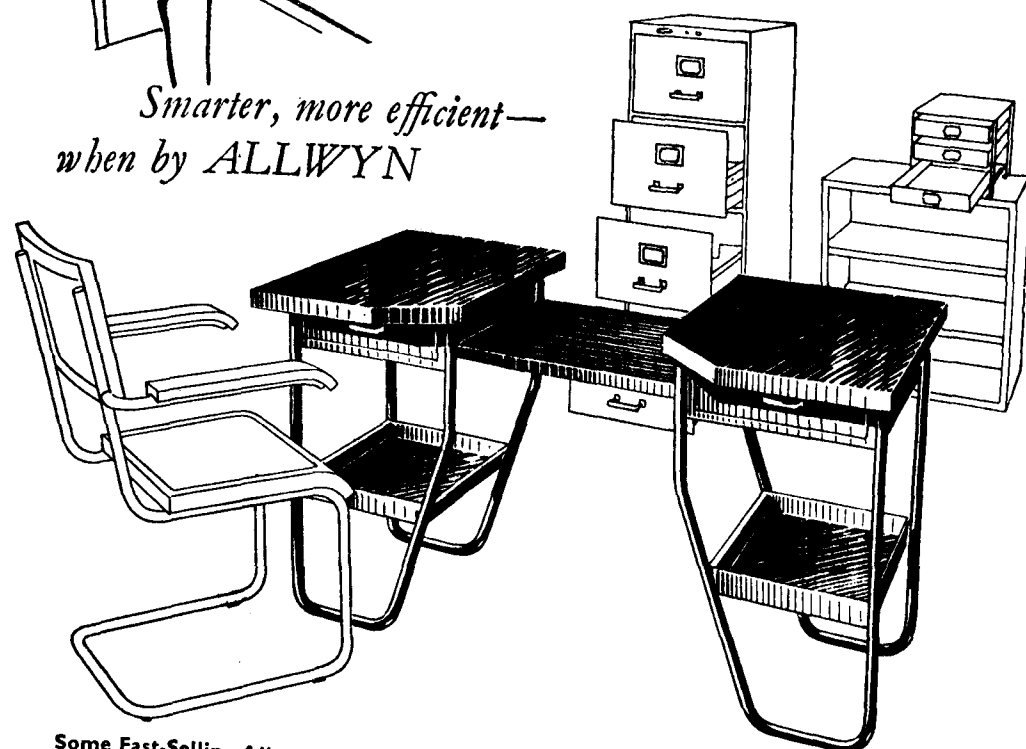
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poration has entered into for the export of bulk commodities on an f.o.b. basis. This basis yields complete power to the foreign importer to exclude Indian shipping from our export trade and patronise shipping of his choice. Following the widely prevalent practice, it is not difficult for the State Trading Corporation to secure, on a reasonable basis of understanding, definite terms in its trade contracts, whereby employment of Indian ships in the transport of our export commodities can be secured. In this specific matter there will be definite additions to our invisible earnings of foreign exchange. The Chairman has made a timely and pointed reference to an impending threat to the prospective interests of Indian shipping. The Government is reported to be considering actively a proposal for chartering ships, presumably owned by foreign concerns since Indian companies have no charter services as such, on the ground that charter rates are lower than liner rates. This assumption is open to question. But apart from this consideration, as the Chairman has pointed out, it may be possible for members of the conference lines to offer special quotations, provided Government guarantees shipments of required quantities. It is to be trusted that Government will take serious note of the Chairman's suggestion that Indian shipping concerns should be consulted at a departmental level before making commitments on shipping contracts with foreign concerns on Government account.

SUGAR EXPORTS

THE POINTED reference to the problems of sugar exports by Mr. F. Edwards, President of the Deccan Sugar Factories' Association (D.S.F.A.) in his speech at the eighteenth annual general meeting of that body, held this week in Bombay, is both pertinent and timely, by reason of the prevailing trends in international sugar trade. Due to declining world sugar prices, the prospects of sugar exports from our country are not at all bright. In fact, export of Indian sugar seems well-nigh impossible, except at a price very much lower than that prevailing in the domestic market today. It is, therefore, imperative that the Government should formulate, as Mr. Edwards suggested, a policy whereby manufacturers could be induced, "perhaps with some incentives by way of tax and cess concessions, to sell their sugar overseas and thus earn some much-needed foreign exchange for the benefit of the country as a whole".

Apart from providing such fiscal concessions for exports, there is yet another—perhaps a more important—problem to be tackled. It is that of reducing the cost of production of sugar in India. Without this, there is every chance of other countries pricing India out of all markets, as their cost of production is but a fraction of our cost of production. Accordingly, "concentrated and intensive research is needed", as the D.S.F.A. Chief declared, "to ensure that the proper heavy-yielding variety of cane is found to suit the particular qualities of soil in different areas". In other words, Mr. Edwards was stressing the important point that sugar is made on the field. Along with this, irrigation and cultivation methods also must be studied. Such methods have not only been studied but implemented, and have actually produced good results, in the factories of Deccan. But this should be followed in other parts of the country also, so that the attainment of the production target of 22.5 lakh tons set in the second Five-Year Plan may not become an unduly uphill task.

CONFERENCE ON TRANSPORT

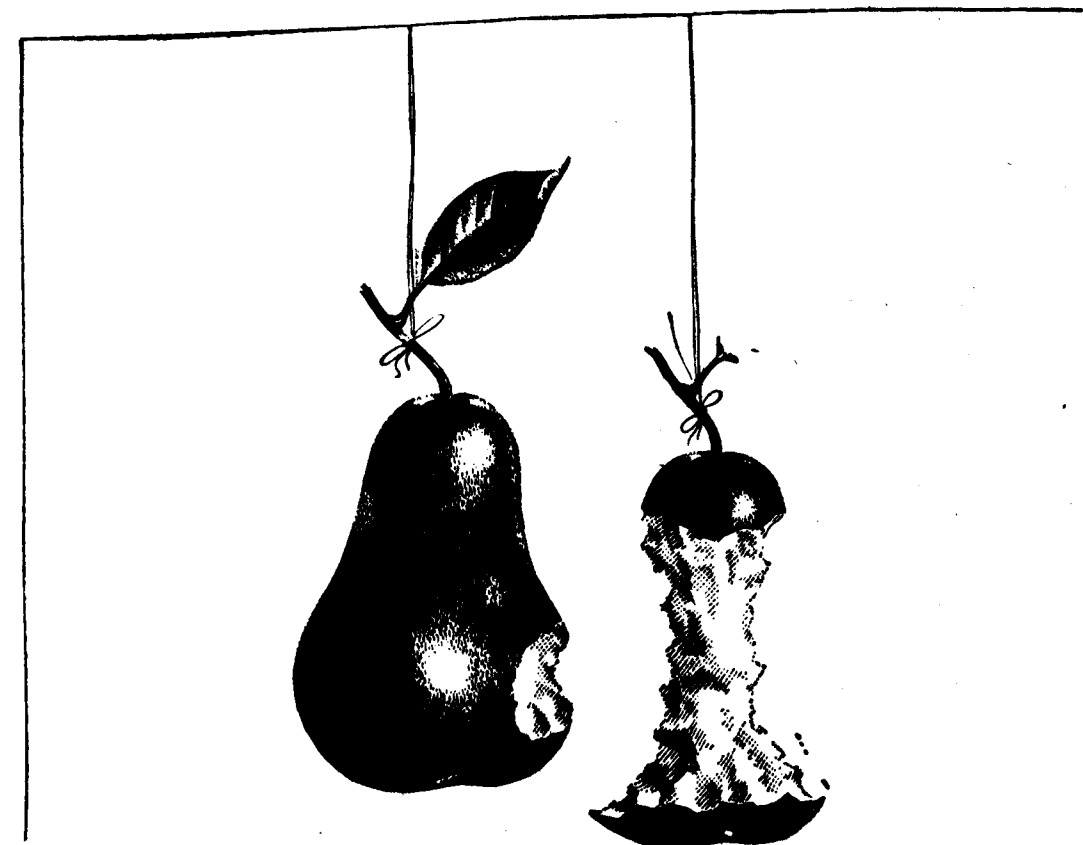
THE TWO-DAY session of the Transport Conference attended by all the important official and non-official transport interests under the auspices of the Federation of Indian Chambers of Commerce and Industry has some

positive achievement to its credit. The major achievement is to be seen in an important policy pronouncement made by Mr. Lal Bahadur Shastri in his inaugural address. He announced that the Government was determined to give content to the powers it had assumed to set up an inter-State transport commission. The implementation of these powers would speed up co-ordination and regulation of inter-State transport. Many of the present barriers to inter-State transport would be removed as the Central Government utilises its authority and good offices to bring a sense of urgency in their solution. In so far as clearing up the arrears in transport development was concerned, Mr. Shastri had hardly any definite proposals to announce. It is certainly regrettable that the Government does not even now appreciate the importance of giving the much-needed incentive to motor goods services. Adverting to the demand for a moratorium on nationalization of motor freight services until the end of the third plan, the Transport Minister merely stated that Government was keeping an open mind on this question and it would give it due thought before the present plan comes to an end. This is nothing but an attitude of procrastination. Since railway traffic capacity cannot be raised to respond in full measure to the pressure of demand, it is urgent that road transport services should be strengthened without loss of time in dilatory consultations.

The chairman of the conference has drawn attention to an important issue which has come up in recent discussions of transport problems, namely, that since railways are capital-intensive it would be worth while to give greater attention to the expansion of motor transport. No controversy of competition between the two now exists because shortage of transport is going to prove a challenge to both these major modes. Besides highlighting important transport problems, the conference has made a strong plea for giving priority to the provision of missing links and bridges on the national highways, encouragement to indigenous automobile manufacturers for the production of trucks, bank credit to operators of goods services for purchase of vehicles and a definite start with truck-trailer services to maximise the use of vehicle capacity. In one important respect, however, it is difficult to subscribe to the plea made by the conference. It has recorded its view that, in consequence of the inadequacy of resources, railway transport capacity should be increased by improving operational efficiency rather than by increased capital outlay. This view exaggerates the potentiality of higher operational efficiency to close the gap in rail capacity.

U.S. CENSUS OF AGRICULTURE

THE NATIONAL Industrial Conference Board's analysis of the last quadrennial census of agriculture in 1954—a census released earlier this year—shows the trend is towards larger and more efficient farms with more intensive mechanisation permitting greater output with fewer workers. Another trend is a rise in farm owners and a decline in farms operated by tenants. Farm owners rose from 57 per cent of total operators in 1935 to 75 per cent in 1954. At the same time, tenant-operated farms declined from over 40 per cent in 1935 to less than 25 per cent in 1954. The analysis indicates that the bulk of the decrease in the number of farms has occurred in the 10-acre to 179-acre group. The number of farms in the 1,000-acre-and-up category rose 8 per cent from 1950 to 1954, while farms in the 500 to 1000 acre group increased 5 per cent. The reduction in farms has been confined chiefly to small, low-income units, and the land thus abandoned has generally been put to more efficient use by integration with other farms.



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COMPANY AFFAIRS

THE CENTRAL PROVINCES RYS. CO., LTD.

The uncertainty of Wealth Tax in respect of the Central Provinces Railway Company Ltd., is reflected in the large carry-over from the Company's latest accounting period, 30-9-57, despite the very satisfactory results of working during that period. Thus, gross earnings from both coaching and goods traffic during the period under review are the highest in either case, for the past three years. Indicative of the pressure on railway transport is the number of passengers which, in fact, reached the record figure for the past five years of 2,020,899.

Although worked by Private enterprise, this railway company has contributed Rs. 1,82,567 to the Government, being the latter's share of surplus profits for the year of report in addition to taxes which may amount to over Rs. 3½ lakhs (The actual provision made is Rs. 3,57,691, an increase of Rs. 1,14,134 over the previous year). The net profit after all these payments and provisions is Rs. 2,50,060. An 'ad interim' dividend of Rs. 4 per cent per annum has already been declared and a final dividend might also have been possible but for the possible contingency of Wealth Tax. Although the directors are clear in their own minds that, inasmuch as "the property in the various assets acquired by the Central Railway out of the funds provided by the Company does not vest in the latter", Company prudently is not liable to Wealth Tax, they have decided to carry over the entire balance of profit pending a clear ruling from the concerned quarters.

INDIAN CABLE CO., LTD.

The Company has shown a marked improvement in the working during the year ended March, 1957. The Sales have increased to Rs. 697.5 lakhs against Rs. 614.5 lakhs during the previous year. The Net profit, after making provision for Taxation, Depreciation, and contingencies amounts to Rs. 49.6 lakhs. Provision for Depreciation and Taxation is also higher at Rs. 15.77 lakhs and Rs. 79.5 lakhs against Rs. 14.5 lakhs and Rs. 68.0 lakhs respectively for the previous year.

An amount of Rs. 10.0 lakhs has been transferred to General Reserve and another amount of Rs. 5.0 lakhs has been Reserved for Replacement of Fixed Assets. A Dividend at the rate of 12½ per cent per annum and cash Bonus at the rate of 2½ per cent per annum, free of Income Tax, has been proposed to be paid on both Preference and Ordinary Shares. A balance of Rs. 41.8 lakhs is being carried forward.

During the year there has been a further increase in the value of fixed assets, although to a lesser extent than in the preceding year due to the fact that the main factory expansion projects are nearing completion.

Adequate provision has been made by the Company for amounts which will be payable to the staff under on Retiring Gratuity Rules. Due to the stringent financial conditions it has been thought prudent to increase the provision for Bad and Doubtful Debts by Rs. 10.0 lakhs.

Apart from the normal annual increase in the case of salaries and wages which is to be expected in the expanding company like this, the balance sheet shows

the full expense of the Sales organisation compared with that of only three months in the last Accounts.

THE KARWAR ELECTRIC SUPPLY AND TRADING CO., LTD.

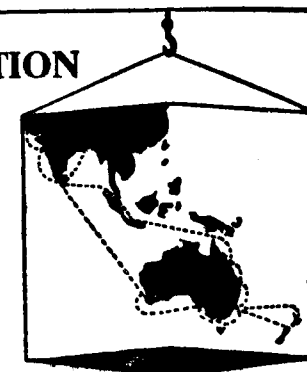
This is still an infant electricity supply undertaking, the nine-month period under report (period ended March 31, 1957) now published to conform to the Indian Electricity Rules, 1956 being only the third year of the actual working of the Company. Even so, the Company shows a profit of Rs. 9,476, after providing for interest, Managing Agency remuneration and office allowance, as also a part of depreciation amounting to Rs. 8,772, as against Rs. 45,479 required to be set apart under provisions of the Electricity (Supply) Act.

The Company added a third small generating set and, with the installation of this set, the powerhouse has begun to function for 18 hours a day.

The difficulties for finance, especially for small electricity undertakings, are reflected in the case of this small and infant concern. Although the amounts needed by these companies may be small and could be met by the issue of new shares, it is obligatory, under Section 81 of the New Companies Act, first to offer any such new shares to the existing shareholders. While the idea underlying this insistence is no doubt understandable, there are two snags, namely, (1) of delay in at least securing the funds required and (2) a forced concentration of shares in the hands of only a few.

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COMMODITY NEWS AND NOTES

PRODUCTION OF CHROMITE IN INDIA

The production of chromite during the quarter ending September, 1957 was 12,318 tons, according to the Indian Bureau of Mines. The figure represented an increase of 4,134 tons compared to the output in the corresponding quarter of 1956. Orissa, which is a leading producing State, accounted for 9,942 tons while output from Mysore and Bihar States totalled 1,903 and 473 tons respectively. The production of chromite in India during the period January-September, 1957 was 56,794 tons as against 40,215 tons in the corresponding period of the preceding year.

INCREASED PRODUCTION AND CONSUMPTION OF COTTON

The Minister for Commerce, Shri Nityanand Kanungo, revealed in the Rajya Sabha that the production of cotton in India in the 1956-57 season was 51.2 lakh bales, an increase of 4.2 lakh bales over 1955-56. Shri Kanungo said that the consumption of Indian cotton by mills increased to 46 lakh bales during the same period from 43.7 lakh bales in the previous year. The consumption of foreign cotton by mills during 1956-57 was 6 lakh bales — almost at the same level as in the previous year. About long staple cotton, the Minister said that India now produced 1.5 lakh bales of cotton of staple length from 1" to 1-1/16". The entire quantity was consumed by the Indian mill industry and the dependence on imports of foreign cotton had been reduced to this extent. Efforts were being made to grow more long staple cotton to reduce this dependence further. It might, however, still be necessary to import considerable quantities of Egyptian and Sudanese cotton varieties which were in a class by themselves and which, for the present, at any rate could not be produced in India owing to soil and climatic conditions.

INCREASE IN IRON ORE OUTPUT IN SEPTEMBER

Output of iron ore in India increased from 341,396 tons in August to 373,794 tons in September. Returns received from the Chief Inspector of Mines in India from 95 mines during September showed that 258,850 tons were despatched to the iron and steel plants and 88,349 tons to the export market. Iron ore stocks at the end of the month were estimated at 1,332,711 tons.

IMPETUS FOR EXPORT OF SUGAR PRODUCTS

In order to give impetus to the export of sugar products, the Government of India have further simplified the procedure for the grant of rebate on excise duty on the sugar used in the manufacture of these products. The special features of the procedure are:-

- (1) The manufacturers of such products will not be licensed but the exporters will have to get themselves registered with the Collector of Central Excise in whose jurisdiction such exporters conduct their business. The concession of rebate is confined to sugar products manufactured in accordance with the provisions of the Fruit Products Order, 1955.
- (2) The sugar for the manufacture of sugar products need not necessarily be purchased from the excisable factory direct.
- (3) The condition regarding identity of sugar used in the manufacture of the sugar products with the duty-paying documents, has also been relaxed and no special accounts for that purpose will be necessary.
- (4) The exporters, after registration in the prescribed manner, will prepare an application for export, obtain the certificate of the customs authorities that the Sugar Product has been exported, and present it together with shipping document etc. to the Collector of Central Excise, designated for the purpose, for grant of rebate in cash or by cheque.

(5) The Sugar Products, and the rate of rebate admissible, on their export, are as follows:-

Sugar Products	Rate of Rebate
(i) Mango Chutney containing not less than 50 per cent of sugar by weight.	Rs. 5.35 per cwt. of such product.
(ii) Jam and Jellies containing not less than 60 per cent of sugar by weight.	Rs. 6.40 per cwt. of such product.
(iii) Canned Fruits in Syrup containing not less than 16 per cent of sugar weight.	Rs. 1.70 per cwt. of such product.
(iv) Squashes containing not less than 40 per cent of sugar by weight.	Rs. 4.30 per cwt. of such product.

(6) The concession of rebate under the revised procedure will not be available for export of such products to Nepal, or for export by parcel post to any country, including Nepal.

For further details the exporters may contact the Collector of Central Excise of their area.

EXPORTS OF TEA

The Minister for Commerce, Shri Nityanand Kanungo, replying to a question by Shri Raghunath Singh and five other Members in the Lok Sabha recently, said that the exports of tea from India during the period January to September 1957, did not indicate any fall compared with the average during the period January to September of the four preceding years. Shri Kanungo said, the tea exports during the first nine months of this year were 302 million pounds. Exports during the same period in 1953 were 315.5 million pounds, in 1954, 273.1 million pounds, in 1955, 259.5 million pounds and in 1956, 352 million pounds. The Minister said that while Government did not consider that the situation was so alarming as to call for any immediate specific action, efforts were continually being made on general lines to achieve an overall improvement in exports.

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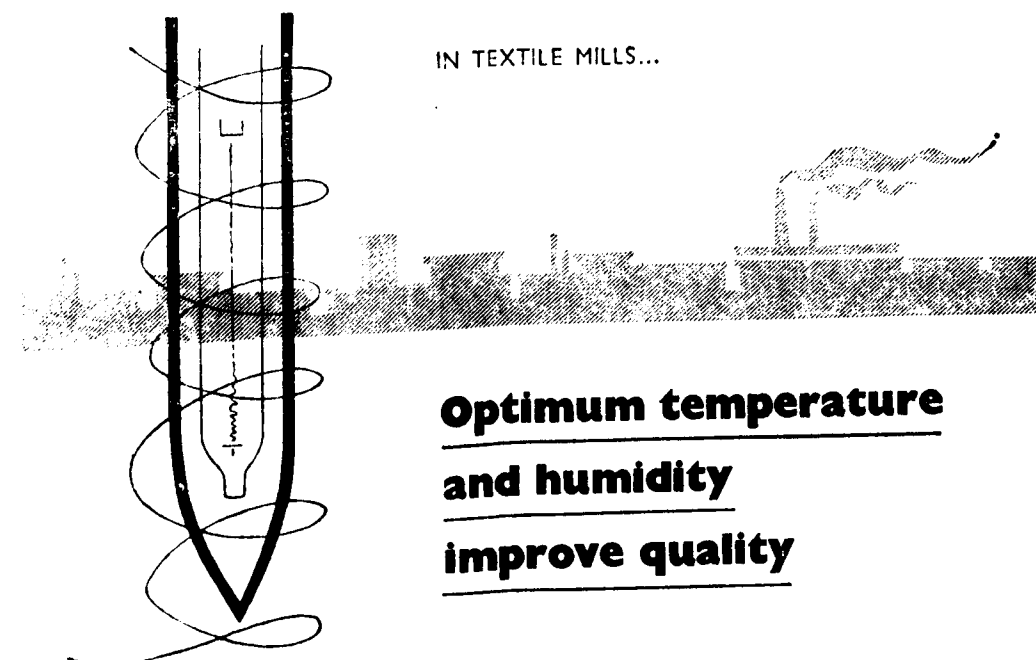
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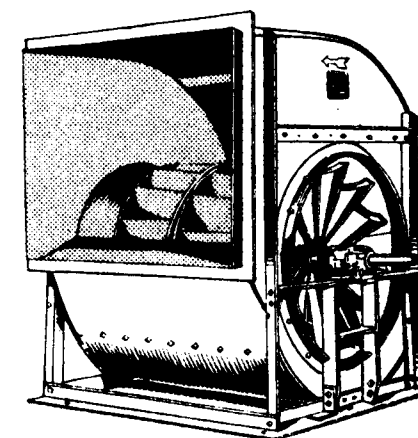
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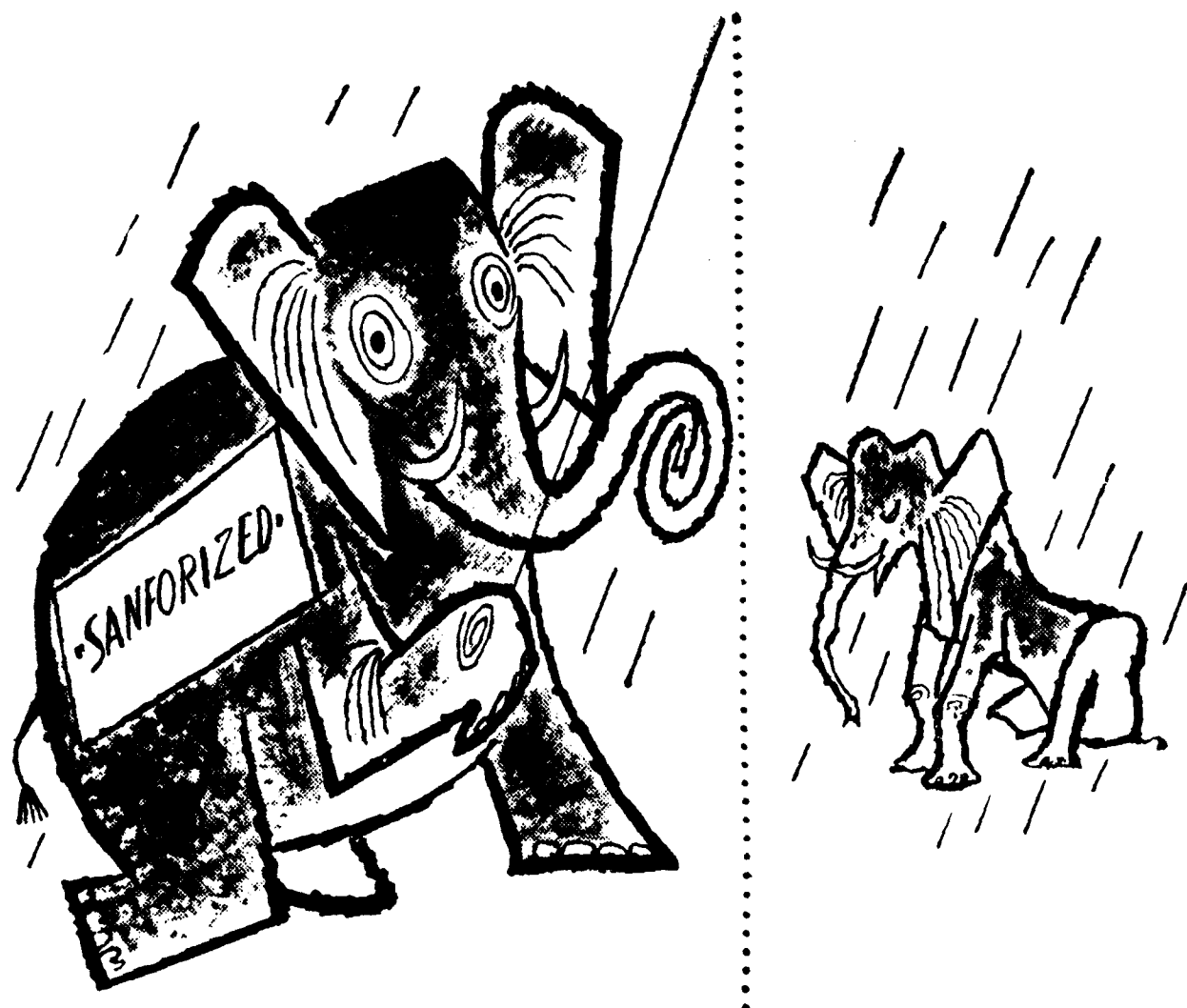
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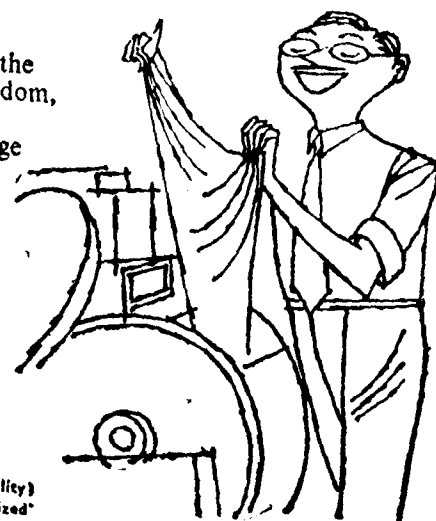
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ACP. 4361 (Rev.)

Company Meeting

INDIA STEAMSHIP COMPANY, LIMITED

Address of

Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon).

Delivered at the Annual General Meeting of the Shareholders of the Company, on December 6, 1957.

Gentlemen,

The Directors' Report shows that the freight earned during the year was Rs. 6,00,17,168 as against Rs. 5,26,11,831. The freight carried in the Liner trade was 4,88,266 freight tons as against 5,07,773 in 1956. The total number of round voyages made during the year was 22½ as against 26½ in the previous year. The less number of voyages is accounted for by the fact that owing to the closure of the Suez Canal the ships had to go the round Africa instead of coming through the Mediterranean. The higher freight earned in spite of the fewer voyages is to be attributed in part to the fact that our modern ships are faster and partly to the surcharge on freight rates consequent on the longer voyage entailed. The delay at ports continued as in the previous year and the turn-round of the ships took a much longer time than should normally be the case. It must therefore, be a matter of satisfaction to you as it is to me that in spite of these handicaps the Company made a net profit of Rs. 1,07,21,588 after providing for depreciation.

PROGRESS

I referred last year to the two ships — 'Indian Resolve' and 'Indian Resource' which had been added to our fleet, one in March, 1956 and the other in June, 1956. Since then another ship the 'Indian Splendour' which was delivered in May, 1957, has augmented the fleet. We have thus at present twelve ocean going vessels and one Coastal vessel. Another ship is being completed in the German shipyard and it is expected to be delivered towards the end of March, 1958. The Company has ordered a further four ships, two of which are expected to be delivered at the end of 1958 and two at the end of 1959. They will be built at the same German Shipyard. Besides these the Hindustan Shipyard Private Ltd., has an order from the Company to build a vessel of 5,500 tons, the keel of which is expected to be laid shortly.

SOME PROBLEMS OF INDIAN SHIPPING

(a) **Development Rebate** — The Shipping Industry of any country engaged in Overseas trade is subject to world-wide international competition. It cannot be protected or safeguarded by tariffs or quota limitations as the industries of a country can be. I have referred in previous speeches to the assistance given by several countries to their National Marine. This assistance takes various forms from downright operational subsidy to loans without interest and exemption from taxes. We are thankful for the loans that the Government of India have granted to Indian Shipping at a comparatively low rate of interest and the Develop-

ment Rebate of 25 per cent which has been sanctioned. The cost of obtaining new ships which can fairly stand comparison in speed, in cargo handling facilities and in other directions is increasing and bears no relationship to the cost only a decade back. If Indian Shipping interests represent to the Government of India that further consideration may be given to questions like Development Rebate, it is in no ungracious spirit that the request is made. The Government of the United Kingdom have in the last Finance Act raised the Investment Allowance (which corresponds to the Development Rebate) from 20 per cent to 40 per cent in order to maintain the Mercantile Marine of the country in the best possible state of adequacy and efficiency. I trust that taking a long range view of the position of Indian Mercantile Marine, our Government would give consideration to the question of equating the relief in this direction with at least that given to the most powerful National Marine of the world.

(b) **Expansion of Shipping** — Shipping companies all over the world have adopted as a basic policy of existence, the continued and phased programme of adding to their tonnage not merely to replace ships which have to be scrapped or sold as uneconomic units for their trade but also to meet the legitimate needs of shippers. Your Company has made a modest programme of phased expansion, to meet both these needs. There are difficulties of foreign exchange which, seem to come in the way of Government's consideration of assisting such expansion, notwithstanding its sympathy. Shipping companies have pointed out with considerable force that they earn foreign exchange far more rapidly than any other local industry and that such earnings — invisible income as it is called — form the hard core of the solution of the balance of payments in many countries. They have also suggested that for the time being the foreign exchange earned by Indian Shipping may be earmarked for the development of Indian Shipping both Coastal and Overseas.

(c) **State Trading Corporation and Shipping** — Indian Shipping companies have been very much concerned to learn, with what exactness it is difficult to state, that the State Trading Corporation contemplates entering into their field and has otherwise seriously jeopardised their interests. I offer no opinion on the policy of State trading though at the inception it related to inter-governmental trading only. I am concerned only with that aspect of the State Trading Corporation's activities which cuts across or impinges on the legitimate interests of Indian Shipping. Indian Shipping Companies have constantly addressed the Government to have their point of view represented before trade agreements involving shipping are con-

cluded. It is a matter for regret that while shipping interests are closely kept in touch with various issues facing the Government like the Suez Canal crisis, in the United Kingdom, Holland, Italy, France and Germany and while their advice is sought on all occasions Shipping interests in India are not taken into confidence by Government and not consulted on such issues as deeply affect them. It is most desirable that in tackling these shipping problems Government Departments should take into confidence the Indian Shipping companies who have undoubtedly wide experience in these matters. It is understood that in some cases at least the State Trading Corporation has made contracts for the sale of bulk commodities such as ore on an f.o.b. basis which means that the importing country can completely shut out Indian Shipping in such trade. I trust that this subject will receive consideration by the Government at the highest level.

Another issue that has confronted the Shipping companies is the proposal stated to be receiving active consideration, of Government chartering ships to carry the export and import trade organised by the State Trading Corporation. That this cuts across the principle so clearly and emphatically laid down by the Transport Minister last year will be obvious. The Hon'ble Minister for Transport said 'I may state very clearly that it is not our intention that shipping in the public sector should run in competition on routes in which existing private shipping companies have established themselves.' When it is added that these chartering activities of the State Trading Corporation may even cut across those of shipping in the public sector itself, the position becomes so Gilbertian that further comment seems to be needless.

It has been suggested that the rates charged by Conference Lines are greater than the rates obtainable through chartered tonnage. In the first place Indian Lines, it can be proved beyond dispute, have successfully fought for lower rates in the interest of the trade of the country and have brought about reductions in such rates. Secondly, it can be equally clearly demonstrated that till recently chartered tonnage was far more costly than tonnage carried by Conference Lines and Government or the shippers have been spared the payment of vast sums of money by entrusting the freight to Conference Lines. Thirdly, it is always possible to get a special quotation from Conference Lines if Government gives a guarantee of shipping only through Conference Lines their required quantities. Lastly, it must be clear to Government as a shipper of large tonnage over a long period that it cannot adopt the policy of some occasional shippers who take a short range view and try to obtain a small initial advantage by resorting to charters when charter rates are comparatively low.

Shipping companies have pleaded more than once that a co-ordinated and consistent policy may be adopted by all departments after full consultation and that shipping interests may have the opportunity of giving their experience and placing their knowledge at the disposal of the departments concerned at an inter-departmental conference. I hope fervently that such a conference will be held to the mutual advantage of both interests.

FOREIGN SHIPPING AND RESTRICTIVE PRACTICES

I have so far referred to internal factors and policies. These assume even a more grave aspect when they are considered in conjunction with the handicaps of Indian Shipping through the restrictive practices which foreign shipping adopt without logic to protect vested interests. The Indian trade is a happy hunting

field for the foreign shipping of numerous countries. Neither their initial entry into the Indian trade nor the extent of shipping tonnage employed by some of them has any relationship to the trade subsisting between India and such countries. In fact some of them have hardly any interest in such trade and yet the fleet that they employ and their ever increasing demand for the employment of more tonnage is in inverse ratio to the interests that their nations have in the Indian trade. The problem has assumed serious proportions and the stage has come when it should be firmly tackled. The exclusion of Indian Shipping from the trade of countries like Burma and Ceylon, from the trade from ports on the direct route to the United Kingdom and the Continent such as Aden, Port Sudan, Alexandria and onwards, has been mentioned more than once. The rejection of the application of Indian Lines for membership of these truncated conferences has been 'justified' on the ground that there is adequate tonnage serving these trades; yet when it comes to the Indian trade approval is readily granted to more and more Lines coming in or increasing their fleets notwithstanding the fact that there is often over tonnage in the trade. It is a situation that cannot and ought not to be tolerated further. If the policy of freedom of the seas is accepted it should be real and effective and should not be used for protecting vested interests.

THANKS

We owe a debt of gratitude to Shri Lal Bahadur Shastri, the Minister of Transport whose re-entry into the Cabinet we heartily welcome and whose acceptance of the Transport portfolio we specially appreciate. His interest in Indian Shipping is deep and abiding and we are grateful for such interest. We also welcome Mr. Gupta the Secretary of the Department who has experience of shipbuilding and so of Shipping. We are thankful to other officers in the Secretariat to Dr. Nagendra Singh the Director General of Shipping, his deputies and assistants from whom we have continued to receive advice and assistance.

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INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

			Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant	Industrial Raw materials	Manufactures			All Commo- dities
							Inter- mediate Products	Finished Products	Total	
1953-54	..		108.7	98.6	99.2	109.7	98.5	99.0	98.9	104.5
1954-55	..		94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.5
1955-56	..		86.6	81.0	95.0	99.1	100.1	99.6	99.7	92.4
1956-57	..		102.2	84.3	104.1	116.0	110.9	105.5	106.2	105.2
April	1957	..	104.3	88.0	107.0	116.7	108.3	105.8	106.2	106.5
May	"	..	107.0	90.6	109.5	120.4	109.3	107.3	107.5	109.0
June	"	..	109.3	92.3	111.7	121.3	108.9	108.5	108.6	110.7
July	"	..	111.3	93.7	114.0	121.6	108.6	108.8	108.8	111.9
August	"	..	112.1	92.1	114.7	120.1	108.2	108.6	108.6	112.0
September	"	..	108.5	93.7	114.5	116.4	107.3	108.9	108.6	109.5
October	"	..	107.2	95.0	114.5	114.8	106.7	109.1	108.6	108.8
12-10-1957	..		107.1	94.3	114.5	115.0	106.6	109.0	108.7	108.7
19-10-1957	..		107.8	95.8	114.5	114.5	105.9	109.3	108.9	109.1
26-10-1957	..		107.0	96.5	114.6	115.5	106.9	109.2	108.9	108.9
2-11-1957	..		107.6	96.5	114.6	114.3	108.7	105.8	109.2	108.9
9-11-1957	..		108.3	96.5	114.6	116.3	108.7	106.0	109.1	109.6

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmeda- bad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshed pur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1940	288	303	243	132	339	471	372	146	309	188	136	184
1941	292	307	248	132	348	478	377	151	323	184	138	188
1942	298	313	257	132	349	434	372	153	325	185	145	198
1943	314	330	261	142	370	461	391	168	334	187	160	144
1944	321	337	250	143	351	441	380	150	330	181	154	141
1945	346	363	275	140	349	453	387	151	351	147	156	146
1946	342	359	244	138	327	408	373	139	341	148	140	138
1947	342	359	244	138	327	408	373	139	341	148	140	138
1948	322	338	218	130	321	371	364	133	321	134	135	132
1949	336	352	244	142	347	424	397	151	356	152	146	145
1950	340	356	259	151	356	436	407	156	370	157	149	160
1951	339	355	252	150	354	436	411	156	372	157	144	149
1952	341	357	253	150	350	438	411	158	369	157	148	148
1953	340	356	254	150	348	433	415	158	367	158	148	148
1954	340	356	256	148	345	427	415	162	369	161	152	148
1955	347	363	257	151	352	441	418	163	369	157	156	150
1956	354	370	259	152	371	446	422	168	373	159	156	153
1957	360	376	263	152	371	459	422	—	375	159	164	155
1958	361	377	265	156	—	468	—	—	373	—	—	156
1959	359	375	262	149	—	464	—	—	372	—	—	155
1960	358	374	260	149	—	461	—	—	375	—	—	153

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	22-11-1957			15-11-1957			8-11-1957			1-11-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	109.19	108.06	108.51	109.56	108.19	108.95	108.47	108.00	108.27	108.50	107.62	108.06
Silver (per 100 fine tolas)	183.62	182.37	182.95	183.94	182.69	183.48	182.69	181.62	182.18	183.06	181.00	182.14

REVISED INDEX OF INDUSTRIAL PRODUCTION

(1951=100)

Year and month	General Index	Coal	Cotton Textiles			Jute	Chemicals	Cement	Iron and Steel	Gen. Engineering	Paper	Sugar	Tea	Electricity
			Total	Yarn	Cloth									
1952	103.6	105.6	102.3	103.0	102.0	107.6	117.9	110.7	102.2	92.8	104.2	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
1956	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
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	123.6	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	291.3	81.0	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	1,064.4	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	146.3	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	188.1	117.4	220.0	143.4	231.7	104.8	165.8
November	142.1	118.2	115.1	122.5	111.5	120.4	175.9	157.3	124.6	240.7	148.0	389.9	95.4	168.4
December	136.1	126.6	122.4	130.7	118.2	118.7	177.1	169.6	120.9	239.3	157.8	191.6	58.1	177.2
January 1957	140.0	124.4	122.4	130.8	118.2	123.8	181.9	169.0	129.3	247.7	156.0	135.6	131.5	174.1
February	142.6	133.6	122.7	133.1	117.5	123.5	195.7	174.4	121.1	257.6	157.7	128.0	139.3	180.0
March	138.1	125.3	116.0	126.8	110.8	117.3	180.1	181.0	122.1	259.7	154.2	169.7	123.6	175.3
April	147.7	132.1	122.2	133.4	116.6	124.0	185.1	173.7	120.2	269.6	155.5	326.8	92.8	186.7
May	156.2	130.1	114.6	126.4	108.7	121.1	174.8	165.1	115.6	247.4	151.1	892.7	87.8	186.8
June	168.3	118.0	109.4	120.0	104.1	114.1	155.5	149.0	109.7	226.4	154.7	1,090.2	110.8	186.8
July	..	114.3	116.6	127.9	110.9	118.4	..	..	..	..	..	800.8	125.0	..

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



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LIONEL EDWARDS (PRIVATE) LIMITED

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

LIABILITIES				ASSETS						
PERIOD	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
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.02	1,253.86
	(5.58)	(—)	(5.58)					(90)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,133.95	27.87	1,161.82	40.02	584.40	604.02	52.89	80.22	458.08	1,142.72
1953-54*	1,114.84	23.03	1,137.87	40.02	594.02	634.04	54.80	92.83	430.11	1,156.97
1954-55*	1,196.10	22.98	1,219.18	40.02	648.81	688.83	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
1956-57*	1,475.77	18.75	1,494.52	44.42	545.61	590.03	39.95	115.61	755.22	1,494.52
				(117.76)		(663.37)	(44.37)			
Average of Fridays	1,521.09	13.54	1,534.64	117.76	412.52	530.28	34.55	121.37	882.68	1,534.64
March 1957	1,569.25	11.86	1,581.11	117.76	412.52	530.28	33.58	126.41	922.42	1,579.11
April	1,582.22	17.53	1,599.75	117.76	412.52	530.28	33.35	125.60	943.87	1,599.75
May	1,667.48	29.03	1,696.51	117.76	412.52	530.28	33.28	125.17	941.06	1,596.51
June	1,527.79	34.84	1,562.62	117.76	406.52	524.28	33.55	127.54	910.81	1,562.63
July	1,495.65	30.71	1,526.37	117.76	369.52	487.28	31.92	131.22	907.87	1,526.37
August	1,477.66	36.41	1,514.07	117.76	338.60	456.36	30.14	133.82	923.89	1,514.07
September	1,487.74	26.43	1,514.17	117.76	317.92	435.68	28.78	133.92	944.57	1,514.17
October										
Week Ending										
14-10-1957	1,493.49	20.41	1,513.90	117.76	321.65	439.41	29.03	133.66	940.84	1,513.90
18-10-1957	1,483.81	30.54	1,514.35	117.76	311.71	429.47	28.36	134.10	950.78	1,514.35
25-10-1957	1,486.20	27.77	1,513.97	117.76	311.71	429.47	28.37	133.72	950.78	1,513.97
1-11-1957	1,470.44	41.12	1,511.56	117.76	311.71	429.47	28.36	134.31	950.78	1,514.56
8-11-1957	1,490.98	22.45	1,513.43	117.76	361.77	479.53	27.72	133.18	960.71	1,513.43
BANKING DEPARTMENT										

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
1948-49*	222.17	16.93	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	81.68	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
1956-57*	57.52	14.10	52.46	19.73	143.81	101.21	246.92	18.91	5.69	64.77	4.89	85.34	57.82	13.60
Average of Fridays														
March	56.01	19.27	53.28	61.44	189.99	147.48	347.47	13.74	8.33	114.30	8.42	115.24	79.07	13.37
April	54.61	5.37	67.33	74.63	201.91	150.10	362.01	11.99	14.03	102.31	16.16	101.37	102.55	13.30
May	52.80	4.38	63.37	83.53	204.18	152.64	366.82	17.67	4.45	64.50	18.91	111.31	134.85	13.62
June	53.09	3.29	71.77	42.40	240.55	153.86	404.41	29.16	3.82	46.96	24.53	98.02	188.36	13.57
July	53.64	2.79	86.56	149.26	292.27	120.01	422.28	34.97	3.10	29.21	26.99	74.82	241.04	12.16
August	65.46	7.39	90.60	126.86	290.32	121.20	421.51	30.84	3.38	20.94	31.46	81.90	244.50	8.50
September	51.52	7.96	101.67	110.31	271.45	124.16	405.61	36.49	5.99	27.33	42.90	68.80	211.07	12.99
October	51.86	7.91	93.04	112.25	269.12	131.00	410.72	26.54	3.04	18.34	49.26	72.21	223.35	17.98
Week Ending														
11-10-1957	53.84	3.61	90.61	111.25	259.32	133.58	402.90	20.54	3.30	20.55	51.27	73.50	215.90	17.84
18-10-1957	50.02	6.85	100.47	111.54	268.88	132.36	411.24	30.66	4.12	18.79	51.04	68.93	219.80	17.97
25-10-1957	52.55	11.02	106.91	111.73	282.21	132.81	425.02	27.89	3.75	15.39	49.92	67.87	241.84	18.35
1-11-1957	53.81	9.60	108.77	111.36	283.54	133.34	426.89	44.25	3.59	16.07	49.51	63.08	230.76	18.62
8-11-1957	54.86	6.16	94.80	110.93	266.75	129.88	409.63	22.54	3.98	19.42	51.32	61.75	228.95	18.66

SCHEDULED BANKS

(Rs. in Lakhs)

Period (1)	LIABILITIES			Cash (Notes + Coins) (5)	Balances with Reserve Bank (6)	(5 + 6) as percent- age of (4) (7)	Advan- ces (8)	Bills Discount- ed (9)	(8 + 9) as per- centage of (4) (10)	Invest- ments in Govt. Securities in India (11)
	Demand (2)	Time (3)	Total (2 + 3) (4)							
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	--
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	278.15	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	63.08	303.48
1952-53	516.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	308.34
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	321.29
1954-55	554.62	351.86	911.55	32.66	53.91	9.50	468.39	81.66	60.68	339.74
1955-56	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.71
1956-57	651.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56	71.39	359.35
Average of Fridays										
April 1957	724.28	455.05	1,094.83	38.15	65.12	7.99	719.66	183.45†	74.69	345.68
May	721.73	516.38	1,240.11	39.26	59.74	8.08	744.48	188.14†	76.10	343.32
June	713.22	517.21	1,262.43	41.39	67.44	8.72	744.73	181.73†	74.24	335.02
July	721.60	562.69	1,287.49	39.62	80.45	9.47	720.06	170.44†	70.97	332.44
August	712.19	582.65	1,294.84	38.83	88.01	9.98	696.16	174.44†	69.33	360.31
September	717.51	612.48	1,330.06	37.18	95.37	9.97	678.01	163.06†	63.24	378.43
October	731.45	629.74	1,364.19	43.57	92.51	9.97	688.88	166.41†	62.70	387.75
Week Ending										
11-10-1957	729.06	624.51	1,353.57	42.67	83.35	9.31	687.47	165.14†	62.99	386.15
18-10-1957	730.15	627.44	1,357.59	42.04	96.03	10.17	686.29	166.94†	62.85	384.96
25-10-1957	735.41	640.53	1,395.94	47.02	96.49	10.56	696.85	171.08†	62.18	393.95
1-11-1957	751.61	645.63	1,400.24	39.86	105.11	10.61	685.37	171.41†	62.70	403.48
8-11-1957	747.18	651.47	1,398.65	38.88	95.17	9.82	688.10	166.29†	62.58	407.37

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday (1)	Money supply with the public (2) = (3) + (4)	Total currency with the public (3)	Deposit money with the public			Total variations in money supply (7)
			Total (4)	Demand liabi- lities of banks (5)	Other deposits with Reserve Bank† (6)	
1952-53	1,764.71	1,199.25	565.46	548.05	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	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
September 1956	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	2,220.47	1,509.90	711.57	724.46	10.77	+42.82
February	2,264.55	1,528.31	736.24	744.74	11.78	+43.08
March	2,312.89	1,556.50	756.39	763.43	11.65	+48.34
April	2,362.87	1,586.44	775.93	782.01	12.51	+49.48
May	2,381.99	1,596.43	785.55	787.79	23.55	+19.62
June	2,344.04	1,562.85	781.19	758.55	22.64	--37.95
July	2,310.72*	1,521.14*	789.58*	767.69*	21.89	+33.32*
August	2,242.38*	1,490.02*	752.35*	740.93*	11.42	--68.34*
September	2,248.42*	1,490.63*	757.79*	744.98*	12.81	+6.04*

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

Cambodia

Birthplace of the ancient empire of Khmer. This empire, founded by a race from India, grew into prominence as a nation in the early 5th century A.D. Many fine architectural examples of this highly civilized race have been rescued from the ever-encroaching forests. With the exception of some magnificent monuments, all traces of this great empire have long since vanished and the Cambodians today are more akin to the Siamese as can be seen by the style of their national costume. This consists of a piece of material which is gathered at the waist forming a trouser-like-skirt. An embroidered jacket or coloured draping covers the bodice, leaving the shoulders and arms bare.

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STOCKS OF RAW MATERIALS

	Raw cotton (a) ('000 bales)	Raw Jute (b)	Coal ('000 tons)	Pig iron (Producers)	Cement Producers	Rubber (c)
	Indian cotton	Foreign cotton ('000 bales)	Pit-head	Industries		
1947	1,529	314	1,356	2,324	1,618	58
1948	1,376	200	1,699	2,262	1,801	30
1949	833	427	708	1,427	2,542	39
1950	923	501	772	2,008	2,464	59
1951	1,236	302	1,166	2,646	2,319	60
1952	1,266	391	1,119	3,020	2,427	35
1953	1,013	246	1,375	3,411	2,712	103
1954	1,011	200	1,268	3,501	2,458	152
1955	1,443	179	995	3,609	1,918	66
1956	1,408	205	1,132	2,764	1,704	39
1956 July	1,556	228	627	3,379	1,708	39
August	1,408	205	537	3,023	1,708	30
September	1,253	183	498	2,881	1,862	26
October	1,083	180	617	2,662	1,901	31
November	1,027	189	892	2,565	1,850	34
December	1,073	177	1,132	2,764	1,704	39
1957 January	1,127	171	1,351	2,799	1,638	40
February	1,152	182	1,415	3,034	1,568	43
March	1,222	200	1,374	3,000	1,645	43
April	1,330	206	1,241	3,092	1,637	39
May	1,421	216	1,149	3,251	1,654	37
June	1,433	221	1,042	3,252	1,815	39

(a) Stocks held by mills. The annual figures relate to the year ending 31st August. From September 1947 figures relate to Indian Union. From September, 1948 Pakistan cotton is included under 'Foreign cotton.'

1 bale=392 lbs. net. (b) Figures relate to mills in the membership of the Indian Jute Mills' Association. 1 bale=400 lbs.

(c) Includes stocks with rubber estates, dealers and manufactures.

STOCKS OF MANUFACTURED GOODS

(Act of about the end of each period)

						Jute Manufactures (1)		Cotton Manufactures (1)		Finished Steel		
						Hessian cloth and bags		Sacking cloth and bags		Yarn	Piecegoods	(Producers)
						(Million yds.)	('000 tons)	(Million yds)	('000 tons)	(Million lbs.)	(Million yds.)	('000 tons)
						200	51	196	82	46	231	148
1947	..	..	..	..	..	214	54	135	56	84	857	122
1948	..	..	..	..	..	69	18	67	28	68	459	120
1949	..	..	..	..	..	106	27	126	52	36	334	111
1950	..	..	..	..	..	113	29	127	54	59	423	128
1951	..	..	..	..	..	128	34	192	78	69	539	135
1952	..	..	..	..	..	91	24	173	73	49	727	119
1953	..	..	..	..	..	88	23	99	45	51	678	118
1954	..	..	..	..	..	88	24	80	34	8	260	104
1955	..	..	..	..	..	70	20	155	65	11	407	113
1956	..	..	..	..	..	112	30	130	55	13	218	107
1956	March	..	..	..	..	133	36	150	63	12	190	102
	April	..	..	..	..	152	41	169	71	7	168	113
	May	..	..	..	..	141	38	198	83	9	199	107
	June	..	..	..	..	143	38	221	93	7	208	111
	July	..	..	..	..	103	28	212	89	4	232	109
	August	..	..	..	..	104	29	211	89	7	302	108
	September	..	..	..	..	110	31	186	77	9	387	110
	October	..	..	..	..	89	25	161	67	10	384	116
	November	..	..	..	..	70	20	155	65	11	407	113
	December	..	..	..	..							
						88	24	161	68	11	412	116
1957	January	..	..	..	..	93	25	148	62	16	431	112
	February	..	..	..	..	109	30	137	57	18	450	113
	March	..	..	..	..	132	35	141	58	19	438	113
	April	..	..	..	..	149	40	139	58	21	392	120
	May	..	..	..	..	156	43	157	65	21	446	126
	June	..	..	..	..							

(1) Mill stocks. In the case of cotton manufactures figures from January, 1948 relate to Indian Union. Source: Monthly Abstract of Statistics.

Summary of Regulations on Southeast Asia's Foreign Capital Introduction

	Legal Sources	Restrictions on Investment Objects	Restrictions on Foreign Shares	Transfer of Profits and Repatriation of Capital	Requisition or Expropriation
Formosa	Statute for Investment by Foreign Nationals (1954)	Limited to enterprises connected with the domestic or export industry, or conducive to the development of important industries or public utilities, or to the improvement in technologies.	—	Investors may apply for the transfer of profits and the repatriation of capital up to 15% annually of the total capital invested except during the first two years.	Enterprises with foreign capital amounting to 51% and more of the total will not be expropriated or requisitioned.
Cambodia	Loi d'Investissement des Capitaux Etrangers (1956)	Limited to enterprises conducive to the economic development of the country.	Max. 50%	Profits may be transferred up to 8% of the total capital invested, and capital repatriated up to 6% except during the first three years, both of which will be raised up to 20% in the case of liquidation and concession.	Authorized investment will not be requisitioned for the first 10 to 20 years.
Philippines (a)	Constitution and Memorandum of Central Bank	The disposition, exploitation, development and utilization of the natural resources shall be exclusively reserved to Philippine citizens, and corporations or associations at least 60% of the capital of which is owned by such citizens. The above right will be extended to the American investors for a period not beyond July 1974.		Profits may be transferred from 10% up to 25% of annual net profits. Capital may be repatriated up to 20% annually except during the first five years.	
Indonesia (b)	Statement of Government (1955)	Not authorized for social public utilities and traditional small industries.	Max. 49% for basic industries.	Transfer of profits after deduction of taxes and capital repatriation are authorized.	Enterprises with foreign capital will not be nationalized without owner's consent.
Burma	Constitution and Investment Policy Statement	Not authorized for major public utilities and munitions manufacture.	Max. 40% for extraction, development, or utilization of natural resources.	Foreign remittance of dividends and current earnings, is authorized, and the repatriation of capital will be allowed over a reasonable period of time.	Authorized investment will be guaranteed against nationalization over the first 10 years.
India	Statements of Government (1948, 1949, 1950, 1952)	Arms, ammunitions, atomic energy and railway transportation are the monopoly of the Government. The Government will be exclusively responsible for the new undertakings in some other fields (coal, iron, shipbuilding, etc.)	The major interest in ownership and effective control must be in Indian hands, but foreign control will not be objected to, if found to be in the national interest.	The Government has no intention of placing any restrictions, but remittance facilities will depend on foreign exchange considerations.	Compensation will be paid on a fair and equitable basis when compulsorily acquired.
Pakistan	Statements of Government (1954, 1955)	—	Max. 60%. The case of public utilities concerns will be considered on merit.	Capital invested in industries after the 1st Sept., 1954 in projects approved by the Government may be repatriated at any time.	Just and equitable compensation will be paid when nationalized.
Ceylon	Statement of Government (1955)	—	The combination of local and foreign capital will depend on the circumstances specific to individual investments.	The Government will permit freely the remittance of profits, dividends and interests as well as the withdrawal of foreign capital.	In the event of compulsory acquisition, investors will be entitled to the fullest compensation.

Notes: (a) Measures pertaining to foreign capital introduction are in preparation.
 (b) A "Foreign Investment bill" is in preparation.

Source: The Bank of Tokyo.

THE EASTERN ECONOMIST

INDIA AND CHINA - 1947-56

ANNUAL

NUMBER

1957

Editor: E. P. W. da Costa, M.A. (Oxon)

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ATUL

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There will be no issue of 'The Eastern Economist' dated December 27, 1957. The next issue, dated January 3, 1958 will be the Annual Number 1957 "India and China, 1946-57 and India in 1957", priced Rs. 7.50 but supplied free to subscribers on the list on that date.

The

Eastern Economist

XXIX. NO. 25.

NEW DELHI. DECEMBER 20, 1957.

ONE RUPEE

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A Call to Confidence

THE annual meeting in Calcutta of the Associated Chambers of Commerce which was addressed by the Prime Minister on the 14th December was significant for the tone of robust confidence in which Mr. W. S. Michelmore, President of the Associated Chambers, chose to look at the confused current economic situation. It was not a small thing, at a time when the internal crisis is deepening, one mark of which is the serious cloth situation, and with the cuts in the plan — some of which were effected in Delhi this week — that a leader of a group of Chambers, in terms of industrial production larger than any other group, should speak of the future as Mr.

Michelmore did. His concluding words were one of appropriate balance in the context of things which are happening in other countries: it is not for us to compare ourselves with countries which are so well advanced as well as those which are so close to recognising at this time that the road through which we are passing is, by a long way, an end of the road affair. Mr. Michelmore said: "On the economic front, although I certainly do not wish to minimise the difficulties which face us at present, India has been very much more stable than many countries which are supposed to be economically much more advanced than we are. In this country the value

nobody can claim the right to know what is happening around.

Mr. Eisenhower, on the other hand, has been more forthright than most people would have imagined. The U.S. President has made a point of profound significance in stating that nuclear test cessation is doubtless laudable, but not enough. Simultaneously with the stopping of nuclear tests should be ended the production of such weapons. A bold and important step would be to agree to devote all future production of fissionable material to peaceful uses. The Soviet Union has yet to agree to such a proposal. Meanwhile, at least to level up with the Soviets in nuclear technology, strategy and prudence dictate that America will need to proceed with the tests. It needs to be properly understood that unless there is some sort of a parity between the two major powers, and especially as long as the advantage lies with the totalitarian bloc, world peace is not secure. It is true that this concern can be felt more in the United States and Western Europe, which face the nozzle end, than elsewhere. Nevertheless, the concern should be shared by all who sincerely desire to attain a lasting peace. President Eisenhower has given sufficient proof of his sincerity to find a solution acceptable to all by his resilient attitude, during the last NATO Council meeting, towards the Soviet Union in regard to disarmament. The declaration that the greatest victory is that in which no side loses was truly in the Buddha spirit. It only needs patient persuasion to make the other side appreciate its meaning.

INTERIM RELIEF TO GOVERNMENT SERVANTS

THE GOVERNMENT of India have just accepted the recommendations of the Pay Commission in regard to interim relief to Central Government employees. The Commission has recommended a further increase of Rs. 5 per month, with effect from July 1, 1957, in the dearness allowance of all Central Government employees drawing a basic pay not exceeding Rs. 250 per month. The interim relief is justified on the ground that in 1957 there was a significant rise in the cost of living. (It may be recalled that on two previous occasions also, in 1949 and in 1951, ad hoc increases in dearness allowance were granted following the then increases in cost of living). It is a welcome feature of the present award that the arrears of interim relief would be paid in National Plan Savings Certificates. It is estimated the amount due in arrears for the six months from July to December at the rate of five rupees per mensem would come to a total of about Rs. 6 crores for 20 lakhs of Central Government employees. The total burden on the exchequer as a result of this interim increase is likely to be a little under Rs. 9 crores during the current year and about Rs. 11-12 crores in a full year. The additional charge on railway receipts would also be considerable as the interim increase in D.A. is being made applicable to railway employees in identical classes.

Left to themselves, the Government servants may well recognise that in the context of this considerable charge on public revenues and railway receipts the interim relief is not niggardly. But unfortunately the reactions of certain labour leaders to this interim award have not been favourable for they would have liked the increase in dearness allowance in accordance with the recommendations of the Central Pay Commission (1956). The Government, of course, could not think of an increase to that extent as that would have resulted in serious deficits in the General and Railway Budgets and intensified the forces of inflation. It cannot also be ruled out that even this small increase in non-developmental expenditure is likely to tell on the second Five-Year Plan to some extent and add to the inflationary pressure. While this may be true, it is also recognised that it is not easy to freeze wages when the cost of living is soaring high. So, if the Government is to meet the demands for wage increases, it must move vigorously towards stabilising the

cost of living. This can be done only by stabilising food prices at their present level or at a slightly lower level. It will also have to think of more economies in its expenditure in as many directions as possible.

INDUSTRIAL UNREST

BESIDES THE foreign exchange difficulties, industrial strikes and lock-outs have of late been responsible to a considerable degree in hampering production and thereby holding the successful execution of the second Five-Year Plan. On account of its repercussions, this industrial unrest has naturally evoked a good deal of attention by all concerned, the employer, the worker and the Government. In the fitness of things the question of industrial unrest was discussed at length in July last at the Indian Labour Conference. To mitigate the industrial unrest, a code of discipline was evolved, which, it is claimed, if implemented faithfully, would go a long way in fostering healthier industrial relations in the country. The code stressed that there (a) should be no lockout or strike without notice (b) no unilateral action should be taken in connection with any industrial matter (c) there should be no recourse to "go slow" tactics (d) no deliberate damage should be caused to plant or property (e) acts of violence, intimidation, coercion or instigation should not be resorted to (f) the existing machinery for settlement of disputes should be utilised (g) awards and agreements should be speedily implemented and (h) any action which disturbs cordial industrial relations should be avoided. The code of discipline by no means implies that the workers cannot go on strike which no doubt is their constitutional weapon for redress of their grievances.

The main cause of industrial unrest is assigned to the unlawful activities of irresponsible labour leaders who have been encouraging the workers to go on strike. Mr. S. P. Jain, rightly stressed, while addressing the thirteenth annual meeting of the Bihar Chamber of Commerce, that these unlawful activities of irresponsible labour leaders need to be effectively controlled. Mr. Jain pointed out "the interested parties seem to be instigating agitation for increase in wages and protest against government's move to conserve resources for national development." Mr. Jain urged that the remedy to set the state of affairs right lies in the successful co-operation of all sections of the people, may it be trade unionists or labour. To achieve that purpose, it was highly essential that the code of discipline agreed be adhere to in letter and spirit. Since industrial indiscipline was often the result of accumulated grievances, it was also necessary that any sense of injustice in workers' minds be promptly corrected. At the same time it was the duty of trade union leaders to lead the way by taking disciplinary measures against those responsible for indulging in any action which may impede production.

THE EASTERN ECONOMIST

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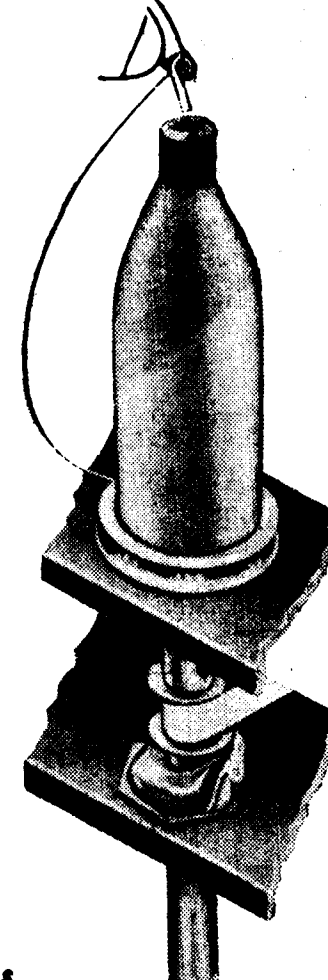
Round and round whirl the spindles in the spinning frames of India's 419 cotton mills. Averaging a speed of over 10,000 revolutions to the minute, these spindles wind yarn for 5,000 million yards of cloth each year. Under the Second Five Year Plan this output will increase by 3,500 million yards. Ten years ago the Indian textile industry imported almost all their machines; today, Indian machinery manufacturers are increasingly meeting their needs. Texmaco, pioneer manufacturer of cotton textile machinery in India, supplies the complete range of spinning machinery for cotton and staple fibre, designed and built to established international standards in technical collaboration with the world renowned Howa Machinery Limited of Japan.

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THE ITALIAN STEEL INDUSTRY

(From Our Special West European Correspondent)

PARIS, December 15.

THE Italian steel industry is probably the only one that is comparable to India's with respect to size, rate of planned expansion and extent of Government ownership. It is also the most vigorous in Europe, the 'infant prodigy of the Schuman pool'. So, in spite of considerable differences between Indian and Italian conditions, it is one from which something can be learned. Before the war Italy produced 2 million tons of steel a year and she now produces 7 million tons. This is done by an industry that is a mixture of public and private enterprise but in which State control dominates slightly. And it is done in a country that has no natural advantages as a steel producer and where technological ingenuity and relatively cheap labour have had to compensate for grave handicaps. Thus there exist the grounds for a comparison with the Indian experiment.

In the past six years Italy has increased her steel output by 120 per cent, against an 80 per cent increase in West Germany, 42 per cent in France and 23 per cent in Belgium. This phenomenal rate of expansion is not just the illusory percentage increase achieved by any concern that starts from scratch, because in the previous three years, from 1949 to 1952, the Italian industry had already expanded by 72 per cent, which was the same rate of expansion as was recorded in West Germany, then in the stage of post-war reconstruction, and four times the rate attained in France at that time. When Italy entered the six-nation coal and steel pool she was producing 8.5 per cent of West Europe's steel; today she produces 11.5 per cent.

This increased output of steel has both made possible and been stimulated by the general expansion of the Italian economy. Before the war (i.e. when the Fascist armaments industry was at its height) Italy consumed only 2.5 million tons of steel, a figure comparable with India's present consumption, though of course in the smaller country it represented a much higher per capita consumption, about 110 lb. per head per year. Under the triple impulse of the building, automobile and methane gas industries, this consumption has now increased to more than 6 million tons, which is again comparable to the nearer Indian targets. At 286 lb. a head per year this Italian consumption is still small compared with France (660 lb.), Britain (880 lb.) and West Germany (990 lb.), but of course far in excess of any likely Indian achievement for many decades.

Where Italy differs from any other steel producer of any size is that her industry has been built up "against nature". The country has only small resources of iron ore (deposits on the islands of Elba and Sardinia) which supply about half her needs; the rest has to be imported from Goa, Sweden, Turkey, Venezuela, Greece, North Africa, in fact just about anywhere. A more settled arrangement for supplies of ore has been made possible by the State steel corporation buying a 15 per cent share in the French combine Miferna which is to exploit the rich deposits in the Western Sahara. Worse, Italy has no coal: there is a symbolic output of 1.5 million tons against West Germany's 140 million tons. So coal has to be imported, from the USA, Germany, England, France, Russia and Poland; most of it is coked in Italy. Despite these substantial imports of the two basic raw

materials, Italy still has to go looking for pig-iron where she can find it (about half a million tons a year at present, from Austria, Russia, Germany and France), and collect all the scrap she can import from the USA, Canada, France and Germany. In short, whereas she is competing inside the coal and steel pool with the powerful industries situated amid rich raw material sources on both banks of the Rhine, Italy's steel industry is built on massive imports—and yet it has grown faster than its rivals.

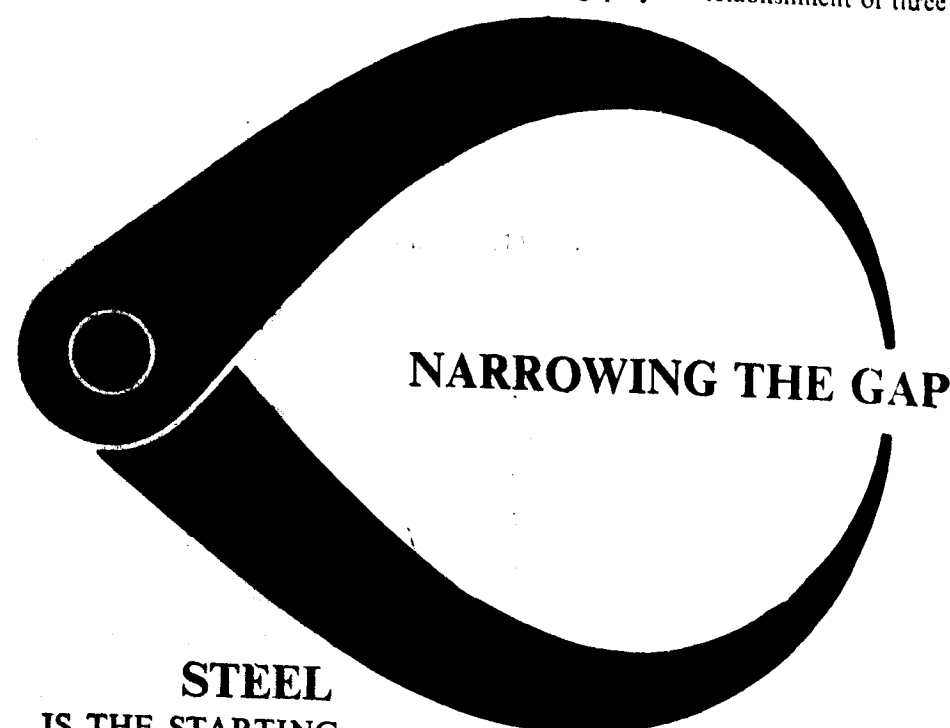
To produce steel under such conditions must surely be uneconomic, one would think. But an Italian economist has calculated that every extra ton of steel costs 40 dollars in imported raw materials if it is made in Italy, whereas it would cost 120 dollars if bought ready-made abroad. These figures are an eloquent answer to any attempt to apply liberal division-of-labour arguments to this basic industry. The cost of home-produced steel is roughly equal to the landed cost of French and German imported steel, and prices were low enough to permit a 2000 per cent increase in exports in the last six years: Italy now sells abroad half a million tons a year.

The capital required for this expansion has been collected from all the usual sources: new issues, auto-financing, the American banks, some Marshall aid. But a large part has come from the State, which has a majority interest in the steel industry. The mixed public-private corporation Finsider controls 55 per cent of the steel output (and 65 per cent of the pig-iron output). Finsider holds a majority share in half a dozen steel companies and when these raise new capital the corporation subscribes in proportion to maintain its dominant position. Finsider itself is not a government body but a corporation in which the State owns 55 per cent of the shares and private investors 45 per cent; and Finsider in turn is the steel affiliate of the gigantic State holding company IRI which controls half the engineering industry (notably Alfa-Romeo), 80 per cent of the banking sector, the four major shipping companies, the national radio, as well as a substantial share in the chemical, telephone and transport industries. This ingenious system of mixed private-public ownership in the strategic parts of the economy can be recommended to those in India who think there is no other way to achieve the mixed semi-socialist economy than straight-out nationalisations and departmental industries.

The striking expansion of the Italian steel industry despite natural disadvantages has a multiple explanation. The existence of the coal and steel pool must be mentioned first, for Italy has got more out of this than any of the other five member-nations. It has assured her supplies of German coal and has subsidised her imports of American scrap. The stimulus provided by the general boom in the Italian economy has already been mentioned; here as everywhere else the automobile industry has been the pilot of the economy as a whole and the mainstay of the steel mills in particular. A special aid has come from the natural gas discoveries in Northern Italy, where at Corte Maggiore 5,000 million cubic metres of gas are now produced annually. This gas has not only provided fuel for the steel mills, but the need to store and transport it by pipelines (a pipeline is proposed now to carry the gas to the south of

Steel is the starting point in a country's progress towards economic self-sufficiency. In India today there exists a wide gap between requirements and production of steel. While the present annual production is only 1,430,000 tons, by the end of the Second Five Year Plan the country will need at least 6,000,000 tons a year.

The public and private sectors have joined hands to narrow this gap by the establishment of three new



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the peninsula) has set up a demand for steel in large quantities.

Another factor has been the lower level of Italian wages, which are the cheapest in West Europe: 22 per cent less than French steel industry wages and 18 per cent less than West German. Still, wages in the Italian steel mills are much higher than in the rest of Italian industry, one-third higher than the average and a quarter higher than in the engineering and chemical industries. A further cause of competitive strength is the vertical concentration of much Italian industry, connected in part with the interlocking of mixed private-public holding companies described above. Thus the steel Finsider produces is consumed in the engineering industry that Finsider controls, and so, although the cost of raw steel in Italy is slightly higher than in Northern Europe, by the time it has been transformed into cables, cars, ships and washing machines, and has absorbed the lower wages paid in those industries, the finished industrial product is cheaper than north of the Alps. This is not peculiar to the public sector: Fiat produces its own steel, which it sells only in the form of motor-cars. Next, the various units in the Italian steel industry, both private and para-public, are highly specialised: one plant produces only rails, another only large sheets, another only steels for motor-cars, and so on. This division of labour has reduced costs notably and, it is hoped, will limit the effects of a possible recession to certain parts of the industry.

But above all it is technological ingenuity that has

made possible the development of a steel industry in Italy. The emphasis has been on Martin furnaces and electric steel (these account for 94 per cent of the output); the low electric furnaces, of Norwegian origin, are said to be 30 times cheaper than the traditional high furnaces. The technical details of Italian steel-making obviously cannot be gone into here but it should be noticed that while most of these technological innovations are due to Italy's curious position as a steel-maker who has no coal or iron ore but has good sources of electric and gas power, they are also relevant to the manufacture of steel in any out-of-the-way place where the transport costs of one element or another are a difficulty. It is for this reason that the French are much interested in certain Italian innovations because they can be used in the industrialisation of the Sahara, where iron ore deposits exist but at great distances from sources of natural gas and electricity.

Steel, then, is another example of the successes of the mixed industrial economy in Italy—in addition to the efforts of the Italian petrol corporation which has brought a new style into the oil business in the Middle East. It is a mistake to dismiss these interesting forms of semi-socialist State capitalism as an inheritance from the Fascist corporative economy; that, no doubt, provided the foundation, as free enterprise capitalism in turn provided the foundation of the Fascist economy. But in the Italian democracy they have taken on new forms and are today no further removed from free enterprise than they are from straight-out nationalised or departmental industries.

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It must first be decided where conditions in past geological time have favoured the formation of oil. This is usually land which was once the site of an ancient sea. Having selected a likely area, the next step is to survey the surface, mapping exposed rocks and searching for any oil which has seeped to the surface.

The geologist is all the time patiently searching for signs that could point to the existence of underground rock traps. Traps suitable for an accumulation of oil consist of porous rocks in which the oil (if any is there) is hemmed in on all sides by non-porous rock. Clues to such buried

structures may be found in the banks of rivers and streams, for here the earth's rock layers are often exposed to view, enabling the geologist to calculate their age and measure the directions in which they slope beneath the surface. The rocks may contain the fossilised remains of plants and animals that lived millions of years ago, when crude oil was being formed.

Aerial photographs help the geologist too. They reveal a surprising amount of geological evidence, even in densely wooded country, enabling him to map the differences in rock structure.

When all surface sources of information have been exhausted, the next step in the search for oil is to explore deep beneath the surface of the earth. The science which makes this possible is known as geophysics.



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AGRICULTURE

Increased Cultivation of Medicinal Plants: The States which had submitted schemes for cultivation of medicinal plants on an increased scale during the second Plan period were Assam, Himachal Pradesh, Jammu and Kashmir, and Madhya Pradesh. The amount of financial assistance for implementation of the schemes was Rs. 1,33,527 for Assam, Rs. 33,200 for Himachal Pradesh, Rs. 50,000 for Jammu and Kashmir, and Rs. 6,750 for Madhya Pradesh. The main plants which would be cultivated on an increased scale for consumption in the country and for export were Rauwolfia serpentina, Ipecac, Pyrethrum, Artemisia, Belladonna and Digitalis.

G.M.F. Schemes in West Bengal: The reports so far received from the West Bengal Government indicate that the additional production through grow-more-food schemes for 1956-57 was 24,980 tons, and the expenditure Rs. 82.15 lakhs. Complete information, however, regarding additional production and expenditure thereon had not been reported by the West Bengal Government.

INDUSTRY

Schemes for Development of Handloom Industry: A number of schemes for the development of the handloom industry—silk, woollen and cotton—in different States have been approved by the Government of India. About Rs. 82.5 lakhs have been sanctioned by the Union Ministry of Commerce and Industry to the State Governments for implementing the schemes. The schemes envisage, among other things, financial assistance to handloom weavers for their share capital to join weavers' co-operative societies, setting up of dye-houses and sales depots, provision of rebate on handloom sales, and supply of improved equipment to weavers to increase production.

Production of Cloth and Yarn by Mills: The cotton textile mill industry's cloth production in November 1957 is provisionally placed at 429 million yards and yarn production at 146 million pounds. During the first eleven months of the current year the textile mill industry produced 4,877 million yards of cloth and 1,624 million pounds of yarn as against 4,827 million yards of cloth and 1,516 million pounds of yarn during the corresponding period of 1956.

Equipment for Industrial Training Centres: Equipment worth Rs. 21.7 lakhs has so far been received under the Point IV Technical Assistance Programme of the USA and supplied to various industrial training centres and institutes in the country. The equipment is being utilised to provide training to craftsmen trainees. The total amount sanctioned for equipment to be obtained under the Point IV Programme is about Rs. 30.87 lakhs. Equipment from the USSR under the UN Technical Assistance Administration was yet to arrive in the country. The actual amount sanctioned under this programme was Rs. 20 lakhs.

Copper Enamels: The Central Glass and Ceramic Research Institute, Calcutta, has developed enamel compositions which have given comparable performance for application on copper metal. These compositions have been developed as a result of systematic investigations. The new technique has completely eliminated the use of toxic substances like lead oxide and arsenic oxide and the necessity of employing the time-consuming techniques. The enamel compositions so far

in use have been known to consist almost entirely of lead arsenate, the use of which is risky not only to the consumers, but also to the workers handling poisonous raw materials at different stages of manufacture. Also, the technique of manufacture so far employed requires a high degree of skill on the part of the operator. Vitreous enamels for use on copper metal find wide application in the manufacture of indicating instruments and meters which require dials. The most common examples are the clock dials, the telephone dials, and water-meters and electricity meter indices, which have so far been entirely imported into the country. Although no authentic figures are available, the value of enamelled copper articles imported may be estimated at about Rs. 3 lakhs per year. Parties desirous of undertaking the commercial development of the process are invited to correspond with the Secretary, National Research Development Corporation of India, Mandi house, Lytton Road, New Delhi-1.

TRADE

India has Trade Agreements with 24 Countries: India has Trade Agreements or trade arrangements with 24 countries in Asia, Africa, Europe and other parts of the world. The countries are Afghanistan, Austria, Bulgaria, Burma, Ceylon, Chile, China, Czechoslovakia, Egypt, Finland, East and West Germany, Hungary, Indonesia, Iraq, Italy, Norway, Pakistan, Poland, Rumania, Sweden, the Soviet Union, North Viet-Nam and Yugoslavia. The agreement with Chile was the first of its kind concluded by India with a country in North or South America. A recent publication issued by the Ministry of Commerce and Industry contains the texts of all the Trade Agreements concluded and the letters exchanged between representatives of the Government of India and the country concerned until the middle of August 1957. The lists of commodities mentioned in different agreements are also included in the publication. A number of agreements provide for payment for imports into India in Indian rupees, convertible into sterling.

Indo-German Co-operation in Trade and Industry: An Economic Council has been set up by the Indo-German Society of Stuttgart to promote Indo-German co-operation in the fields of commerce and industry and to devote special attention to the requirements of Indian trainees in Germany. The Council consists of some leading industrialists, bankers, business men and publicists.

Indo-British Trade: Separate returns issued by the Board of Trade in London show a continued favourable trend in Britain's trade with India at the end of October this year, when imports into the United Kingdom increased by more than £12,000,000 and exports to India by over £6,000,000 compared with the 10 months ended October 31, 1956. The figures were £131,998,077 for 10 months imports into Britain during 1957 compared with £119,181,965 during the same period last year. Exports to India were worth £147,998,224, last year's figure being £141,332,846. By the end of October, Britain had imported nearly as much tea as her total purchases in 1956; these imports were more than £14,000,000 higher in value than the figure for the first 10 months of last year. The figures were: £68,257,703 at the end of October 1957; £53,754,230 at the end of October 1956; and £68,892,724 at the end of December 1956. Miscellaneous textile manufactures showed a slight increase from £10,231,125 during the period under review last year to £10,400,452, while cotton yarns and woven fabrics rose by nearly

£2,000,000—from £6,691,569 to £8,627,200. British purchases of animal and vegetable oils continued their downward trend from £7,692,699 last year to £3,403,030. However, "miscellaneous animal and vegetable crude materials" were still in demand and rose from £3,509,311 to £3,782,560. Leather and leather manufactures, too, improved from £10,115,238 to £11,525,798, and hides and skins from £397,593 at the end of October last year to £469,323. Other commodities which the United Kingdom purchased from India showing increases on last year's figures were: crude fertilizers and crude minerals, excluding fuels, £1,871,182 (£1,521,387 in 1956); metalliferous ores and metal scrap, including manganese ore, £3,796,338 (£2,171,678); miscellaneous textile fibres, £1,083,437 (£794,412); and wool and other animal hair and tops, including raw sheep's and lambs' wool, £3,976,673 (£3,665,384). Cotton purchases showed quite a substantial drop from £3,198,399 at the end of October 1956 to £2,077,969 on October 30 this year. India continued to show interest in industrial goods, and she bought £38,057,070 worth of machinery (other than electric) during the period under review as compared with £37,721,497 in the same period last year. Her purchases of electric machinery, apparatus and appliances increased from £18,024,635 to £19,016,290, but those of railway vehicles dropped from £5,899,708 to £5,259,971. On the other hand, India's purchases of road vehicles and aircraft increased from £9,860,539 to £14,332,490. India, however, bought less chemicals during the period under review—£14,729,000 compared with £15,403,962 in 1956. Her purchases of rubber manufactures also dropped to £915,722 from £956,399.

FINANCE

Excise Rebate on Cotton Fabrics: With a view to giving impetus to the exportation of typewriter ribbons, Government have decided to grant rebate of excise duty on the Cotton Fabrics used in the manufacture of such ribbons.

The special features of the procedure are that—

- (1) the manufacturers of such ribbons will not be licensed but the exporters will have to get themselves registered with the Collector of Central Excise in whose jurisdiction such exporters conduct their business;
- (2) the Cotton Fabrics for the manufacture of such ribbons need not necessarily be purchased from the excisable factory direct;
- (3) the condition regarding identity of cotton fabrics used in the manufacture of such ribbons with the duty-paying documents, has also been relaxed and no special accounts for that purpose will be necessary;
- (4) the exporters, after registration in the prescribed manner, will prepare an application for export, and present it to the Collector of Central Excise designated for the purpose, together with the Bill of Lading or Shipping Bill duly certified by the Customs authorities to the effect that the ribbons have in fact been exported.
- (5) the ribbons and the rate of rebate admissible on their export, are as follows—

Products	Rate of rebate
(i) Ribbons for standard typewriters, that is to say, the ribbons the length of each of which is not less than twelve yards.	Rs. 50.00 per hundred dozens of such product.
(ii) Ribbons for portable typewriters, that is to say, the ribbons the length of each of which is not less than six yards.	Rs. 25.00 per hundred dozens of such product;

- (6) The concession of rebate under the revised procedure will not be available for export of such ribbons to Nepal, or for export by parcel post to any country, including Nepal.

For further details the exporters may contact the Collector of Central Excise of their area.

Profits of Textile Mills: Shri Morarji Desai, Minister for Commerce and Industry, in a written reply to a question by Shri Damani in the Lok Sabha, stated that in a normal year the average net profit of textile mills might be assumed at about 6 per cent on turnover, or roughly between Rs. 25 to Rs. 30 crores, for the cotton textile industry as a whole. Shri Desai said precise information on the profits earned by the mills was not available. Profits or losses varied from mill to mill and from year to year according to the relative efficiencies of the mills. Out of the 412 textile mills which existed at the beginning of 1956, Shri Desai said, balance sheets for the last year had been received in respect of 236 mills. Of the 236 mills, 213 had made a total profit of nearly Rs. 20 crores while the remaining mills suffered a loss of about Rs. 2 crores in all. Balance sheets for the remaining 176 mills, for most of whom the accounting year ended on March 31, 1957, were still awaited.

US Import-Export Bank Credit: The Minister for Industry, Shri Manubhai Shah, stated in the Lok Sabha recently that the Import-Export Bank of the United States was reported to have offered a credit of 1.8 million dollars to the National Rayon Corporation for expansion of its rayon plant in Bombay. The terms of the offer, he said, were under scrutiny. The negotiations were conducted with the knowledge of the Government of India.

GENERAL

Employees' State Insurance Scheme: About 14,500 factory workers at Patna, Katihar, Monghyr and Samastipur in Bihar will get the benefits of the Employees' State Insurance Scheme from the mid-night of December 14, 1957. The scheme will be inaugurated by the Bihar Chief Minister, Shri Sri Krishna Sinha, at a ceremony at Patna. Medical care will be provided by the State Government under the service system and 7 whole-time dispensaries—4 at Patna and 1 each at Katihar, Monghyr and Samastipur—have been opened for this purpose. For the payment of cash benefits under the scheme, one local office each at Patna and Katihar and one sub-local office each at Monghyr and Samastipur have also been set up. The employers of factories covered by the scheme will be required to pay their special contribution at 1½ per cent of the total wage bill. The benefit provisions of the Employees' State Insurance Act, 1948, have already been extended to 54 industrial centres in the country covering over 11.63 lakhs of workers.

Educational Facilities to Workers: Forty-five multi-purpose institutes have so far been established in the coal mine areas to provide educational and entertainment facilities to workers and their families. In addition, 8 adult education centres have been opened. The number of adults receiving education at these places are 1,234. Facilities for teaching crafts such as knitting, tailoring, embroidery work, needle work, clay modelling, etc. have been provided. The staff of the centres also visit dhowrahs of the workers to give talks to women on family planning, sanitary habits, economy measures, etc. Adult literary classes are also held in the multi-purpose institutes for the benefit of women workers. Games are organised and national holidays are celebrated at the centres.

NEWS IN BRIEF

INDIAN

It is reported that the erection of the plant and machinery in the D.D.T. factory at Alwaye in Kerala has already been completed. The production trials were being carried out, and regular production would commence after the guarantee tests had been completed and sufficient quantity of liquid chlorine was available from an adjoining chemical works.

An additional provision of Rs. 10,000 for the development of cottage and small-scale industries in NES Blocks has been made in the Block budget, on an ad hoc basis, by the Ministry of Community Development.

The names of industrial concerns which have allowed their workers to participate in management are the Tata Iron and Steel Co., Jamshedpur, Bihar, the Simsons Group of Industries, Madras, the Modi Spinning and Weaving Mills Co., Ltd., Modinagar, U.P., and State Transport, Madras.

The Minister for Industry Shri Manubhai Shah stated in the Rajya Sabha that the output of textile machinery in India had increased by about 600 per cent in the last five years. The output in the current year was worth about Rs. 9 crores as against Rs. 12 crores five years ago.

A series of concrete measures were taken to produce more food grains in the community development areas during the current year. Among these measures were effective supervision by the officers of the State Government over the block staff for the planning, execution and evaluation of agricultural programmes etc.

The total area of railway lands so far licensed out for cultivation of food grains is approximately 29,268 acres. The rent realised for such lands during the last five years was approximately Rs. 4,00,504.

It is reported that ten engineering colleges had been established by the State Governments in accordance with their second Five-Year Plans or by private agencies since the beginning of the current plan period.

In order to encourage handloom products and products of cottage industries, the Railway Board has agreed to their sale at railway stations.

Membership of the co-operative societies during the last three years, from 1953 to 1956, has increased by about 52 per cent; paid up capital of co-operative societies by 70 per cent, working capital by 61 per cent and assets and investments by 90 per cent.

The Government have accepted the Tariff Commission's recommendations that protection granted to non-ferrous alloys and manufactures should be discontinued from January 1, 1958.

Recommendations for the more efficient and economical execution, likely to result in an estimated saving of at least Rs. 30 lakhs, of the Lakkavalli Project in Mysore State have been made by the Irrigation and Power Team appointed by the Committee on plan projects.

FOREIGN

Britain and Germany have agreed to establish closer economic co-operation and a British delegation will soon go to Germany to pursue the matter further within the framework of the Anglo German Economic Committee.

Germany, for the first time since December 1952, had an E.P.U. deficit of DM 112 million (\$25.8 million) in November. The November deficit compares with a surplus in October of \$20.3 million, in September of \$236.6 million and a peak figure in August of \$280.8 million. Germany's E.P.U. credit now totals \$1,010 million.

Trade between Finland and the Soviet Union will increase considerably under an agreement for 1958 signed by the two countries recently.

Economic activity in the Scandinavian countries is expanding, says the report on economic conditions in Denmark, Iceland, Norway and Sweden, published by the Organisation for European Economic Co-operation.

Australia increased her favourable trade balance with Asian countries to £A148.7 million in the past financial year from only £A50.8 million in the previous year. Imports dropped from £A112 million to £A107.2 million while exports increased by almost £A100 million to £A255.9 million.

Egypt's five-year industrialisation plan will increase the country's national income by £E130 million a year. At present the national income is £E900 million.

Soviet Russia provided virtually all the designs for the products of China's machine-building industry in the past four years, according to a Government report from Peking. The report lists 3,000 products, which were based on Soviet designs.

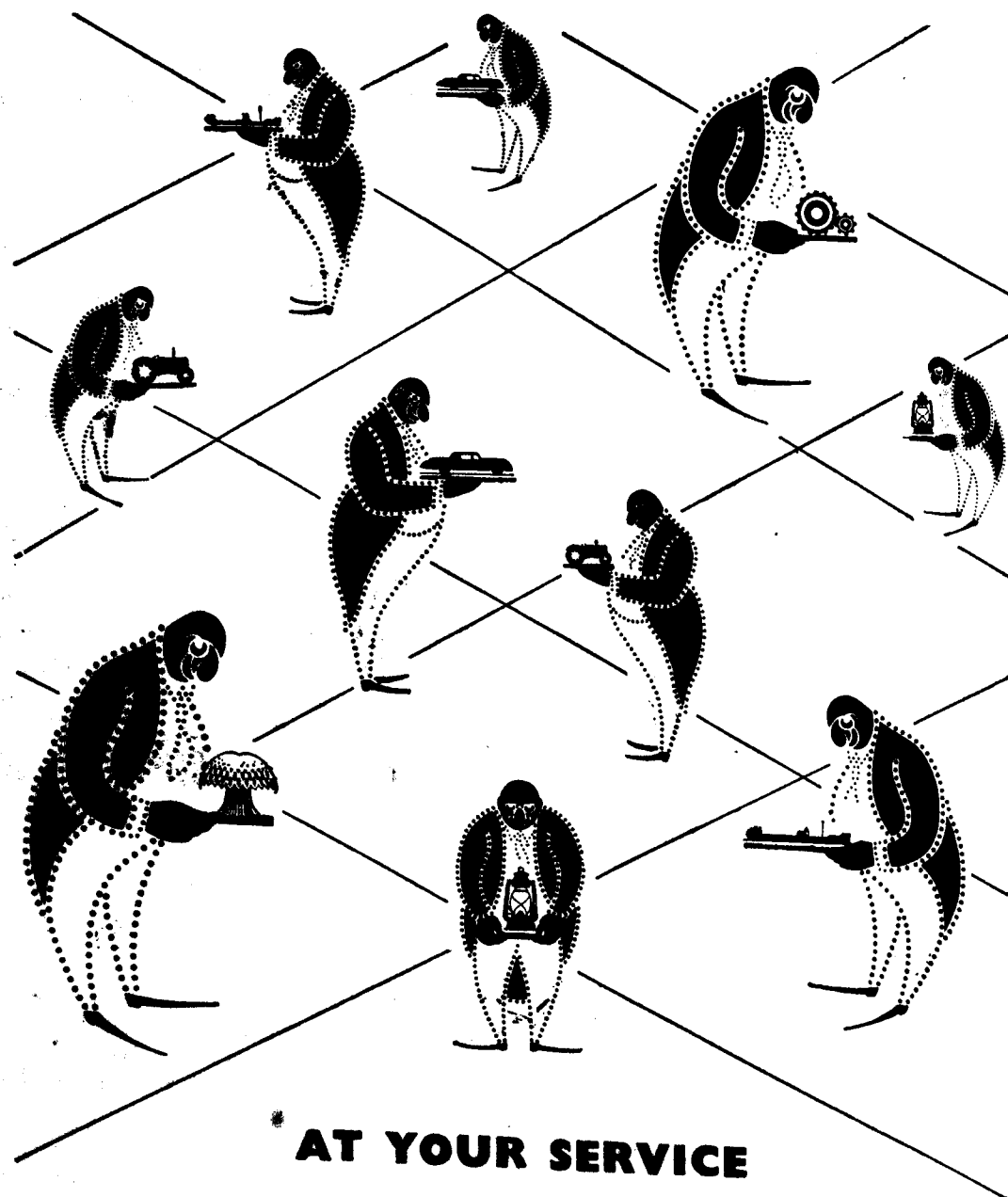
German steel mills last month produced an average 79,645 tons—a new record. Total November output was 2,177 million tons, January-November production was 22.62 million tons of crude steel, compared with 21.35 million tons in the comparable period of last year—an increase by 5.9 per cent.

The Netherlands Bank's gold and foreign exchange reserves in the week ended December 2 fell Fls. 20 million to Fls. 3,689 million and note circulation jumped Fls. 117 million to Fls. 4,111 million.

Sweden's trade with the U.K. in the first nine months of this year resulted in an export surplus of Kr. 127 million or Kr. 81 million less than a year ago.

Japanese steel mills are making strenuous efforts to gain control over the industry's annual production programme, which has hitherto been the responsibility of the Ministry of International Trade and Industry.

Japan and Russia have signed three agreements, which are expected to result in greatly expanded trade between the two countries next year.



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Special Article

FINANCE FOR THE SHIPPING PLAN

THE annual meetings of the Indian National Steamship Owners' Association have precisely the same significance for the shipping community which the annual sessions of the Federation of Indian Chambers of Commerce and Industry have for the business community and the country at large. A healthy convention has now been established whereby the Transport Minister makes policy pronouncements in his inaugural address at the yearly sessions of the Association. This year's session held at Bombay last week had assumed more than the usual importance. For about a year the shipping development programme has been practically deadlocked. This stagnation has arisen from the same cause which has produced a critical situation in the second Five-Year Plan — dearth of foreign exchange. Expectations were, therefore, legitimately raised that a positive clue would be given how the Government proposed to break the deadlock.

Mr. Lal Bahadur Shastri's inaugural address gives reasonable indications that this deadlock will not be permitted to continue for long. It is, however, no reflection on the earnestness and determination on the part of the Government to find out effective solutions to say that Mr. Shastri's speech was much less precise than the situation demanded. Since the solutions depend in a considerable measure on external factors a formula for a complete cure of the present difficulties was certainly not expected. But a direct statement on the action proposed to be taken to attack the problem, in whatever measure practicable, would have helped to clear up the air of uncertainty.

There was, on the contrary, a lopsided emphasis in Mr. Shastri's speech. He has highlighted the Government's decision — which was not unknown — to create a non-lapsable shipping development fund. This emphasis gives the erroneous impression that there is a recurring failure year after year to utilise fully the funds allocated for the purchase of additional tonnage. This is simply not true. This fund is to be built out of the annual contributions from the Consolidated Fund of India plus allocations which may be made from time to time by the Government. Repayments of loans advanced by the Government to the shipping companies together with payments of interest charges would also be thrown in this pool. The development fund should be welcomed to the extent it goes. But it does not go far enough. Mr. Shastri stated that the immediate accretions to the fund would be of the order of Rs. 7 crores raising it to a total of Rs. 44 crores including the amount of Rs. 37 crores allotted as Government's share of shipping development finance. We must remind ourselves that almost the entire amount of the Plan allocation of Rs. 37 crores has been spent up already. What is really relevant to the current problem of finance is that this fund will be a rupee fund. Since the capacity of the Visakhapatnam shipbuilding yard is fully booked for the period of the second Plan, direct expenditure from the non-lapsable fund will be very small. The rupee fund does not solve the crux of the problem of finance which is foreign exchange for the outstanding purchase programme.

The magnitude of the outstanding acquisitions of tonnage in the second Plan and the present tightness in shipping ought to be set out in bare outline. Towards the close of the first year of the present Plan orders were placed for a total additional 170,000 g.r.t.

which are estimated to have consumed nearly Rs. 35 crores out of Rs. 37 crores allocated by the Government and Rs. 2 crores out of Rs. 10 crores to be provided by the shipping companies. The balance of additional tonnage, including replacements as envisaged in the text of the Plan, that remains to be acquired is about 220,000 g.r.t. It will raise Indian tonnage to 900,000 g.r.t., which is a very conservative target when read in the context of the original target of 2,000,000 g.r.t. approved for fulfilment in 1954. Costs are steadily rising, but it would be fair to assume that the outstanding balance of 220,000 g.r.t. will require an outlay of Rs. 50 crores or probably more.

There is a continuous shortage of ships to carry the cargo offering on the coastal trade. A breach has been made in the reservation of coastal shipping for Indian tonnage since foreign chartered ships have to be commissioned under pressure of traffic. One reason of the lag in the purchase of ships for the coastal and adjacent waters is to be found in the high rate of interest charged by the Government on the loans advanced for purchase of coastal ships. This rate varies between 4 per cent and 4.5 per cent per annum. Government has at long last conceded the request of shipping companies to lower the rate and equate it with the rate charged for loans for overseas ships. Mr. Shastri announced the reduction of the rate to an effective rate of 3 per cent — effective because any excess over 3 per cent to be paid by the companies will be subsidised out of the non-lapsable development fund. The new rate will raise the cost of loans for overseas ships by half a per cent. This was inevitable in the context of dear money and equal rates for the two categories of loans.

The question how finance in foreign currency is to be found for the completion of the remaining programme of expansion of shipping has not been answered with clarity. Clarity in this context does not by any means imply absolute certainty about the availability of the funds required. It is largely dependent on outside factors. But Government's decisions on the proposals made by the shipping companies are not firm and positive. The shipping companies have proposed that the foreign exchange earnings of ships plying the non-coastal waters should be earmarked for the purchase fund. Mr. Shastri announced in his speech of last week that this proposal was not acceptable to the Government. The reasons for its non-acceptance were not explained. Probably, Government does not want to forgo this acquisition of foreign exchange needed for the general requirements of the Plan.

If this interpretation is correct, it seriously underestimates the priority which ought to be given to shipping. Overseas shipping has a direct potential to earn foreign exchange. Furthermore, it will partially stop the drain of foreign exchange expenditure on our freight carried in foreign ships. Current foreign exchange earnings of Indian ships are placed by a spokesman of shipping interests at Rs. 2 crores per year. In the remaining three years of the present Plan their net proceeds will cover a good share of the cost of the tonnage required. Government does not seem to be fully convinced of its policy on this specific question. Mr. Shastri has stated that in particular cases current foreign exchange earnings of existing ships may be permitted to be used for additional purchases.

On what criteria this special permission is to be granted is not clear. It is difficult to see why, if permission is granted in some cases, it should be denied in others. The purpose for which the facility will be sought is the same. It is, however, reassuring to find that Government is prepared to allow the net foreign exchange earnings of new ships to be employed in further acquisitions.

Shipping companies have been promised full Government backing in any schemes of self-financing which they can negotiate with foreign shipbuilders or landing institutions for the supply of ships. It was in the context of such schemes that the Transport Minister gave a commitment on the use of the net foreign exchange earnings of new ships as a mode of financing. Government has now appreciated the force behind the argument that cargo on Government account or for the State Trading Corporation could be carried in much larger volume than at present in Indian vessels. A special agency is to be set up at an inter-Ministerial level for adopting effective measures to ensure intensive employment of Indian tonnage and it is to be supplemented by liaison agencies of the shipping companies. It is only reasonable to expect that savings of external payments which will thus be effected should

be diverted to fresh purchases irrespective of the fact whether the freight is earned by existing ships or by new ones — a recent official distinction which has little justification. One condition imposed on agreements of deferred payments for purchases is that payments should commence after the end of the present Plan. In case the Industrial Finance Corporation of India is advised to underwrite the deferred payments agreements for shipping, it would be possible to make some headway. Nevertheless, expectations of results from self-financing or deferred payments schemes can be pitched only at a modest level.

Mr. Shastri has deliberately chosen to be brief on the likely external assistance in the form of loans from the United States, Japan and Germany. But his optimism that these loans would prove of considerable value in crossing the payments hurdle may prove to be well warranted. A World Bank loan must be regarded as a reasonable certainty in the light of Mr. Eugene Black's clear reference to it in his letter to the Finance Minister last year. These loans, in fact, constitute the mainstay of the solution of finance for shipping. It will be hasty to rush to any inferences about the execution of the shipping plan until the position in respect of these loans becomes clear.



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Economic Report from the U.S.

FOREIGN TRADE PROGRAMME

(By GUY SIMS FITCH)

WASHINGTON, December 9.—The Eisenhower Administration today revealed the details of the foreign trade programme it will present for Congressional approval early next year. As had been expected on the basis of earlier statements by Administration leaders, the proposals call for a five-year extension of the Trade Agreements Act, with additional tariff-cutting authority for the President. The details were disclosed in a joint announcement by Secretary of Commerce, Sinclair Weeks and Deputy Under-Secretary of State for Economic Affairs, Douglas Dillon — men who will be playing a major role in rallying public and Congressional support for the Administration's recommendations. Legislative leaders were previously informed of the proposals. If approved, the five-year extension of the Trade Agreements Act would be the longest voted by Congress. The present extension, which expires next June 30, was for three years. The Act, which has been in continuous existence since 1934, gives the President authority to enter into reciprocal trade agreements with other countries and forms the basis for US participation in the 37 Nation General Agreement on Tariffs and Trade (GATT), multinational tariff-cutting instrument.

Under the proposals announced today, the President would ask Congress to authorize him to reduce any rate of duty existing on July 1, 1958 by 5 per cent a year

for five successive years. To make sure that none of this authority is lost, he could also reduce a duty by the same total amount over a three-year period, so long as no annual reduction exceeded 10 per cent. To take care of imports which already carry exceptionally low duties, the President could reduce tariffs by three per cent 'ad valorem' (figures on the basis of value), so long as no yearly reduction exceeded one percentage point. The proposals also would continue in force a provision of the recent Act, whereby any existing duty in excess of 50 per cent 'ad valorem' could be reduced to that amount. In such cases, not more than one-third of the total reduction could be made in any one year. This provision has not been used much in the past three years mostly because there are so few US imports that still carry rates this high. Of course, the Administration is aware that American business should have adequate safeguards in any trade liberalization move. And it recognizes the importance of such safeguards if it is to obtain public and non-Congressional approval of its liberal policies. Thus the new recommendations generally continue the safeguards already incorporated in the present Trade Agreements Act. A few changes are envisaged to provide more prompt and effective action in cases where imports cause serious injury to American industry. But as in the past, any such proposed action will be scrutinized very carefully before trade modifications are authorized.

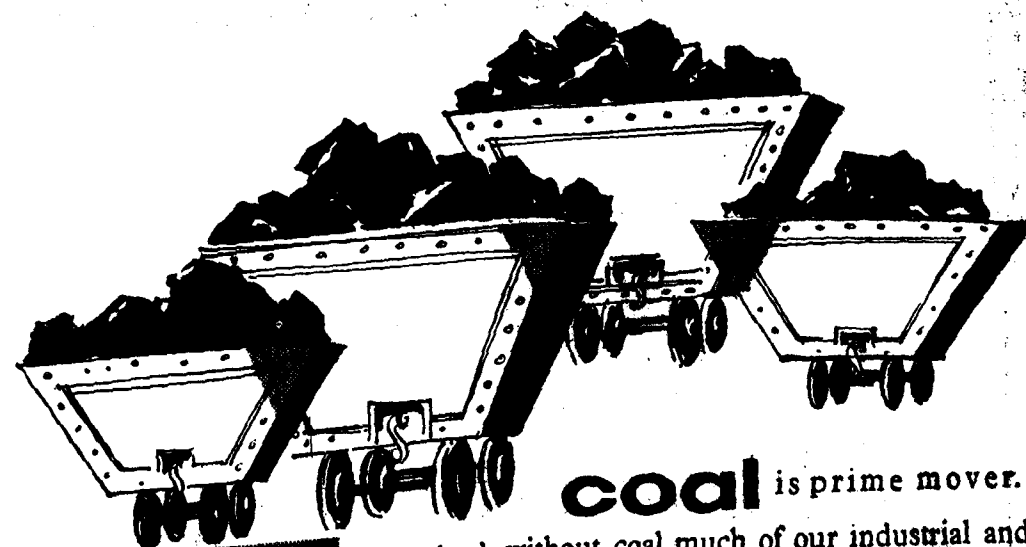
WASHINGTON, December 10.—In recommending this week that the U.S. Reciprocal Trade Agreements Act be extended by Congress for five years with additional Presidential authority on our tariffs, the Eisenhower Administration has recognized the importance of continuity in international trade relations — a continuity from which both the United States and its trading partners would benefit. In addition, the Administration believes that a five-year extension, the longest since the US reciprocal trade programme was launched in 1934, would demonstrate beyond question what is generally understood here, but is not always understood abroad — that the United States sincerely intends to maintain the liberal trade policies it has been pursuing.

Yet another cogent argument for a long-term extension of the Act is provided by the projected six-nation European Common Market, which may lead to some significant changes in world trading patterns. The six nations involved will be setting up a new unified market that is roughly comparable in size so that of the United States, and will have common tariffs vis-à-vis non-members, including the United States. It is, therefore, in the US interest as well as the interest of the 37-Nation General Agreement on Tariffs and Trade (GATT) — in which the United States and the Common Market countries participate — that the Common Market's tariff walls be as low as possible.

How important this is to the United States is seen in the excellent trade relations this country historically has maintained with the six Common Market countries. In 1955, for instance, one-seventh of all U.S. exports — \$2,000 million out of a total of \$14,000 million — went to those six countries. In 1956, the proportion rose to one sixth more than \$2,800 million out of a total of \$17,000 million. Administration officials are openly hopeful that the new trade agreement recommendations particularly the five-year extension, will meet with Congressional approval. They believe that a factual and straight-forward presentation of the case, such as the Administration intends to make, will carry considerable weight in legislative counsels. To give Congress as much time as possible to study and act on the recom-

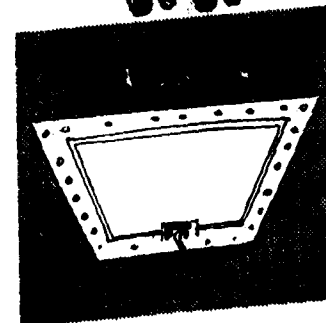
mendations, the White House will probably send the legislative message incorporating its trade proposals to Capitol Hill early next year, shortly after Congress goes into session. The Administration also will recommend that Congress approve U.S. participation in the Organization for Trade Co-operation (OTC), the proposed Administration body for GATT. But this recommendation will not be an integral part of the trade legislative message since a bill to that effect already is before Congress.

While the Administration consider OTC approval a desirable move, it is at this stage giving first priority to the Trade Agreements Act as the basic element in the liberal US Trade Agreement Act as the basic element in the liberal US trade programme, and is not trying it to OTC in a single legislative package. There is some feeling here that OTC approval may be a logical step after legislative action is taken on the more fundamental Trade Agreements Act. At the same time, the Administration as a matter of national policy remains firmly opposed to import quotas as a protective device for domestic industry. Officials emphasize that quotas, which they consider highly restrictive, should be used, if at all, only in very exceptional circumstances — for instance, in costs involving serious world trade dislocations. In drawing up its liberal trade proposals, the Republican Administration is clearly looking for a good deal of bipartisan support from a Congress controlled by the rival Democratic Party. Officials here consider this subject as above partisan politics. They recall that the chief architect of the reciprocal trade programme nearly a quarter of a century ago was Cordell Hull, Secretary of State in a Democratic Administration. And they point out that this programme has been supported wholeheartedly ever since by Democratic as well as Republican Administrations. This helps explain the confidence displayed by some Administration leaders — none of whom discounts the probability of a lively debate on the subject — as they embark on the campaign to win Congressional support for the foreign trade programme made public this week.



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BUSINESS NOTES

COMMON MARKET QUESTIONS

WITH THE setting in of the New Year will come into force the European Common Market which is a development of far-reaching consequence. That it will mean no less than 15 years before the Common Market takes full shape does not detract from its extraordinary significance. This is true not only for India but also for the international trade in general and most countries in Asia and Africa in particular. In their report, the Export Promotion Committee had stressed the need for discussing the topical problem in the GATT meeting held at Geneva recently. With the return of Mr. L. K. Jha, India's representative at the GATT Conference, some encouraging reports have now appeared about this country's position. It should be comforting, for the present, to know that no arrangement that the six contracting parties to the Common Market—France, Italy, West Germany and the three Benelux countries—may make would be in conflict with the general principles of the GATT. Perhaps more important than anything else is the allaying of the fear that the dependent African territories of the six countries would be included in the Market. According to these reports, a team of experts has been set up to report to the Inter-Session Committee of the GATT about the effects, on other countries, of the association of the dependent territories in the Common Market. The Inter-Session Committee is expected to meet in April next. The question of their association has, therefore, been kept open till the information becomes available.

If this is true, the results of the GATT Conference provide a substantial relief for India as well as for other Asian and African countries. The primary question that concerns India is that of the effect on her exports, with the coming into being of the Common Market. The export items likely to be affected are jute goods, tobacco, cotton waste and cashew kernels, among some others. For one thing, the duty, even if it is the proposed arithmetical average of the present tariffs, is expected to be higher in the case of some countries. For another, there will be a free movement of goods between the countries within the Common Market. This will, in particular, affect India's exports of jute manufactures and coir products. So far as the inclusion of colonies is concerned, India's loss would be chiefly in her exports of cotton textiles and other products to these territories. It would also, in all likelihood, reduce her exports of groundnut oil to the European countries who would depend more and more on their colonies for this commodity. Again, as the Export Promotion Committee has put it, a second development which would affect India, like other countries, could be in the reduced European investments here. As the Committee has argued, this is so because a special investment fund, to be set up to develop the economies of the territories. The strengthening of their economies by normal channels of external aid is undoubtedly to be welcomed. But in this case it is to be linked with their incorporation in the Common Market whose value to them is not beyond doubt.

FROM TRADING CONCERNS TO INDUSTRIAL UNITS
ADMITTEDLY, THE palmy days of mere trading concerns are over in this country which is bent on figuring prominently on the world's industrial map and ranking equally, if not higher still, among the economically advanced countries. This is clearly reflected in the steady switch over to industries of even long well-established trading concerns. As is only to be expected, the tendency is for such concerns first to explore the possibilities of manufacturing within this country some of the goods being traded in by them. An instance in point is the decision

of Rallis (India) Ltd. to establish a plant in India for the progressive manufacture of Wolf electric tools. Wolf tools, which are the products of the famous Wolf Electric Tools Ltd., London, constitute a very big range of electric drills, grinders, sanders, blowers, etc. It may be recalled that Rallis became the sole distributors of these tools in India in 1951. At the end of 1955 already, in collaboration with the British firm, they were ready with a scheme which they presented to the Government of India for its approval. This approval was obtained in April, 1956, and work was actually commenced in July of that year. According to Mr G. M. Wolf, who met the Press this week in connection with this important industrial project, the factory should be in full production by the end of 1958.

The importance of this industry to India can be judged by the fact that, whereas, in a fully developed country, the demand for such tools is of the order of 8 to 10 machines per 1,000 population, per year, it is only 1/10th of a machine per 1,000 population per year in India today. The total capital outlay of the project will be some Rs. 20-25 lakhs, with the Rallis holding a slightly higher percentage of shares than the British concern. This Indo-foreign collaboration in an important industrial venture, although of modest dimensions, is not without its advantage to our country, particularly in these days of foreign exchange scarcity. Thanks to the participation of the Wolf interests, the bulk of the plant and machinery needed would be brought in by the Wolf Electric Tools Ltd., so that the actual requirements of foreign exchange involved in the project are negligible. Indeed so negligible are those requirements that the Government of India has not seen it necessary, it is believed, to insist on any deferred payment for the supply of plant and machinery in respect of this undertaking.

Although, to begin with, a greater percentage of the components has to be imported, by 1960-61, Mr. Wolf assured about 99% of the components (in value) would be of Indian manufacture. A feature of interest in connection with this industry is that there is no other manufacturer of these tools not only in this country but practically in the whole of South-East Asia, save Australia, where there is a smaller unit already operating, also in conjunction with the same British firm. This means that, as and when India is able to make progress, she will have not only the demands of the whole Indian peninsula to cater to but those of the entire S.-E. Asian region. The prospects for such a consummation are reasonably assured, what with a reputed concern like Rallis (India) Ltd. whose affairs are being ably supervised by an industry-minded Managing Director like Mr. M. Paspatti, and the unstinted co-operation of the Wolf interest from Britain.

It may, incidentally, be added here that, at the Press conference in question, Mr. Paspatti also disclosed that Rallis have other industrial ventures as well in view, some fairly well-advanced, such as the manufacture of electric fans, and others still in the offing, like the manufacture of umbrella ribs.

FAITH IN THE FUTURE?

RECENT CHANGES in tax structure involving heavy burdens on industrialists and shareholders, the ever-widening participation of the State Trading Corporation, and the woeful deterioration of law and order in parts of the country have, while causing considerable concern to the people generally, also greatly shaken the confidence of business men all over the country. If, as Mr Sheppard, Chairman of Killick Industries Ltd., said in addressing the shareholders at the recent annual general meeting, "if this sapping of morale and of faith in future was confined only to large business houses, it would not be so dangerous, but, unfortunately, it is reflected at

every point of industrial society. Everyone—the producer, the consumer and the investor, whether big or small—is today lacking the virile faith needed to face the challenge of the future.” This is undoubtedly an unenviable situation to encounter for any country. The more so to one that has embarked on an ambitious programme of economic development. It is this sorry state of affairs, in fact, that has been a major obstacle to the inflow of foreign capital into our country in any significant measure, together with the technical know-how which goes with it and which, as the Killick Industries’ Chief was certainly entitled to remark, “have often been of great assistance to Indian industries in the past.”

Thanks to the deteriorating labour situation in parts of the country, Mr Sheppard could not resist the urge to make a pointed reference to it in this Chairman’s speech of his also. For, since he spoke last on the subject, the problem has assumed even more serious proportions. It is important to distinguish here between labour indiscipline of this nature, on the one hand, and genuine trade union development, on the other. And so shrewd a businessman as Mr. Sheppard could not be expected to deny the value of healthy trade unions, which, if effectively organized, could be expected to champion all the right and legitimate causes of its members. Unfortunately for this country, many trade unions are under wholly unwholesome influence and are often proving to be a “menace to the community,” while only ostensibly showing off to be helpful to labour. Blissfully ignorant of, or wilfully blind to, the rudiments of economics, such unions do not hesitate to put forward the most impossible demands. To quote Mr Sheppard, “unions of this type put forth demands based on what labour wants without any consideration as to what it is entitled to receive. They continue to make these claims, whether justified or not, and, by strong arm methods, ensure that they are granted.” It is high time, therefore, that the Government took a serious and realistic view of these problems and saw to it that these do not hinder progress in what Mr Sheppard happily termed “the people’s sector”—thus avoiding the words “private sector.” which, for no valid or justifiable reason, seem to have become anathema to the powers-that-be even out of its anxiety to push through all the objects in the public or the private sector.

GROUNDNUT OIL CAKE: IMPEDIMENTS IN EXPORT

AT A time when the country must go all out to step up the exports of Indian goods in order to relieve the prevailing tightness of our foreign exchange position, one would expect the authorities concerned to place as few impediments as possible,—if not to remove them altogether—in the way of exporting at least those items which are allowed to be exported. But, unfortunately, this does not happen to be the case, at any rate according to the exporters of groundnut oil cake (expellers).

It may be recalled that, in respect of this commodity, the Government generally prescribes a ceiling and allows exports freely until the ceiling is reached. One can understand and even appreciate the fixing of such a ceiling on groundnut oilcake, inasmuch as it is a valuable cattlefeed in this country. However, in the implementation of the Government’s policy in this behalf, certain anomalies arise, as, for example, recently when a 25,000-ton export quota was announced on November 7, 1957 and this was followed by a Press ‘communique’ that the ceiling was reached only eight days of the initial announcement, namely, on November 15, 1957. Normally, exporters get busy immediately after the quota is announced and collect the materials from various producing centres and offer them to their foreign agents and other importers. In other words, there must be a reasonable time interval before any export deal is negotiated and finalised. But, in the case in question, there were just eight days, with the

result that obligations in regard to some of the export deals that had been put through could not be met. In the case of the parties whose ‘bona fides’ cannot be questioned sales had been concluded prior to the announcement that the ceiling had been reached and when, technically, export was still permissible. It could not be that the parties who are thus adversely affected are many, or that the amount involved so excessive as adversely to affect the availability of groundnut oil cake for domestic consumption. Even otherwise, non-fulfilment of contractual obligations by ‘bona fide’ exporters of this country, besides involving heavy penalty payable by the defaulting exporters, would create a wrong impression in the minds of our foreign buyers to the detriment of our export trade. It is necessary to mention here that foreign buyers do not entertain any offers unless export licence is guaranteed by the exporters. In view of this, it seems unwise, especially after a severe blow which the exporters least bargained for, to deny even consideration of their applications for export in respect of deals concluded before the announcement that the ceiling was actually reached. There is ample evidence to show that this refusal by the export control authorities has hit genuine exporters very badly, in that they have been called upon to pay heavy penalties by the importers for non-fulfilment of contracts. But this is not the end of the tale of woe of our exporters. Not only would they have to pay these heavy penalties but they would also have to risk huge losses resulting from a resale of the export goods already bought by them. There seems, therefore, a very good case for the export authorities to look into this, and it is to be hoped that, if only not to dampen the enthusiasm of genuine exporters, they will take prompt and proper action.

MINERALS IN FOREIGN TRADE

THE TWO important ores that figure prominently in India’s export trade are those of iron and manganese. From July last, the iron ore export has been wholly taken over by the Government through the State Trading Corporation. The story in regard to manganese ore is only slightly different; here also, from an earlier time, export on private account has been largely cut down and the STC is progressively taking it on. This policy was adopted with the argument that the mining trade was in need of development along more rational lines and that the taking over of trade by the State would augment the foreign exchange earnings. Whether or not these laudable aims have been actually realised cannot be stated with any amount of certainty at the present time. It is true that from time to time information is given out regarding the conclusion of contracts with foreign buyers. But there is as yet available no adequate data to enable a proper assessment to be made of the actual performance.

Whatever that may be, a complete elimination of the private exporter of manganese ore is hardly called for. As the Chairman of the Western India Minerals’ Association, Mr. N. S. Worah, has assured, at their second annual general meeting, the private export trade is ‘fully alive to the needs of our expanding economy’. He has made a point of no ordinary significance in saying that a frequent change in the export policy for this important mineral can have very adverse effects for India. One bad result is that some major purchasers like the USA have already decided to encourage mining in other countries much nearer to their own. Thus, new mines would make supplies plentiful and cheaper, at least to the extent of freight charges, and diminish India’s bargaining position. Already, the trend is disheartening. The demand for low grade ores has been declining to almost negligible quantities. Mr. Worah has drawn attention to many problems that confront the trade. He has, happily, gone further and has suggested some measures to resolve them. It is only proper that these should receive adequate attention by the authorities concerned.

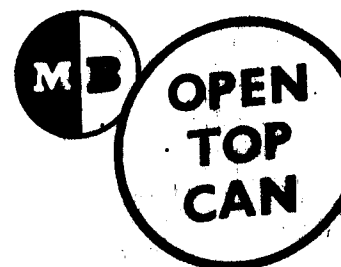
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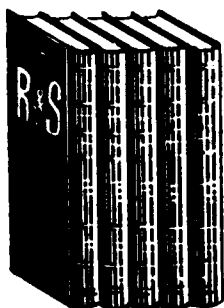
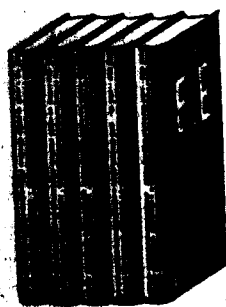


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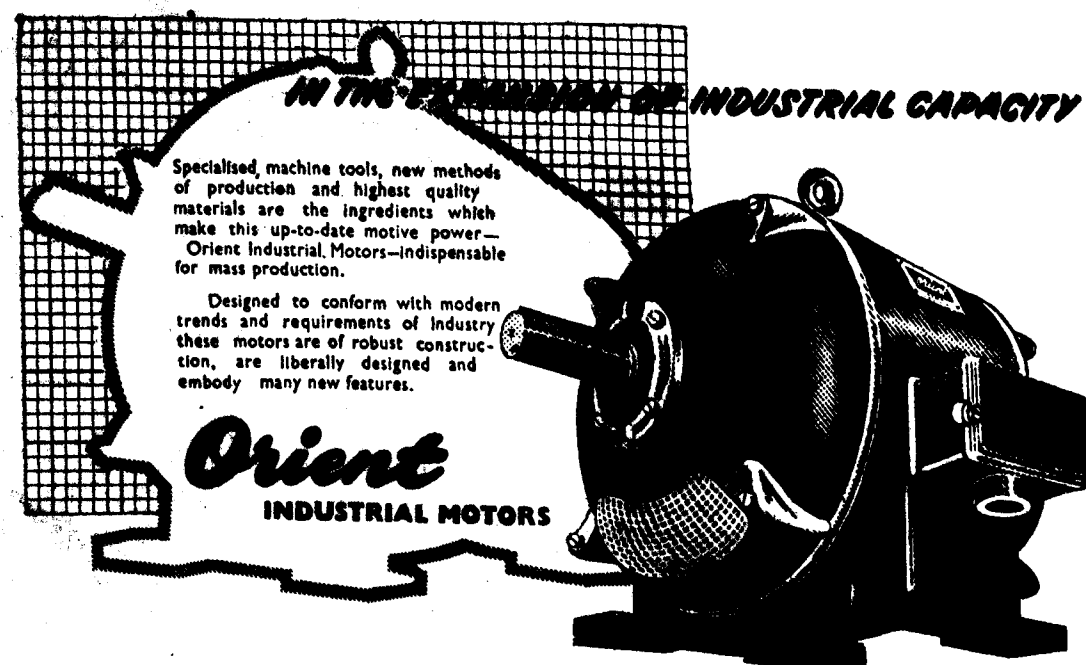
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Company Meeting

KILLICK INDUSTRIES LIMITED

Speech of the Chairman, Mr. E. D. Sheppard

Gentlemen,

This year 1957 is of very special significance to the House of Killick, for it was a hundred years ago that Messrs. Killick and Nixon arrived in Bombay and started the business that so proudly carried their names. Though the firm of Killick, Nixon & Co. was discontinued in 1948, the two new Companies Killick Industries Ltd., and Killick Nixon & Co. Private Ltd., between them undertook the work started by the founders and fostered through the years by succeeding generations, and it is fitting that in this memorial year, Killick Industries Ltd. having acquired ownership of Killick Nixon, the family is united again. Thus although the corpus is changed, we may say that the spirit of the Killicks has been preserved for a century past. May this spirit of unity in our family, of service to the nation, and of courage to face the future, continue to pervade our thoughts and actions in the years that lie ahead.

In my speech last year I tried to examine the implications of the impact which the pursuit of a "Socialistic Pattern of Society" would have on industrial development, and hence on the affairs of your Company. I had then forecast that, if the pursuit of this goal was continued along a path of increasing State control and diminishing individual responsibility, the results would not be happy. It is with a sense of sorrow and concern for the future, and not in any spirit of pride in the vindication of one's forecast that one sees these fears being realised as the second Plan runs its course. Around us we see a growing deterioration of business confidence, and the onset of apathy amongst those whose function it is to promote and develop industry. If this sapping of morale and of faith in the future was confined only to large business houses, it would not be so dangerous, but unfortunately it is reflected at every point of the Industrial Society. The producer, the consumer, and the investor, whether big or small, is today lacking the virile faith needed to face the challenge of the future.

What are the reasons for this lack of confidence? Let us examine them.

Firstly, there is the numbing frustration which an endless series of tax measures each following closely on the heels of the other, have produced among industrialists and shareholders, though one cannot but have a profound respect for the imaginative brain which has welded into one whole such a divergent and almost contradictory set of taxes. The Finance Minister has succeeded in performing a balancing feat on the tight rope of national finance which would be the envy of the most nimble witted. In an economy over-extended as ours is, there is little scope for the introduction of incentives, yet this is what the last budget has succeeded, albeit in a minor way, in doing. The total of Income Tax and Super Tax at the highest salary level has been reduced from 92 per cent to 77 per cent, thus making possible the retention of some measure of enthusiasm in the managerial class for harder work and greater endeavour, but a price has been paid for this concession, a price which might well result in crippling incentive altogether. The price, of course, is

the introduction of the Expenditure and the Wealth Taxes. But it is the Wealth Tax on companies particularly which can have no possible justification, either moral or material. If ever there was a measure designed to grab money irrespective of justice or reason, this tax is surely it.

The combined rate of Income Tax and Super Tax and Surcharge on Companies has been increased from 43.4 to 51.5 per cent. In addition, companies have to pay special taxes on dividends, on the issue of bonus shares, on the non-distribution of profits, on capital gains, on their net assets, and as if that were not enough are then required to deposit a part of their reserves under the Compulsory Deposit Scheme. It is just not possible for companies to bear this fantastic burden of taxation for very long, particularly at a time when they are required to carry out an expansion of their productive capacities in terms of targets set by the second Plan, far in excess of those which normal commercial practice would dictate. The sum effect of such taxation is virtually to eliminate the possibility of raising equity capital in the investment market for new ventures because of the levels to which even the soundest shares have declined. It has been estimated that since August 1956 shareholders are poorer by 200 crores of rupees.

Almost as disturbing as the taxes themselves have been the inordinately long periods which have elapsed between the framing of taxation proposals and their ultimately becoming law. During the many months out of the last twelve when the country has been virtually without a definite tax structure it has been impossible for any would-be entrepreneurs to finalise their plans.

Further, all these facts combined have deprived us of the entry, in any significant measure, of foreign capital, and of the technical skill and advice which goes with it, and which in the past have often been of great assistance to Indian Industrialists.

Secondly, there is the ever-widening scope of the activities of the State Trading Corporation. The avowed objectives for which the S.T.C. was founded—namely to trade with Communist Nations and to augment exports where the existing trade channels were inadequate—were wholly laudable, but they have far exceeded this charter. Their entry particularly into the cement and manganese ore businesses was quite justifiable as these were being efficiently run by S.T.C.'s enterprise. The specious reasons given for the S.T.C.'s intrusion do not bear examination. The objectives sought to be achieved could well have been reached without the S.T.C.'s intervention.

Further, in these commettment in promoting trade risk, makes no organisation altogether disproportionate and yet takes unto its offits. ately large share of "

passing interest that at the Meeting of all the earlier this year, the policy of State held in Lc-oundly condemned without one single Trading oice. disser'

I would like, however, to make it clear that we have no quarrel with those entrusted with the management of the S.T.C. Our objection is fundamental and concerns only the policy which requires them to carry out such duties.

Thirdly, there is the sad deterioration of Law and Order in many parts of the country with which unfortunately is bound up the question of Labour Relations.

In a recent pronouncement the Hon'ble Shri Morarji Desai, the Union Minister for Commerce and Industry, stated that "If industrialists expect to get so many things from the State, then they must be prepared to provide the money for these through taxation". No one can take exception to the underlying premise of the argument of the Hon'ble Minister which is that no State can provide services for the community which are beyond its capacity to finance. But the first service any taxpayer in any country expects, and rightly so, is the protection of life and property and the preservation of law and order. Here in India all industrialists are in fact paying to the State a very high rate of taxation, as I have already pointed out and in return are not, in some cases, being provided with even the elementary degree of security that is a prerequisite to the conduct of business and industrial growth.

Serious labour indiscipline at the Hingir-Rampur Colliery for some time past culminated in a violent riot in June this year when our Colliery Manager was murdered by the workers. This dreadful incident took place several months ago, and we are still waiting for effective action to be taken to punish the murderers and to be assured of the protection that is necessary to prevent a repetition of the tragedy.

In the Free World today it is inevitable that trade unions acquire great strength—sometimes a dangerous strength which is frequently misused. No one will deny the value of strong and healthy trade unions effectively organised to champion the cause of their members. But trade unions subject to little or no control, and those under bad influences are an increasing menace to the community. Whereas again no one will deny the right of a man to withhold his labour in order to voice a genuine grievance, yet there can be no excuse for violence and hooliganism being employed as the means of doing so.

The plain fact of the matter is that the time is long overdue for a show down with this type of labour organised and led in this manner and towards these ends, and yet it continues to be protected and mollycoddled by those in authority. Without reference to even elementary economics, Unions of this type put forth demands based on what labour wants without any consideration as to what it is entitled to receive. They continue to make these claims, whether justified or not, and by strong arm methods ensure that they are granted. And who is to blame them? Why should they want when the methods of getting what they want when they use these methods of getting what they want when the methods themselves have been continually successful? The formality of conciliation having taken place, it is much simpler to refer demands to adjudication rather than to incur the odium for the Governments concerned to incur the odium of telling labour that it has gone too far and must of telling labour that it has matter to labour if their draw. What then does it approaching them are basic and the methods of get results?

I will not examine further the indiscipline as here, like in other countries of labour political slant and I have no desire to bring this into my speech. But the other two measures which I have referred—increased taxation and expansion of capital to make steel, to dam rivers, to raise coal

activities with their damaging effect on the People's Sector—have been introduced solely and wholly to provide money for "The Plan" or rather for that part of the plan which falls in the State Sector.

Before we proceed to examine the Plan and the results that are expected to flow from it, let it be quite clear that it is a composite Plan and if either Sector fails then the Plan fails.

The doctrine that the Plan is inviolate has been thrust down one's throat, although it has been plain for months past that a process of stretching it out has become inevitable. The main constituents of the Plan may not be significantly changed, but they will certainly take longer to complete. This is a heavy industry plan for within the total set aside for industrial development rather more than half is to be spent on the production of steel, and the greater part of the remainder on Industry manufacture capital goods.

We are told that—come what may—the "hard core" of the Plan will be carried through. What is the "hard core"? In one word it is steel. Steel, and coal and power with which to make it and railways to transport it, in effect just steel. Of what avail will this steel be if the People's Sector is to be prevented from erecting the secondary and tertiary Industries to use it? We shall be told that it can be exported, but it is axiomatic that an essential prerequisite to a profitable export trade is a flourishing home market. Therefore, if only the "hard core" is carried through, the Plan, as such, will still not succeed.

The question, therefore, that faces the country today is how far can this concentration on Heavy Industry be pushed? Undoubtedly among our planners and Economic thinkers there is a school, and a very powerful one, who would push the heavy industry concept to its utmost limits. This is of course an enormously expensive business as has been shown by the rate at which the nation's foreign exchange reserves have run down and moreover, throws the Plan out of balance. We are still waiting to see how the planners and those in authority are going to react now that difficulties have occurred and the Plan is getting bogged down in a succession of crises. The Finance Minister has returned from his tour of the USA, Canada, the UK and Germany, during which no man could have made more valiant efforts to procure the exchange we require. In the light of the information he has gleaned a decision will need to be taken very soon as to whether the Plan is to be adjusted to manageable proportions or whether a forlorn attempt is to be made to fulfil it even at the cost of imposing methods of austerity and compulsion.

Having said this, let us also look at the other side of the picture. If we had been content to increase the national product only in relation to the available resources of the country, or those which could be readily obtained, it is doubtful whether the total volume of planned investment activity would have been more than half of what has actually been embarked upon. It is clear that the second Plan is deliberately aimed at achieving far more than the available resources of the country will admit of, and that this is sought to be justified by the pressure of social obligations and the need to do sufficient for the people, quickly enough, to prevent them from turning to other than democratic methods to quench their frustration.

Another fundamental paradox in the Plan is the pre-occupation with heavy industry on the one hand and cottage industry on the other. In the result it seeks to achieve a compromise between the intensive use of capital to make steel, to dam rivers, to raise coal

and develop Railways, and the pressure to put to productive and gainful employment the hordes of willing but unemployed workers who populate our countryside and do not find work for more than three or four months in the year. No one can have anything but the deepest sympathy with people who are faced with the resolution of such fundamental dilemmas, and the responsibility for evolving Economic policies which are to succeed in spite of them. At the same time we of the People's Sector of the Nation's Economy, cannot help but be perturbed at the way things are going, for, in a planned Economy, the whole future of our own businesses is inextricably mixed up with government decisions.

There is no doubt that in the course of time India is going to be a great industrial power. The principal resources are available, iron ore, coal, mineral wealth, hydro-electric power, and a large mass of people prepared to work for comparatively low wages, and here let me say, that the unschooled peasant of India has already in the Indian Army given abundant proof of his capacity to acquire mechanical skill and technical competence with good equipment and training. The mistake that we are making is a mistake of timing. There is too much made of this business of competitive co-existence with countries of other ideologies. A great deal of the haste and the rashness which has been applied to our planning has been due to this. As a result, through this planning and through much of the legislation and taxation which goes with it, conditions have been created in which a proper generation of the vigour and power of Free Enterprise is no longer possible.

In the modern world, some form of social organisations are of course inevitable if man is not to go back to the disorder of unbridled individualism, but all to the organisations must be for the benefit of the individual and not the individual for the benefit of the organisation. By the same token let us be very clear that the Plan is for the people and not people for the Plan. If the needs of the two come into conflict with one another then it must be the Plan and not the people to give way.

No one wants the Plan to fail. If the economic choices that now confront us seem difficult, it must be remembered that they are infinitely simpler than would be the political and social consequences of a Plan that failed because it got out of hand. Today the pressures of the Plan are being demonstrated very clearly in a rise in domestic prices and the constant threat of inflation. It is now—though somewhat belatedly—well understood that, if the food front is not firmly held, and gets out of control, all the benefits of heavy industrialisation would vanish in a trice, and all talk of increasing real incomes be rendered meaningless. To say that an endeavour to double the per capita income over a period of 17 years of a people as poor as ours is not ambitious, is a statement that no one would deny, but to go on and say that unless the impossible pace set for these five years is maintained, that revolution would follow is most certainly not justified. The people of India, and particularly its peasants are sturdy beings of good sense. Their devotion to the soil they till and the values they cherish, have wrought an iron frame which is not going to be bent or twisted by a lengthening of adversity. This is not the link in the chain that will break. If the chain snaps, it will be the weakest link that will give way first; and that will not be the common people of India, but its educated leaders. If these great sons of our soil have the leadership which they merit, then it is certain that they will be prepared to accept whatever length of time may be necessary to bring about the economic betterment that they undoubtedly deserve, but in a manner that does

not in the meantime endanger their own traditional democratic free Indian way of life. Anyway, who is to say that it will take 17 years to double the per capita income, and that we must therefore get off to a start with a false burst of speed which will leave us spent and trembling before half the race is run? It would be more prudent to start at a pace which will allow us to go steadily on and complete the course. The pace of scientific advancement is such that today weapons for economic betterment are being placed in the hands of under-developed countries which were never available to the countries of the West during their struggle for industrialisation. It may well be that these breath-taking advances of science will enable us to achieve the increased standard of living even more quickly than the 17 years at present envisaged. What however is certain is that neither these techniques nor any other measures will help us if we push the country to calamity by whipping it up to a speed which it is not capable of sustaining.

It would not be sensible nor would it be patriotic for any one in the country to gloat over the miscalculations of our planners and the consequential difficulties of the Finance Minister. The probability that something would go pretty wrong with the second Plan might be said to have been built into it from the very start. What one can and should legitimately criticise is the attitude that is adopted towards those honest, able and patriotic Economists and Industrialists who have from the very beginning had the courage to say that the Plan was incapable of fulfilment within the country's resources in the time set for it, and consistent with the maintenance of the democratic principles enshrined in our Constitution. It is tragic that those in power are prepared to label these good men as anti-national defeatists, while those who blindly shout their approval of every official measure from the house tops, are lauded as patriotic pillars of the Private Sector.

One of the objectives to be sought from the completion of the Plan is the creation of the Welfare State, the absolute desirability of which has always so far been taken for granted and without question.

Let us however pause for a moment and examine the progress of the Welfare State in the UK where it has been established for some years and the effect it has had on an important section of the citizens.

A sample survey recently conducted in a leading University revealed a remarkable and disturbing state of affairs. Of the students questioned, 38 per cent said either that they were seriously thinking of emigrating as soon as they have completed their course, or else had already firmly decided to do so. These young people are among the most intelligent, most highly educated and the most enterprising in England. They are people who are willing to make their own arrangements and to take their own risks. And they are under no illusions about life in a strange land. Many of them have worked overseas during their long vacations and are familiar with the disadvantages and possible hardships that emigration might entail.

This is a serious position. Britain is doing everything to provide the best education for the best brains, and the service of the best brains is urgently and increasingly needed in England. How then does it come that nearly half of those so trained immediately take themselves somewhere else and add to the progress and prosperity of another country? The reason is that they are fleeing from the Welfare State. They have strong practical objections to it. They realise that it is financed out of crushing taxation and they know from the experience of their fathers that the weight of taxation comes most heavily on people like themselves. The

whole system of taxation, rebates and subsidies, works against the educated and enterprising middle class. Worse still it is precisely meant to work that way. Whereas fifty years ago the man who forged ahead and made a great name and a great fortune for himself was admired and respected, today he is regarded with envy and resentment. More than the monetary penalties of the British fiscal system is this envy, and the assertion of the superiority of the mediocre which is driving young people of talent and vigour abroad. They want to go to a country where they can forge ahead without provoking sulky hostility. The want to feel that a life's work of exceptional quality and usefulness will not be held against them. They want to escape from a socially stifling atmosphere and to get away from a country where no exceptional talent is gladly recognised. If this draining away of Britain's best brains continues to increase, then the mass of British people will be brought in the end to recognise that while they cannot do without the direction and services of the elite, the elite can very well do without them.

This is a lesson which can be learnt with advantage in other parts of the world.

Turning now to the affairs of your own Company, you will have seen that it has been necessary to withdraw Rs. 2 lakhs from the Equalisation of Dividends Reserve in order to maintain the usual dividend. The principal cause of this is extra provision for taxation of Rs. 3.28 lakhs—of which Rs. 1.77 lakhs is in respect of the previous year—due to the 1957 Finance Act. You will recall that I foresaw this possibility when addressing you last year. Another reason is that due to the change in the accounting years of two of the

Electricity Companies, no Agents' Commission was received from the Surat Electricity Co., Ltd., during the period covered by the Accounts. This would have amounted to about Rs. 1.1 lakhs. Consequent upon the necessity of closing the accounts of all the Electricity Companies on 31st March each year, your Directors are considering altering the Financial Year of your Company so that it will close on 30th November in future instead of 30th June as at present.

Otherwise, the Accounts are self-explanatory and have appended to them the Accounts of your Subsidiary Company, Killick Nixon & Co. Private Ltd.

The progress of our plans for Industrial Development has been detailed in the Directors' Report and other projects are under consideration.

The continued expansion of your Company's activities has of course necessitated capital investment and a point has now been reached when further finance is needed. This matter has been receiving the attention of your Directors and although no decision has yet been reached it is possible that an application may be made to the Controller of Capital Issues for permission to make a new issue of Ordinary Shares next year.

As regards the future, I would only say that your Company is well poised for prosperous development. It is only political policies which threaten to impede fruitful progress.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting which will be sent separately to Shareholders.

Company Meeting

THE WESTERN INDIA MINERALS ASSOCIATION, BOMBAY

Speech of the Chairman, Mr. Natwarlal Shamaldas Worah.

At the Second Annual General Meeting on November 9, 1957.

Gentlemen,

The Committee's report and Audited Statement of accounts for the year ended 30th June, 1957, having been in your hands for some time, I will, with your permission take them as read.

As you all know, under the new Mineral Export Policy covering the period 1-7-1957 to 30-6-1958, the entire Iron Ore Export Trade has been taken over by the Government and the State Trading Corporation has been entrusted with this task. Similarly, the Private Sector's share of the country's Manganese ore trade has been vastly curtailed and it would seem that the Government's intention is to eliminate progressively the Private Exporters and hand over this trade also to the S.T.C. However, I would remind the Government that the Manganese ore trade differs from trade in other commodities in certain fundamental aspects. These must be considered and appreciated if a rational and long-

term planning is to be formulated for the country's Manganese ore trade in the national interest.

I would like to assure Government that the Manganese Export Trade is fully alive to the needs of our expanding economy inspired by the ideal of a welfare state, and is willing and also prepared to adjust its workings so as to attune itself to the prevailing pattern of Mixed economy which the Government has accepted as the basis of our national economy. However, I would like to remind all concerned that the manganese ore trade is a risky one since the fortunes of the trade depend entirely on the degree and tempo of industrialisation in some of the important steel producing countries, like the U.S.A., Canada, the U.K., the Continent of Europe and Japan.

You are all aware that the Manganese and Iron ore Industry and Trade is facing a very serious problem.

The foreign buyers are more or less on strike and whatever demands there are, they are mostly for high grade ores. For lower grade ores, there are practically no demands. In the case of Manganese ore as we all know, it is a good foreign exchange earning commodity, particularly the hard currency. Till about 1955-56, America and several other steel producing countries continued to have their main requirements of Manganese ore from India. This position is now receding since June 1956 due to several reasons, more particularly due to the Government's new Mineral Export Policy and to the incursion of the State Trading Corporation into this field. However, as mentioned earlier I am sorry to say that the State Trading Corporation, despite having all the resources at its back has not been able to make a very impressive show in fulfilling its contractual obligations, resulting in its Export quota remaining unutilised, which has produced far reaching repercussions.

Internally the State Trading Corporation has not been able to satisfy Mineowners and Exporters in the discharge of its contractual obligations of purchases of considerable quantities of ores; yet the State Trading Corporation thought it fit to commit itself to sell mainly high grade ores with very low impurities and did not attempt to understand the different grades of ores produced in the country and the disposal thereof with average manganese contents and impurities. It is a matter for regret to note that the State Trading Corporation having contracted to purchase medium and low grade manganese ore from the Trade and Industry, has not been able to lift the same for the last six months and consequently large sums of money have remained locked up which the mineral Trade can ill afford. Added to this the State Trading Corporation is reported to have suggested cancellation of its lower grade purchase contracts which if true, I am constrained to say, does not reflect well on the part of an organisation having the backing of Government.

We do not mind the existence of the State Trading Corporation but its role must be a positive one. In a great and growing economy such as ours there is enough room and justification for the co-existence of the Public and Private Sectors, but the proper role and the Principal object of the Public Sector should be, not to encroach upon the existing Private Industry and Trade but to develop new areas and increase mining operations by employing all its available resources and using the most up-to-date, scientific and economical methods and similarly develop additional markets in the export trade. State Trading Corporation with all the resources of the Government at its back will be in a better position to undertake such new developmental works than the Private Sector and if it does all these, there will be increased mining and trading activities, greater employment and larger earning of foreign exchange.

But during the past one and a half years, all that the State Trading Corporation has achieved is appropriating to itself a large share of the export business which legitimately belonged to the Private Sector. In the field of developing or increasing mining operations, or in the matter of finding new outlets for our ore, the State Trading Corporation has done precious little or nothing. Its achievement in this direction is negligible.

During the year under review an important development took place. Through the good offices of the Federation of Indian Chambers of Commerce and In-

dustry, New Delhi, of which we are members, a Mineral ores Liaison committee was formed to deliberate, discuss and advice on problems confronting the Mineral Trade. Unfortunately, despite several meetings, of this body, it could not play any significant or effective role as the advice and suggestions tendered by the representatives of the Mineral Associations serving on this body were not acted upon, and ultimately these members resigned en bloc from this body as it was found that no useful purpose would be served by remaining on this committee.

Presently the foreign buyers have not been satisfied for the last one year with the delivery schedules of ores due to the restrictions of quota system and the State Trading Corporation has not been able to satisfy them either. To a certain extent they have lost confidence of getting regular supplies from India and in order to instil confidence in them, it is necessary to sponsor a delegation consisting of Members representing the Mineral Industry and Trade to visit all the main consuming foreign countries to have personal contacts to find out their requirements, to study the market potentialities, the difficulties experienced by them and to find out ways and means by which we can best utilise our resources at home.

In order to overcome the present difficulties facing the Mineral Trade and Industry I would request the Government to take the following remedial measures with a view to putting the manganese ore trade back on its feet.

- (1) The export quota system imposed on manganese ores should be abolished. Exporters and Mineowners will have more incentive only when they are allowed to function freely without such restrictions. Similarly, movement quota system need not be imposed on Railway sectors where the wagon position is easier.
- (2) The system of levy of Export Duty on Manganese ore is having a constricting influence on the country's export Trade and the same should be abolished immediately. In any case the export duty on medium and low grade ores should be abolished forthwith in order to make these grades competitive and marketable.
- (3) The Trade Commissions in the producing and consuming countries should be equipped to study the trend of production in each such country and the trend of consumption in many steel producing countries. They should give periodical reports of purchases made by these main consuming countries from different producing countries.
- (4) One of the greatest difficulties in increasing production of manganese and Iron ores is that there are no proper roads from mine-heads to the loading stations. All State Governments should be requested to construct transportable roads immediately.
- (5) All pending applications for Prospecting Licences and Mining leases should be disposed of by the States concerned as early as possible and that too very liberally.
- (6) Manganese ore is mainly an item of Export and when the country is expanding its exports, there should be no imposition of a Sales-tax or Purchase-tax on the transactions of manganese ore in States as well as on Inter State transactions.

Before I close, I think it is my duty to thank our Honorary Secretary and Jt. Secretary, Shri T. K. Uchil and Shri Dayashankar Bhatt and my colleagues on the working committee for their continued co-operation and enthusiasm shown to study the various problems of the Mineral Trade and Industry and in presenting them to the proper quarters.

CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant	Industrial Raw materials	Manufactures			All Commodities
						Inter-mediate Products	Finished Products	Total	
1953-54	..	104.7	98.6	99.2	109.7	98.5	99.0	98.9	104.5
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.5
1955-56	..	86.6	81.0	95.0	99.1	100.1	99.6	99.7	92.4
1956-57	..	102.2	84.3	101.1	116.0	110.9	105.5	106.2	105.2
April 1957	..	104.3	88.0	107.0	116.7	108.3	105.8	106.2	106.5
May	..	107.0	90.6	109.5	120.4	109.3	107.3	107.5	109.0
June	..	109.3	92.3	111.7	121.3	108.9	108.5	108.6	110.7
July	..	111.3	93.7	114.0	121.6	108.6	108.8	108.8	111.9
August	..	112.1	92.1	114.7	120.1	108.2	108.6	108.6	112.0
September	..	108.5	93.7	114.5	118.4	107.3	108.9	108.6	109.5
October	..	107.2	95.0	114.5	114.8	106.7	109.1	108.6	108.8
Week Ended 26-10-1957	..	107.0	96.5	114.6	115.5	106.9	109.2	108.9	108.9
2-11-1957	..	107.6	96.5	114.6	114.3	105.8	108.7	109.2	108.9
9-11-1957	..	108.3	96.5	114.6	116.3	106.0	108.7	109.1	109.6
16-11-1957	..	108.7	96.5	115.0	116.4	106.3	108.8	108.5	109.8
23-11-1957	..	108.4	96.5	115.0	116.3	106.2	108.7	108.3	109.5

GOVERNMENT OF INDIA

I. 15-YEAR ANNUITY CERTIFICATES—SECOND SERIES

(FREE OF INDIAN INCOME-TAX)

Annuity Certificates securing a monthly payment of Rs. 25, Rs. 50, Rs. 100 and Rs. 200 respectively for a period of fifteen years will be available from the 2nd January, 1958, until further notice at issue prices given below:

For monthly payment of Rs. 25	issue price of Annuity Certificate Rs. 3,325
-do- -do- Rs. 50	-do- -do- Rs. 6,650
-do- -do- Rs. 100	-do- -do- Rs. 13,300
-do- -do- Rs. 200	-do- -do- Rs. 26,600

These certificates will be available to INDIVIDUALS only and no applications will be entertained from or on behalf of institutions, firms or corporations.

The maximum amount that may be invested in the certificates will be

For an individual Rs. 26,600 (or Rs. 28,000 inclusive of holding of 1st series)

For two individuals jointly Rs. 53,200 (or Rs. 56,000 inclusive of holding of 1st series)

Monthly payment will commence after expiry of one calendar month from the date of receipt of the purchase price. Such payment will be free of Indian-income-tax and will not be taken into account in calculating the total income of the holder for the purpose of income-tax.

Annuity Certificates will be accepted for safe custody by Public Debt Offices and monthly payments remitted to the holders, if so desired.

Applications will be received at the offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras, Nagpur and New Delhi; branches of the State Bank of India, State Bank of Hyderabad and Bank of Mysore Ltd. conducting Government treasury business; and treasuries and sub-treasuries in India at places where there is no such office of the Reserve Bank of India or branch of the State Bank of India, State Bank of Hyderabad and the Bank of Mysore Ltd.

II. 4 PER CENT TEN-YEAR TREASURY SAVINGS DEPOSIT CERTIFICATES.

(FREE OF INDIAN INCOME-TAX)

From 2nd January, 1958 and until further notice deposits for Treasury Savings Deposit Certificates will be received in multiples of Rs. 50/- instead of in multiples of Rs. 100/-.

Deposits will be refundable at any time after the expiry of one year from the date of deposit at certain discount.

The other terms and conditions of issue etc. will be the same as at present.

FOR FULL PARTICULARS APPLY TO ANY OF THE OFFICES, BRANCHES OR TREASURIES MENTIONED ABOVE.

December 20, 1957.

THE EASTERN ECONOMIST

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Some Problems of Scheduled Banks

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The Problems of the Scheduled Banks

THE BELAPUR COMPANY LTD.

According to the Report of the Directors of the Belapur (Sugar) Co. Ltd. for the year 1956-57, the Company achieved further records during the year under review. Thus, the net profit for the year, namely Rs. 7,94,580 and the quantity of sugar produced (valued at Rs. 193,40,464) are both stated to be all-time records. The record production of sugar during the year under review is especially creditable, because the percentage recovery was actually slightly lower than the highest reached by the Company, thanks to the extended crushing season.

After providing Rs. 2,60,407 for depreciation (as against Rs. 315,675 for the previous year) and providing Rs. 20,00,000 for taxation which includes Rs. 60,000 for Wealth Tax (as against Rs. 17,75,000 for the previous year), the net profit amounted to Rs. 47,94,580. Adding to this Rs. 70,646, being excess provisions written back, and Rs. 52,911 brought forward from the previous year, the total available for appropriation amounts to Rs. 49,18,137. Out of this, it is proposed to appropriate Rs. 25,37,874 for paying a dividend of Rs. 18 per share free of Income-tax (as against Rs. 16 per share for the previous year) and to transfer to General Reserve, Reserve for Housing, and Reserve for Gratuity Rs. 10,00,000, Rs. 10,00,000 and Rs. 80,000, respectively. This still leaves a balance of over Rs. 3,00,000 to be carried forward to the current year, as against a sum less than Rs. 53,000 brought in from the previous year.

The Directors' observations on the sugar prices during the year under review, although of academical interest now, are significant. They say there was not a great rise in sugar prices throughout the year, the tendency being slightly upward, except when the Government doubled the Excise Duty which had the effect

of putting up the market rates, but even then only to the extent of the increase. This clearly disproves the charge that sugar interests charged consumers more than what the rise in the Excise Duty actually warranted.

THE AHMEDABAD ELECTRICITY CO., LTD.

As in the case of other electricity undertakings, in the case of this Company also, the latest accounts are not for a whole year. They are only for the six months ended March 31, 1957. The six months' total supply of energy for purposes of public and private lighting, fans, etc.; for power, and for bulk supply to North Gujarat Grid amounted to 285.7 million kW. hours, which compares with 548.7 million kW hours for the 12-month period of 1955-56 and nearly 486 million kW. hours for the year 1954-55.

After providing Rs. 22,04,814 for depreciation as per provisions of the Electricity (Supply) Act 1948 and Rs. 4,93,400 for taxation, the gross profit of the Company for the period under review amounted to Rs. 26,30,393. Adding to this Rs. 468 brought forward from the previous accounting period and Rs. 26,03,383 transferred from the Equalisation of Dividends Reserve, the total disposable amount works out to Rs. 32,24,361. Out of this, a sum of Rs. 3,39,681 has been set aside for the Statutory Contingency Reserve, and a total of Rs. 40,521 written off on Account Promotion Expenditure, Stamp Duty and Brokerage on Mortgage Debentures, New Share Capital Issue Expenses and Discount on new issue of Mortgage Debentures, leaving to be distributed Rs. 23,44,159. The dividend of Rs. 3.25 per share recommended by the directors in respect of the accounting period under review takes away Rs. 28,43,006, so that there remains a balance of only Rs. 1,153 to be carried forward to the current year's accounts.

The Course of Deposits

BACK in 1951 the bank deposits took a downward course due to dissaving by middle-class depositors encouraged by all round inflation. This tendency continued for the next two years and a halt to this downward trend was noted in 1954. Ever since then the deposits of banks have been rising steadily. In the last six months alone, deposits rose by as much as Rs. 126 crores. Table I below sets out the deposits of scheduled banks since 1949. It is still premature to estimate the probable impact of rising prices on bank deposits. The current rise has undoubtedly been the result of increased development outlay on programmes laid down in the second Five-Year Plan. It is this expansion in the economy all round which has put deposits at an upward trend. The expansion of deposits, however, has lagged much behind the expansion of currency.

TABLE I

SCHEDULED BANKS IN INDIA DEMAND AND TIME LIABILITIES

(In Crores of Rupees)

Year Ending	Demand Liabilities	Time Liabilities	Total*
1949	579.81	282.97	862.78
1951	553.74	292.47	846.21
1952	517.45	313.27	830.72
1953	508.10	330.02	838.12
1954	566.84	365.28	932.12
1955	608.90	415.20	1,024.10
1956	643.55	457.16	1,100.71
1957 (June 28)	712.13	548.90	1,261.32

* Net of inter-bank borrowings.

A study of the ownership of deposits in Table II shows that during the last three years makes the startling statement that a maximum increase has taken place in personal deposits. As against the total rise of Rs. 165 crores in scheduled bank deposits in two years, personal deposits alone account for Rs. 79 crores. Business deposits have shown a negligible rise of Rs. 18 crores. Other major increases have occurred under deposits of Government and Quasi-Government bodies, Unclassified and Miscellaneous Deposits. Rise in personal deposits has taken place mostly in time and saving deposits. The conclusion can be reached clearly on the basis of this fact that higher rates of interest offered by the banks have been a strong factor in pushing up bank deposits. The new factor of inflationary pressure which took an acute form in 1957 will no doubt have its repercussions in slowing down the rate of advance of these deposits. At the same time projects in the second Plan are being held back with the intention of reducing investment. That also is likely to help in relieving the strain on the banking resources.

During the last year and a half, attention was focussed on bank deposits which, despite a phenomenal increase, failed to remove the tightness in the money market. It is not true to say that the banking system failed to respond to the expansionist wave in the economy under the impact of heavy development expenditure in the second Plan, because during the last few months, deposits of banks have been rising at a rate faster than ever before. It may look a paradox that our money

supply which is at an all-time peak at this time, has failed to relieve the money market of its tightness. The business community has felt this tightness very acutely during recent months. This tightness is not born out of a decrease in money supply, but is the result of an excessive increase in demand resulting from ambitious development outlays.

TABLE II

OWNERSHIP OF DEPOSITS OF SCHEDULED BANKS

(In Crores of Rupees)

Type of Deposits	Dec. 1954	Dec. 1955	Dec. 1956
I. Business Deposits:-			
(a) Trading Concerns	164.0 (18.0)	173.3 (17.4)	171.3 (15.9)
(b) Financial Concerns	71.3 (7.8)	75.6 (7.6)	66.6 (6.2)
(c) Other Business Concerns	85.5 (9.4)	104.0 (10.5)	100.1 (9.3)
Total Business Deposits	320.8 (35.2)	352.9 (35.5)	338.0 (31.1)
II. Personal Deposits	409.0 (45.0)	440.6 (44.3)	488.0 (45.4)
III. Deposits of Government and Quasi-Government bodies	84.7 (9.3)	76.0 (7.7)	111.5* (10.4)
IV. Other Deposits	84.1 (9.3)	94.9 (9.6)	104.5 (9.7)
V. Unclassified **	11.3 (1.2)	29.2 (2.9)	32.8 (3.0)
Total of I to V	909.9 (100.0)	993.7 (100.0)	1,074.8 (100.0)

Note: Figures in brackets are percentages to totals.

It is true that the fault lies partly with the state of development of the whole banking system in the Indian Union. Unlike the Western people, Indian masses are not bank-minded with the result that the ratio of deposits to total notes in circulation has remained always less than one during the last twenty years. On the other hand, in advanced countries like the United States and the United Kingdom, this ratio has tended to be between three and four and has sometimes even exceeded that. This fact is borne out by Tables III (a) and III (b) which set out the ratio of demand deposits to total currency in the United Kingdom and the United States of America. If time deposits are also included, this ratio goes up significantly. It is usual, however, to ignore time deposits because they do not enter into the computation of money supply with the public. The only way to enhance this ratio is to inculcate in

* The sharp increase in deposits is mainly due to the change in classification.

** Accounts of less than Rs. 500/-.

the masses the habit of using the banking system for investing their savings instead of hoarding them. For this purpose, an extensive educative plan needs to be launched which will penetrate into the interior of this country. This however, can bear fruit in the long run.

(TABLE III (a))

UNITED KINGDOM

(Billions of Pounds Sterling)

Year	Currency	Deposits	Deposits X 100 Currency
1937	.46	1.21	263.04
1938	.46	1.19	258.69
1939	.50	1.29	258.00
1940	.56	1.65	294.64
1941	.70	2.02	288.57
1942	.87	2.26	259.77
1943	1.03	2.53	245.63
1944	1.20	2.87	239.16
1945	1.34	3.07	229.10
1946	1.38	3.58	259.42
1947	1.33	3.71	278.94
1948	1.25	3.87	309.60
1949	1.26	3.92	311.11
1950	1.28	3.99	311.72
1951	1.35	3.99	295.55
1952	1.44	3.93	272.92
1953	1.52	4.00	263.15
1954	1.62	4.10	253.08
1955	1.73	3.97	230.60
1956	1.84	3.92	215.2

The argument that the slow growth of deposits in this country is to be attributed to the lack of the banking habit must not be over-emphasized. In fact it should be clear that deposits are exhibiting a new dynamism in the last three years and given the necessary impetus through proper techniques there is no reason why they should not rise much faster. A major factor contributing directly to the growth of deposits must not be overlooked. Effective spurt in deposits must come, in the final resort, from an increment in currency. The scale on which developmental activity is envisaged in the Plan makes it imperative that the system should have more currency pumped into it to sustain that activity. The currency so injected will induce a growth in the

volume of deposits. Assuming that the present ratio of deposits to currency remains what it is, the expansion of currency by Rs. 200 crores during the next two years will bring into the banks an amount of Rs. 150 crores, if not more. This, however, is a conservative estimate. The experience of first half of 1957 has demonstrated that an addition of 10 per cent to the volume of currency is accompanied by an addition of 10 per cent to bank deposits. It is obvious therefore, that the increase in deposits consequent on progressive increments in currency will be much more than the 75 per cent ratio generally assumed.

The upshot of this analysis is that any expansion in bank deposits in the short period is dependent in a substantial measure on the expansion in currency. Ramification of bank offices in the rural regions and an increase in the velocity of circulation of money are long-term solutions. In the context of the near future, the function of giving impetus to deposits devolves largely on currency in circulation.

TABLE III (b)

U. S. A.

(Billions of Dollars)

Year	Currency	Deposits	Deposits X 100 Currency
1937	5.6	24.0	428.57
1938	5.8	26.0	448.28
1939	6.4	29.8	465.63
1940	7.3	35.0	479.45
1941	9.6	39.0	406.25
1942	13.9	48.9	351.79
1943	18.8	60.8	323.40
1944	23.5	66.9	284.68
1945	26.5	83.3	311.90
1946	26.7	83.3	311.90
1947	26.6	86.9	326.00
1948	26.1	85.5	327.59
1949	25.4	85.5	336.61
1950	25.4	92.3	363.38
1951	26.3	98.2	373.38
1952	27.5	101.5	369.09
1953	27.8	103.3	371.58
1954	27.9	106.6	382.06
1955	28.3	109.9	388.3
1956	28.2	110.7	392.6

Advances and Industry

BANK advances, which have been steadily rising for the last four years, stood at Rs. 793.6 crores on December 31, 1956. The previous peak of 1951, the year of Korean boom, was crossed in 1955 and there has been an increase by about Rs. 150 crores during 1956. That this sharp upturn is caused essentially by the expanding economy is evident from the fact that the share of industry in this increase of Rs. 150 crores was to the extent of Rs. 85 crores. The private sector, while fulfilling its obligations of raising industrial output, has to depend, for a part of its finances at least, on bank advances.

There has been a firm rise in industry's share of bank advances from Rs. 166.5 crores on December 31, 1953 to Rs. 305.5 crores at the close of 1956. Cotton textiles accounted for an increase of about Rs. 32 crores, which is perhaps the single largest rise. This has been caused partly by expansion and renovation programmes of the industry and partly by increased production of textiles, adding about 140 million yards to the stocks with mills. Advances to jute industry increased by

Rs. 12 crores. In this case increased stocks of raw jute, which rose from 9.9 lakh bales at the end of 1955 to 11.3 lakh bales by the end of 1956, contributed to the increase. The stocks of jute manufactures also increased considerably. The textile group has taken advances around Rs. 129 crores, which exceed their deposits by about Rs. 100 crores.

Advances to sugar and gur, which increased by Rs. 7 crores during 1956, have been caused by higher production recorded by the industry. On the contrary, advances to vegetable oils industry declined by Rs. 72 lakhs. A considerably large share of advances to consumer goods (24.4 per cent out of 33.5 per cent) is natural in view of the structure of our industry. At present the bias is predominantly in favour of consumer goods. It is evident from the fact that textiles alone have the weightage of 48 in the official index of industrial production, the total weightage to consumer goods being about 75.

The producer goods industries, some of which are of comparatively recent origin, too have received a

reasonable share. Advances to this section have been doubled between 1953 and 1956. The share of the Engineering industry during 1956 increased by Rs. 27 crores and that of Iron and Steel industry by 64 lakhs. Between these two, there has been a net borrowing of about Rs. 50 crores at the end of 1956. In engineering, the light industry has the major part of this advance—Rs. 39 crores—while the heavy Engineering industry has taken Rs. 20 crores. This increase can be explained by the remarkable expansion of the engineering industry; the rise between 1951 and 1956 being more than 100 per cent. Advances to Coal and other mining industries are about Rs. 8 crores, and to chemicals about Rs. 14.6 crores. Here again a significant rise has been noticed. The latter industry is among the most expanding ones and is certainly going to claim a bigger share of bank advances in the future. Thus it can be observed that the financial assistance from the banks to the expanding industrial sector is steadily rising.

From the total advances of Rs. 377 crores to commerce at the end of 1956, wholesale trade has a pre-dominantly large share of Rs. 271 crores. Out of this amount Rs. 166 crores have been advanced by Banks to wholesale traders of non-agricultural commodities, while Rs. 105 crores have gone to dealers in agricultural commodities. This also reflects, in a way, the expanding industrial activity in the country. Advances to dealers in agricultural commodities, however, fluctuate with seasonal stocks. Advances against wheat and other grains (except rice and paddy) on February 28, 1957 were Rs. 7.3 crores while on May 17, 1957 they were at more than double that amount. Traders in Hardware and Machinery have a share of 6.3 per cent and 6.1 per cent respectively, out of the total advances.

Bank advances to agriculture are generally quite modest, except for cash crops, which were above Rs. 13 crores at the close of 1956. The share of Personal, Professional and other purposes has recorded a sharp fall; the percentage of the total has declined to 4.9 per cent at the end of 1956 in sharp contrast with 13.9 per cent a year ago.

The expansion of advances of banks was not accompanied by expansion in deposits on a commensurate scale. In an article on the Course of Deposits in this Supplement the reasons of the comparatively

lesser growth of deposits have been explained. It need not be emphasized, however, that the expansion of advances without a corresponding rise in deposits cannot be pushed, consistently with safety, beyond a reasonable limit. The ratio of advances to deposits which was around 50 in 1950 went up to 63 in 1951 under the impact of the Korean boom, when banking companies reacted promptly and increased their credit facilities. Advances dropped again and for the next three years the ratio did not touch the 1951 level. This level was recaptured in December 1955. In 1956 there was a further sharp upturn in advances and the ratio fluctuated between 68 and 70 which indicates a level of expansion beyond what would be really warranted by cautious use of their resources. The trend towards a sharp increase in advances continues and the latest position is that it shot up to 70 to 75 per cent in the first six months of 1957.

The unequal race between advances and deposits, when the expansion of advances outstrips the expansion of deposits by a large margin, produces certain repercussions on banking operations. The scramble for deposits forces their interest rates up and because their volume is inadequate other devices like reducing the investment portfolio and lowering the cash ratio are resorted to. Furthermore, when banks increase their advances out of proportion to deposits, their liquidity is naturally affected adversely. This is likely to impinge on the safety factor in particular situations. This, however, was not the case with the Indian banking system in the last two years of marked expansion of advances. Banks in India have wisely chosen not to discard a conservative attitude which they have inherited from the traditions of the British banking system.

Short-term advances constitute a sphere where Indian banks have developed a substantial part of their credit operations. Commercial banks in this country have evolved their technique to deal with a variety of clients for short-term accommodation. But a shift in the character of bank advances is now taking place. The requirements of the private sector of industry for medium-term finance are increasing fast. But provision of medium-term finance inevitably affects the turnover of banks. The tendency for some industries to take short-term advances and by a process of renewals to use them practically as medium-term advances has

ADVANCES OF SCHEDULED BANKS ACCORDING TO PURPOSE, 1953-1956

Number of Banks	December 31, 1953		December 31, 1954		December 31, 1955		December 31, 1956	
	87		87		85		86	
	Amount	Percentage of the total	Amount	Percentage of the total	Amount	Percentage of the total	Amount	Percentage of the total
I Industry								
Consumer goods	100,80	22.1	115,68	22.4	133,96	21.9	190,10	24.4
Producers' goods	56,70	11.4	75,21	11.9	87,00	12.4	115,43	14.1
Total	156,53	33.5	190,89	34.3	220,96	34.3	305,53	38.5
II Commerce	240,97	50.2	277,87	49.9	323,17	50.1	376,81	47.5
III Agriculture	11,90	2.4	4,52	0.8	11,30	1.8	13,85	1.7
IV Personal, Professional and others	69,27	13.9	83,69	15.0	89,50	13.9	38,29	4.9
V TOTAL	497,67	100.0	556,97	100.0	644,94	100.0	793,55	100.0

(Rs. lakhs)

July 26, 1957.

gone on increasing in the recent past. It has posed a problem which requires critical investigation as to their long-range implications. The demands on credit for industry from all sources has been so much intensified due to the Plan programmes that attention has been focused on the question of the desirability of commercial banks changing over their conventional credit policies and participating in the provision of industrial finance. It is pertinent to state that the Shroff Committee has expressed its view that banks should provide medium-term and in some cases long-term advances to industry on a modest scale. This transition will necessarily have to be spread over a long period by a gradual process.

The problem of the immediate future, however, relates to provision of credit for the requirements of industry in respect of working capital. The pressure of short-term loans over medium-terms have accentuated the slow but not widely detected process of extension of short-term loans over medium-terms have accentuated the problem of stringency. How far banks should change over to medium-term industrial credit is a matter of long range policy decision. In the present context the difficulties of supply of working capital need to be solved. Another article in this Blue Supplement examines this problem of finance for the private sector in industry in some detail.

Finance for the Private Sector

THE accommodation which banks can offer to the private sector in organised industry merges into the larger problem of the provision of finance for the private sector in the second Plan. The size of assistance which is to be expected from the resources of the banking system must, of course, be related to the aggregate requirements of the private sector. This is a matter of broad estimates because the question of banking has not been examined in the second Plan even in general outline.

The Planning Commission has estimated that the total requirements of finance as contemplated under the programme of the National Industrial Development Corporation and the private sector (excluding mining, electric power, plantation and small-scale industries) would be in the neighbourhood of Rs. 720 crores, to be divided into Rs. 570 crores for new investment and Rs. 150 crores for replacement and modernisation. Deducting the separate provision of Rs. 55 crores already made for the programme of financing by the NIDC, the additional resources required by the private sector of industry are placed at Rs. 665 crores. The break-up of this estimate of outlay into investment and replacement and modernisation should make it clear that it does not take into account the private sector's needs of working capital. The detailed scheme for raising the required resources for investment and replacement set out in the text of the second Plan shows that out of Rs. 665 crores provision has been made to the tune of Rs. 620 crores. It means that even here there is an uncovered gap of Rs. 45 crores.

The general scheme of finance for investment and replacement made in the Plan is subject to one important qualification. That qualification relates to the level of prices of machinery, equipment and materials. Since prices of machinery, equipment and materials have been rising this original estimate was made prices have been rising steadily. It would, therefore, appear that the actual gap in the financial resources of the private sector would be much larger than Rs. 45 crores as envisaged by the Planning Commission. The total amount of private sector finance for investment, replacement and modernisation would be positively higher than Rs. 700 crores if allowance is made for price inflation. The requirements in respect of working capital are to be determined in relation to this figure and it would be safe to estimate that they would be of the order of anything between Rs. 275 and Rs. 300 crores, an appreciable part of which is expected to be provided by the banking system.

How are resources for private industry's requirements to be raised to the adequate level? On this problem there has been far too much complacency on the part of the Planning Commission. The Commission has taken the view that, considering the high rates of investment attained by organised sector of industry during the first Plan period and the dynamic strength of the capital market, the resources required for fixed

investment in the second Plan could be raised without difficulty. The Planning Commission's optimism on the score of raising working capital is still more dogmatic. It has asserted that the task of providing working capital would present even less difficulty in view of the programme of deficit financing proposed to be undertaken in the second Plan. How this confidence has proved to be a miscalculation is now amply borne out by the tight situation in the capital market and the continuing stringency through which banks are passing despite an encouraging expansion in deposits following the expansion of currency.

It is necessary to remember in this context that the private sector's task of finding working capital has become more onerous now in view of the fact that the resources of the State Bank of India will not be available to it in future on the scale on which liberal assistance was usually forthcoming from its predecessor, the Imperial Bank of India. The burden for providing working capital to the private sector, therefore, falls much more heavily on the commercial banks than ever before. As emphasised elsewhere in this Blue Supplement, there has been an appreciable increase in the utilisation of bank finance for medium-term requirements of industry. This result has not occurred due to a deliberate change in the credit policy of commercial banks. But by a process of rolling over short-term credit has been allowed to be used virtually for medium-term requirements. In the present stage of the development and resources of the commercial banking system of this country, it would be inadvisable to ignore this trend and to take no corrective action. This is essentially a function of the Reserve Bank, the State Bank of India and other industrial finance agencies. What is pertinent for the credit requirements of the private sector from banks is ways and means to enlarge their resources for providing essentially working capital.

Since the Shroff Committee tendered its report in June 1954 some of its recommendations have been implemented by the Reserve Bank of India. The object of this implementation, of course, is to provide accommodation to the private sector on a more liberal scale than before. Thus, for instance, the shares and bonds of the Industrial Finance Corporation of India and of the State Financial Corporations have been placed on parity with Government securities for the purpose of advances to scheduled banks under Section 17(4)(a) of the Reserve Bank of India Act. The Bill Market Scheme has been made much more broad-based and accessible to a far larger number of scheduled banks. The minimum limit of advances has been reduced from Rs. 25 lakhs to Rs. 10 lakhs and the minimum amount of an individual bill has also been reduced from Rs. 1 lakh to Rs. 50,000. All licensed scheduled banks have now been declared eligible for advances under the Bill Market Scheme, no matter whatever the size of their deposits. During the year ended June 1956 advances

under the Bill Market Scheme aggregated Rs. 100 crores, or Rs. 33 crores more than the advances in the previous year.

There is still much more to be done by way of expanding the base of credit available from the banking system. It is urgent now that at least the important recommendations of the Shroff Committee and those contained in the Report of the All-India Rural Credit Survey should be implemented. Thus, for instance, the representation of the leading scheduled banks to the effect that they should be recognised as eligible to provide banking facilities to quasi-public institutions needs to be granted with a view to augmenting their funds. If commercial banks are to be enabled to tap the rural resources by opening branch offices in those areas, they should be freed from the rigid and prohibitive conditions of salaries of staff laid down in the Bank Award. Reasonable discretion ought to be given to them to relate salary scales to local conditions of cost of living as a partial relief against losses which offices in these areas will necessarily have to incur over a long initial period.

Provision of working capital will continue to re-

Earnings, Expenses and Profits

THE present phase of stringency through which the Indian banking system is struggling its way calls for a candid examination of the different aspects of bank operations. Trends in the earnings, expenses and profits of banks form a vital part of these operations. Their analysis is essential not only for a correct appraisal of the broader problem of stringency but for judging in what sense the assumption generally made to the effect that banks in India have entered upon a period of prosperity with higher profits is substantiated by facts. The course of these three indicators as disclosed in the working of exchange banks is included along with the developments in the operations of Indian scheduled banks in the analysis in this article for the purpose of comparative assessment. It establishes the conclusion that earnings and expenses have kept on expanding. The crucial year for the structure of costs is the year of the Bank Award — 1953 — which altered the ratio of expenses to earnings. Compared with 1953, bank profits have exhibited a healthy trend towards a rise.

The table in this article comprising major groups of operations sets out their course in absolute figures. Current operating earnings are what really matter as the criterion with which the ratios of other items of operations ought to be compared to determine progress or decline in working during individual years. The comparisons of the trends in earnings, expenses and profits in the analysis which follows are expressed as percentages of current operating earnings. The difference between total current operating earnings and total earnings is negligible and is accounted for by a minor factor which adds to the size of the latter.

Discount on bills and interest on loans and advances is the mainstay of bank revenues. The volume of interest on loans and advances forms the bulk of the earnings of Indian scheduled banks in the group, bills, loans and advances, and it increased from Rs. 16 crores in 1951 to Rs. 19.5 crores in 1955. Discount on bills purchased varied from Rs. 2.2 crores to Rs. 3.7 crores between these two years which shows marked percentage rise. The structure of earnings of Indian scheduled banks reveals changes which need not be regarded as altogether unimportant. Discount and interest on bills and advances declined, as a percentage of current operating earnings, from the peak of 59.1 per cent in 1952 to 56.1 per cent in 1955. The percentage in 1955 is marginally lower than the percentage of 56.4 in 1951. Earnings from government securities have recorded a

main the proper function of scheduled banks in their role vis-a-vis the private sector of industry. It is obvious that scheduled banks will be looked upon as the major source of this type of accommodation by the private sector. This is for the simple reason that the demands which have been made by the Plan programmes on the private sector are too exacting. The course of deposit expansion and growth of advances by scheduled banks during the last two years conclusively establishes that in spite of a larger flow of deposits, the pressure of credit requirements cannot be eased. The ratio of advances to deposits is increasing at a rate which only adds to the current stringency. Positive action therefore, needs to be taken to augment banks' resources. An immediate remedy available for this purpose is to liberalise the scheme of channelling the proceeds of the P.L. 480 Commodity Loans into the projected Refinance Corporation. These proceeds ought to be distributed between the public sector and the private sector on a 50:50 basis. Still another remedy which can be indicated in the present situation is to enlarge the assistance of the Reserve Bank to the commercial banking system.

steady rise from 20.9 per cent in 1951 to 21.8 per cent in 1955. It is likely, however, that this upward trend is being halted, or perhaps reversed, owing to the depletion of the investment portfolio for enlarging banks' lending resources. "Other earnings" derived from commission on bills tendered for collection, Telegraphic Transfers and Demand Drafts as well as service charges form the third large source of revenue. If the boom year of 1951 is excluded, this group of earnings discloses a firm trend in the last two years of the period under survey — 18.8 per cent in 1955 as against 17.9 per cent in 1952.

The pattern of the earnings of exchange banks has also undergone a change, but it reveals somewhat different variations from the operations of Indian scheduled banks. Revenue from bills purchased and discounted has always assumed a relatively high proportion in their earnings of discount and interest for the obvious reason that they continue to retain the lion's share in financing the external trade. This proportion ranges approximately between 40 and 45 per cent in the group of bills and loans. The most striking factor of exchange bank earnings which emerges during this period is that the share of income from bills and advances shot up suddenly from 67.9 per cent in 1951 to 77.7 per cent in 1952 and it has shown only marginal changes from the 1952 level. Interest on government securities shows that although its percentage share in current operating earnings remained virtually the same in 1951 and 1955 at 9.4 per cent, the peak in 1953 and 1954 has now passed away. The gains in discount and interest have been made largely at the cost of "other earnings" whose ratio shrunk from 22 per cent in 1951 to 12.7 per cent in 1952 and this latter level was maintained in 1955 after a fall in the two intervening years.

Much of the prosperity in earnings of banks has been cancelled out by the steep rise in current operating expenses. There has been a spectacular increase for Indian scheduled banks from Rs. 23.9 crores in 1951 to Rs. 33.6 crores in 1955 and this increase has assumed high progression in the last three years since 1953. A higher proportion of operating expenses is undoubtedly implicit in a rising volume of business and earnings, but the rise in the two indicators shows much disparity. Easily, the biggest individual item of mounting costs is establishment expenses. Its proportion to current operating earnings rose markedly from about 37.3 per cent in 1951 and 1952 to 38.7 per cent in 1953. This sudden

increase is explained by the impact of the Bank Award. Higher banking activity came as an opportune relief and enabled the banking system to absorb the shock of the Award. The subsequent higher levels of establishment expenses are to be ascribed to the higher volume of business. The ratio of these expenses rose to 39 per cent in 1955. Payments of interest on deposits have imposed a heavier and rapidly increasing liability on the expenses of banks. Another article in this Blue Supplement discusses elaborately the course of deposits. It is now a commonplace that banks in India have entered a continuously intensifying scramble for deposits. It is but inevitable that this scramble should bring in its train a heavy bill of interest charges. For the Indian scheduled banks, the ratio of interest on deposits to current operating earnings spurted up from 22.9 per cent in 1952 to 26 per cent in 1953 from where it jumped to 28.6 per cent in 1955.

The upsets caused by the Bank Award in the structure of expenses of exchange banks also were noteworthy, but their impact seems to have been heightened by the decline in current operating earnings in 1953, the year of the Award. Their establishment expenses went up suddenly from 27.7 per cent in 1952 to 33.9 per cent in 1953. It is a striking feature of their establishment expense ratio that it came down to 31.8 per cent in 1955, a factor which is explained by the increase of about Rs. 2 crores in current earnings as against an increase of Rs. 30 lakhs in establishment expenses. Another striking fact about the expense trends of exchange banks is the steep rise in interest on deposits from 14.2 per cent in 1953 to 16.2 per cent and 17 per cent in the two following years. This burden seems to be due to their increasing participation in the competitive arena of deposits which has become necessary for them since funds from home are now available on a smaller scale owing to the rising rate of interest.

Neither the year 1951 which represented the abnormal factor of the Korean boom nor the next year can serve as a realistic base for making an assessment of

the trends in profits. A new and vital element was introduced in the pattern of bank earnings, expenses and profits by the Bank Award in 1953. The effect of the Award is clearly seen in the depressed levels of net profits before taxes — Rs. 6.52 crores for Indian scheduled banks and Rs. 2.62 crores for exchange banks. This burden on costs is a permanent ingredient and precisely because of this fact the course of profits ought to be compared with profits in this year. The improvement which was registered in the following years in absolute terms is evident from the table itself in respect of both the classes of banks. In percentage terms there was a marginal decline in 1955 in the profits of Indian scheduled banks as compared to the previous two years' level of 19 per cent, but exchange bank profits rose slightly from 22.4 per cent in 1953 to 22.9 per cent in 1955.

The disposal of net profits and accumulated surplus discloses that the share of employees in profit by way of payment of bonus in the Indian scheduled banks has improved from 13.1 per cent of the total sum made available for disposal in 1952 to 13.8 per cent in 1955. The improvement in the case of exchange bank employees indicates that their share has gone up from 6.5 per cent to 8.9 per cent in the corresponding years. The contribution of exchange bank offices in India to dividend distribution merges in the head office account. But the return to shareholders — dividend etc. — in the case of Indian scheduled banks indicates that it improved from 31.4 per cent, (of the total sum available for disposal) in 1952 to 33.1 per cent in 1955. The other striking development revealed by facts is the state of the reserves of Indian scheduled banks. There was abnormal withdrawal from reserves in 1951 of the order of Rs. 2.2 crores and the total withdrawals reached Rs. 2.78 crores. Allocations in the subsequent years have served to replenish this heavy drain and it was because of a deliberate policy of liberal appropriations to reserves that there was a net addition of Rs. 36 lakhs over the period.

EARNINGS, EXPENSES AND NET PROFITS OF INDIAN SCHEDULED BANKS

	AND EXCHANGE BANKS 1951 — 1955					Exchange Banks				
	(In Lakhs of Rupees)					1951	1952	1953	1954	1955
	1951	1952	1953	1954	1955	1951	1952	1953	1954	1955
Number of Banks	72	73	68	70	69	15	14	14	14	15
EARNINGS:										
Bills, Loans and Advances	18,16.4	20,27.6	20,03.1	21,21.5	23,14.8	8,84.4	10,32.6	9,24.2	8,85.9	10,21.2
Government Securities	6,74.3	6,84.3	7,54.3	8,09.5	9,00.9	1,20.7	1,14.8	1,16.8	1,17.6	1,25.4
Other Investments	99.2	1,04.9	91.2	1,16.6	1,32.0	7.7	13.5	11.0	14.5	21.5
Other Earnings	6,31.2	6,14.5	5,77.5	6,59.7	7,76.0	2,88.8	1,68.9	1,18.7	1,27.7	1,71.4
Total Current Operating Earnings	32,21.1	34,31.3	34,26.1	37,07.3	41,23.7	13,01.6	13,29.8	11,70.7	11,45.7	13,39.5
Recoveries on assets previously written down and gains from revaluation etc.	6.9	6.9	7.6	11.4	21.7	4.9	0.7	4.6	8.5	8.0
Total Earnings	32,28.0	34,38.2	34,33.7	37,18.7	41,45.4	13,06.5	13,30.5	11,75.3	11,54.2	13,47.5
EXPENSES:										
Establishment Expenses	11,98.6	12,84.3	13,25.9	14,09.3	16,08.4	3,41.1	3,68.6	3,97.2	3,95.3	4,25.3
Interest on Deposits	6,77.9	7,85.3	8,90.6	9,92.2	11,78.1	1,01.5	1,70.7	1,66.4	1,85.1	2,27.6
Interest on Borrowings and Other Accounts	81.6	1,20.8	74.3	1,12.1	86.9	1,25.2	2,24.3	1,75.1	1,48.4	1,82.4
Other Expenses	4,31.1	4,40.0	4,43.2	4,58.4	4,89.1	1,53.4	1,59.4	1,65.5	1,65.0	1,85.1
Total Current Operating Expenses	23,89.2	26,30.4	27,34.0	29,72.0	33,62.5	7,21.2	9,23.0	9,04.2	8,93.8	10,30.4
Depreciation written off and Loss Incurred in Sale of Assets	87.9	64.1	48.0	43.1	46.3	31.2	11.6	8.8	12.2	10.8
Total Expenses	24,77.1	26,94.5	27,82.0	30,15.1	34,08.8	7,52.4	9,34.6	9,13.0	9,06.0	10,41.2
Balance of Net Profits Before Taxes	7,50.9	7,43.7	6,51.7	7,03.6	7,36.6	5,54.1	3,95.9	2,62.3	2,48.2	3,06.3

The Role of Banks in the Plan

I. The Urban Sector

THE arrival of planning as an integral feature of the country's economy has introduced powerful new elements to which banks, like many other institutions, have to adjust themselves. Elsewhere in this Blue Supplement it has been shown by means of both argument and statistics that the financing of the rapidly expanding commerce and industry has placed heavy strains on the resources of banks, which have not been able to keep pace with the ever-increasing demands. The large developmental expenditures, in the public as well as in the private sector, injecting more money into the market, also unaccompanied by a commensurate increase in the availability of consumer goods, has created a situation of inflationary pressures which has affected the banks as much as the other sectors of the economy. It is important further to remember that with the taking over, by the State, in 1955, of the Imperial Bank of India, the private sector has lost an important financial institution which was playing a substantial and significant part in the financing of trade and industry. The new responsibilities of the State Bank of India are bound to divert part of its resources from the key services which its predecessor was rendering to business. With the nationalisation of life insurance a year later, another source of finance was largely blocked for the private sector. The cumulative effect of these developments has been for the commercial banks to have to shoulder increasingly heavier responsibilities.

That the responsibilities coupled especially with the steep rise in the demand for credit have turned out to be too heavy for the banks is well known. The pressing demands for advances have not been fully matched by higher levels of deposits. Consequently, there has ensued a scramble, among banks, for deposits, leading to dearer money both in the case of deposits and advances. But, by and large, monetary stringency has been dogging the economy for a long time now. The unequal race between expanding advances and deposits underlines the necessity of providing larger resources to banks. Credit expansion is inevitably in the wake of developmental activity, and normally restriction of credit is bound to produce more harm than good in a phase of expansion. One immediate result expected of credit control is to keep in check price inflation. But in Indian conditions, with banking operations spread to a limited area, this function can have only a restricted influence. The answer to the problem

of stringency lies not in credit restriction but in larger funds to meet reasonable and genuine requirements.

Bank advances have not been confined mostly to short-term loans contrary to the popular belief. In the recent past a definite change has taken place in the pattern of advances and loans of Indian scheduled banks. Short-term loans have tended to be projected into medium-term loans. The banking system has now assumed some responsibility for short-term industrial finance. Long-term needs of industry have found no mentionable place in the activities of Indian banks. It should be clear that this is not their function. In this area, the coming into existence of specialised credit institutions like the industrial finance corporations, the Industrial Credit and Investment Corporation, the Refinance Corporation, etc., is a welcome step forward. Some of these institutions also have projected into the medium-term advances, which, it would appear, has reduced the field of commercial banking operations. However, these institutions themselves are bank-based, in so far as their surplus resources are to be maintained by the banking structure.

What shape the new pattern of banking should take is a matter which needs concrete discussion and careful thought. Nonetheless, some spade work may be said to have already been done in this direction. A detailed plan has been formulated on the initiative of the Indian Banks' Association which has attracted some public attention. The plan envisages extensive expansion of commercial banks side by side with their rationalisation to prune their wasteful projections. Insurance of bank deposits, which was a recommendation of the Shroff Committee, forms another proposal of the plan, which is calculated to expedite the progress of deposit banking. For banking to run on scientific lines, it is necessary to evolve a banking service cadre which would be abreast of the latest trends in banking in other parts of the world and adapt such trends to the conditions, and needs of this country. One of the most important steps that needs to be taken without any delay is the creation of proper co-ordination between the commercial banks, and between them on the one side and the other banking and financial institutions, like the co-operative banks, the State Bank of India and other State-owned banks, on the other. In all this, the Reserve Bank of India will have to play a leading role.

II. The Rural Sector

THE recent trend in legislation regarding suppression of usurious lending and strict regulation of the business of traditional money lenders through licensing etc., indicates a healthy development. The question, however, that still remains to be answered is what agencies replacing the money lender are being developed to meet the credit requirements of the rural areas adequately. The importance of this subject has increased in view of the developments taking place in the economy and the greater role agriculture and village and small industries are expected to play in the second Five-Year Plan. Efforts of the Government in promoting co-operatives, so far, have not gone a long way in solving the problem. Even after fifty years of existence co-operatives today supply only 3 per cent of the total finance needed by agriculture. They have done little as regards the financing of small and village in-

dustries. It will be essential to examine the possible role that commercial banks can play in this direction.

Till recently commercial banks in India have as good as excused themselves from participation in the supply of rural credit. The reasons for their hesitant attitude to venture into this field are not far to seek. In the case of agriculture as well as small and village industries commercial banks rightly find too great a risk to entertain. For one thing, they are not equipped to advance medium and long-term credit, for another, the market for the produce of decentralised industries is very uncertain. The result is that as estimated by the Rural Credit Survey, commercial banks supplied only 0.5 per cent of the total rural credit requirements in 1950-51, not less than 60 per cent of which was of short-term nature.

With the implementation of the plan, the role that the banking system will be called upon to play needs no emphasis. It needs to be considered what demands will be made on it in the rural sector. The growth of agricultural production and incomes as envisaged under the plan will exert great pressure on credit facilities. The expansion of the monetised sector will also entail a higher level of money supply with consequent growth of the deposit component. The mobilisation of savings, a great factor in the implementation of the plan, will be greatly facilitated by the capacity of the banking system. Success or failure of the programme of development of small and village industries, upon which the plan lays so much emphasis, will again be determined by the way they are able to meet their credit requirements. The establishment of the State Bank of India is in response to all these anticipated needs of the economy. The State Bank by terms of its statute will provide credit and banking facilities in the semi-urban and rural areas. It proposes to make contribution to rural credit by way of branch banking and easy remittance facilities. Financial assistance, for instance, through purchase of debentures of land mortgage banks, or through direct advances against agricultural produce or small-scale industry products, will also be provided. The State Bank of India makes a departure from orthodox commercial banking practices as regards securities against which loans will be granted. In accordance with this, the Bank's policy will be to give indirect assistance in regard to provision of long-term finance for agriculture through Land Mortgage Banks. In the case of small-scale industries credit can be given on the basis of capacity to produce and sell.

The appearance of the State Bank on the scene, however, does not eliminate the necessity of prodding commercial banks in this respect. The problem is too huge to be tackled by the State Bank alone. The progress of the Bank in branch banking is not very en-

couraging. Thus, out of the 400 branches scheduled to be opened by July 1960, the State Bank was able to open only 46 until recently. The role that commercial banks might be called upon to play in the sphere of small and village industries is of increasing importance. The magnitude of credit requirements can be imagined from the plan outlays. A development expenditure of Rs. 200 crores is planned in the public sector in small-scale and village industries during the second Plan period. No separate breakdown for small and village industries is available for the private sector; but it would not be wide of the mark to assume that one-third of the total of Rs. 300 crores indicated in the Plan for agriculture and small and village industries will be required for the latter. Since the bulk of plan expenditure is only of developmental nature, large demand for working capital and medium and long-term accommodation is anticipated. On a rough estimate this demand can be put at Rs. 75 crores.

Ramification of bank offices in rural areas is bound to prove very expensive and unremunerative for a long period. This is true as much of commercial banks as of any other banking institution. The point is already conceded in the Reserve Bank's and Government's commitment to subsidise losses incurred by the State Bank in its programme of branch expansion. In the circumstances, to encourage commercial banks in this field something of the nature of subsidising losses will be necessary. Besides relaxation in rules regarding liquidity and securities concessions in enforcement of pay scales for the staff consistent with local cost of living is also necessary. The acute stringency through which banks are passing at the present time indicates that their resources will be required for their normal operations in urban and semi-urban areas. Expanding demands in this sector will claim priority. Nevertheless, it would appear desirable that a positive beginning should be made for spreading their activities to serve rural requirements.

Conclusion

IT may be helpful to state together the conclusions arrived at in the articles preceding. In the first place, it has been shown that deposits have exhibited a fair degree of elasticity and that the banking habit, contrary to current opinion, is growing steadily. Some interest attaches naturally to the ownership of the new deposits. It will be seen that both corporate and personal deposits are rising, but there is ground for believing that personal deposits are more elastic. As the system continues to expand, not only will total deposits rise, but the percentage of personal deposits as against corporate deposits might conceivably rise with it. Is this an indication that liquidity preference is increasing and that the urge to hold more money is increasing more rapidly than the urge to invest it?

On the side of advances, it has been shown that there was a marked departure after the year 1954 when the banks were called upon to finance much more of India's dynamic industrial production in the organised private sector. It would now appear that the banks have actually advanced more than Rs. 100 crores in the last two years on a basis quite different from that prevailing before 1954. Slowly, but nonetheless surely, the banks are entering into the provision of medium credit, giving the private sector investment resources other than strictly working capital. This is a development the significance of which has not yet been realised. It implies that the private sector has not only found a new dimension of finance, but the banks themselves have taken on themselves greatly increased obligations. It is this medium-term credit which is a large factor in the current stringency situation.

The reason why medium-term credit is much more onerous for the banking system is clear. In the case

of the Tea industry, for example, advances have hitherto been for a single year on the basis of crop hypothecation. There has never had to be more than Rs. 12 crores outstanding at a particular time. If, however, replanting, which would normally require loans for a period of six years, were to be bank financed, substantially greater credit would be needed. The changing character of banking advances is thus a major element in producing both a rise in advances and a slowing down in the rate of turnover. In part, of course, this is connected with the Plan which calls for heavier medium-term investment, but it is probably part of a permanent change which the Indian banking system is undergoing with expansion, even outside the Plan.

Both because of the limits under which the banking system can finance medium-scale industries and of the fact that the Plan imposes a level of advances out of relation to the normal rise of deposits, it is clear that additional finance has to be placed in the hands of the banking system. The particular method suggested has been of greater assistance through the Refinance Corporation on the basis that the proceeds of PL 480 loans should be equally divided between the private and the public sectors. This, however, is not the only means, by which banks can be assisted. In view of the fact that they are now undertaking medium-scale duties such, for example, as are involved in replanting, they should be eligible for Government loans, since it is part of Government policy to lend money to the agricultural system in order to keep its turnover high and rising. There is much to be said for an expert analysis of the new strains imposed on the scheduled banking system by the pattern of its medium-term obligations, which should more properly have been undertaken by the Reserve Bank and the State Bank of India.

SCHEDULED BANKS

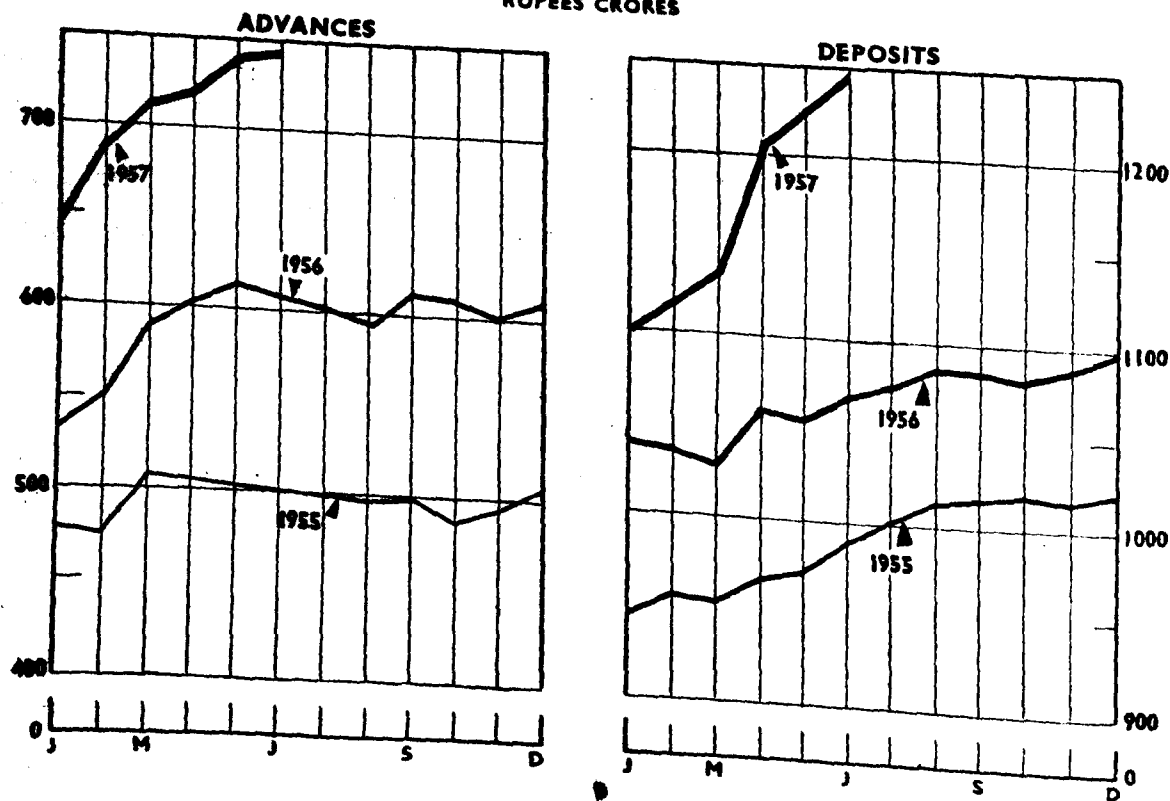
Period (1)	LIABILITIES			Cash (Notes + Coins) (5)	Balances with Reserve Bank (6)	(5 + 6) as percent- age of (4) (7)	Advan- ces (8)	Bills Discount- ed (9)	(8 + 9) as per- centage of (4) (10)	Invest- ments in Govt. Securities in India (11)
	Demand (2)	Time (3)	Total (2 + 3) (4)							
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
1948-49	674.66	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	..
1949-50	597.79	272.69	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	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56	71.39	359.35
Average of Fridays										
October 1956	639.78	455.05	1,094.83	38.15	49.08	7.97	612.27	146.94†	69.35	373.01
November	648.62	457.21	1,103.26	36.36	50.64	7.99	601.41	182.79†	70.24	365.95
December	652.09	460.42	1,111.04	36.63	51.06	7.98	611.97	168.62†	71.07	365.11
January 1957	659.71	459.06	1,118.77	35.49	49.32	7.64	647.60	165.94†	73.29	362.67
February	683.02	464.95	1,147.97	36.01	50.29	7.58	687.52	166.33†	74.97	357.27
March	705.11	466.94	1,172.05	36.27	51.79	7.58	708.67	168.45†	75.55	348.75
April	728.28	491.75	1,220.03	39.31	65.12	8.64	719.66	183.45†	71.69	345.08
Week Ending										
7-6-1957	711.69	538.11	1,236.55	39.74	63.73	8.37	746.00	189.58†	75.65	340.22
14-6-1957	712.67	544.13	1,243.48	40.94	59.78	8.10	743.32	187.03†	74.82	334.88
21-6-1957	711.26	551.01	1,247.84	40.80	68.10	8.73	741.64	178.90†	73.77	332.96
28-6-1957	723.38	553.02	1,261.03	42.38	68.72	9.60	746.03	173.27†	72.88	332.71
6-7-1957	713.14	563.76	1,258.32	41.30	73.51	9.12	741.69	189.74†	72.71	332.64

* Undivided India.

† Including foreign bills purchased and discounted.

SCHEDULED BANKS

RUPEES CRORES



The Iron and Steel Industry

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The Appetite for Steel

AUGUST 26, 1957, marks the fiftieth anniversary of the Tata Iron and Steel Company. It is a day of national significance for, half a century ago, on this day, was laid the foundation of India's steel industry. The nation pays a tribute to Jamsetji Tata, father of the great venture, for his vision and pioneering spirit. His unflinching faith in the future of this country's industry was the real force behind his determination not to allow any opposition and obstacles to deter him from his cherished but difficult goal.

The world's appetite for steel keeps on growing in the proverbial manner. There is nothing surprising in this tendency because steel constitutes one of the primary indicators of the health and vigour of the economy in any country. It is in the light of this fundamental trend that this Blue Supplement surveys the present and prospective position of steel in India as also in the other countries of the world on this important occasion.

To take India first. It is undoubtedly a matter which should create confidence in the capacity of this country to exploit its industrial potential that four steel units—now changed to three on amalgamation—could be established and developed in a period in which the country did not enjoy sovereign status. Independence released the forces which accelerated the tempo of industrialization. The second Plan in particular gave a powerful impetus to the urge for launching a phase of rapid expansion of industry. Heavy industry, including capital goods manufacturing industry, has been of course, assigned an important place in the second Plan. Steel takes the pride of place among these industries. In fact it has been recognized as forming the leader among the industries which constitute the core of the Plan.

Two articles in this Blue Supplement on Steel Expansion and Technical Manpower discuss in great detail India's programme in the second Plan for the development of the steel industry, the problems posed by them and the resources provided. In the context of the Industrial Policy Statement all future new units in the steel industry will come under the public sector. This feature ought not to obscure the great contribution which private enterprise has made to the growth of the steel industry in a difficult phase when the obstacles

were frequent. Even at the end of the second Plan, half of the steel production will come from units in the private sector. The article on Technical Manpower describes the magnitude of this problem and the manner in which it is proposed to be tackled. Technical skills present one of the principal teething troubles in the early phase of industrialisation in any country. It is inevitable that we may commit mistakes costing us dearly in meeting this challenge of technical skills. But this is the price of progress which must be paid. The Case Study on Human Relations demonstrates the progressive attitude of private managements. This performance is far more telling than all the talk about the State posing as an ideal employer.

Looking at the comprehensive global picture, it is clear that there is a keen race for developing and strengthening the steel sector of industry in all the countries which have already made considerable strides in industrial advancement. Nevertheless, the contrast between the level of growth achieved by the United States and the USSR emphasises the disparity in their industrial and defence potential. This difference between the strength of the two leaders of the free world and the communist world is of great significance. The rate of estimated growth in the production of steel in the immediate future would be higher in countries which have made a late start in the race for steel than in countries which had already proceeded much ahead. In terms of quantity, however, the reverse is the case.

The future markets for world exports in steel will tend to be concentrated predominantly in the industrially backward countries of Asia, Latin America and, after a time, also of Africa. This trend implies that in the coming phase of the development in these backward countries accent will be placed on the expansion of consumer goods and transport industries. But it would be a great mistake to suppose that they will postpone their aspirations of building their own steel industry as a base for rapid industrialisation to the extent their resources make it possible. International division of labour is an abstract principle and even under-developed countries have to guard themselves against possible emergencies.

Expansion in Steel

IN terms of heavy industries, the last six years have been a period of accomplishment without equal in Indian history. The next five years promise to be even more eventful: an indication of which can be seen in the work that has already been done in the steel industry. By 1960-61, India will have an annual production of 6 million ingot tons of steel, and this may rise to 15 million ingot tons by the end of the third Plan. How has this come about? At the end of the war, the industry was caught short with obsolete equipment and low capital reserves. A Steel panel appointed by the Government in 1945 recommended immediate expansion to meet the demands arising out of post-war construction and development, but little progress could be made for a time because of financial stringencies.

In 1947, Government decided to set up immediately two steel plants, each with a capacity of 500,000 ingot tons. Following this announcement came the Government's now famous Industrial Policy Statement of 1949. The State reserved to itself the exclusive right to set up new units, while the question of existing units was left open, to be reviewed at the end of 10 years. This gave the investor a feeling of uncertainty, making it extremely difficult to find finance for expansion. The industry had already made detailed plans for expansion. As early as 1946, Tata Steel engaged a firm of consultants to draw up plans for the renewal and rehabilitation of plant, to maximise production within the existing framework, and to diversify production. In 1951, in response to repeated requests, Government allowed the producers to set aside a special allowance over and above the standard rates of depreciation to compensate for the greatly increased price of capital goods. Finally in 1953, the steel industry embarked upon its much delayed expansion schemes. Two events of note occurred in that year. The Steel Corporation of Bengal was amalgamated with the Indian Iron and Steel Company and Tata Steel launched its modernisation and expansion schemes. Indian Iron planned to increase its capacity to 700,000 tons of finished steel and 400,000 tons of pig-iron with the help of a World Bank Loan of \$31 million, a special advance of Rs. 10 crores and an interest-free loan of Rs. 7.9 crores from the Steel Equalisation Fund. Tata Steel's programmes which involved repairs and renewals, diversification of production and a target of 931,000 tons of steel a year, was estimated to cost Rs. 25 crores and a loan of Rs. 10 crores from the Equalisation Fund was obtained to implement this project.

The success of the first Five-Year Plan encouraged Government to set a more ambitious target for the second Plan. In 1955, Government decided on the target figure of 6 million tons by 1960, to which the three new plants at Bhilai, Durgapur and Rourkela were to contribute a million tons each. Simultaneously, Indian Iron and Tata Steel were allowed to go ahead with projects of further expansion which involved in the case of Indian Iron an increase in output to one million tons, and a doubling of Tata Steel's output to two million tons by mid-1958. In December, 1955, Tata Steel entered into a \$130 million agreement with Kaiser Engineers, a division of the Henry J. Kaiser Company of the USA, to undertake the designing, procurement and construction of new facilities to raise output to two million tons. This project is scheduled to be completed by May 31, 1958, in exactly two and a half years from the date it was launched. The Two Million Ton project embraces every aspect of steel-making from the winning of ore to the rolling of finished products. A blast furnace with a 28 foot-hearth—the

largest in Asia—and a capacity of 1,650 tons a day is to be added. This blast furnace is designed for top pressure operation. A battery of coke ovens, a sintering plant of 5,000 tons per day capacity which will use iron and fines, and three new rolling mills are features of the project. A highly mechanised steel melting shop, comprising seven 200-ton furnaces is being installed. This shop is equipped with one of the largest cranes of its kind in Asia. By May 1957, nearly all the procurement work was completed and the overall project was more than half way to completion.

Each of the three State plants will have a capacity of one million ingot tons a year with provision for further expansion. Estimated to cost Rs. 462 crores, they are scheduled to commence producing pig-iron by 1958 and steel by 1959. The first State steel plant, at Rourkela, is being installed with the help of Krupps and Demag of Germany. The plant at Bhilai has the technical and financial assistance of the Russian Government, and the Durgapur plant is being set up with help from a consortium of British engineering firms. Hindustan Steel (Private) Ltd., formed in June 1953 to undertake the Rourkela project, has since March 1957 been invested with overall responsibility for all three State plants. While day-to-day matters will be settled by the respective local boards of each plant, policy questions will be dealt with by Hindustan Steel. Mr. S. Bhoothalingam is confident that the three plants would not only save foreign exchange at the rate of Rs. 150 crores a year but the annual steel output would also enable the country to finance two one-million-ton steel plants every five years.

Several technological advances have been incorporated in the new plants. In Rourkela, for instance, a limited use of the Linz-Donawitz process will be made for smelting steel. In this process considerable saving is obtained by blowing oxygen instead of air through the molten metal. Coke ovens are being equipped for the recovery of crude benzol at each plant. The Durgapur and Bhilai works will also rectify benzol to its by-products and fixate ammonia in the form of ammonium sulphate. Another new technique—high top pressure in the blast furnaces—is also being adopted. At Rourkela, good progress has been made in the establishment of a township for 100,000 people. Government is developing Taldih, some 60 miles from Rourkela, to supply iron ore to the plant. Bhilai will obtain its iron ore from the rich deposits of ore in Dhalli-Rajhara in Madhya Pradesh, which were discovered by Tata geologists 50 years ago. The coal supplies for Bhilai will be drawn from the new mines at Korba, also discovered by Tatas, which it is hoped will start supply by 1960 at the latest. While the Rourkela plant will concentrate on the manufacture of flat products, the Bhilai Works will produce rails, beams, structurals, sleepers and billets. The Durgapur plant will mainly manufacture rolled products and railway materials. It will have a wheel tyre and axle plant—which together with the one in Jamshedpur will fully meet the country's requirements. The Damodar Valley Corporation will set up a thermal power station to supply power to this plant. A fourth steel plant at Bokaro has been actively discussed in recent months as one of the third Five-Year Plan's schemes.

The expansion of production at Bhadravati steel plant is one of the major schemes of the Mysore Government, but in the total picture of the steel plan its significance is very modest. The plant concentrates on high priced steels rather than mild steel products. The economics of the unit because of its using costly electric

furnaces has been presenting a special problem. The Central Government advanced a loan of Rs. 151.66 lakh during the first Five-Year Plan. The production of finished steel reached 30,300 tons and that of pig iron 52,400 tons in 1955-56. The progress in achieving the targets set for the plan period, has however, been very slow. Thus only 35 per cent of the target was achieved for finished steel and 52 per cent for pig iron. The target of production for ingot steel has been fixed at 100,000 tons for the year 1960. The schemes included in the second Five-Year Plan are estimated to cost Rs. 6 crores.

With the rapid increase of India's steel-making capacity, steel-using industries too will expand at a fast pace. The re-rolling industry, for instance, will be able to operate at its optimum capacity with the achievement of the steel target. Though the industry has, at present, a basic three-shift capacity of 700,000 tons, the total supply of billets and semis available to it is around 250,000 tons. Two foreign heavy engineering firms, one British and the other Russian, were invited to report on the establishment of a heavy engineering industry in India. An expert committee under the Chairmanship of Sir Jehangir Gandhi, appointed by Government to study their reports, recommended that an integrated plant be set up which combined in itself the following six separate units: a foundry-forge shop, a heavy machine building unit, a heavy machine tool works, a heavy plates and vessels unit, a heavy structurals shop, and a unit for coalmining equipment. The whole project is expected to cost about Rs. 70 crores during the second Plan, of which the foreign exchange component will be of the order of Rs. 40 crores. Apart from this, steel foundries for heavy castings are being established by TELCO and the Chittaranjan Locomotive Works. They will help to meet the requirements of heavy castings for the railways entirely from within the country.

An expansion of this magnitude naturally gives rise to many problems. These relate to the supply of raw materials, power, transport and the availability of technical and other personnel. In the matter of iron ore, about 8 million more tons will have to be mined. In the public sector, plans are being made to develop the Barsua mines, in addition to Taldih, to supply ore to Rourkela. In the private sector Tata Steel is mechanising the Noamundi mines to raise a larger tonnage and is opening up an entirely new mine at Joda. Concrete steps are being taken to export manganese ore after manufacture, in order to take advantage of the high export prices for ferromanganese. Seven ferromanganese plants are scheduled to be set up during the second Five-Year Plan, the first of which came into operation in April 1956. Tata Steel's ferromanganese plant at Joda, which will have an initial capacity of 30,000 tons, is expected to be completed at the end of this year—ahead of the scheduled time. In regard to coking coal, an additional quantity of about 10 million tons will be needed. Since India's reserves of coking coal are limited, a substantial part of the additional demand will be met by beneficiating and

upgrading inferior grades of coal. For this purpose, Government intend to set up four washing and blending plants at Kargali in the Bokaro area, and at Dugdha, Pathardih and Bhojudih in the Jharia area. It may be recalled that coal washing was first introduced in India by Tata Steel, who have had two washeries at their Jamadoba and West Bokaro collieries for years. Limestone requirements are expected to increase by three to four million tons. Similarly, no less than 550,000 tons of refractories will be required for the expansion and another 405,000 tons annually for maintenance. Refractory production, therefore, will be increased from 200,000 tons to 950,000 tons. The Tata-Didier project at Belpahar is perhaps the most important of the project schemes. This plant will have an initial capacity of 60,000 tons of refractories a year with provision for doubling the output when necessary.

The last, but perhaps the biggest problem of all, is transport. The present freight-carrying capacity of the railways is not sufficient to meet the greatly increased needs of the steel industry. Arrangements are being made to lay double lines over a total distance of 307 miles and to construct new lines totalling 232 miles. Tata Steel is investing over Rs. 3 crores on the import of giant size well-wagons because the railways have only a small number of such rolling-stock. The Indian Railways have taken the decision to electrify the Asansol-Sindri-Tatanagar-Rourkela and Raj-Kharaswan-Dangoapani sections, over which the raw materials for the steel works will move. As an interim measure, 80 diesel engines have been ordered to handle the increased traffic.

It has been assessed that the three State steel units alone will require 2,100 men for supervisory and technical staff and an additional 30,000 to 35,000 men for skilled and semi-skilled work. Government is making arrangements to have some of its key personnel trained abroad. Specific mention ought to be made here of the facilities provided by the USA for the training of about 900 engineers from India in the steel works in that country. These arrangements, however, are hardly adequate. The Committee has estimated that at the end of the second Plan, there will still be a shortage of engineers in the steel industry. Major industrial units, such as Tata Steel had their own schemes for training technical personnel. Currently, Tata Steel is providing training to about 150 Rourkela personnel, from apprentices to the senior-most supervisors. Besides, Tata Steel is providing a six-week orientation course in batches for 400 young graduate engineers recruited for the State plants before their departure for training abroad. It will start training 300 operatives for these plants as soon as accommodation is ready for them at Jamshedpur.

It took Britain 30 years during the Industrial Revolution to achieve the expansion on the scale envisaged under the second Five-Year Plan. A rate of expansion as steep as this naturally raises many difficulties, but taking into consideration the priority accorded to the steel industry under the Plan there is little reason to assume that these difficulties are insuperable.

Technical Manpower

FIFTY years ago, when the first steel works went into production in India, there was no institution where an engineering student could acquire sound knowledge of metallurgy and steel making. A large number of engineers and technicians needed to start and run the pioneering venture could ill afford, at salaries which the infant industry could not afford. But apart from the expense, it was always the avowed intention that this Swadeshi enterprise should

be run by Indians themselves. "Let the Indian", Jamsetji Nusserwanji Tata had said, "learn to do things for himself." It was therefore only natural that Tata Steel should have taken early steps to set up a Technical Institute at Jamshedpur to train Indian supervisory personnel. This Institute, the first of its kind to be set up by an Indian industry, gave metallurgists and other engineers an extended theoretical course and intensive shop-floor training to equip them

if the support of good principles and procedures be wanting."

It is not possible in a short case-study to delve in detail into company policy governing matters affecting human relations. We have touched below on a few important headings and, based on the policy (of the Company in question) in respect of each, have attempted to lay down certain basic principles. Finding three generations of employees is not at all a rare phenomenon in this steel city. A Labour Bureau functioning under the Director of Personnel looks after the proper selection and placement of personnel. The Company believes in the principle that, "Recruitment, selection and placement should be on a fair basis and the employees of the firm and employee's relations should be among those given preference for employment." Where there is no security of service, there is industrial unrest. The advent of the machine has progressively led to the replacement of man on a job and although of ultimate benefit to the community, it has often resulted in large-scale retrenchment of workers, bringing untold hardship to the working class. In the steel works too, machine replaced man in progressive stages, but thanks to the enlightened policy of the Founder and his successors, in this undertaking, there has been what may be called, 'rationalisation without tears'. There is no retrenchment. A worker, on his being rendered surplus, is simply trained for an alternate job in this fast expanding enterprise and is guaranteed his previous earnings during the period of training as also on placement in the new job. The principle followed by the Company is: "Security of service is guaranteed to an employee doing a fair day's work and conforming to the rules and regulations of the company."

The worker as an individual strives to gain recognition and improve his standard of living by seeking opportunities of advancement. If these opportunities are denied him, he loses interest in his job and forms a nucleus of unrest. In this, as in all other steel plants, promotion has to be subject to the worker being trained and qualified. The works of this Company were built where formerly there was a dense jungle. Unlike Western countries, it could not be serviced by State organised polytechnics and training centres. So, it started its own training institute which is, today, perhaps the best of its kind in the country. Nor is the training confined to workers alone. Supervisors and executives receive a wide variety of training ranging from the Company Information Course and T.W.I. programmes, to a four-week session at a domestic Staff College in Poona where senior supervisors from various other firms under the same managing agents meet to cultivate an awareness of what the Management of the particular industry stands for, realise where it stands in the changed conditions of modern India, provide some opportunity for the study of management and business problems at various levels and in relation to the various units participating in the course, have a forum for discussion and exchange of information and ideas on problems and projects typical of the organisation and create a fellowship amongst the various participating units. There is no gainsaying the fact that trained supervisors contribute as much towards good human relations as trained workers. Hence the policy of this Company is to offer a wide variety of training facilities for self-advancement to workers and supervisors alike in their respective fields of work.

The welfare function contributes lavishly towards good human relations. Apart from its pioneering role in providing amenities and facilities referred to earlier, the Company incurred a deficit of no less than Rs. 63.71 lakhs in the year 1955-56 in running a well-staffed, well equipped hospital for its employees and their relatives, schools for employee's children and a host of miscellaneous services which make this steel city one of the cleanest and best administered cities in India. In

addition, the personnel department runs a number of community centres and organises various sports and entertainments for the worker and his family. No wonder that the worker in his work unit as well as in his social unit, being well looked after, has also contributed towards better human relations. In keeping with tradition, this Company believes that: "Welfare amenities should be up to the standard if not more liberal than those laid down by legislation. They should not be restricted to the worker in his work-life but should embrace various activities outside the factory area for the worker and his family. The Management should strive to make the worker a well-adjusted and happy member of the community at large."

In 1955, the Company started a Management Research Unit to make a continuous study and review of the organisation structure and methods of management, provide information on Management questions within the organisation, study management's thinking and practice elsewhere in India and abroad with a view to their application to the Company and help in the development of supervisory training programmes. As mentioned earlier, the agreement signed on the January 8, 1956, between the Management and the Union provides for specific procedures to be laid down in certain matters affecting human relations. With the help of line-management, and the personnel department, the Research Unit evolved, among other things, instruments of delegation for various levels of management.

The promotion policy of an organisation contributes in a large measure to the maintenance of good human relations. In this firm, from the beginning, the emphasis has been on promotion from within as far as possible, at the same time ensuring that technicians and supervisors possess adequate job knowledge and experience. The Training Department helps a worker to add to his knowledge by attending classes outside duty hours. As and when higher vacancies arise, these are filled mostly by men down the line who have acquired the minimum qualifications. Briefly speaking, the promotion principles in the Company may be enunciated thus: To confine fresh appointments to the lowest category as far as possible; To stipulate minimum qualifications where necessary; To verify the selection and placement by a follow-up of employees; To ensure that placement and selection are done in a manner which will promote good community relations and keep employment costs consistent with the objectives.

The Supplemental Agreement signed by the Company and the Union on August 4, 1956, provides for the establishment of various joint committees and councils. Such joint committees, however, are not new to the Company. The first joint committee started functioning in 1919 and over the past 10 years no less than 24 such committees handling matters such as development and production, grievances, rates, trade tests, and minimum qualifications, have been functioning and they have paved the way for this new experiment.

The policy of the Company is to consider a worker, however humble, an end in himself and not merely a means to an end; and to build up a system of closer association of employees with management in order to satisfy the workers' urge for self-expression and, at the same time, promote increased productivity in the interest of the workers themselves, the Company and the nation.

These are but a few facets of human relations. There are many more which have not been touched. No more has been attempted here than to draw some lessons and bring out a few principles from five decades of experience and achievements of the largest steel manufacturing unit in India.

The International Perspective

STEEL consumption per head has come to be regarded as one of the most important indicators of the industrial advancement of a nation. The importance attached to this indicator has its basis in the fact that all the countries which consume more steel per head rank as leaders and most prosperous nations in the world, the prosperity being based on industrialisation. The graph below shows that the countries which stand out conspicuously in this regard are the United States of America, West Germany, Sweden and the United Kingdom. India takes a very low position. It was this shortcoming in the economy which impelled our planners to assign high priority to steel output in the second Plan. The pressure of imports of capital goods was too heavy for the Indian economy to be continued for long, and if the cherished dream of progressive industrialisation was to be realised, there was no go except to have our own steel plants within the country.

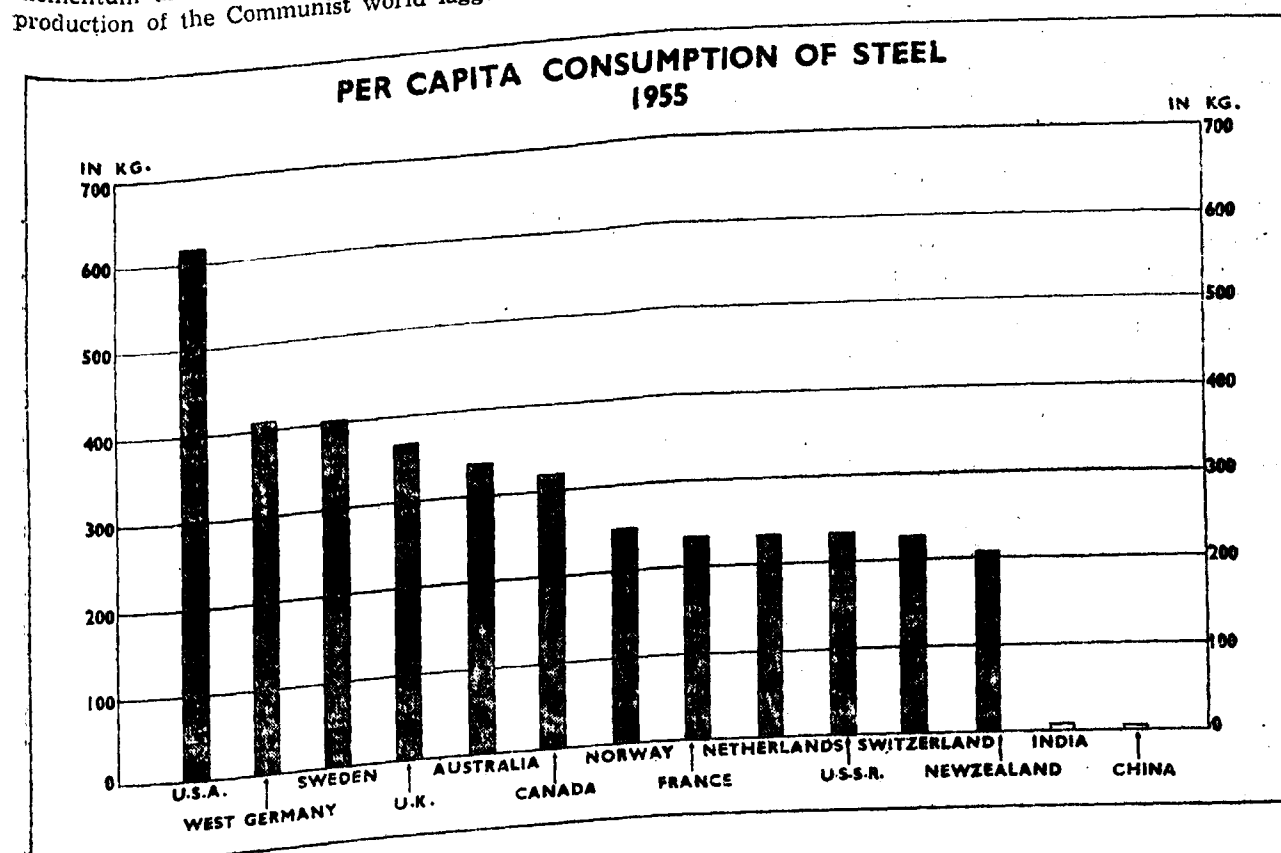
Plans for stepping up the production of steel in the post-war era have shown brisk developments all the world over. A comparison between the current output figures and those of the pre-war era shows the passion for steel exhibited by every nation. Before the war, total world production of steel was 136.1 million tons out of which nearly 59 million tons was produced in Europe, excluding the USSR, and 47.9 million tons in the USA. The USA and the European countries thus monopolised the production of steel before the war. The rest of the world did not produce more than 12 to 13 million tons of steel. The picture altered materially after 1945 because the European and the North American countries stepped up production significantly, taking the world output to 269.3 million tons in 1955. The share of the underdeveloped countries has been reduced in percentage terms because even though some of the underdeveloped countries have increased their output significantly, the increments are no match with the growth in the European and North American countries.

The race between the Communist world and the free world in steel output has, however, gathered momentum after the war. Before the war, the steel production of the Communist world lagged very much

behind the free world. The USSR, for example, produced only 17.6 million ton of steel in 1939 as against the total world output of 136.1 million tons. The relative position has changed radically since then. The USSR has now put up its crude steel output to nearly three times the pre-war level. Its current production of crude steel is around 50 million tons. The total world production of steel, on the other hand, only doubled itself by 1955. The USA also has only doubled its production as compared with the pre-war level of output. The rate of growth, then, is faster in the communist world than in the free world or in the USA. Estimates made for probable capacities in 1960 show that communist countries are working hard to minimise the disparity between their output and the output of the free world countries. The share of the communist world, including eastern European countries and China, will increase from the current level of nearly 24 per cent to 26½ per cent. Before the war, the production of the USSR, the Eastern European countries and China was only 18 per cent of the total world output of steel. It is clear that it will not be possible for the USSR to over-take the free world in this race unless it succeeds in drawing within its orbits more steel producing countries from the free world.

How far can the communist figures of production of steel be treated as fully authentic? During the Stalin era, a strong iron curtain shut off the communist world from the rest of the world. It was, therefore, not possible to test the authenticity of the Soviet figures of production of iron and steel. A number of people who visited the USSR and members of the steel mission, which visited South Russia recently have gathered the impression that scepticism in the past about Russia's capacity to produce iron and steel was unfounded. The figures published by the USSR in regard to the output of steel are not mere propaganda and likewise it is wrong to conjecture that industry in the USSR is inefficient.

The estimated rate of increase in apparent crude steel consumption in the next five years shows a downward trend in the case of the industrially advanced



countries such as the USA, the USSR, Western Germany and the UK. This fact is brought out very clearly in the table alongside. It shows that immediately after the war the rate of rise in the consumption of steel was spectacular in West Germany and the USSR followed by the USA, ECSC countries excluding West Germany and the UK. Other countries also showed a significant increase in growth rate. In the quinquennium 1950-55 the rate of growth slowed down almost in every case except the ECSC countries. The overall trend during the period 1946-1955, therefore, shows the average rate of growth for a period of ten years. It is quite clear that the rate of growth in these countries has been so high in the past and in the course of time they have built such a heavy base that it is difficult to maintain the same compound annual rate although in absolute or quantitative terms their increases are large.

A hypothetical illustration should serve to clarify this point. In the case of country 'A' whose total consumption of steel is only 5 million tons, it is easy to put it up by 100 per cent in the short period by taking total consumption to 10 million tons. But in the case of country 'B' whose production is already 100 million tons, the rate of rise of 100 per cent in the short period is out of the question. This explains why the rate of growth in the USA is estimated to be 4.3 per cent during the quinquennium 1955-56 as against

7.3 in the preceding decade. Similarly, the rate of growth in the USSR at 8.6 per cent in the next five years would almost be 50 per cent of the rate in the decade 1946-65. Similar is the case with Western Germany and the UK. But in the case of the rest of the world (which includes mostly under-developed countries which are being newly industrialised, like India and China) the rate is high but absolute growth is not as significant as in the case of industrially advanced countries.

Average Annual Increase in Apparent Crude-Steel Consumption in Selected Areas, 1946 to 1955, and Estimates for 1955 to 1960

(In percentages—compound annual rates)

Area	1946 to 1950 Inclusive	1950 to 1955 Inclusive	1946 to 1955 Inclusive	1955 to 1960 Inclusive
United States	12.0	3.7	(7.3)	4.3
USSR	22.4	10.2	(15.5)	3.6
ECSC (less Western Germany)	8.3	9.8	(9.1)	5.3
Western Germany	38.9	16.2	(25.8)	8.6
United Kingdom	5.9	6.0	(6.0)	3.7
Rest of World	16.4	9.4	(12.5)	9.0

The Outlook for Exports

LONG-TERM projections about the size of the export market for steel have often proved elusive. Production costs as well as estimates of demand in non-producing or substantially importing countries have shown considerable fluctuations. Probably because of this uncertain factor, these projections have been limited to medium periods of about five years in formulating production policies. A report of the United Nations Economic Commission for Europe on European Steel Exports, prepared in 1953 against the background of the post-Korean recession, naturally took a cautious view of the prospective trends in exports and it is not surprising that its main conclusions were based on anticipations of a competitive market. This situation changed soon after and recovery was well under way in the first half of 1954. Supply could not overtake demand and we have now a seller's market with all its concomitants — an upward trend in prices, the growing margin of excess of demand over supply leading to full order books, long delivery dates and so forth. It is unlikely that this upsurge will subside in the near future and at any rate a recession is not in sight.

International supply of steel is influenced by several complex factors. It is not necessarily correct to assume that an increase in production will create something like a similar increase in the volume of the surplus available for export. Internal demand is expanding at a rapid rate in major producing countries like the United States and the USSR. If they have been able to keep their imports from Western Europe in check, it is because rising home output has to satisfy increasingly the higher levels of consumption. Defence requirements constitute an important source of consumption of steel and so long as disarmament continues to defy the best efforts for solution releases of steel for constructive purposes will be postponed. Production costs is still another factor which has its repercussion on the supply side of the equation. This factor has considerable importance since the potential markets are to be found in under-developed countries with low purchasing power. West Germany which is preparing to launch a vigorous drive for exports has to contend with the problem of high costs of imported ore

and coal as well as rising wages. Rising costs is generally a headache with all the producers from which there appears to be little room for escape in the light of the prevailing inflation.

Quite a fair share of the exports in steel was required by even the leading producing countries either because their total demand was in excess of home output or they did not produce specific types of steel. This source of demand in the international market is bound to exist as its normal feature. In the past few years, however, the main demand for steel imports came from countries which took a relatively earlier start among the less developed countries. They were Canada, Australia, New Zealand and South Africa. Since their industrialisation has proceeded a good deal, their demand is not likely to be sustained on the same scale as before. The potential markets from which orders for steel imports are expected in future are the under-developed countries of Asia and Latin America and in course of time demand will emanate from the countries of Africa also. They are naturally anxious to industrialise in order to raise their national income. Some of them, like India, are now entering upon the second phase in industrialisation marked by an accent on heavy or capital goods producing industry. There are, however, two considerations which indicate the need for caution in building high hopes on these markets. In the first place, their estimates of requirements are not usually objective since they are based on elementary data. In the next place, their balance of payments position makes their demand erratic. But these countries are bound to absorb an increasing share of the exportable surplus of steel.

The table in this article gives a general picture of the trends in iron and steel exports as in 1955. This table will show that the direction of steel exports follows more or less the direction in over-all world trade. The United States takes the top-most position as an exporter. It is significant that the bulk of its exports go to the dollar area, mainly to Canada. Latin America is another large market for the United States. It is, however, pertinent to emphasise here that Japan is emerging as a competitive exporter in the Latin American

market. The value of exports shown in the table closes that Belgium and Luxembourg in the first place and France thereafter are the next big exporters. But the major part of their exports is to the countries of Western Europe. Since these three countries are members of the European Coal and Steel Community, their exports to Western Europe largely take the character of intra-ECSC trade. Nevertheless, the exports of these two groups to overseas countries are substantial at the level between \$160 million and \$190 million. The United Kingdom really emerges as the second biggest exporter. Its mainstay is the overseas sterling area. West Germany comes a little lower than the United Kingdom, but it will be seen that her exports also are in a large measure part of intra-ECSC trade.

The United States will retain without doubt its position as the premier exporter. Japan is coming into her own at a fast rate. She aims at catering not only to the neighbouring markets of Asia and Africa but also in a very increasing measure to the markets in Latin America. This is a significant trend. The United Kingdom has put special emphasis on steel in its drive for export promotion. The value of its exports in the first half of 1957 rose four times as high as the value in the same period of 1956. Its main problem is of rising costs of production. The Iron and Steel Board's second development report strongly suggests an export target of five million tons in 1962 as against four mil-

lion tons in 1956. This increase is likely to correct the threatened price disadvantage. Germany is launching an intensive export drive for which her industry is quite well tuned. Her special advantage in the export market is that the prices of every variety of rolled steel at home are considerably below the world market prices. Hitherto, the rest of the countries of Western Europe had a relative disadvantage because more than half of their production was of the Thomas quality. One handicap is that the use of Thomas quality steel requires changes in the specification of machinery using steel of open-hearth quality. But a counter-balancing factor is its cheap price. Indian railways, for instance, which are faced with an acute shortage of steel from abroad have come to the conclusion that with minor modifications in their rolling stock they can use Thomas quality steel.

The countries of the communist world are unlikely to come into the picture of the world steel export market. The USSR has to achieve her target of 60 million tons by 1960 and the other fellow countries — Czechoslovakia, Hungary, Poland and East Germany — have to reach the target of over 20 million tons by the same time. Their trade will be confined to the Communist bloc including China which is industrialising fast. Their exports to the rest of Asia and Latin America will be very marginal. In the meantime, their own appetite for steel will grow rapidly.

IRON AND STEEL EXPORTS BY VALUE: 1955

(\$ million at 1950 prices f.o.b.)

Exporting Country	Importing Area					Total overseas countries	Western Europe	Total world	Dollar area	Eastern Europe
	United States	Canada	Latin America	Overseas Sterling area	Affiliated overseas territories					
United Kingdom	7.4	16.2	22.7	173.0	2.5	241.9	84.9	327.1	34.7	0.3
France	18.4	2.2	44.6	29.5	57.6	189.8	249.8	459.4	40.0	19.8
Western Germany	9.7	1.4	37.0	15.9	3.1	91.7	193.5	297.3	9.4	12.1
Italy	1.2	0.9	11.4	3.6	0.1	22.5	21.7	44.7	9.0	0.5
Belgium-Luxembourg	22.5	4.0	38.3	47.4	22.9	159.1	318.1	484.1	46.6	6.3
Norway	4.1	—	0.4	1.1	0.1	5.7	22.5	28.3	4.1	0.1
Sweden	7.2	0.7	5.7	2.4	—	17.0	52.1	72.1	8.6	3.0
United States	—	126.9	123.2	45.3	3.5	342.7	175.2	517.9	215.0	—

* Including British colonies.
** Excluding the sterling area.
*** Including unallocated exports

Shorter Notes

ALUMINIUM VERSUS STEEL

Aluminium, in its commercially pure form, has some distinctly better properties than steel. Its weight (for equal volume) is lighter, it resists corrosion and conducts heat and electricity better, and it is more easily workable. Although its mechanical qualities like tensile strength, elasticity and hardness are not good, it has a high degree of ductility. But it acquires improved mechanical properties when alloyed with other metals like copper, magnesium, manganese, silicon and zinc. Such alloying is also done more easily and at a lower temperature than in the case of alloy steel, and this explains the commercial use of at

least 150 named alloys of aluminium. These alloys are also easily worked in all semi-fabricating processes such as rolling, extruding and forging. These distinctive properties have thus invested aluminium with some capacity to compete with steel in a variety of commercial uses.

It is, therefore, generally thought that aluminium is currently and potentially a formidable rival to steel. The facts of aluminium production and consumption, however, largely belie this impression. As regards current production, the fact is that the steel equivalent of world production of aluminium (as of 1954) is 8.12 million metric tons representing 3.6 per cent of world

production of steel (223.5 million metric tons in that year). (Incidentally the steel equivalent is calculated by multiplying the actual tonnage of aluminium production by 2.9 which is the ratio between the density of steel and that of aluminium, the specific gravity of the two metals being 2.7 and 7.8 respectively.) As regards production in the foreseeable future, it is estimated that the steel equivalent of world production of aluminium in 1960 will be 12.5 million metric tons representing 3.5 per cent of the then estimated world production of steel. The rate of growth of aluminium industry will thus be more or less the same as that of steel industry at least up to 1960; in other words, the position of aluminium relative to steel will not have changed to the detriment of either in the foreseeable future. It may also be noted that the aforesaid figure of 3.6 or 3.5 per cent sets the quantitative limit to competition at the present time and in the near future.

Although, thus, aluminium is not a formidable rival to steel, there is no denying that within the limits set by production there is some acute competition between the two. The facts of consumption (as of 1952) show that very nearly 50 per cent of aluminium consumption results in the displacement of an equivalent quantity of steel (consumed tonnage of aluminium multiplied by 2.9). This displacement is caused by the use of aluminium as flat products, light structural shapes and tubes (including bars and wires) and castings and forgings in construction and building, mechanical engineering, household equipment, road transport, packaging and containers, and ships and railways. Nearly 40 per cent of consumption of aluminium is in electrical, aircraft and chemical industries where its physical properties preclude any real choice between it and steel; there is, therefore, no question of steel competing with aluminium in this area. The remaining 10 per cent of aluminium consumption is unclassified.

The sum up, the pattern of competition between the two metals shows that aluminium will take the place of at least 6.2 million metric tons of steel in the latter's usual commercial uses. This much likely displacement of steel is by no means an alarming prospect, for it will be easily absorbed by a wide variety of developing industries. In a sense this will be a welcome development inasmuch as it will relieve the world-wide pressure of demand on steel. Anything like an alarming competition may arise only if and when the rate of increase in aluminium production outstrips the rate of increase in steel production. This is not likely to happen because the location of primary aluminium producing plants is essentially dependent on the availability of cheap hydro-electric power, the capital investment required for such plants is enormous and the relative prices of aluminium and steel are such as to render the former more expensive than the latter. The decisive factor here may well be the price of aluminium which, even after a slight decrease expected in future, will still be 'much' higher for equal weight and higher for equal volume than the price of steel. The processing cost of aluminium will also be higher although its installation and maintenance costs will continue to be lower than in the case of steel.

OTHER ALTERNATIVES TO STEEL

The competing alternatives, other than aluminium, to steel are plastics, asbestos-cement, concrete and timber. All these materials, like aluminium, have the common quality of being lighter than steel for equal volumes and all of them, except timber, resist corrosion better. They are all better insulators but are, except perhaps concrete, inferior to steel in the matter of heat resistance. All of them, like aluminium, are worse in strength (for equal sizes) and in elasticity; and the only other material which, like aluminium, is

more easily workable than steel is plastics. What chiefly invest these materials with the capacity to compete with steel in a variety of commercial uses are their lightness and higher corrosion resistance.

These comparative advantages and disadvantages of steel and its alternatives in so far as their physical properties are concerned mark out only the general area of choice. But the determining factors in the actual choice of one material in preference to another are its cost to the user, its repercussions on the over-all cost of the articles to be made, and on amortization and maintenance. Here the picture of relative costs may be summed up as follows: As compared to steel, the price of plastics for equal weight is much higher while the prices of the other three materials are lower; the price for equal volume is higher in the case of plastics while it is much lower in the case of the three others; the processing and installation costs are lower in the case of all the four competing materials and their maintenance costs, except in the case of timber, are also lower. The future trend of their prices as compared to steel prices is a decrease in the case of plastics; a slight decrease in the case of asbestos-cement, no change in the case of concrete and an increase in the case of timber. It is stated in particular that the ratio between steel and plastic prices will narrow to the point of parity with steel in future. Timber, on the other hand, has become steadily more expensive than steel, and this trend is not likely to be reversed. Asbestos-cement and concrete, though less expensive than steel, are, however, more limited in use.

An idea of the extent of competition between steel and the other materials concerned may be had from the production trends in respect of the latter. To take the case of plastics first. Statistics (as of 1955) show that 2.74 million tons of plastics are produced in the main producing countries—France, Western Germany, Italy, United Kingdom and the United States. If an average annual rate of increase of 20 per cent (a conservative figure) is assumed, plastics production is likely to be of the order of 3 million tons in the European countries and an equal quantity in the United States by 1960. As for asbestos-cement and concrete, available statistics cover only a few countries. In the case of concrete alone some idea of its growth of production may be had from the figures of world production of cement. World production of cement (as of 1955) is 214 million metric tons and is increasing quite as fast as steel production. If production of concrete is also taken to be at the same rate and if it tends to be at the expense of structural steel, it should be remembered at the same time that it gives rise to an increased demand for reinforcing rods or high-tensile wire.

Although a quantitative pattern of competition between steel and the four other competing materials cannot be given here as it is not available, the area of competition can be broadly described as follows: Timber, concrete and asbestos-cement in the building and civil-engineering industry; plastics in the motor vehicles industry; timber, concrete and perhaps plastics in the future in the railway industry; plastics in shipbuilding; timber in packaging and containers; plastics, asbestos-cement and concrete in tubes; plastics in engineering and other industries. It is stated that the steel will not increase, since most of the uses in which it does not compete with steel represent branches of the economy that tend to expand faster than over-all production, as for example, the electrical industry, decorative fittings and surfacing, etc. It is also estimated that the proportion of total steel consumption which is exposed to competition from asbestos-cement, concrete and timber will not increase beyond the 9 per cent calculated for 1955 for Europe in view of the

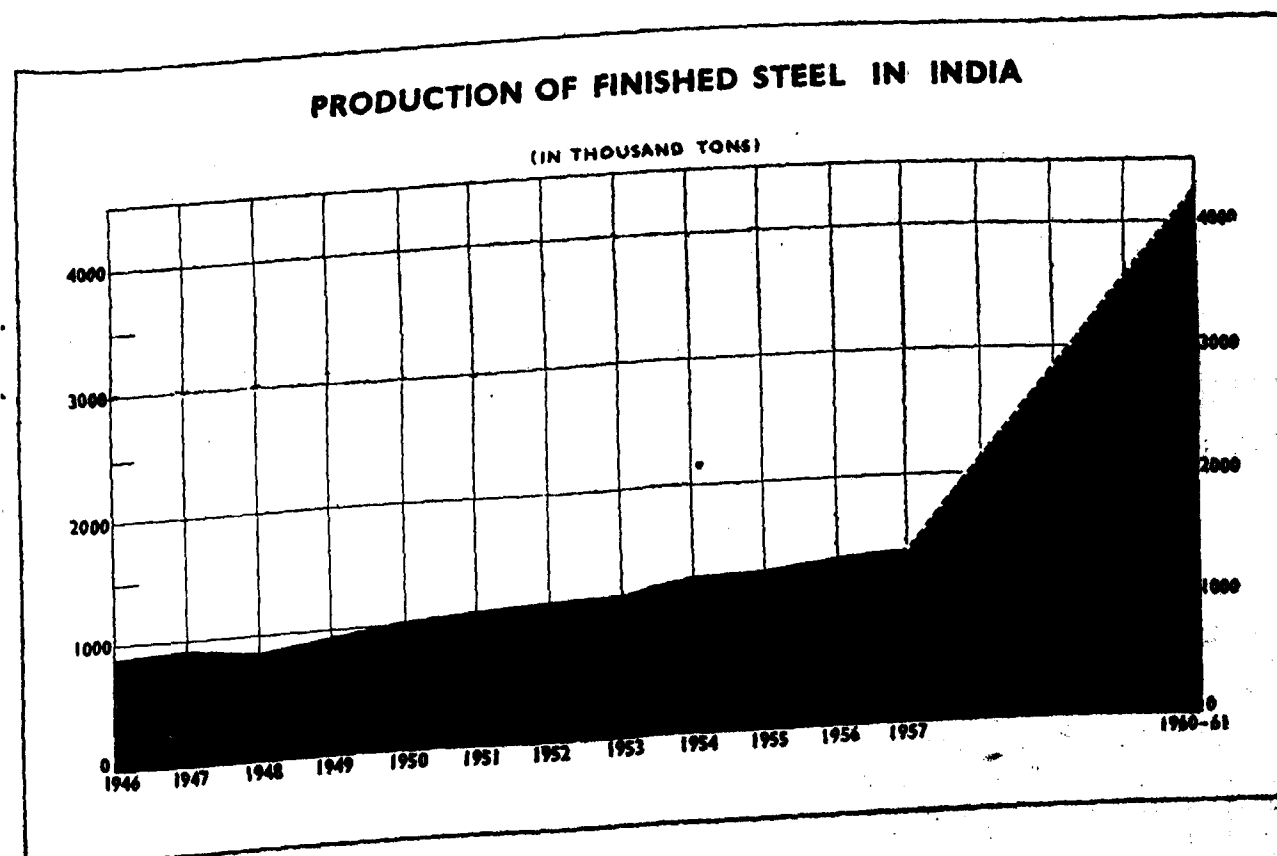
fact that many other sectors of steel consumption are expanding much faster than building construction. The conclusion is obvious: it is that steel will continue to maintain its pre-eminent position in the matter of both production and consumption in the foreseeable future in spite of some competition from its alternatives in a variety of commercial uses. At the present rate of industrial growth in the world, the relatively small quantity of steel likely to be displaced by its alternatives will not be surplus to requirements but will be readily absorbed in other sectors of consumption.

PROGRESS IN STEEL TECHNOLOGY

The UN Economic Commission for Europe has recently assembled a number of technical papers dealing with recent advances in steel technology in all its five branches—raw materials (coke and iron ore), production of pig-iron, production of crude steel, semi-finished and finished articles, and measurement and control. Not all the new techniques have found and control. Not all the new techniques have found practical and economic application in the European steel industry which, by and large, carries on with its conventional steel making processes empirically evolved and perfected over several decades. This slow technological progress is due to the circumstance that the development of new techniques is very costly in an industry like the steel industry which uses plant of extremely large capacity. Again, new techniques evolved by experiments on too small a scale cannot always be successfully introduced into large units where the radiation losses and the influence of walls are different from those in small units. Unless steel research is carried out either in the plant or on a scale

comparable to it, new techniques evolved by such research cannot be easily adopted. But research and tests on such a large scale are very expensive, and so anything like rapid progress in steel technology is normally ruled out from the realm of probability.

These are the considered views of a leading French Steel technologist who further thinks that a new process which is technically possible is of no practical interest unless the cost is at the most equal to that of the conventional methods. As inventors are hardly in a position to evaluate maintenance costs which can be evaluated only by long experience, the industry does not usually take avoidable risks. Again, as scrap which is the richest and often the purest source of iron is available in large quantities and as the narrowest manufacturing bottleneck in nearly all steelworks is still the production of metallurgical coke, any reducing process would have to be extremely cheap if it is to find ready application. Here reference may be made to the production of ferro-coke (a combination of coal carbonization and the sintering of fine ores) described by a West German technologist and to the production of brown coal high-temperature coke described by an East German technologist. The East German experiments have led to the establishment of the first brown-coal (lignite) coking plant in that country. This is of crucial importance to the development of iron metallurgy in a region which contains sufficient brown coal reserves for 70 years. And this experience may well be of value to India in the context of the Nelveli Lignite Project under execution and of a possible steel industry in Madras using the iron ores of Salem district and the high-temperature coke from lignite in the neighbouring South Arcot District.



**WORLD CRUDE-STEEL PRODUCTION IN 1939 AND 1953 TO 1955, AND ESTIMATED
CAPACITY FOR 1956 AND 1960**

(In thousands of tons)

Country	1939	1953	1954	1955	Estimated capacities 1956	1960
Africa:						
Algeria		12*	12*	12*	12	15
S. Rhodesia	5*	25	33	40*	65	75
S. Africa	390*	1,298	1,431	1,581	1,700	2,000
TOTAL	395*	1,335	1,476*	1,633*	1,777	2,090
Middle East:						
Egypt	—	10*	10*	10*	10	250
Israel	—	—	5*	40*	40	60
TOTAL	—	10	15*	50*	50	310
Far East:						
China:						
Mainland (a)	545	1,767	2,225	2,850	3,400	7,000
Taiwan (b)	—	28	47	55*	60	70
India	1,067	1,531	1,712	1,731	1,800	6,900
Japan	6,696	7,662	7,750	9,408	10,500	12,000
Pakistan	—	11	10	11	15	350
Philippines	—	—	10*	20*	40	140
Others	101(c)	—	—	—	20(d)	150(e)
TOTAL	8,409	10,999	11,754*	14,075*	15,835	25,710
Oceania:						
Australia	1,191	2,082	2,257	2,232	2,300	2,600
TOTAL	1,191	2,082	2,257	2,232	2,300	2,600
Latin America:						
Argentina	20	100*	100*	100*	150	500
Brazil	114	1,002	1,157	1,166	1,300	2,500
Chile	—*	313	321	310	350	490
Colombia	—*	—	20*	76	162	250
Mexico	77	430*	535*	575*	1,000	1,250
Peru	—*	—	—	—	—	60
Venezuela	—*	15*	15*	15*	20	500
TOTAL	211*	1,860	2,148	2,242*	2,982	5,480
North America:						
United States	47,898	101,251	80,115	106,173	116,450(f)	134,500
Canada	1,407	3,734	2,898	4,109	4,300(g)	4,600
TOTAL	49,305	104,985	83,013	110,282	120,750	139,100
U.S.S.R.	17,600	38,000	41,300	45,200	49,500	68,300
Europe:						
Western:						
ECSC countries	36,054*	39,633	43,838	52,578	57,440	71,000
United Kingdom	13,433	17,891	18,817	20,108	21,600	26,000
Others	2,943	5,285	6,091	6,976	7,475	10,720
Eastern:	6,522*	12,466	12,742	13,882	15,673	21,380
TOTAL	58,952	75,275	81,488	93,544	102,188	129,110
WORLD TOTAL (h)	136,063	234,546	223,451	269,258	295,382	372,660

Sources: The European Steel Market in 1955, ECE, Geneva.
(a) Including Manchuria.

(b) Economic Survey of Asia and the Far East, ECAFE, Bangkok, 1955, page 214.
(c) Korea.

(d) Burma.

(e) Burma, Hong-Kong, Indonesia, South Korea and Thailand.

(f) As at January 1, 1956.

(g) As at January 1, 1954.

(h) Excluding North Korea in post-war years and Bulgaria which began production on a small scale in 1953.
* Estimated.

The Cement Industry

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A Dynamic Industry

IN this Blue Supplement 'The Eastern Economist' deals with India's most dynamic industry. Looked at from the point of view of the rate of growth of production and consumption, cement has some spectacular results to show. Against a production of 593,000 tons in 1932-33, the production in 1956-57 was over 6 million tons. Installed capacity in the last ten years has trebled, being 2,116 million tons in 1947 and 6.3 million tons in the current year. Similarly the capacity utilised in the last five years has steeply risen from 82 per cent in 1950-51 to 93 per cent in 1955-56. Progress judged by any standards reflects great credit on this industry.

In part, of course, the credit for the growth of this industry belongs to the development plans of the country. These developments, particularly the multi-purpose projects and the large construction works—have called forth a steep demand for cement so that at one time it was even felt that heavy imports were necessary. This seems to have been a major error, both because of the high price of imports and of the foreign exchange that was spent on what have turned out to be marginal quantities. The import mania has now abated leaving us, more than ever, dependent on domestic production.

At the present time since domestic production is not equal to supply some process of rationing had inevitably to be introduced. It is difficult to contend that the volume of rationing by the purse—cement prices have steeply risen as shown in another article in this issue described as "Price Paradox"—was a just or good method of rationing. It implies that those industries which have the largest liquid resources are capable of obtaining a significant amount of cement whilst other industries, which might have a higher priority from the national interest are left behind. It

is also difficult to believe that all public sector requirements which are receiving high priority are deserving of the high place they receive. Apart from this problem there is the whole question of distortion of prices by an excise duty which, if paid by the public sector, is really a book transfer of no anti-inflationary consequence. There is every thing to be said for an excise duty on cement, but if consumption is largely by the public sector, who pay it? The receipts from an excise duty on cement may well be deceptive, if public sector is the consumer.

The broad conclusions set out in this Blue Supplement suggest that this dynamic industry is still in good heart. It has, however, its difficulties. What is required at the present time is that full opportunity should be given for the discovery of new limestone deposits which threaten to provide a bottleneck to rapidly rising production. Again, there are administrative problems connected with the building of a cement machinery plant, the negotiations for which are in an advanced state of development. Here, obviously, the Government needs to assist with a substantial loan.

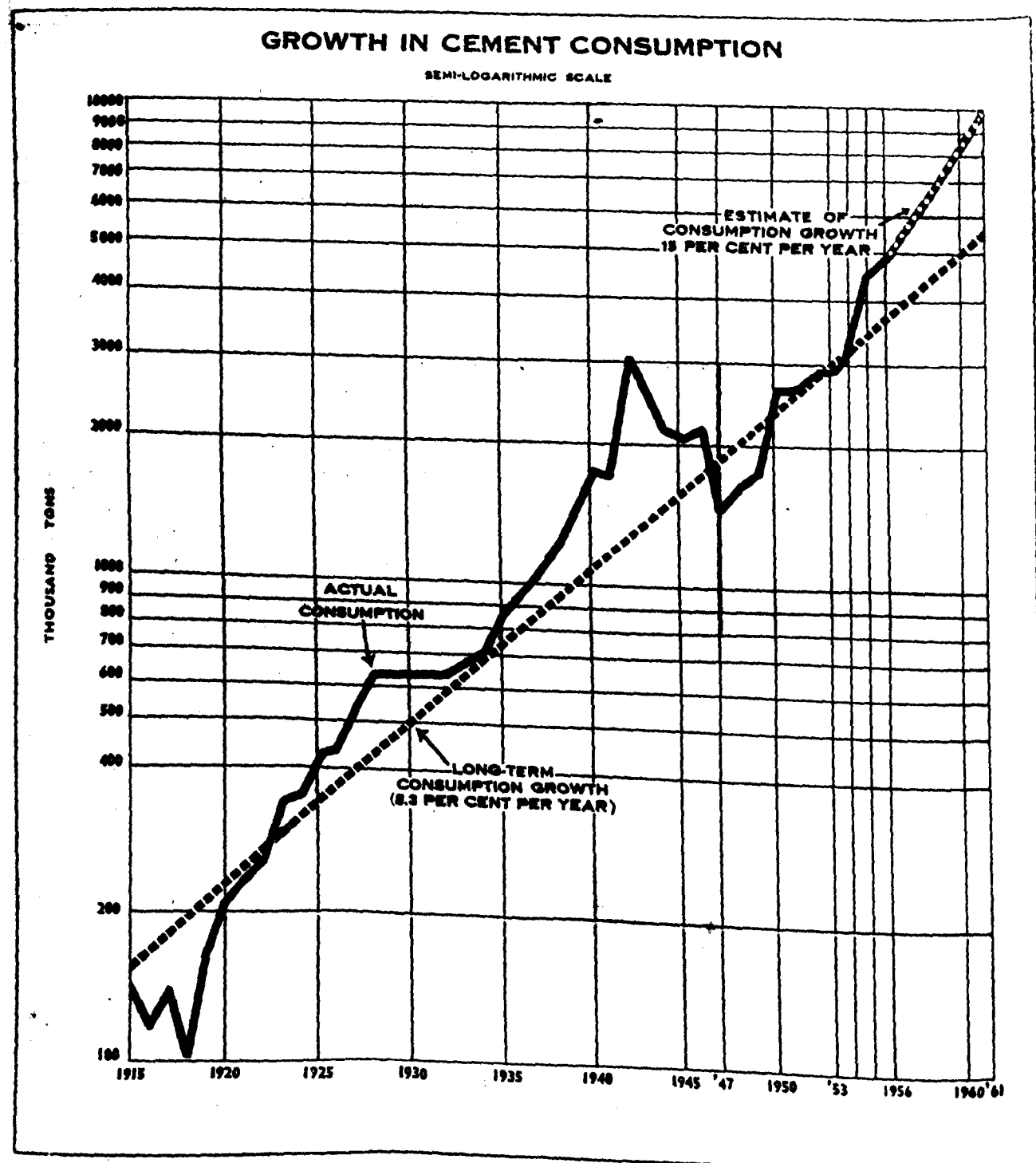
There is also the perennial problem of providing additional transport without which the current rate of rise cannot be maintained. It is vital that this industry should not become as it threatens to do a bone of contention between the private and public sectors. The private sector has proved its worth. It is now for the public sector to overcome its own bottleneck in transport in order to maintain the rate of development of which the nation is rightly proud. The fruits of this industry belong to both sectors. It is essential that we should recognise its national importance and approach all its problems in a national, and not a sectional or competitive spirit.

The Growth Pattern of Cement Production

THE pattern of growth of India's cement industry is best set out in terms of the three tables I, II and III. The first of these relates to the period before and during World War II. Contrary to current belief that the war was a great stimulus to this industry, it will be seen from Table I that the rate of growth was more rapid before the war than during the war period. Thus the industry almost trebled its production from 1933 to 1939 whereas it only went up by about 33 per cent between 1939 and 1945. The reason for this is fairly obvious, that it was difficult to get cement-

making machinery during the war period. After the creation of Pakistan some units dropped out so that in 1947 production was down to 1,448 million tons. It is from this period that the rise has been spectacular, doubling of production having taken place between 1948 and 1951 and again between 1951 and 1957.

Over the very long period, the rate of growth of the cement industry in terms of consumption, has been about 8.3 per cent per year, but in recent years this has been altered to about 15 per cent per year, a trend



Note: In a semi-logarithmic graph, equal vertical distances represent the same ratio (i.e. equal rates of increase) in whatever part of the scale they are taken.

September 27, 1957.

CEMENT INDUSTRY SUPPLEMENT

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which looks as though it will continue; so that cement consumption might, if supply is available, double every seven years. Naturally, if this is to happen the price will need to be reasonable, as there are substitutes for the use of cement which come into play when the obvious advantages of cement are compensated by a great disparity in prices. All that can be said at the present time is that construction plans are so vast that the demand for cement shows no sign of abating.

TABLE I
CEMENT PRODUCTION
(India Excluding Burma)

	(‘000 tons)
1932-33	593
1934-35	781
1936-37	997
1938-39	1,512
1940-41	1,727
1942-43	2,183
1944-45	2,044

TABLE II
(‘000 tons)
Installed Capacity
Production

1946	2,015	1,542
1947	2,116	1,448
1948	2,116	1,553
1949	2,815	2,102
1950	3,125	2,613
1951	3,556	3,195
1952	3,796	3,537
1953	..	3,780
1954	..	4,398
1955	..	4,487
1956	5,700	4,928
1957	6,400	..

TABLE III
(‘000 tons)

1950-51	..	..	3,280
Installed Capacity	..	..	2,689
Production	..	..	..
1955-56	..	..	4,931
Installed Capacity	..	..	4,592
Production	..	..	..
Percentage Increase	..	..	50.3
Installed Capacity	..	..	70.8
Production	..	..	..
% Capacity Utilised	..	..	82.0
1950-51	..	..	93.1
1955-56	..	..	..

The Pattern of Expansion

THE pressure of demand for cement during the last decade has been a function of the progress of the development projects scattered all over the Indian Union. The encouraging feature of the growth of the cement industry, however, is that the units are scattered almost all over the country except for the States of Assam and West Bengal. Every other State has one or more cement factories. The map on page V gives the State-wise distribution of the cement factories including the one which went into production during 1956. The statistical table below the map gives the location of the factories, the year of commencement of production and the latest installed capacity.

The total installed capacity at 6.4 million tons is currently divided between ACC factories, Dalmia fac-

ories and others in the ratio of 2:1:1. This ratio highlights the fact that ACC factories have nearly half the total installed capacity available in the country. Dalmia factories come next in order of importance with nearly 25 per cent, while others have the rest of the 25 per cent capacity.

The public sector is conspicuous by its fractional share in this industry. Out of the 28 units, only two belong to it—one in U.P. and the other in Mysore. The U.P. cement factory went into production in 1954 and has a rated capacity of 2.1 lakh tons. The Mysore factory has had a longer existence having gone into production in 1938. It has an installed capacity of 1.00 lakh tons. The public sector, therefore, has got under its control an installed capacity of 3.31 lakh tons which

TABLE I
RATED CAPACITY OF CEMENT FACTORIES: 1950-51 AND 1955-56

	1950-51 Number of Units	Rated Capacity (‘000 tons)	Number of Units	1955-56 Annual Installed Capacity (‘000 tons)
Bihar	5	922	6	1,122
Orissa	..	..	1	165
Uttar Pradesh	1	350	1	200
Madhya Pradesh	1	60	1	350
Madhya Bharat	1	225	2	60
Rajasthan	2	242	2	525
PEPSU	3	337	3	370
Saurashtra	..	..	2	492
Bombay	5	..	2	300
Madras	..	770	3	642
Andhra	1	86	2	189
Mysore	1	50	1	86
Travancore-Cochin	1	240	1	50
Hyderabad	..	..	1	380
TOTAL	21	3,282	27	4,931

is hardly 5 per cent of the total installed capacity of cement factories in the Indian Union.

The recent increase in the production of cement has come mainly from the expansion of capacity in the existing units. In 1956, only one new unit was set up in Bihar with a capacity of 2.80 lakh tons. The rest of the increase of nearly 8 lakh tons was obtained by expanding the capacity of 6 units, 4 of which belonged to ACC group. In the first 6 months of the current year, installed capacity of 4 units was increased by 5.31 lakh tons.

The manner in which this industry has grown during the first Five-Year Plan and the projected target for the second Five-Year Plan are shown in Tables I and II. Table I shows that the total rated capacity in 1950-51 of 21 units was 3.28 million tons; by 1955-56 it had risen to 4.93 million tons with 27 units. As has been noted above, since the commencement of the second Plan, only one new unit has been added while the capacity has risen by more than a million tons. Table II shows that by 1960-61 the number of units will increase to 44 and rated capacity will be a little above 12 million tons. It will be seen from this table that the only State which will not have a cement factory even by the end of the second Plan is West Bengal, but it makes little difference to that State because in the neighbouring States of Bihar there would be no less than 7 units with the rated capacity of 2.3 million tons. This will be more than sufficient to meet the normal demand of West Bengal.

The biggest bottleneck in the way of expansion of cement output in the Indian Union is expected to be transport. The Ministry of Railways has planned so far for 9 million tons of cement by rail by 1960-61. In case the targets laid down in the second Plan in regard to the production of cement are realised, the railway system will be subjected to additional strain for which no plans have been chalked out.

TABLE II

PROJECTED TARGET OF INSTALLED CAPACITY: 1960-61

	Number of Units	Rated Capacity ('000 tons)
Bihar	7	2,324
Orissa	1	725
Uttar Pradesh	2	631
Madhya Pradesh	3	1,168
Madhya Bharat	1	1,160
Rajasthan	2	1,284
PEPSU	2	635
Saurashtra	5	1,470
Bombay	4	565
Madras	4	949
Mysore	1	104
Travancore-Cochin	1	55
Hyderabad	2	645
Andhra	5	898
Assam	2	231
Vindhya Pradesh	2	550
TOTAL	44	12,294

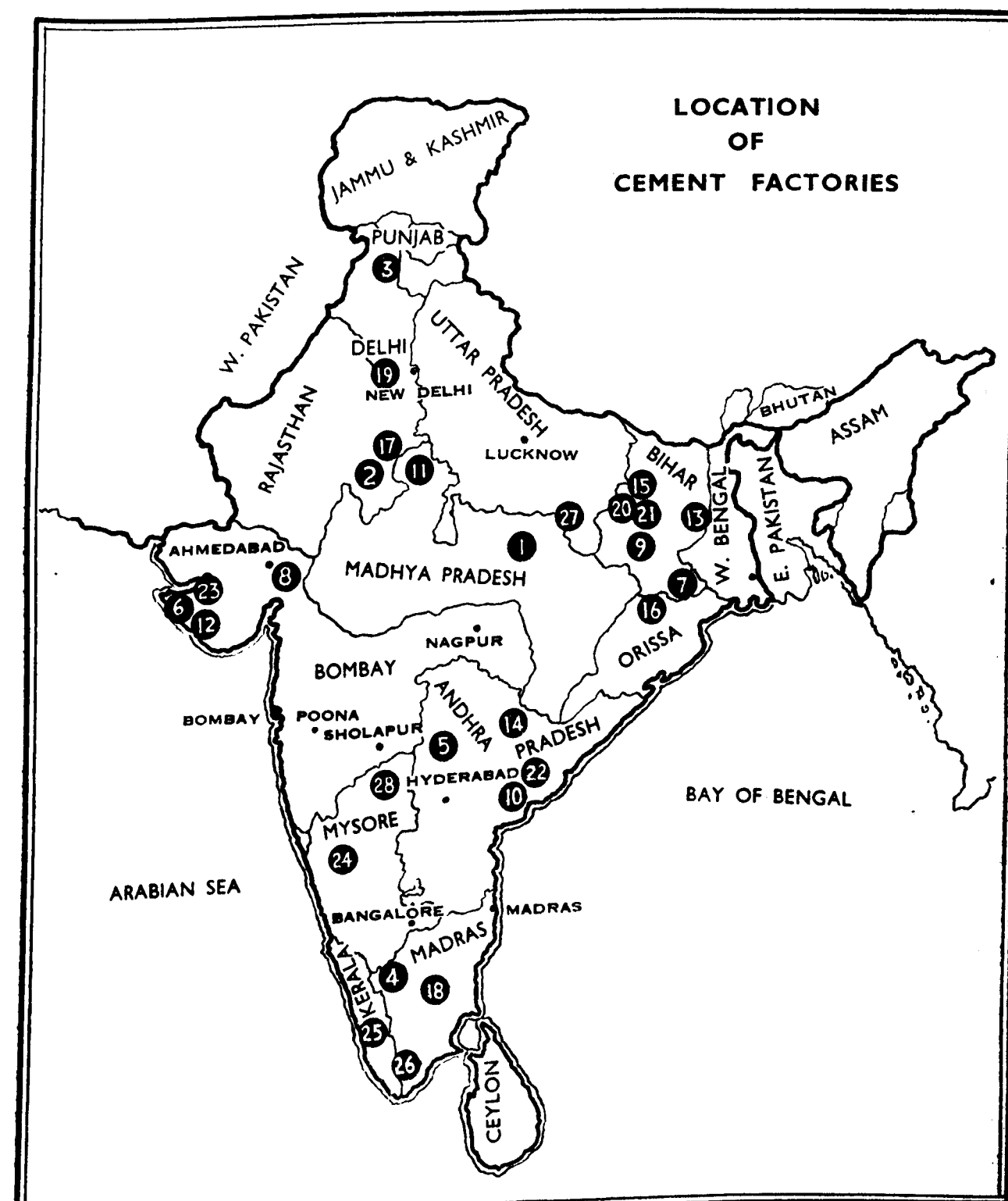
State Trading or Intermeddling?

CEMENT is one of the major casualties of the State Trading Corporation. This is a unique instance where no satisfactory explanation has been given so far why the S.T.C. has chosen to encroach upon this field. The record of the cement industry and the distribution trade was unimpeachable. This industry has shown a remarkable capacity for dynamism. Moreover, the industry and trade have remained in recent years under a system of State regulation. In these circumstances, the entry of the S.T.C. has chosen to encroach upon this field. The supply position had become critical and imports were inevitable amounted to nothing short of unwarranted encroachment. An explanation must be demanded what specific trading services the S.T.C. is performing since it assumed for itself the monopoly of import and internal distribution from July 1, 1956. The S.T.C. does not owe its existence to any statute of Parliament and it is, therefore, not subject to Parliament's annual scrutiny of its management and operations as statutory public undertakings are. In the absence of any such obligation, the S.T.C. owes it to the public to render a full explanation of its assumption of the cement trade and how it can sustain its intervention in this trade.

The truth of the situation is that the Associated Cement Companies saw as early as September, 1955, that, in view of the impact of demand generated by expansion programmes which involved consumption of cement, shortage in supply would emerge and imports would be essential. It brought this fact to the notice of the Government but without any effect. The supply situation was allowed

to deteriorate until attention was forced on the issue of imports. It was then that the question was agitated whether imports should be allowed to be made by private trade agencies. The decision of the Government to invest the S.T.C. with absolute monopoly of importing cement and distribution in the home market of the total supplies including domestic output was unwarranted and even now it remains something of a mystery.

The attitude of the industry and the trade towards the critical condition of supply needs to be stated fairly. The industry led by the Associated Cement Companies made a representation to the Government that it would undertake full responsibility for importing the required quantities from competitive markets overseas. What is most significant it offered to evolve a machinery for distribution and pricing whereby imported cement would be delivered to the consumer at cost price. It is pertinent to mention here that the price of imported cement is on an average Rs. 50 per ton higher than the price of home-produced cement. The offer of the trade to sell imported cement on a no-profit and no-loss basis was inspired by a desire not to allow inflation in a wide range of development programmes which require cement as one of their vital materials. Furthermore, the industry and trade undertook to evolve a formula whereby the minimum of strain on transport capacity would be imposed in the movement of cement. In addition, they undertook to accept any scheme which the Government would devise for equalisation of prices of indigenous and imported cement and any pattern of rationalization of transport to economise transport



A.C.C. FACTORIES					Place	State	Commencement of production	Lakh Tons
	Place	State	Commencement of production	Lakh Tons				
1. Kymore	—	Madhya Pradesh	1923	3.60	16. Rajgangpur	—Orissa	1951	3.65
2. Lakheri	—	Rajasthan	1917	3.60	17. Swaimadhopur	—Rajasthan	1952	3.63
3. Bhupendra	—	Punjab	1939	4.00	18. Dalmiapuram	—Madras	1939	2.48
4. Madukkarai	—	Madras	1934	2.80	19. Dalmia Dadri	—Punjab	1939	0.70
5. Shahbad	—	Andhra Pradesh	1925	3.80				
6. Dwarka	—	Bombay	1921	2.20	Others			
7. Chaibasa	—	Bihar	1947	2.00	20. Kalyanpur	—Bihar	1946	0.42
8. Sevalia	—	Bombay	1951	2.00	21. Sone Valley	—Bihar	1922	2.50
9. Khalari	—	Bihar	1947	1.00	22. Andhra	—Andhra Pradesh	1939	1.65
10. Kistna	—	Andhra Pradesh	1939	2.55	23. Digvijay	—Bombay	1949	4.30
11. Banmor	—	Madhya Bharat	1922	0.60	24. Mysore	—Mysore	1938	0.80
12. Porbandar	—	Bombay	1913	0.42	25. Travancore	—Kerala	1949	0.50
13. Sindri	—	Bihar	1955	2.00	26. India Cement	—Madras	1949	2.15
14. Mancherial*	—	Andhra Pradesh		1.66	27. U.P. Govt.	—Uttar Pradesh	1954	2.31
					28. Bagalkot	—Mysore	1955	1.00
Dalmia Factories								
15. a. Dalmia Nagar (Dalmia Cement)	Bihar		1938	3.30				
b. Dalmia Nagar (Ashoka)	— Bihar		1956	2.80				
					* Under Construction.			

* Under Construction.

capacity. This offer which was motivated solely by a desire not to allow the critical supply position to add to inflationary pressures was rejected out of hand by the Government without assigning any reasons whatsoever.

Since the monopoly of the import and internal distribution trade has been vested in the hands of the S.T.C., it is necessary to examine the mechanism which it has adopted for its purpose and also to assess what positive contribution it is making in the distribution of cement at a cheap price. Unless the S.T.C. has a case to prove that it has brought the advantages of efficiency and cheap price into the cement trade, its entry in this field cannot be justified on any reasonable ground. Insofar as the mechanism for distribution is concerned, the S.T.C. has done nothing whatsoever on its own. The same trade agencies which were the wholesale purchasers of the cement manufacturers have been retained on the pretext that the S.T.C. is anxious not to allow any dislocation to be caused in the normal trade channels by reason of its assumption of the trade. If this is the real explanation there was no justification whatsoever for the S.T.C. to enter a sphere where the trade was being managed by private agencies with high standards of efficiency.

The example of A.C.C., which accounts for nearly half the production of cement in the country, will explain how superfluous was the S.T.C.'s assumption of trade functions. The Cement Marketing Company which was A.C.C.'s sole distributor before the advent of the S.T.C., continues to be the latter's wholesale agent. The commission of Rs 1.50 which is paid to the C.M.C. as before still continues to form an element of the ex-factory price allowed to the A.C.C. In respect of the other manufacturers, the former wholesale distributing agencies have been retained. The retail trade is regulated by State Governments in respect of prices. This fundamental feature of the distribution trade since the S.T.C. took over the trade proves one fact beyond doubt. It is that the S.T.C.'s contribution to the organisation of internal distribution is Nil.

The STC has certainly a poor showing in regard to the prices of cement. Here again comparison on the basis of the ACC costs would provide a typical instance. The ex-factory price awarded to the ACC group for naked cement stands at Rs. 54.5 per ton. Packing charges which varied between Rs. 13.5 and Rs. 14.5 per ton on the advent of the STC are subject as before to quarterly revisions. ACC's sale price free of rail-head destination was Rs. 90 per ton. The FOR price charged by the STC after it took over was Rs. 102.5 per ton. Since the excise duty was raised from

Rs. 5 to Rs. 20 per ton, this price is now increased to Rs. 117.5 per ton. In effect it means that the STC's price is higher than the ACC's price by Rs. 12.5 per ton. The different factors which account for this disparity in the two prices need to be scrutinised. In the first place, it must be conceded that this disparity may be fractionally due to the higher prices of manufacturers outside the ACC group. Secondly, a definite element can be attributed to the factor of equalisation of the prices of domestic cement and imported cement. What is actually happening is that imported cement is being sold on a basis of subsidy. The quantum of the subsidy would naturally go to increasing the present sale price of cement above what was charged by the private agencies before imports were thrown into a pool along with home output for equalisation of prices.

When proper allowance is made for the two factors referred to here, a substantial balance is left over. It represents the high magnitude of STC's profit margin. The moot question is: What justification is there for the STC to charge profit and to exploit the situation of cement shortage? This question becomes all the more important when it is remembered that the private trade had unequivocally undertaken to distribute imported cement without profit. The STC certainly owes an explanation to the public and particularly to the consumer how much profit it is making and on what grounds. It is immaterial that the State itself constitutes a major consumer of cement. In the ultimate result, the higher price charged by the STC inclusive of extra profit amounts to additional taxation by the backdoor.

The only trade function which the STC is performing on its own is that of importing cement. Here it would be most relevant to enquire and seek an explanation as to whether imports are being made in the cheapest markets and of the required qualities. Already there are complaints that the qualities imported are not what are intended or required. But even in the sphere of import the STC is performing its trading functions without the normal risks which arise in trade. It has a monopoly of distribution, an assured market and complete insurance against losses because of the scheme of equalisation of prices. When these features of the STC's import trade are considered, there remains very little for which it can claim real credit as a trader.

The whole pattern of trade which the STC has prescribed for the internal distribution of cement would show that its encroachment in a business which has been built up to a high pitch of efficiency by free enterprise is totally unjustified. To the extent that it is earning a profit, it is doing so as a rentier out and out.

The Price Paradox

THE Indian cement industry seems to suffer from a number of paradoxes, which is rather difficult to understand, considering the contribution that the industry has made to India's economy all these years. In the first place, here is an industry which has believed in keeping its prices to the consumer reasonably low, but has been prevented from doing so—at any rate since July 1, 1956—by circumstances beyond its control. Secondly, this industry, which was supposed to be threatened with overproduction only seven years ago, when its production was barely two million tons, finds itself unable to meet all the demand for cement in the country today, although it has increased its capacity to over six million tons. Thirdly, although under the second Five-Year Plan, it is asked to raise the production to 15-16 million tons and it is quite willing to do so, circumstances have developed, and are developing, which make the achievement of the target well-nigh impracticable. There is, however, one saving feature of the situation,

and it is that the men behind this industry—in the private sector—are as alive to these paradoxes as they are alert in facing problems and finding solutions for them.

There is something extraordinary about the rise in cement prices since July 1, 1956. Until then, from the year 1948 onwards, the same price was maintained by the industry. It was on that fateful day that the State Trading Corporation took over the selling of cement, thus lopping off one of the essential functions of those in the cement business for decades. Before that date, cement was available to the consumer at around Rs. 89 per ton (that is the "delivered price" to the A.C.C. which included the addition of the "freight average" of Rs. 15 per ton). But, after the S.T.C. took over the sales (the distribution still continues through all the then existing distributive organisations of the producers, though the Government decided that the "delivered price" of cement

to the consumer should be Rs. 102-8-0 per ton. With the latest increase in excise duty from Rs. 5 to Rs. 20 per ton, this price has further risen to Rs. 117-8-0. This, of course, is exclusive of sales tax and general tax, which is estimated to cost the consumer a further Rs. 7 per ton. It is thus evident that whatever increase there has been has not been dictated, as one would normally suppose, by the laws of supply and demand or by any increase in price actually sanctioned to the producer due to increases in his costs of production. In other words, the Indian cement manufacturer has the unique distinction of being a manufacturer, who, while absorbing in his cost of manufacture not only the increases in Central, State and local taxes but even the increases in the costs of production such as higher coal prices, enhanced freight rates and royalties and increased wages, has been allowing an intruder—the S.T.C.—to appropriate a large share of the price difference of Rs. 13 per ton (on the basis of A.C.C. prices.) It was estimated, sometime ago, that the S.T.C. would make a minimum net profit of about Rs. 4.5 crores on its sale of cement. But this figure is bound to be very much more now, as there is no likelihood of the S.T.C. losing any more on sales of imported cement, thanks to the foreign exchange crisis and the shipping shortage which, between them, have almost eliminated all chances of further imports. (The quantity so far imported is believed to be only a fraction of what was proposed, namely, half a million tons.) It is for the Tariff Commission, which is now engaged in examining the question of revising the prices payable to cement producers, to say what justification there is for the S.T.C. to charge such extortionate prices to the consumer. Is it the price that the Indian consumer has to pay for the luxury of getting the cement he uses sanctified by passing through the magic agency of the S.T.C.?

The increased demand for cement today is only a reflection of the tempo of our economic development. Being an essential building material of modern times, its next in importance only to steel, the demand for it has increased with the pace of our progress in the economic and social spheres. The second Five-Year Plan, by open-

The Course of Cement Prices

DURING the first two years of the Second World War the prices of cement remained almost stable. It was only in the middle of 1942 that price rise began to assert itself and control of prices was found to be necessary. The price was determined on 'cost plus' basis. In 1944, the Government finding its requirements satisfied, agreed to the release of cement for public consumption at considerably high prices. This is indicated in index terms in Table I. The jump was by about 30 per cent in a year. For the next two years the price of cement fluctuated around 1944 level.

In late 1947, A.C.C. and Dalmia Group represented to the Government that the then existing statutory price was not matched to higher manufacturing costs due to the rise in wages, price of coal and gunny bags and railway freights. The Government conceding the justice of their demand agreed to increase the price of cement from Rs. 65 to Rs. 87-8-0 per ton. The price, however, was reduced after six months to Rs. 85 per ton. By the end of 1948, the price was further reduced to Rs. 82-8 per ton which was composed of Rs. 55-8-0 for naked cement, Rs. 11-8-0 and Rs. 15-8-0 on account of packing charges and railway freights, respectively.

Another rise in prices was witnessed in 1951 mainly due to the Korean war. It was caused essentially due to the rise in the cost of packing materials. The Government, instead of allowing Rs. 11-8-0 for packing materials, separated it from the price and allowed

ing up a vast field for constructional engineering in multi-purpose projects, large-scale industrialisation, programmes of housing, etc.; has given a further fillip to this demand. The result is that, in spite of the giant strides taken by the industry to increase its production, there has developed an acute shortage of cement. The problem before the industry today is to raise the production further, even as it is the problem of our Planners and the Government to increase the total supplies of cement.

Now, total cement supplies in the country could be increased in three ways, namely, (i) by expanding the capacity of the existing units, (ii) by installing new units or additional capacity, and (iii) by imports of cement. It has already been found that cement imports must be ruled out, by reason of our foreign exchange shortage. If imports of cement, which cost relatively less in foreign exchange, are themselves to be ruled out, it should not be difficult to imagine how much more difficult it would be to import the more costly cement plant and machinery. Fortunately for the country, and, thanks to the farsightedness of the cement manufacturers (A.C.C.) in embarking on the fabrication of cement machinery in the country itself, it may not be necessary to import cement plants in their entirety. But this would imply greatly expanding the capacity of the A.C.C. machinery-fabricating plant—as is, indeed, being done by the industry itself—so as to meet the combined needs of all the units of the industry, existing and potential. Even assuming this to be possible, before the plan reaches the production stage, we would be at the end of the second Five-Year Plan. This means that, however exhilarating a mental exercise it may be to think and plan big, the cement production target of 15-16 million tons under the second Plan is simply unattainable in practice.

Apart from the difficulty in respect of machinery, the industry has to make sure of coal, limestone and gypsum of the requisite quality in the required quantities. These limitations point perhaps to the need for revising the Plan targets of cement production to more modest proportions.

its actual cost, subject to a maximum of Rs. 26 per ton. In 1953 the prices of packing materials slid down to Rs. 11-14-0 per ton and the overall effect was visible in terms of the index which was substantially lower than the previous year.

The manufacturers were again constrained to ask for an upward revision of prices because the price of raw materials and railway freights and wages had soared up. The Tariff Commission, at the request of the Government, examined the question. The Government of India accepted the principles adopted by the Commission for determining the prices of cement, except the allowance for rehabilitation and expansion. The Government agreed, however, that the units having programmes of rehabilitation and expansion will be allowed Rs. 4 per ton for the purpose. A price of Rs. 67 per ton f.o.r. destination was treated as standard price. Some units which had higher costs were, however, allowed to charge Rs. 5 to Rs. 12 more than the standard price. From 1954 no major change was recorded in the price of cement, until May 1, 1956, when the distribution of cement was taken over by the State Trading Corporation and equal price was prescribed for home produced and imported cement. Due to the higher cost of the latter the equalised price has been fixed much higher than the price of indigenous cement.

It is evident from Table I that after the coming in of the S.T.C. there has been a sharp rise of more than

30 per cent in cement prices. This rise, however, is not fully explicable. First, it has not been caused by the law of demand and supply. Secondly, it is not because the manufacturer has to be paid a higher amount for his rising costs. In fact, he is still getting what was fixed for him about three years ago. He has to absorb increases in the costs of coal, rise in freight and wages. It may be mentioned in parenthesis that labour conditions in Indian cement industry have been gradually improving. Today the amenities that are provided to the Indian cement worker are better than those provided in several Western countries.

TABLE I
WHOLESALE PRICES OF CEMENT

1939=100			
1939	100	1949	234
1940	107	1950	234
1941	107	1951	270
1942	123	1952	272
1943	155	1953	244
1944	182	1954	254
1945	193	1955	262
1946	170	1956	278
1947	181	1957*	314
1948	241	1957 Aug.	342

The base has been adjusted to calendar year 1939 = 100 instead of the base of the official index with base August 1939 = 100. The series has been constructed after various necessary adjustments for earlier years.
* Average of eight months.

The real cause of the recent rise in price is clear from Table II. It will be at once obvious that there is an increase of Rs. 40 per ton, which is equivalent to 75 per cent of producer's price, imposed by the State in one way or the other. It is this increase, which has pushed the price suddenly so high. The S.T.C. raised the price under the pretext of making imported cement available to the consumer at the same price as that charged for home manufactured cement. The whole of this increase is not at all due to price equalisation. It contains a large margin of profit charged by the S.T.C. by virtue of the monopoly it holds in the matter of distribution of cement. In practice, however, due to lack of shipping space and foreign exchange shortage the volume of cement imports has been reduced. The burden of this levy still stays on.

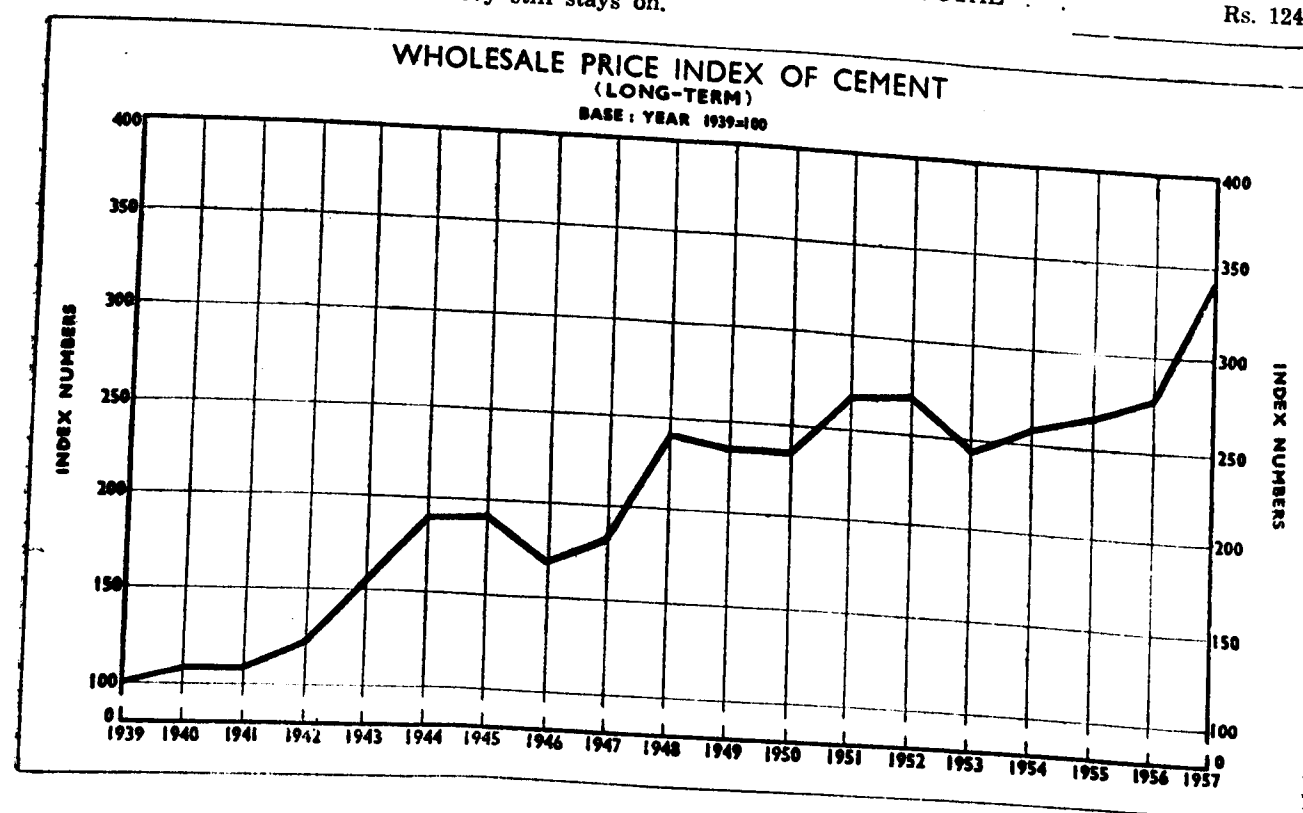
It was proposed by the producers, at the time of its imposition, that a 'price equalisation pool' could be maintained for price equalisation, so that the surplus could be spent for the modernisation and rehabilitation of the industry. It was a just demand but the Government did not concede it. It must be emphasized that while the industry had promised to sell imported cement at cost and no more, the S.T.C. has exploited the situation just to make a profit and tax the consumer.

There is another aspect of the problem. At present the State consumes 75 per cent of the total cement production. Its demand is increasing but it is doing not enough to help the private sector to expand the industry. It is surely not justified to make the consumer pay a higher price only to assist the S.T.C. in compensating for its likely losses in its other trade activities, especially when other levies have been increased beyond proportion, for instance, the excise duty is now raised from Rs 5 per ton to Rs 20 per ton.

The worst facet of cement prices is that the manufacturer is still being paid the costs, at the rates calculated more than three years ago. The costs in respect of coal, petroleum, diesel oil, railway freights and labour have risen substantially. It is only hoped that the Tariff Commission, which is engaged in examining the question of prices payable to cement manufacturers will give full consideration to these factors and remove this price anomaly.

TABLE II
PRICE OF CEMENT FOR THE CONSUMER

	Rs.	Ra.
Price paid to the Manufacturer (ex-works) by the S.T.C.		54.50
Excise Duty	20.00	
Equalisation fund levied by the S.T.C. for the purpose of subsidising the imported cement	12.78	
Sales tax and other taxes of State Governments	7.34	40.12
Packing Charges		13.72
Av. Railway Freights		15.00
Selling Organisations		2.50
TOTAL		Rs. 124.84



Notes on Cement Industry

CEMENT—AN INDICATOR OF PROGRESS

BY MODERN standards the progress and size of the cement industry in any country is taken as one of the major indicators of the growth of its economy. Where the total demand is satisfied by home production, cement as an indicator of economic progress would mean the development of the cement industry in the country. As it actually happens, several countries satisfy their demand for cement either wholly or in part by imports. Whatever the source of supply of cement, whether it is domestic production or imports or both, cement consumption ought to be taken as a reliable index of utilization of cement. Looked at from this view-point, India ranks very low in the order of consumption of cement. Comparable figures for recent years bear out this fact. Per capita consumption of cement is 740 lbs. in Sweden, 716 in Belgium, 540 lbs. in the United States, 460 lbs. in Denmark, 411 lbs. in the United Kingdom, and 90 lbs. in Japan, whereas in India it is deplorably low at 27 lb.

THE CHANGING PATTERN

CEMENT AND STEEL are classified as basic industries, but steel is far more complicated and far more difficult to develop than cement. It is, therefore, paradoxical that India should have made a start in her steel industry earlier than in the cement industry. The steel industry celebrated its golden jubilee just a few weeks ago this year. The cement industry has to wait for another six years before it reaches this important landmark. It was in the year 1913 that the first successful attempt was made in manufacturing cement in this country. That was done in Porbandar in Saurashtra. It was preceded by an infructuous attempt in Madras in 1904. The Porbandar enterprise was launched at an opportune time, for soon after its establishment World War I suddenly generated a high volume of demand for cement and gave a powerful fillip to this industry. Nearly for one decade after the pioneering enterprise was launched at Porbandar, the cement industry made strides in expansion of output. Between 1913 and 1923 installed capacity rose from 85,000 tons to 5.8 lakh tons per year. But the ratio of actual utilisation of capacity was low.

Then followed a period extending well up to 1936 which was a period of stresses and strains. The industry had to meet recurring difficulties which made it clear that, unless its organisational pattern was changed and consolidation was brought about, the industry would remain feeble and unable to make mentionable headway. In the year 1936, 10 out of the 11 factories then existing amalgamated to form the Associated Cement Companies. The Dalmia Group of cement factories was another wing of the integrated pattern of units which spread its ramifications afterwards. Partition did not affect the cement industry inwards. As many as 18 out of the 23 factories remained in the Indian Union and in terms of capacity 21.15 lakh tons of capacity out of 26 lakh tons per year was retained by the Indian Union as its share.

FROM PORTLAND TO COLOURED CEMENT

WHAT IS popularly known as cement is in fact Portland Cement. Its inventor, Joseph Aspdin, an English mason, gave it the name of Portland Cement because of the resemblance of the product he invented with the well-known stone extracted from the quarries at Portland. Portland cement is a decisive improvement upon the cement which has been known to the civilized world in construction activity through the ages. The raw materials used in the manufacture of modern cement are selected for their

quality of fineness and they are processed before calcining them in furnaces. As Portland Cement came to be reformed in quality, standard specifications also came to be prescribed. These specifications have to conform to definite chemical and engineering requirements. A move is now afoot to evolve an international standard for Portland Cement. India, like all other countries manufacturing cement, has fixed her own standard specifications of Portland Cement. The Indian standard specifications divide cement into three different categories—Ordinary, which is used for common requirements of construction, rapid-hardening, which is used in works where early strength is required, and Low-heat, which is used in massive concrete projects.

Still other varieties of cement are being evolved and India is about to launch their production on sizeable scales. Low-grade coals and lime-stone are practically treated as unsuitable raw materials, nevertheless they can be pressed into service for manufacture of certain types of products like cement. Similarly, certain materials which are practically thrown away as waste, such as calcium carbonate sludge, and slags and coke breeze can be used for manufacturing cement. The products made with the help of these materials will rank as blended cement.

But technological progress in cement is really aiming at the production of fine varieties whose distinctive feature is their attractive colour vitally different from that of ordinary Portland Cement. The ACC has taken in hand the project of manufacturing white cement. In course of time the output of white cement is bound to be expanded as the demand for it increases. White cement is but only the initial stage, since it would prove to be a reliable and most suitable base for the manufacture of coloured cements. This next phase of production of fine coloured cements is now in the making. It will also be possible to produce cement paints.

MANUFACTURE OF CEMENT MACHINERY

THE MANNER in which the ACC has met some part of its requirements of machinery for cement factories and its project for setting up a large-scale plant for the production of cement machinery provides encouraging evidence that the base of accelerated development of cement is being laid on sound lines. During recent years the ACC has been manufacturing some of its equipment and machinery in its own workshops. But the cement industry is to be developed now on such a relatively big scale that equipment manufactured in workshops will satisfy only a fraction of the demand and that too of simple types.

In order to meet the heavy demand which its own factories as well as other cement factories will make from time to time, the ACC is negotiating with Messrs. Vickers-Babcock and Willcox of the United Kingdom for setting up, on a basis of joint participation, a full-fledged large plant for the manufacture of all types of cement-making machinery as well as some ranges of machinery required by other industries, particularly transport industries. Negotiations have now reached an advanced stage and their tenor shows that they will result in a regular agreement to set up the plant. A substantial portion of the investment required in it is contemplated to be shared half and half by the two parties. India's acute shortage of foreign exchange has raised a new and serious difficulty for the ACC to procure its share of the cost of the plant. When the total investment becomes available the project will be started. Indications, however, are that the plant will make a positive contribution to the Indian demand for cement machinery in the third Plan period.

CENSUS OF MANUFACTURING INDUSTRIES, 1954

CEMENT

Item	Madras	Bihar	Bombay, Andhra, Madhya Pradesh, Orissa, Rajasthan, Patiala and East Punjab States Union, Saurashtra and Travancore-Cochin	Total
1	2	3	4	5
1. Number of factories employing 20 or more workers and using power —				
(a) In existence				
(b) From which returns were received	3	5	13	21
(c) Percentage of (b) to (a)	3	5	13	21
2. Average number of days worked	100	100	100	100
3. Productive Capital employed —	365	360	354	357
(a) Fixed Capital —				
(i) Land				
(ii) Buildings	Rs. 4,97,770	8,13,864	14,86,025	27,97,659
(iii) Plant and machinery	Rs. 62,16,589	90,32,521	2,89,23,783	4,41,72,893
(iv) Other fixed assets	Rs. 1,07,20,063	1,84,64,622	7,32,15,023	10,23,99,708
Total	Rs. 36,59,470	20,81,603	81,82,154	1,39,23,227
(b) Working Capital —				
(i) Stocks of raw materials	Rs. 2,10,93,892	3,03,92,610	11,18,06,985	16,32,93,487
(ii) Stocks of finished products and by-products	Rs. 1,11,21,407	1,30,84,285	3,97,79,678	6,39,85,370
(iii) Semi-finished products in stock or in process	Rs. 8,58,475	5,63,028	16,22,177	30,43,680
(iv) Cash in hand and at the Banks	Rs. 15,46,870	9,86,294	28,69,013	54,02,177
Total	Rs. 14,27,815	19,21,345	1,21,96,305	1,55,45,465
Total Productive Capital	Rs. 1,49,54,567	1,65,54,952	5,64,87,173	8,79,76,692
4. Number of persons employed —				
(a) Workers				
(b) Persons other than workers	2,978	3,283	9,022	15,283
Total	Rs. 559	584	1,819	2,962
5. Salaries and wages paid —				
(a) Workers				
(b) Persons other than workers	Rs. 38,74,052	41,09,215	1,10,17,480	1,90,00,747
(c) Money value of other benefits or privileges	Rs. 12,74,766	18,06,506	43,89,053	74,70,325
Total	Rs. 3,42,477	7,35,851	12,78,885	23,57,213
6. Fuels, Electricity, Lubricants, etc., consumed —				
(a) Quality				
(i) Coal	Ton 170,216	324,003	817,136	1,311,355
(ii) Electricity	k.w.h. 69,468,607	33,174,965	54,494,446	157,138,018
(iii) Lubricating Oils	Gallon 20,040	51,862	84,637	156,539
(b) Value —				
(i) Coal	Rs. 68,28,780	74,09,063	2,62,51,883	4,04,89,726
(ii) Electricity	Rs. 15,09,670	20,73,435	37,88,005	73,71,110
(iii) Lubricating Oils	Rs. 99,581	1,87,091	3,82,268	6,68,940
(iv) Others	Rs. 1,02,997	1,33,840	9,63,403	12,00,240
Total	Rs. 85,41,028	98,03,429	3,13,85,559	4,97,30,016

CENSUS OF MANUFACTURING INDUSTRIES, 1954—Contd.

CEMENT—Contd.

Item	Madras	Bihar	Bombay Andhra, Madhya Pradesh, Orissa, Rajasthan, Patiala and East Punjab States Union, Saurashtra and Travancore-Cochin	Total
1	2	3	4	5
7. Materials Consumed —				
(a) Quality —				
(i) Limestone, Kanker, Calcite, etc.	Ton 977,974	1,365,250	3,154,507	5,497,731
(ii) Gypsum	Ton 25,242	31,145	102,013	158,400
(iii) Gunny bags	No. 12,398,368	17,597,414	46,037,385	76,033,167
(b) Value —				
(i) Limestone, Kanker, Calcite, etc.	Rs. 27,78,452	1,05,24,470	1,32,76,810	2,65,79,732
(ii) Gypsum	Rs. 8,41,151	13,19,603	29,47,765	51,08,519
(iii) Gunny bags	Rs. 66,54,645	85,65,495	2,35,21,064	3,87,41,204
(iv) Others	Rs. 31,27,493	26,47,383	1,03,13,238	1,60,88,114
Total	Rs. 1,34,01,741	2,30,56,951	5,00,58,877	8,65,17,569
8. Amount paid to other concerns for work done for factory	Rs. 2,900	1,09,232	29,374	1,41,506
9. Production —				
(a) Quality —				
Portland Cement —				
(i) Normal	Ton 663,743	874,140	2,381,628	3,919,511
(ii) Rapid hardening	Ton ..	6,903	1,113	8,016
Total	Ton 663,743	881,043	2,382,741	3,927,527
(b) Value —				
(1) Portland Cement —				
(i) Normal	Rs. 4,86,60,635	6,41,69,399	17,05,78,041	28,34,08,075
(ii) Rapid hardening	Rs. ..	5,29,704	89,598	6,19,302
Total	Rs. 4,86,60,635	6,46,99,103	17,06,67,639	28,40,27,377
(2) Other products	Rs. 10,92,913	2,54,452	6,84,611	20,31,976
Total	Rs. 4,97,53,548	6,49,53,555	17,13,52,250	28,60,59,353
10. Amount received from others for work done for them	Rs. ..	..	..	..
11. Value added by manufacture —				
(i) Ex-factory value of products and work done for customers	Rs. 4,46,89,233	6,23,41,041	15,52,60,204	26,22,90,478
(ii) Value at factory of materials, fuels, etc., consumed and work done for factory by other concerns (including the value of semi-finished products or finished parts manufactured earlier but consumed during the year)	Rs. 2,26,54,521	3,39,90,896	8,80,86,182	14,47,31,599
(iii) Depreciation	Rs. 16,02,404	24,22,984	92,58,621	1,32,84,009
(iv) Value added by manufacturer [i—(ii+iii)]	Rs. 2,04,32,303	2,59,27,161	5,79,15,401	10,42,74,870

CEMENT

Census of Manufacturing Industries

1950 — 1954

	1950	1951	1952	1953	1954
1. No. of registered factories in existence	15	19	19	20	21
2. Factories from which returns were received	15	19	19	20	21
3. Percentage of (2) to (1)	100	100	100	100	100
4. Fixed Capital Employed (in thousands of rupees)	8,72,33	13,68,32	12,87,42	14,96,83	16,32,93
5. Working Capital Employed (in thousands of rupees)	5,46,79	7,23,50	8,23,85	8,76,73	8,79,77
6. Total Capital Employed (in thousands of rupees) [4+5]	14,19,12	20,91,82	21,11,27	23,73,61	25,12,70
7. No. of workers employed	14,388	18,858	15,172	14,940	15,143
8. No. of persons other than workers employed	2,208	2,769	3,044	3,085	2,962
9. Total number of persons employed [7+8]	16,596	21,627	18,216	18,025	18,105
10. Wages paid to workers (in thousands of rupees)	1,30,35	1,74,37	1,59,38	1,81,10	1,90,01
11. Salaries paid to persons other than workers (in thousands of rupees)	40,40	54,80	67,29	74,07	74,70
12. Money value of other benefits or privileges (in thousands of rupees)	11,55	18,94	16,45	18,23	23,70
13. Total wages and salaries paid (in thousands of rupees) [10+11+12]	1,82,30	2,48,11	2,43,12	2,73,40	2,88,41
14. Value at factory of materials, fuel, etc. consumed (in thousands of rupees)	7,59,55	11,20,72	14,73,07	13,04,87	14,45,90
15. Value of work done for factories by other concerns (in thousands of rupees)	2,87	4,58	9,05	1,59	1,42
16. Depreciation (in thousand of rupees)	70,85	1,11,53	1,02,26	1,21,99	1,32,84
17. Total of materials and fuel consumed and depreciation (in thousands of rupees) [14+15+16]	8,33,27	12,36,83	15,84,38	14,28,25	15,80,16
18. Factory value of products and by-products (in thousands of rupees)	13,81,39	19,60,57	23,92,84	22,71,81	26,22,90
19. Value of work done for customers (in thousands of rupees)	—	—	—	—	—
20. Total of products and by-products manufactured for sale (in thousands of rupees) [18+19]	13,81,39	19,60,57	23,92,84	22,71,81	26,22,90
21. Value added by manufacture (in thousands of rupees)	5,48,11	7,23,74	8,06,45	8,43,56	10,42,75
22. Value added as percentage of productive capital	38.6	34.6	38.3	35.5	41.5
23. Value added per person employed (in thousand of rupees)	3,303	3,346	4,433	4,680	5,759
24. Value added as percentage of gross output	39.7	36.9	33.8	37.1	39.7

Problems of Private Foreign Investment

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Problems of Private Foreign Investment

ONE of the most impressing changes in the structure of the Indian economic thinking in recent years has been in respect of the desirability of foreign capital. Barely five years ago there was an obstinate refusal to consider that a generous policy to attract foreign capital was either necessary or desirable. Today we have swung to the other extreme and consider that in order to meet the foreign exchange gap we must devise a policy of extreme flexibility on foreign requests for investment in India. There is danger in these swings of opinion that detailed policy to be pursued might suffer from extreme preoccupation with the exigencies of the moment. A policy for foreign investment should be framed over a very long period.

It is still true that the financial element in this case is the dominant one. A central article in this issue deals with the rate of return on investments in the United States and in this country. It is shown that the return on capital in the United States is in practice all industries higher than in this country. In this respect the conditions are substantially different from the 19th century when the great capital exporters—namely Britain and Holland—were assured abroad of far higher returns than they were at home. One of the difficult problems of the 20th century is the divergence that now exists between the political need for the development of the under-developed countries and the attractiveness of investments in countries from which the flow should be outward instead of within. Obviously a first condition of a policy for attracting foreign capital should be an attempt to equate the returns of the private investor in the investing country as in the country chosen for investment.

The purpose of the current Blue Supplement of "The Eastern Economist" is to analyse how this can be done in two respects.

The first of these is to give the investor a return net after taxes at least equal to what he would earn in his own country. The second is to guarantee to managements that make the investments reasonable

conditions for their own nominees so that the rate of personal taxation or the manner in which it is administered do not exclude foreign personnel, which are still considered necessary by foreign investors as a safeguard for their interests. Finally, apart from the problem of the return on capital and the provision of adequate facilities for foreign personnel to reside in this country, there is need for general atmosphere of confidence in the policy of the Government not to nationalize unduly, or, if it nationalizes, to provide not merely adequate but generous compensation.

In recent years, while the necessity to obtain private foreign capital has been realized, the Government largely under the impulse of creating a socialistic pattern of society has created some new intangible obstacles in the minds of foreign investors. If these obstacles had been on paper only, perhaps they would have not had the adverse reactions that have recently been noted. But the translation of the socialistic pattern ideals into steep personal taxation and, more recently, the attempt to finance the plan by impounding company deposits has led to a feeling that Indian policy is designed to inhibit the private sector. Thus it comes about that the recognition that foreign capital is now desirable is by no means enough. The ground lost has to be recovered by a substantial change in policy; some outlines of the changes required are presented in this Blue Supplement.

The existence of a serious foreign exchange crisis and the belief that many foreign investors can do something to allay our difficulties makes this time opportune for a discussion of these problems. "The Eastern Economist" hopes that the Government of India will give to the suggestions made here the consideration which is their due. The Finance Minister, in the United States and elsewhere, has shown himself alive to the extent of the feeling that exists on these matters abroad. The time is opportune for him too to show by deeds that the opportunities for the private sector are real in this country and that his assurances will be carried out without undue qualification.

The Return on Investment: India and the United States

THE central factor in determining the volume of foreign investment is the rate of return, after taxes, on capital in the investing country as compared with the country in which investment takes place. For current purposes the country with which we are most likely to be concerned is the United States, largely because our requirements are of such an exacting character that no country other than the United States can fill the gap in a substantial measure.

For this purpose there is presented, in the tables below and on the adjoining page, a statement showing net profits, after taxes, as per cent of net worth for leading manufacturing corporation between 1950 and 1954 in the United States and between 1950-55 in India. They are both samples of the total universe, the sample being 1,778 companies in the United States and 750 in the Reserve Bank study.

It will be seen that in every single year from 1950 to 1954 the return in the United States is substantially higher than in India. Unless there were some extremely good compensating factors over the long period

operating in India's favour, the requisite inducement to invest in India would appear to be absent. It is difficult to conceive, without powerful tax concessions, how in the normal course and for industry as a whole, the inducement to invest in India can be strong. On the other hand, there are certain industries which have no comparable figures in the United States such as tea and other plantations, where the return is high and of a level greater than the average return in the United States. There seems to be no reason on these facts why United States investment on tea and other plantations should not be acceptable.

It is clear, therefore, that while a general policy of tax concessions will be necessary to divert a general flow of United States investment funds to this country, a particular flow to tea and other plantations stands on a different level. Here, it so happens, the rate of return is one in conformity with the average return on investments in the United States. It is obviously expedient that we should attempt the sale of strong points in our economy from a profit point of view before we attempt selling investment in general.

TABLE I.

PROFITS AFTER TAX AS PERCENTAGE OF NET WORTH

Industry	1950	1951	1952	1953	1954	1955	Average 1951-55
1. Cotton Textiles	6.5	9.6	2.1	3.8	3.8	8.6	5.6
2. Jute Textiles	9.2	12.9	2.5	5.5	5.1	3.6	5.9
3. Other Textiles	3.5	1.6	0.5	0.3	3.0	11.4	3.7
4. Iron and Steel	10.3	15.2	15.3	14.4	18.6	22.6	17.6
5. Engineering†	4.7	5.0	4.5	4.0	6.0	11.4	6.4
6. Cement	10.0	11.5	11.7	10.0	10.9	11.1	11.0
7. Sugar	7.5	11.8	8.3	10.1	9.4	10.3	10.0
8. Paper	9.9	13.3	11.6	10.1	8.3	10.3	10.6
9. Vegetable Oil	1.6	—	—	3.8	—	7.2	—
10. Chemicals**	4.1	3.8	0.4	1.2	3.1	5.9	3.0
11. Matches	13.3	12.3	13.0	10.3	10.2	9.6	11.0
12. Coal	6.7	6.2	7.9	4.7	5.6	8.0	6.5
13. Electricity Generation & Supply	7.1	7.4	7.6	6.9	7.2	7.4	7.3
14. Shipping	1.7	9.9	7.9	1.9	2.0	4.6	5.1
15. Tea	16.5	8.6	—	21.5	30.6	8.8	14.3
16. Other Plantations	13.3	17.1	12.3	13.8	13.0	13.8	14.0
17. Trading	10.4	10.3	5.1	3.5	1.6	4.1	4.9
18. Land and Estate	2.3	2.6	2.3	2.4	1.9	—	1.6
19. Total (including others)	7.7	9.6	5.7	6.8	7.8	9.4	7.9

Note: '—' indicates that numerator or denominator is zero or negative.

† Paid-up capital plus all reserves (other than taxation and depreciation reserves) and balance of profits.
‡ (1) Non-ferrous Metals, (2) Transport Equipment, (3) Electrical Machinery and (4) Machinery (other than transport and electrical).

** (1) Basic Industrial Chemicals, (2) Medicines and Pharmaceuticals and (3) other chemicals.

Source: Reserve Bank of India Bulletin.

TABLE II.

NET INCOME AFTER TAXES AS PER CENT OF NET WORTH OF LEADING MANUFACTURING CORPORATIONS IN THE UNITED STATES: 1950-54

No. of Cos., 1953 and 1954	Industrial Groups	1954	1953	1952	1951	1950
22	Banking	11.3	12.0	12.2	12.2	16.1
14	Dairy products	12.1	11.2	10.5	10.8	13.9
15	Meat packing	3.3	6.7	3.8	5.5	6.4
22	Sugar	4.9	4.0	8.4	12.1	10.8
86	Other food products	11.3	11.1	10.0	11.6	15.5
19	Soft drinks	12.5	12.6	12.2	12.7	15.5
20	Brewing	8.6	10.8	10.4	11.8	14.7
12	Distilling	6.3	7.3	7.8	12.9	17.9
20	Tobacco products	10.2	10.0	9.2	9.8	12.6
35	Cotton goods	3.6	6.9	5.3	12.1	12.7
10	Silk and rayon	4.7	6.4	6.6	11.7	19.7
6	Woollen goods	—5.1	2.4	—3.2	8.3	8.1
16	Hosiery, knitted goods	4.2	7.2	5.2	10.1	18.1
45	Other textile products	5.0	6.9	5.7	9.6	15.5
31	Clothing and apparel	5.1	6.8	6.2	7.5	10.7
28	Leather tanning Shoes, leather products	10.1	10.2	8.0	9.6	12.1
27	Tires, rubber products	12.0	14.0	13.4	16.1	15.7
28	Lumber	9.7	10.3	11.5	15.8	16.2
16	Furniture, wood products	10.1	9.8	11.1	13.9	15.4
78	Paper and allied products	12.2	12.2	12.2	16.1	16.9
35	Printing and publishing	10.9	10.5	11.1	12.3	15.1
65	Chemical products	14.5	13.2	13.7	16.3	21.3
40	Drugs, soap etc.	15.2	13.3	13.4	17.3	21.5
22	Paint and varnish	13.0	12.7	10.7	13.1	17.0
94	Petroleum products	13.9	14.7	14.5	16.7	15.2
32	Cement	18.8	15.0	14.1	14.1	18.2
14	Glass products	16.3	14.9	14.7	15.3	23.6
49	Other stone, clay products	13.0	11.8	12.4	14.7	18.5
53	Iron and steel	9.4	11.6	8.8	12.3	15.3
12	Agricultural implements	6.9	8.1	10.9	11.9	15.6
77	Building, heating plumbing equipment	9.7	10.2	10.8	13.7	17.7
78	Electrical equipment	15.4	14.9	14.8	16.2	23.0
44	Hardware and tools	8.2	9.7	10.8	14.0	14.7
39	Household equipment	9.6	10.7	12.2	13.0	22.3
165	Machinery	11.6	12.9	14.1	14.9	14.1
23	Office equipment	15.1	13.2	14.3	16.9	19.0
39	Nonferrous metals	10.3	11.0	11.5	13.5	14.2
142	Other metal products	12.9	12.2	11.4	14.7	16.2
14	Autos and trucks	21.1	19.4	18.5	17.5	32.3
64	Auto equipment	10.4	13.2	13.2	15.6	22.7
23	Railway equipment	7.3	9.2	8.9	9.8	7.3
38	Aircraft and parts	27.4	20.1	17.6	8.9	14.1
66	Shipbuilding)	12.7	11.8	10.5)	11.9	15.6
	Miscellaneous)					
1,778	Total Manufacturing	12.4	12.7	12.3	14.4	17.1

Note: Net income is taken as reported, after depreciation, interest taxes, and other charges and reserves, but before dividends. Net worth includes book value of outstanding preferred and common stock and surplus account at beginning of each year and is based upon balance sheet book values of assets, which may differ widely from present day values. The percentage rates indicate general earnings trends, but are not strictly comparable over a period of years because of (i) variation in number of available corporate reports included in the different annual tabulations upon which this summary is based and (ii) certain changes in industrial classification during the period.

— Deficit.

Source: The Economic Almanac, 1956.

The Taxation of Foreign Personnel

It is clear that one of the unsettling factors in regard to private foreign investment is the increasing burden of taxation on foreign personnel. It is natural that investors of a foreign country, who do not understand the character of the country in which investment is taking place, and need to rely upon their own representatives, should demand that their representatives should have a reasonable inducement to stay in the country. Differences of opinion are possible on what constitutes a reasonable opportunity to work in a country. But there can be no doubt that at the present time the consensus of opinion is that India is not very attractive to senior executives.

This is in part the result of growth of personal taxation in the form of income-tax and super-tax. A comparison of the difference between the effective rates of income tax in 1938-39, 1956-57 and 1957-58, shows that, while there are substantial concessions in the very high income groups in 1957-58, the rates of tax have risen steeply since 1938-39. This has, indeed, happened all over the world, but the real difficulty in India arises from the early stage at which special rates apply. Only in the United Kingdom and Japan are personal taxes heavier than in India. So far as the United States is concerned—again the country in which we should be most interested—some details on the approximate tax burden of an individual with an United States \$20,000 income is given in the table below. It will be seen from this table that, except for the United Kingdom and Japan, India presents to a US executive at this level the highest tax burden.

Listed Below is the Approximate Tax Burden of a Hypothetical Individual with a U.S. \$20,000 Income in Various Countries

Country	Income Tax
India	U.S. \$ 10,641.60
United States	5,280.00
United Kingdom	11,577.00
Japan	11,190.00
Indonesia	10,563.00
Australia	8,909.00
France	6,817.00
Canada	6,410.00
Germany	6,142.00
Philippines	5,144.00
Malaya	3,925.00
Egypt	2,567.00
Italy	1,693.00
Saudi Arabia	750.00
Venezuela	337.00

In the result United States executives who have a free choice will tend to go to countries where taxation is lower unless the company compensates them com-

pletely for the severity of taxation. To the extent that the company provides such a compensation, its profits are further diminished. In many cases, however, companies decline to provide this compensation. The officers posted to India would then generally be those who have no other choice. In other words, we will lose in quality and, presumably, as a result of the fall in profits, receipts from taxation will fall. At the same time, the investor will further be prejudiced in this country in his general outlook to invest in India by the lower profits obtained. In addition to taxation, there is the problem of cost of living which in India in the last two years has been steeply rising particularly in respect of that range of goods such as alcoholic drinks and imported foods—which foreign executives choose to consider a virtual necessity.

To some extent the situation has been remedied by the provision that technicians operating in the country for three years should be free from taxation. It is very desirable that the personal reliefs granted to technical personnel should be extended to individuals in managerial and consultancy roles. Similarly, there is the problem of overseas personnel in India who come for temporary assistance, but not necessarily for residence over the longish period. They are frequently classified as "non-resident", and subjected to heavier "non-resident" taxation. Again, the taxation of overseas personnel on the basis of their world income tends to restrict entry to those personnel without substantial income other than their own salaries. This in turn reduces the quality of personnel available to administer investments in India. Similarly, taxation of perquisites in one form or another has been keenly felt. Foreign investors who wish to acquire retirement annuities for their overseas personnel are debarred by the provisions of the Indian tax law. Similarly, the rules in regard to passage money have not dissipated all those who have previously enjoyed substantial privileges for themselves and their family.

It is clear that if most of these objections are to be removed, generous concessions will need to be applied to foreign personnel even if they are not provided to Indian executives. There is justification enough for this discrimination, because foreign personnel have generally to maintain two establishments, and need to make provision for the education of their children. It would be difficult to have a large slab of income exempt, but there should be surely a provision for a reduction of taxation in regard to foreign personnel who have children being educated abroad. This may take the form, for example, of a tax exemption of £40 per month or £480 per year per child, in the case of those who have children abroad subject to a maximum of £1,000. Again, in regard to entertainment expenses inside the country there is room for a larger allowance to be made in the case of foreign personnel who have by custom to entertain according to the standards of the country which generally involves, because of the serving of alcoholic drinks, a larger total figure. This is a matter of administration, but undue curtailment of entertainment allowance of foreign personnel has certainly created a serious incapacity to foreign personnel to live a normal social life. It is not believed that minor concessions given under these heads will affect in any significant way the revenue of the country. These concessions might need to be applied perhaps to a thousand executives in all, and the loss would be trivial compared to the significant gain that would be obtained by making foreign investors feel that their sentiments have been duly appreciated.

The Problems of Corporate Taxation

THERE is now the problem of doing something substantial to equate the net return, after taxes, in India with that prevailing in the main capital exporting countries. It has been pointed out in the article on the Return on Investments that the differential to be covered between India and the United States is substantial. Assuming, as is likely, that the "normal" rate of gross return in India cannot be substantially raised, this reduces itself largely to instituting some concessions so that their return after taxes will be in large measure equivalent to that prevailing in the United States.

This equalising volume of tax concessions does not lend itself at the present time to any precise estimate largely because of the unknown quantities over which concessions apply. The Eastern Economist believes, however, that if those below were instituted there would be a tremendous psychological change which in itself would generate substantial additional investment. If it should prove that one or other of these items was unnecessary or that the concession was excessive, it would be open to the Finance Minister in the Budgets to come to withdraw them gradually. The announcement of concessions on these lines does not preclude the Finance Minister from adjusting his course from year to year. Nevertheless, the understanding should be that the concessions here indicated are intended to endure over a substantial period.

TAX CONCESSIONS REQUIRED

The super-tax on foreign company profits should be reduced to 3 annas in the rupee or 18 per cent. Under the Finance Act (2) of 1957, the effective rate of super-tax on Indian branches of foreign companies has been reduced from 36 per cent to 30 per cent.

The super-tax on the dividend income of foreign companies from Indian companies should be eliminated. Now this tax is 10 per cent for foreign companies as against last year's 20 per cent.

Penalty super-tax on excess dividends should be applied in relation to the total capital rather than paid-up share capital. The Finance Act (2) of 1957 has not changed this position. But the rates of such additional super-tax on excess distribution of dividends over the three levels of 6 per cent, 10 per cent and 18 per cent of the paid-up capital have been lowered from 12½ per cent, 25 per cent and 37½ per cent to 10 per cent, 20 per cent and 30 per cent respectively.

Foreign companies and their subsidiaries should be exempted from sub-sections (2B) and (2C) of section 10 of the Indian Income Tax Act. These sub-sections deal with the compulsory deposit scheme for companies.

Section 23A of the Income Tax Act should be replaced by a new section of more limited application. This Section deals with "power to assess companies to super-tax on undistributed income in certain cases". The Finance Act (2) of 1957 has amended this section partly so as to fix for various categories of companies the percentages of available profits which they should distribute in order to avoid the extra rates of super-tax prescribed in section 23A. The percentage is now 45 per cent in the case of industrial companies as against the previous 60 per cent. Another amendment deletes from the purview of this section companies owned by the Government or in which not less than 40 per cent of the shares are held by the Government; this means that companies which would otherwise be affected because of participation by the Life Insurance Corpora-

tion or the Industrial Credit and Investment Corporation are now exempted from the mischief of the section. The suggestion that there should be a more liberal definition of companies to which the section applies remains, however, to be carried out.

Permission to carry forward unused exemption under section 15C and unused development rebate should be granted. Section 15C dealing with "exemption from tax of newly established industrial undertakings" has not been amended under the Finance Act (2) 1957. Under this section a company which makes less than 6 per cent profits is exempted from tax for a period of 5 years from the year following the year in which it begins to manufacture articles; but such a company, to be entitled to exemption from tax, should have begun to manufacture articles at any time within a period of 13 years from the 1st day of April, 1948. The purpose of the suggested amendment is to enable a company which, though formed within a period of 13 years from April 1948, may not have started actual production within that period, to carry forward the unused exemption.

Advanced assurance should be given to potential investors whether section 15 C and/or section 56A will apply to the contemplated investment. Section 56A deals with "exemption from super-tax of certain dividends". Under this section no super-tax shall be payable by a company on such part of its total income as consists of dividends received from an Indian company formed and registered after the 31st day of March, 1952, if that Indian company is engaged wholly or mainly in the manufacture of 20 specified commodities, like coal, iron and steel, heavy chemicals, heavy machinery, electric machinery, automobiles, locomotives, machine tools, tractors, rolling stock, etc. Of course, if the super-tax on the dividend-income of foreign companies from Indian companies is completely eliminated, the question of exemption of foreign companies from the operation of Section 56A will not arise. If this is not done, a periodic review of specified industries under this section should at least be done so as to expand the list of such industries.

Non-residents selling goods to India should be exempted from tax except when sales are made through a permanent establishment or duly authorised agent. Non-resident companies receiving income in the form of dividend and interest on which tax is deducted at source should not be required to submit returns of total income. Non-residents should be exempted from tax in respect of mere purchase of goods in India. The tax on non-residents on the basis of receipt should be eliminated. Royalty payments to non-resident companies for industrial patents should be exempted from super-tax. It is expected that if these concessions in respect of Corporate taxation are given, Indian tax laws would compare favourably with those of other countries with similar requirements for development.

MORE ON DETERRENTS

Besides, the concept of "business connection" should also be defined and restricted to permanent establishments and authorised agents. The need to amend Section 42 of the Indian Income Tax Act arises from the fact that the system of charging non-residents on the basis of their having "business connection" in India acts as a deterrent both against foreign capital investment in India and against foreigners having trade connections with Indian companies' expansion projects. It may be noted that a tax liability based on "business connection" — an expression which is vague or has a

wide import — ropes in incomes of non-residents in cases where under most tax systems in the world there is no charge on non-residents at all.

The five-year tax holiday under Section 15C of the Income Tax Act could well be longer and the amount exempt from taxation should also be more liberal, for in the first five years the development rebate and the additional depreciation allowances are large enough to exhaust all the profits. In practice, therefore, there is no chargeable profit which is liable to be exempted. If Section 15C is to afford any real relief to a new undertaking, the exemption limit of 6 per cent of the capital should be increased.

As for development rebate, the provision therefor is no doubt an incentive to foreign investment, but its effect is nullified by the provisions regarding compulsory deposits of a portion of current profits and of accumulated earnings with the Government under sanction, in the event of failure to make such deposits, of disallowance of depreciation and development rebates. A foreign investor does not readily accept this position, and hence the suggestion that foreign companies and their subsidiaries should be exempted from sub-sections (2B) and (2C) of Section 10 of the Indian Income Tax Act.

It is not adequately recognised that even if such non-tax factors as the opportunity for profit or for remittance of profits are favourable to the foreign investor, a very heavy tax burden would still deter him from actually making the investment. This is the case in India where the tax burden on an Indian company is 43.44 per cent after the allowable rebates, which is considerably more than in many other countries. This should be clear from the figures in the table at the

end. But this is not the total tax burden. In order that it may not at least exceed this rate of 43.44 per cent, the rebates allowable to a foreign enterprise operating a branch in India would have to be suitably re-adjusted.

Country	Subsidiary Making 100%	
	Branch	Dividend Distribution
	%	%
India	62.1875	59.0161
Japan	51.0	51.0 (Note 1)
Australia	40.0	49.0
New Zealand	50.6	50.6
United Kingdom	42.5	45.5
South Africa	37.5	37.5
Indonesia	52.5	52.5
Philippines	28.0	48.16
Malaya	30.0	30.0
Canada	47.0	49.65 (Note 2)
Venezuela	28.5	28.5
Peru	45.0	45.0
Columbia	45.0	45.0
France	50.44	53.32
Italy	38.0	38.0
Netherlands	43.0	43.0

Notes: 1. Japan/United States Tax Convention provides for exemption from a 10% Dividend Tax except in cases of a permanent establishment.

2. Canada/United States Tax Convention provides for a reduced Dividend Tax of 5%.

The Industrial Policy Resolution and Private Foreign Investment

THE position of foreign private capital in the light of the Government of India's Industrial Policy Resolution of April 30, 1956, is an important factor which is likely to influence the flow of investment from abroad into this country. The earlier Industrial Policy Resolution of April 6, 1948, had become out-dated in view of important developments which took place in the intervening period. The Constitution came into force on January 26, 1951, and its Directive Principles enjoin that the Government should strive to achieve a Welfare State. This obligation has several broad implications for economic policy. The country had accepted economic planning as the instrument for orderly development. In December 1954, Parliament adopted the socialist pattern of society as the goal of the Government's social and economic policy.

Apart from these important events in the realm of policy, a number of public pronouncements were made by Ministers from time to time which were neither clear and precise nor consistent with one another. The general trend to make sweeping and disparaging statements about the role of private enterprise in the future development of the country only served to create an atmosphere of uncertainty. In spite of some definite pronouncements of policy on private enterprise embodied in the Industrial Policy Resolution of April 1948, the entire position became confused. Uncertainty and confusion were undoubtedly harmful to investors' confidence. It was obvious that when the country was about to launch upon an ambitious programme of development in the second Five-Year Plan, the entire position should be clarified

and private enterprise should be informed how and where it exactly stood in the scheme of things. It was with this purpose in view that the Industrial Policy Resolution of April, 1956, was announced in an elaborate form on the eve of the second Five-Year Plan.

In so far as the role of private enterprise in the development of the economy is concerned, the fundamental principle of policy which must be underlined is that the Government is pledged to non-discrimination in the treatment of foreign private capital and Indian private capital. The text of the Industrial Policy Resolution makes a specific reference to the statement of the Prime Minister in Parliament on April 6, 1949, in which the Government's policy in respect of foreign capital was enunciated. This policy stands unchanged and it is adopted in the original form in the Industrial Policy Resolution. The gist of the Prime Minister's statement was that foreign private capital would be warmly welcomed in India. In fact, it would be essential for the development of this country. No differential treatment was to be accorded to foreign private capital and Indian private capital. Foreign investors would be assured of remittance facilities for the profits they earn in this country and also for the sale proceeds of their concerns. Remittance facilities, of course, would be subject to the foreign exchange control regulations.

In practice, it has not been found difficult even in a single case for the exchange control to refuse remittance facilities to foreign investors. The latest position marks a positive improvement even in the

use of dollar investments. In September last an agreement was entered into between the Government of India and of the United States whereby these facilities of convertibility of rupee profits or rupee proceeds of the sales of American concerns have been guaranteed into dollars. This policy and these positive commitments ensure that foreign private capital has reasonable security granted to it and furthermore they ensure that the Government should strive its utmost to maintain a climate which would be always conducive to the stay of foreign investment in this country.

In their anxiety to clarify the precise nature of their policies, Parliament and the Government have lapsed into a superfluous emphasis on the ideological aspects of these policies. The adoption of the goal of socialism has served to create a good deal of confusion which is not warranted by the policy which Parliament has actually in view and which is intended to be followed by the Government in practical administration. The socialist pattern of society as envisaged by Parliament does not contemplate elimination of private enterprise. What it essentially means is that the State sector should assume much greater responsibilities than ever before in promoting the development of production try. Total ownership of the instruments of production by the State or anything like State capitalism is not the goal as intended in what is described as the socialist pattern of society. Fortunately, there is now an increasing awareness in India as well as abroad that in backward countries private enterprise will not be in a position to provide all the capital that is required for accelerated and all-sided development of the economy. There are real risks that returns may not be forthcoming on investment in certain ventures for a considerable period of time. In view of this prospect, it is inevitable that the State should step into the sphere of investment where the basic needs of the economy so require. What India has in reality adopted is the pattern of mixed economy.

The Industrial Policy Resolution of April, 1956, clarifies this issue. Its classification of industries into three categories (of which the first is reserved for State investment and management, the second for predominant ownership and control by the State and the third as the reserved sphere of private enterprise) is by no stretch of reasoning a water-tight division. The Resolution states in quite express terms that the three-fold classification necessarily overlaps. In theory, Parliament's sovereignty entitles it to nationalise any undertaking if the exigencies of the situation require such a course. But the practical limitations of the State's capacity to enlarge its area of ownership and management have been recognized in the Industrial Policy Resolution. Schedule A to the Resolution enumerates seventeen types of industries which are supposed to be reserved exclusively for the State sector. But Paragraph 8 of the Resolution states in unequivocal terms: "Railways and air transport, arms and ammunition

and atomic energy will, however, be developed as Central Government monopolies." Thus crucial statement should suffice to make it clear to what extent the exclusive reservation of industries for the State is really intended in the absolute sense.

To clarify the position further, the Resolution announces that in the first category of industries, enumerated in Schedule A, (barring the four industries specified above) the co-operation and active participation of private enterprise will be invited wherever Government considers it essential. The establishment of some basic and heavy industries as well as the negotiations now in progress for certain other industries included in the first category which are to be sponsored by the Government, have demonstrated that the Government has followed a practical policy of inviting the participation of foreign capital. The first category of industries as well as the second category where the Government is entitled, in terms of the Industrial Policy Resolution, to assume responsibility for starting new enterprises, India's need for the assistance of foreign capital and technological skills will be very great. It is evident that in the third category of industries which has been earmarked for private enterprise, participation of foreign private investment will be urgently called for in a large number of undertakings. Happily foreign participation, whether along with private enterprise or State enterprise, has actually proved to be of valuable assistance in the recent past. The Industrial Policy Resolution is pledged to a continuance of the same attitude to foreign investment.

To describe the Industrial Policy Resolution as a flexible instrument of policy would not be enough. The heart of the Resolution consists in its pragmatic approach to the problems of industrial development. The text of the Resolution gives ample proof that there cannot be any dogmatism about ownership and management of different industries either by the State sector or the private sector. It is for the sake of broad enunciation of policy that the Resolution has adopted the classification of the Industries into three groups. The latest example of Government's pragmatic approach to industrial development is fully reflected in the significant change it has introduced in the licensing of mining rights. A wide range of minerals and ores which are reserved for exploitation by the State in terms of the Resolution is now thrown open for working by private enterprise. The first one and a half year of the second Plan has brought home the lesson of the limitations on the resources of the State in finance as well as technical and managerial skills. Private enterprise is now receiving increasing recognition of its role. The fact of this recognition applies with equal force to foreign private enterprise; it is likely it will be allowed to mix freely with Indian enterprise in a widening field even beyond the confines of the Industrial Policy Resolution.

Foreign Business Investments in India

ONLY two systematic assessments in regard to foreign business investments in India have so far been made and both of these were made by the Reserve Bank of India. The first of these studies, which was called the Census of India's Foreign Liabilities and Assets, up to the end of June 1948, was published early in 1951. The second study which covered all business investments till December 1953 was published in 1955. Both these surveys were of a detailed nature and analysed the statistical details in regard to foreign liabilities and assets in an exhaustive manner.

The foreign business investments, according to the 1953 survey, up to 30th June, 1948 in India totalled Rs. 287.57 crores. In the next five and a half years, there was a net increase of Rs. 131.75 crores. The total foreign business investments at the end of December 1953, therefore, totalled Rs. 419.32 crores.

The first table on page x shows the country-wide distribution of these investments in 1948 and 1953 and also discloses the increase in the contributions of private investors in the various countries during 1948-53. That

BUSINESS INVESTMENTS

(Trade-wise)

(In lakhs of rupees)

TRADE	December 31, 1953	June 30, 1948	Increase (+) or Decrease (—)
Manufacturing			
Mineral Oils and Products	9.69	1.01	+ 8.68
Sugar	3.22	1.30	+ 1.92
Electrical Goods	12.01	4.77	+ 7.24
Matches	3.22	1.73	+ 1.49
Cigarettes and Tobacco	25.65	6.17	+ 19.48
Building Materials	3.49	1.42	+ 2.07
Medicines and Pharmaceuticals	5.53	45	+ 5.08
Iron and Steel Products	6.60	5.48	+ 1.20
Food Products	3.97	1.82	+ 2.15
Others	62.26	47.80	+ 14.46
TOTAL	135.72	71.95	+ 63.77
Trading			
Food Products	53	3.49	+ 2.91
Iron and Steel Products	69	3.62	+ 2.93
Jute and Coir Goods	82	2.64	+ 1.82
Mineral Oils and Products	67.40	21.32	+ 46.08
Others	25.20	33.28	+ 7.99
TOTAL	94.73	64.35	+ 30.43
Utilities	37.30	18.61	+ 18.69
Transport	13.24	12.62	+ .62
Mining	8.38	11.46	— 3.08
Financial			
Banks	16.20	31.74	— 15.54
Insurance	— 5.10	— 8.77	+ 3.67
Investment	16.12	14.74	+ 1.38
Others	3.68	90	+ 2.78
TOTAL	30.90	38.61	— 7.71
Plantations			
Tea	70.83	50.31	+ 20.52
Others	1.33	1.94	— .61
TOTAL	72.16	52.25	+ 19.91
Miscellaneous			
Managing Agency	25.32	14.46	+ 10.92
Others	1.52	3.32	— 1.80
TOTAL	26.84	17.72	+ 9.12
GRAND TOTAL	419.32	287.57	+ 131.75

November 1, 1957.

PRIVATE FOREIGN INVESTMENTS SUPPLEMENT

ix

a major share of these investments came from the United Kingdom discounts the fears which had been entertained for a long time in this country that British capital was flying away. Out of nearly Rs. 419.32 crores, business investments from the United Kingdom were as high as Rs. 347.1 crores. This constitutes nearly 83 per cent of the total foreign business investments in the country.

The US business investment at Rs. 30.91 crores in December 1953 was even less than 10 per cent of the total investments made by the United Kingdom. The flow of private business investments from the United States into India has been hesitant while that of the United Kingdom has been at an encouraging pace. During the five years under study, the United Kingdom increased its business investments by Rs. 137.11 crores. During the same period, the investments of the United States increased by Rs. 12.95 crores only. It shows clearly that private foreign investments from the United Kingdom have been at a level which is ten times that of the United States. The only countries whose private business investments in India have declined in a substantial measure are Pakistan, Ceylon and Burma. But the total withdrawals from all these three countries

together are not more than Rs. 11 crores.

The trade-wise break-down given on page viii shows that the highest share of foreign private investment has taken place in manufacturing industry, followed by trading, plantations, utilisations and financial concerns. The increase in business investments in the five-year period between 1948 and 1953 has also taken place mostly in manufacturing, trading and plantations only. Withdrawals have taken place in a sizable measure only in the case of financial and mining concerns.

In regard to foreign business investments after 1953, no definite information is available. The balance of payments statistics are highly misleading in this respect. The published balance of payments statistics for 1948-53 showed, for example, that there was a net disinvestment of foreign capital from the country while the Reserve Bank survey revealed that there was a net increase, as already stated above, of the order of Rs. 132 crores. If the figures of US direct investment in India in 1956 are any guide, it can be safely conjectured that foreign business investments at the end of 1956 were higher by nearly Rs. 100 crores as compared with December 1953.

Notes on Foreign Investment

US DIRECT INVESTMENTS ABROAD
THE PATTERN of US direct investments in both the developed and under-developed countries during the period 1950 to 1956 is set out in the table below:

It shows that, in 1950, India, amongst the under-developed areas, had the lowest direct investment. In 1956 also, though the quantum of investment trebled, India's rank in the order of investment, amongst under-

INCREASE IN U.S. DIRECT INVESTMENTS IN DEVELOPED AND UNDERDEVELOPED COUNTRIES, 1950-1956.

(Millions of Dollars)				1950	1956	Increase
Developed Areas			Underdeveloped Areas			
	1950	1956				
Total	5,700	17,070	Total	6,100	10,048	3,948
Canada	3,579	7,480	Lat. America	4,785	7,408	2,673
West Europe	1,720	3,493	Venezuela	993	1,817	824
U. Kingdom	847	1,599	Brazil	644	1,209	565
France	217	426	Mexico	414	675	261
W. Germany	204	424	Peru	145	354	209
Italy	63	204	Chile	540	677	137
Netherlands	84	182	Cuba	642	774	132
Belgium	65	150	Panama*	348	479**	131
Sweden	58	117	Argentina	356	470	114
Spain	31	62	Colombia	193	289	96
Australia	201	551	Middle East†	670	1,080	410
South Africa	140	289	Liberia*	82	338	256
Japan	19	144	West Indies‡	131	324	193
New Zealand	25	48	Philippines	149	266	117
			India	38	109	71

*Reflects shipping registrations. †British West Indies and other European dependencies in the Western Hemisphere. ‡Petroleum only (Partly estimated). **For 1955.

BUSINESS INVESTMENTS

(Country-wise)

(In lakhs of rupees)

COUNTRY	December 31, 1953	June 30, 1948	Increase (+) or Decrease (—)
Australia	31	17	+ 14
Burma	1,26	3,00	— 1,74
Canada	1,66	51	+ 1,15
Ceylon	32	2,59	— 2,27
Germany	8	35	— 27
Japan	19	22	— 3
Malaya	2,47	2,13	+ 34
New Zealand	14	46	— 32
Pakistan	5,19	12,16	— 6,97
Switzerland	5,99	5,76	+ 23
United Kingdom	347,06	209,95	+ 137,11
United States	30,91	17,96	+ 12,95
Other Countries	23,74	32,31	— 8,57
TOTAL	419,32	287,57	+ 131,75

INCREASE IN BUSINESS INVESTMENTS

(In lakhs of rupees)

COUNTRY	Net position of branches	Controlled Equity value of ordinary shares	Total	Portfolio	GRAND TOTAL
Australia	+ 18	..	+ 18	— 4	+ 14
Burma	— 1,69	..	— 1,69	— 5	— 1,74
Canada	+ 1,10	+ 55	+ 1,65	— 50	+ 1,15
Ceylon	— 2,26	+ 3	— 2,23	— 4	— 2,27
Germany	— 35	+ 8	— 27	..	— 27
Japan	+ 2@	..	+ 2	— 5	— 3
Malaya	— 19	+ 51	+ 32	+ 2	+ 34
New Zealand	— 44	+ 1	— 43	+ 11	— 32
Pakistan	— 2,33	— 19	— 2,52	— 4,45	— 6,97
Switzerland	— 1,32	+ 88	— 44	+ 67	— 23
United Kingdom	+ 78,04	+ 39,17	+ 117,21	+ 19,90	+ 137,11
United States	+ 10,02	+ 1,72	+ 11,74	+ 1,21	+ 12,95
Other Countries	— 10,88	— 54	— 11,42	+ 2,85	— 8,57
TOTAL	+ 69,90	+ 42,22	+ 112,12	+ 19,63	+ 131,75

Increase (+) Decrease (—)

@ Includes small amount of portfolio investment.

developed countries, remained unchanged. An important fact which this table brings out very clearly is that the countries in the under-developed areas which have attracted most of the US direct investment are those of Latin America. Amongst the developed areas of the world, Canada tops the list where, within a period of six years, US direct investments have doubled and now stand at an all-time peak of \$7.48 billion. The quantum of investment in developed or industrialised areas is, undoubtedly, large but recently the rate of investment in the under-developed areas has, without doubt, been the same as that of the industrialised areas. Most of the investment has gone in for extractive industries, i.e., mining and petroleum.

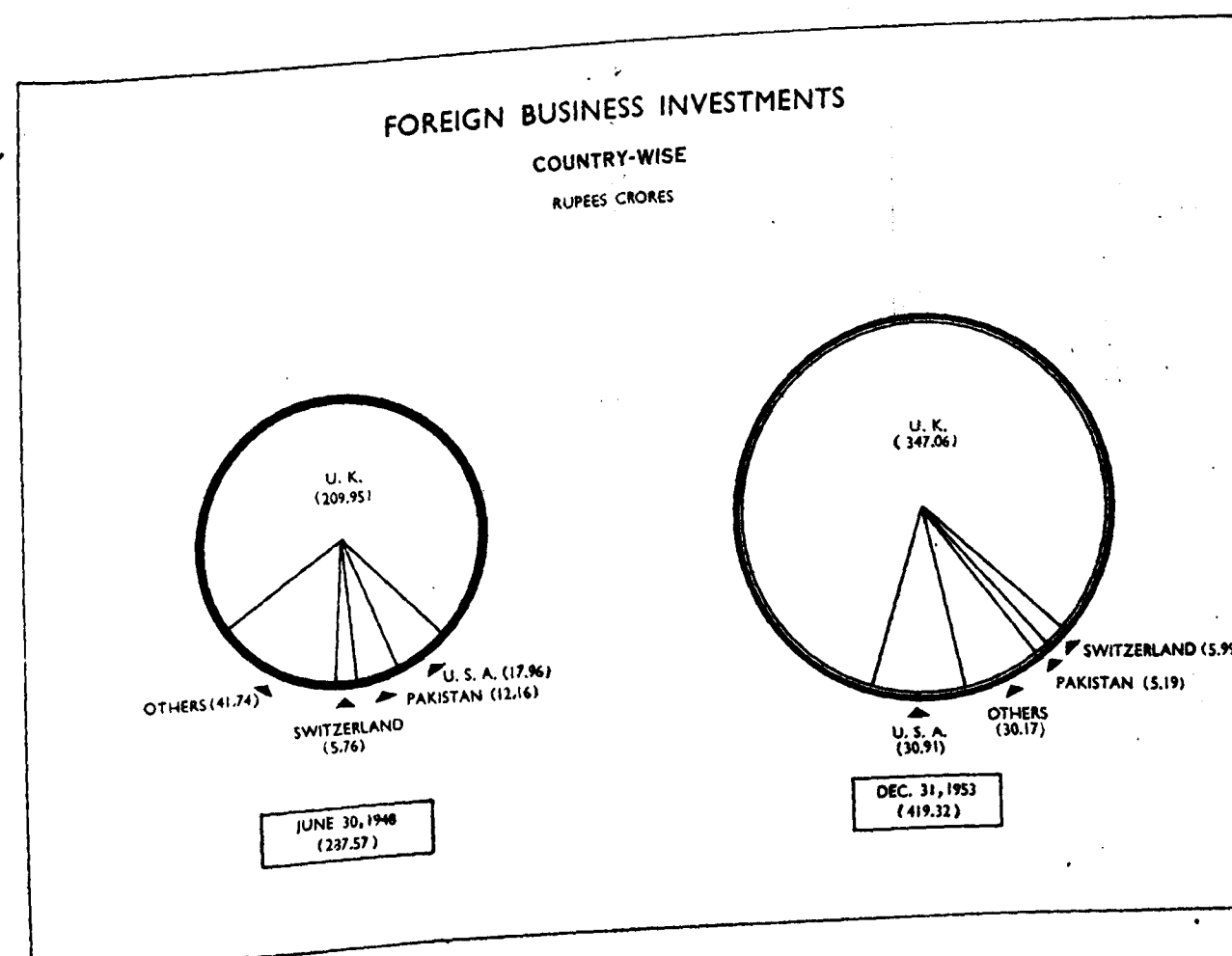
OIL INDUSTRY

SEARCHING ECONOMIC studies made concerning the operations of the oil business have brought out sharply the industry's two major characteristics: dynamic growth accompanied by huge reinvestments necessitated by the need to develop new resources and to provide more efficient service. According to an authoritative source, capital expenditure by the entire oil industry in the United States and abroad in 1956 amounted to 9.7 billion dollars — up by 17 per cent from 1955. Gross investment in fixed assets employed by the industry in the free world at the end of 1956 approximated 70 bil-

lion dollars of which 62 per cent was located in the United States and 38 per cent abroad.

A review of operations of 33 oil companies in the United States revealed that, to expand and improve facilities, capital expense of \$4,988 million was required in 1956 as against \$19,139 million for the previous five years. The 1956 outlay exceeded the previous record of \$3,095 million established in 1955 by 28 per cent. Working capital increased to \$6,399 million from \$5,871 million. Borrowed and equity capital employed including reinvested earnings as of December 31, 1956, amounted to \$27,593 million, compared with \$24,467 million at the end of 1955. The gross investment made by the 33 oil companies in property, plant and equipment aggregated \$37,531 million at the end of 1956, against which reserves of \$17,730 million were accumulated, indicating a net value of \$19,801 million as against \$17,345 million at the end of 1955.

Despite the substantial outlay for fixed capital assets and related business, investment under current assets at the close of 1956 amounted to \$6,399 million — an increase of \$528 million as compared with 1955. Increased working capital requirements for accounts receivable, of inventories as well as the high level of capital expenditure in 1956 were financed by funds generated by operations supplemented by \$13,333 million from "external sources" — principally the capital markets. Borrowed and equity capital employed in-



cluding reinvestment earnings on December 31, 1956, amounted to \$27,503 million compared with \$24,467 million at the end of 1955. The ratio of debt to total capital used was 15.2 per cent at the close of 1956.

The petroleum industry's growth has been financed principally by ploughing back into business substantial portion of earnings. Debt financing was used only to a minor extent in accordance with the policy of maintaining a moderate debt ratio. Studies on the expenses concerning the development of new sources also point unerringly to the need for constant supply of capital. According to an authoritative estimate by an inter-

national organisation, on an average \$293 will have to be spent in Western Europe for every ton of new oil that may be found. According to one publication, the expenditure by the oil industry in Canada for the next 25 years is computed at an equivalent of \$985 million per annum. Basing their computation on experiences in other parts of the world but arriving at a moderate estimate, one authority gives out that the total investment required by 1957 to ensure self-sufficiency in oil in India will be of the order of \$6,236 million. In other words, \$126 will have to be spent for every ton of new oil production as compared with the estimated cost of \$293 per ton in Western Europe.

The Cotton Textile Industry

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A Critical Industry

IT is the sick that need the physician, not those that are whole. At least in this sense, the cotton textile industry in India at the present time merits a high priority. The accumulation of stocks indicated in the most recent returns displays a critical situation in sales, and, as a consequence, a growing crisis in production. Although no specific information is available on this point, it would appear that some marginal units have already closed down temporarily.

Obviously, the health of the cotton textile industry is central to the whole Indian economy. Apart from clothing the Indian people, this industry is one of our main foreign exchange earners, and its health on the domestic front affects its price flexibility in markets abroad. Again, the cloth excise is the largest single item of revenue in the Indian Budget. Without its contribution the Central Budget would be in serious jeopardy. Finally, cloth is always high politics in the country because of the Ambar Charkha philosophy which has its roots not merely in Gandhian doctrine but also in an all-pervading unemployment problem. For all these reasons, the Indian cotton textile industry is one which needs more attention and critical analysis than any other at this time.

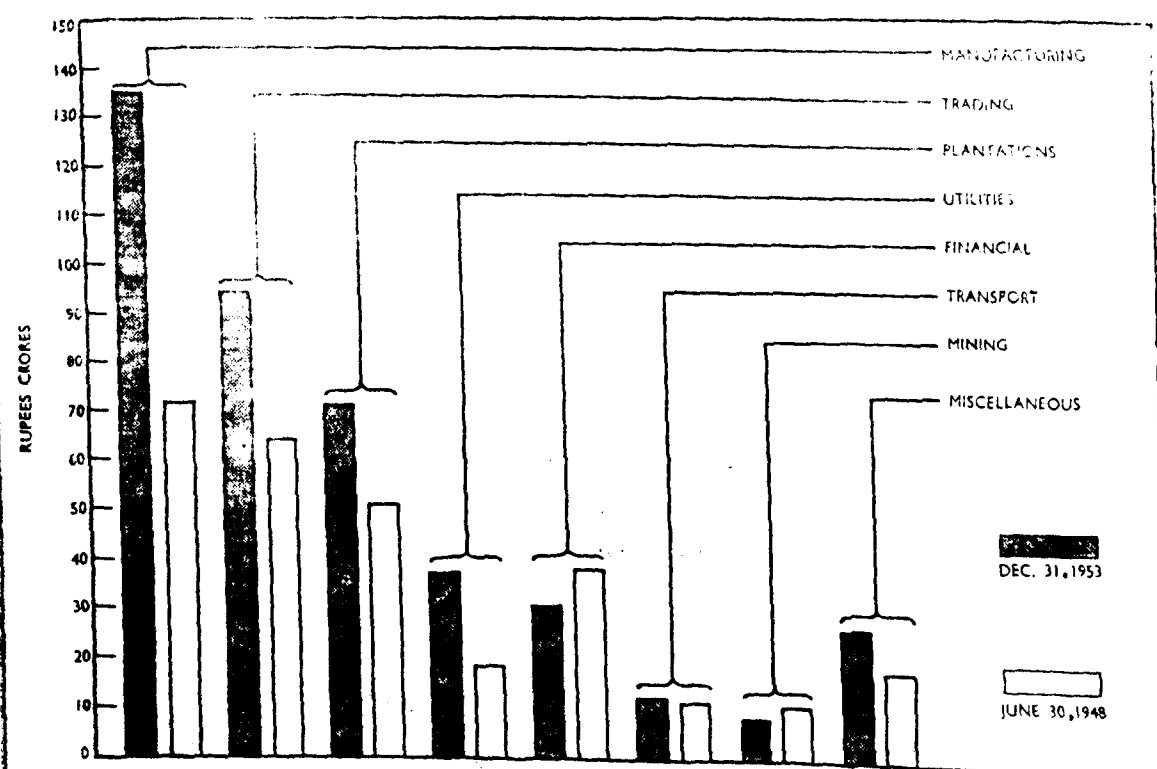
In this Blue Supplement an attempt has been made to trace the historical growth of this industry, and to indicate its present standing largely in terms of its present capacity. At the same time the emphasis has been taken off history to concentrate on the current stock situation. An important article contributed by the Economic Intelligence Unit of the Indian Institute of Public Opinion, which has done some research work on the relation between food prices and cloth, indicates that part of the trouble certainly can be placed at the door of unduly high food prices. This is, of course, not the whole story. The relative stagnation in the per capita income in the last two years, and the rise of indirect taxation have also influenced urban demand. Rural demand, largely because of the absence of wants, has not been able to compensate for the fall in the urban sector. Again, as is indicated in another article

the arrival of rayon fabrics has curtailed demand for cotton textiles; in this respect India is, of course, no exception to a general rule all over the world, and particularly in Japan and the United States. The rate of growth of the rayon industry is far higher than that of the cotton textile industry over any significant period of time. The point needs to be highlighted that the cotton textile industry needs to face severe competition now from substitutes relatively unknown in India five years ago.

In the last analysis, the problems of every industry are financial. Unless the financial components are in good heart, new investment will not take place and, therefore, the industry will not grow. The behaviour of textile profits in the recent past is set out in another article which, it is hoped, will indicate that the widely prevalent idea that textile mill profits are still substantial is wholly untrue.

Some remedial action is proposed. There is a case for reduction in cloth prices in order to assist in the lifting of stocks which consumer resistance has now raised. Much the easiest way would be some reduction of the excise duty though this of itself may not be adequate unless the excise duty is substantially cut. This may not be a practical proposition in view of the budgetary complications which would ensue. Perhaps some solution could be found in greater exports. But an export promotion drive of some magnitude will take time. If the year had been a good one, and agricultural income had risen substantially an act of Providence might have provided a solution where human agencies were unsuccessful. But it would appear that even now a policy for food prices might be most of the answer. The stabilisation of food prices emerges as the central recommendation of this Blue Supplement. It is believed that this recommendation will be acceptable in view of the necessity of stabilising food prices in the interest of the economy in general. It would be a corollary for us to stabilise cloth prices at the same time. Thus the two most important elements in the cost of living might be regulated in a single major stroke of policy.

FOREIGN BUSINESS INVESTMENTS
TRADE-WISE



1,000 million yards was to be exported.

It was originally visualised that the mill industry was to reach its targets of cloth and yarn production with the same number of looms—202,901—as in 1955-56 and with 1.57 million additional spindles. Under the cloth policy, announced in June 1956, the number of additional spindles required was raised from 1.57 million to 2.1 million; at the same time, 14,600 automatic looms were to be permitted to be installed on the twin condition that production from such automatic looms would be earmarked for export and the mills installing automatic looms must continue their usual level of exports. Another feature of the new policy was the proposal to convert 15,000 handlooms into powerlooms in 1956-57 and 20,000 in 1957-58.

A broad picture of production, as far as the mill industry is concerned, in the first two years of the second Plan may now be drawn. This is given in the following table:

	Mill Yarn (In '000 lbs.)	Mill Cloth (In '000 Yards)
Monthly average in 1956-57	143,552	451,774
Total production in 1956-57	1,722,623	5,421,290
Monthly average in 1957-58 (till Aug. for yarn & Oct. for cloth)	146,972	439,271
Total production in 1955-56	1,630,000	5,094,000

It may be seen from the above figures that the monthly average of yarn production in the current year has gone up by just 3.4 million lbs. while the monthly average of cloth production has gone down by 12.5 million yards. Without going into the reasons for the decline in cloth production in the current year, it may be pointed out that this trend does not necessarily indicate any equivalent increase in handloom cloth production. That probably handloom cloth production has not increased to any significant extent may also be inferred from the fact that yarn stocks with the mills have steadily increased from 4.3 million lbs. in August 1956 to 27.2 million lbs. in August 1957. Of course the larger part of the increase in yarn stocks may be accounted for by the decline in mill cloth production itself. At the same time there is no reason to believe that the off-take of mill yarn by the handloom industry has increased significantly. In the matter of exports also, it may be noted that cloth exports in

Cotton Textile Exports

AMONG the limited number of industries that figure prominently in our overseas trade, cotton textiles rank quite high. The annual value of the exports of this industry is about Rs. 65-70 crores, or roughly 12 per cent of the total exports of the country's merchandise today. Impressive though this figure is, it has to be remembered that, to provide external finance for the ambitious industrial projects included in the second Five-Year Plan, the foreign exchange earning capacity of our major industries like jute, tea and cotton textiles has to be increased enormously. It is not surprising, therefore, that this industry has been given a very important place both in the second Five-Year Plan and in the Report of the Export Promotion Committee released recently. The Planning Commission has provided a target of 1,000 million yards of cotton textiles a year, which means calling upon the industry to earn foreign exchange resources to the tune of Rs. 375 crores by the end of the current plan period.

1956-57 have been about 730 million yards only and they have maintained, since April 1957, an annual rate somewhat less than the 1956-57 level.

Assuming that the recent decline in mill cloth production is only a temporary phase, one may figure out that the industry could easily reach a level of annual production of 5,500 million yards (including probably the whole of the reserve production quota of 150 million yards under the June 1956 cloth policy) well before the target-year of 1960-61. But the likelihood of the handloom sector reaching its target of 2,200 million yards of cloth (using mill yarn) cannot be taken for granted in view of the fact that the increase in mill yarn production—an increase that would be determined to the extent of 60 per cent by the off-take of mill yarn by the handloom industry—has been only at about a third of the rate required for the planned expansion of the handloom sector under the cloth policy. As for handloom cloth production out of Ambar yarn, the position is too obscure to be guessed; as for powerloom cloth production, the position in recent months is not known. Even if the expected progress is taking place in either case, it would not materially alter the picture that handloom cloth production had not increased significantly since 1956-57. While the decline in mill cloth production is temporary and may be expected to be arrested sooner or later, the rather slow growth of the handloom sector provides ground for the inference that the target laid down for it is not likely to be reached.

Rated Capacity of Mill Industry:		1955-56	1960-61
Spindles (Numbers)	..	12,051,209	13,621,209
Yarn (Million lbs.)	..	1,840	2,080
Looms (Numbers)	..	202,901	202,901
Cloth (Million yards)	..	4,950	4,950
Production:			
Yarn (Million lbs.)	..	1,630	1,950
Mill Cloth (Million yards)	..	5,094	5,000
			to 5,500
Handloom & Powerloom Cloth			
(Million yards)	..	1,753	3,000
			to 3,500
Exports			
Cloth (Million yards)	..	873	1,000
Requirements of Raw Cotton	..		
(Million bales)	..	4.9	6.1

But the attainment of this target (of 1,000 million yards) has become an uphill task for the industry by reason of the steady decline in the world market for cotton textiles generally, the increasingly keen competition in the shrinking international market and the rising domestic consumption. As such, a better understanding and appreciation of the difficulties of the organised industry and a realistic textile policy on the part of Government and much greater efforts than heretofore on the part of the industry are needed to fulfil the planners' expectations.

A casual study of the major developments in the international trade in textiles reveals how competition is becoming keener and keener everyday in the world textile markets and how, at the same time, India's competitive position is becoming weaker and weaker all the while. There has also lately been a remarkable shift of the industry to cotton-growing countries, with

the result that the volume of cloth entering the world trade has been shrinking steadily, if not sharply. Lancashire provides a striking example of this. While Lancashire's exports of cotton textiles were as much as 7,000 million yards annually barely a decade ago, today it is exporting hardly 700 million yards per year! While the volume of world trade in textiles is thus shrinking, there are fresh entrants into the field which makes the competition for even the available markets extremely keen. Take, for example, our next-door neighbour, Pakistan. It is said that, within a period of barely twelve months or so, that country has established a number of textile mills (estimated to be as many as 100!) equipped with the most up-to-date and modern machinery. Further, it is also reported that a number of them are vertical (composite) mills, that is mills having all the processes of manufacturing under the same unit, namely, spinning, weaving, bleaching, dyeing, calendering, mercerising etc. These new Pakistan mills are also reported to be manufacturing grey cloth and to have concluded considerable business with the UK, Canada, and South Africa, apart from exporting yarn to places like Hongkong and the UK. The Government of the country too is said to be giving a good deal of assistance to the industry, by way of generous initial depreciation allowances, namely, at the rate of 50 per cent of capital outlay in the first year and 25 per cent in each of the subsequent years. With generous assistance, coupled with enormous profits, most of the textile plants in Pakistan, it is understood, have already completely written off their capital expenditure.

Among other Asian countries, Japan has again acquired a formidable ascendancy over the world markets. This is because 90 per cent of Japan's looms are automatic and all her equipment is modern. Further, labour in Japan is not against innovations, and, as such, the productivity of the Japanese industry compares favourably with that of even the U.S. Various other factors, such as low rate of interest, favourable taxation policy, and a generally helpful economic policy, have all helped her in exporting as much as 40 per cent of her total production.

The following table shows how the international textile market is being shared by different countries and what place Japan occupies therein:-

Country	Unit	1950	1951	1952	1953	1954	1955	1956
	Million							
U.K.	Sq. Yds.	822	864	711	709	637	555	474
U.S.A.	"	563	811	773	628	614	552	519
Japan	"	1104	1096	762	914	1278	1139	1262
Germany	"	126	233	273	232	231	248	207
Italy	"	354	371	170	144	103	101	96
	Million							
India	Yards	1133	780	586	628	834	735	721

Notwithstanding such keen competition from Japan and a number of other countries, it is noteworthy that the Indian cotton textile industry still hopes to attain the target of 1,000 million yards, but only provided it is encouraged to attain efficiency and economy in production. For then and only then can the Indian textile industry attain the requisite competitive level to trade in the overseas market. Stressing this point, the Export Promotion Committee has said: "A considerable part of the equipment is old and outmoded and, consequently, in the highly competitive export market, our cotton

textiles have had a tendency to lose ground. There is, therefore, no doubt, that, unless our industry also benefits from the use of the latest machines and techniques, our cloth will have to struggle to maintain the markets it has now, let alone increasing exports." Realising this doubtless and with a view to assisting the mills to acquire greater competitive power perhaps, the Government of India has sanctioned the installation of 18,000 additional automatic looms to enable the mills to provide 350 million yards of cloth per year for export. But such are the stringent conditions governing these licences (i.e. licences issued to mills for the installation of these looms) that the implementation of the project has been woefully slow. The clearly suggests that these conditions must be relaxed and that our mills also should be actively assisted to modernise their plant and machinery. For, apart from making Indian cloth competitive in foreign markets, this would relieve the industry from the undue cost inflation from which it is suffering today. Hence the reasonableness and relevance of the two-fold plea of the textile industry: (i) to provide them a production target commensurate with the growing cloth requirements by removing the present restrictive measures and (ii) to allow them to modernise the machinery and plant. If these measures are adopted, together with the various fiscal incentives recommended by the D'souza Committee, and if proper market research is conducted abroad, a direction in which a beginning has yet to be made by our mill industry, as Mr. G. D. Birla pointed out the other day, and if our products are produced to suit the exacting tastes and varying preferences of the foreign buyer, there seems to be no reason why the 1,000 million yards target should not be attained yet.

In the light of the foregoing review, it is possible broadly to discuss the immediate prospects of textile exports, say, during the next twelve months. As should be evident from the above analysis, the industry is suffering from several difficulties, such as cost inflation and instability in the local textile market, not to speak of financial stringency, which of course, it is sharing in common with all other organised industries. Of these, the most important factor, according to leading exporters, is the instability in the local markets caused, by and large, by the high excise duty. If the rate of the duty is not reduced, it is feared, the 1957-58 reports of the cotton mills would present a very disquieting picture. It is high time, therefore, that the Government came to the rescue of the industry by providing ample incentives by way of fiscal and other concessions.

In spite of all these, however, it is noteworthy, some textile circles still feel that the present rate of 750 to 800 million yards would be more or less maintained in the coming year also, in view of all the export promotion measures that are being taken. Given a continuance of this assistance from the State and the wholehearted co-operation of the industry by way of organised research in consumer tastes, maintenance of high quality, scientific standardisation, attractive packing, etc., textile exports should not fall very much below, if these may not equal or exceed, the expectations of the Planning Commission. The most encouraging feature about of our textile exports is that the interests concerned honestly feel that the attainment of the 1,000 million yards target is not impossible.

Must the Excise Duty be Reduced?

IT is unfortunate that the Government of India has decided not to reduce the excise duty on mill cloth. There are many good reasons why it should do so. When the levy was increased in September, 1956, Government made it abundantly clear that it was not

intended as a revenue measure. The duty was enhanced in order to use it as a fiscal brake on consumption which was showing positive signs of outstripping production. The measure was also intended to enable Government to take a share in the so-called

abounding prosperity which the mills and trade were believed to be enjoying.

Thus, the excise duty was raised to meet a particular situation. In view of the vast changes that have taken place during the last fourteen months, it is for serious consideration whether the duty should not be scaled down to suit the altered circumstances. Today there is no dearth of cloth in the country, and the fact that the mills are burdened with large accumulations provides the most effective safeguard against the recurrence of scarcity conditions. Thanks to the relatively low rate of cloth consumption and the sluggish movement of goods to the market, the producers are no longer in a position to make large profits for the Government to claim a share in them. In fact, the sorry plight of many mill companies will be revealed when their balance sheets for the year 1957 become available.

The seriousness of the stock position is best illustrated by the following figures for the month of October since 1949:

Year	Unsold	Sold but delivery not taken	Total
1949	402,653	N.A.	402,653
1950	188,252	"	188,252
1951	320,187	"	320,187
1952	304,976	"	304,976
1953	429,189	115,380	544,569
1954	282,934	133,285	416,219
1955	234,494	N.A.	234,494
1956	257,788	223,039	480,827
1957	391,005	214,521	605,526

The fact that even the great 'Puja' and 'Diwali' festivals, when people are generally inclined to spend freely, have failed to make any appreciable impression on cloth accumulations provides an unmistakable warning against treating the present situation as normal. The need for immediate and effective action to facilitate the flow of goods in a bigger volume will be better appreciated if adequate attention is paid to the monthly figures of unsold cloth lying with mills in the current year:-

(In bales of 1,500 yards)

January	274,596
February	287,486
March	300,238
April	292,154
May	261,308
June	297,277
July	319,062
August	338,585
September	356,114
October	391,005

Caught between the upper stone of high costs and the nether stone of credit squeeze, the industry can ill afford to hold indefinitely such large stocks, which, in terms of money, may be roughly valued at about Rs. 40 crores.

Thus, by any standard of appraisal, the present situation is really bad and is, in fact, worse than what it was in 1953, when Government showed commendable promptitude in remedying it. In his present predicament, the consumer is not in a position to buy as much cloth as he could a little while ago, due to the sharp increase in the cost of living. This is borne out by the index number of wholesale prices of food articles which was 89.4 in January, 1956. It rose to 106.9 in November of that year and, after a slight decline for some months, touched as high a level as 112.1 in August, 1957, although it has come down somewhat in the subsequent

months. More recently, however, the trend seems to have reversed again.

A vivid idea of the extent of the increase in food prices can be obtained by a study of the Consumer Price Index Number for the Working Class in the City of Bombay. Rice constitutes an important item of food of the Bombay worker and thus holds the key to the food index. The following comparative figures relating to the expenditure on rice are significant:

	Index No. for rice	Price per Seer	Requirement of rice per month per person	Total value
August 1956	600	0.47	3 seers	Rs. 3-76nP.
August 1957	658	0.72	3 "	" 5-76nP.

The inevitable consequence of the sharp increase in the prices of food articles and of other essential consumer goods is that the consumer is compelled to spend less on cloth, although it is also an article of necessity. Indeed, he will be hard put to it to maintain even the present low level of consumption, unless both cloth and other simple goods of life are made available to him at relatively cheaper prices.

It has often been suggested that the most effective means of resolving the paradox of cloth hunger in the midst of plenty is to reduce prices. The producers fully realise that India is essentially a price market and have accordingly brought down the prices of their manufactures, in spite of the increase in the cost of production. Last August, Government themselves conceded in Parliament that "on an average, the present prices are about 5 per cent lesser than in September, 1956". This, however, does not present the whole picture. In the case of a number of representative varieties of piecegoods, the prices are, in fact, lower than those that ruled in December, 1955!

In a period of cost inflation, when the price of every article that goes into the production of cloth and yarn has gone up, further substantial reductions in ex-mill prices are impracticable. Cotton and wages largely govern the cost structure of the industry, and both these items have become most expensive. The following table relating to cotton prices is self-explanatory:

Price per candy of 784 lbs.				
Type of cotton	1956		1957	
	April	September	April	September
1. Jarilla	750	775	750	813
2. Kalagin	725	770	770	783
3. Surat	1,065	1,020	1,071	1,075

Similarly, the industry is faced with the problem of wage inflation. To illustrate, the Bombay cotton mills, which were paying Rs. 69-14-0 in 1956 as dearness allowance to their workers, paid Rs. 76-7-0 in the corresponding month of this year. The wage bill of the Bombay mill industry, which has on its rolls some 210,000 workers, has thus increased by as much as Rs. 1.65 crores per annum!

It is true that mills can find relief from the burden of unsold cloth by reducing the number of shifts or by ceasing to work to their full capacity. But reduction of output is a retrograde step and is bad for two reasons: First, it would result in unemployment at a

time when the greatest need of the nation is to absorb the maximum number of persons into productive activity; secondly, since the industry is the mainstay of a large number of enterprises and occupations, reduction of production by mills will have a far-reaching effect on a large sector of the country's economy.

These considerations would, however, be of little avail in curtailing mill production, if no effective steps are taken to disarm consumer resistance. According to a recent official statement in Parliament, fourteen cotton mills have gone out of production since last year, throwing more than 15,000 workers out of employment. It is imperative that the situation should not be allowed to get worse. Apart from the fact that widespread unemployment is most undesirable and dangerous, the industry cannot afford to pay heavy retrenchment compensation, as such would undoubtedly undermine the financial position of many units.

All these considerations lead to the inevitable conclusion that the excise duty on cloth should be substantially scaled down. The circumstances in which it

was increased do not exist any longer. Apart from ministerial pronouncements, the statement of objects and reasons of the Bill that sought to enhance the levy contained the assurance that, "if prices indicate a downward trend, necessary adjustments will be made in the excise duty". What with the unprecedented accumulation of cloth and the stiff consumer resistance, this is the most appropriate time for fulfilling this promise. It is a solemn pledge given both to the Parliament and to the people of the country and its redemption cannot be delayed for any reason, however valid it may appear to be.

It is true that Government are in great need of money for financing the second Five-Year Plan, but the excise was not raised last year for this purpose. In any case, it will not be possible to collect the enormous sum of Rs. 80 crores per annum from this source, if the turnover of the industry is reduced due to the present adverse circumstances. There is, therefore, a sound case for a downward revision of the duty and for keeping it at a reasonable level at least till the present food crisis and the inflationary pressure are overcome.

Current Profits in the Textile Industry

THE following conclusions have been arrived at after a careful study of the results of working of some 28 cotton mills from different parts of the country. Of these, the largest number of companies are those which completed their accounting periods on December 31, 1956, the number precisely being 21; of the remaining 7 mills, one mill closed its accounting period on February 28, 1957, 4 on March 31, 1957, and 2 on June 30, 1957.

It is needless to add that the last two balance sheets reflect the effects of the enhanced excise duty for full nine months, but the others also reflect the effect in varying degrees.

No.	Year ended	NUMBER OF Spindles*	Looms†	Total Net Profit Rs.	Net Profit Per Loom Rs.	APPROPRIATIONS To Gene-ral Re-serve Rs.	Dividend on ordinary shares	STOCK Opening Rs.	Closing Rs.	Transfers from Re-serves (If, any)
1	30-6-1957	86,303	1,454	1,24,481	85.61	22,58,966	10%	77,23,662	98,54,542	9,00,000
2	-do-	64,275	1,609	12,46,093	774.45	6,96,769	14%	73,90,260	106,32,212	8,02,125
3	31-3-1957	47,515	1,181	9,34,394	786.53	9,77,556	32.5%	41,94,501	60,43,293	..
4	-do-	42,189	1,085	11,15,125	1027.76	11,67,144	35%	39,24,635	46,06,056	..
5	-do-	40,699	1,127	8,68,708	770.81	9,09,157	32.5%	32,95,397	56,34,417	..
6	-do-	42,233	814	4,94,654	607.68	3,54,949	30%	32,59,208	51,41,426	..
7	31-12-1956	46,794	778	14,60,058	1876.68	8,76,000	20%	35,79,519	39,67,112	..
8	-do-	41,183	1,018	12,49,421	1227.33	6,25,000	15%	41,31,906	49,96,628	..
9	-do-	43,383	911	3,99,836	438.90	6,24,803	7.5%	24,20,384	46,34,375	..
10	-do-	55,907	1,196	18,66,754	1560.83	15,09,052	20%	21,61,525	30,71,572	..
11	-do-	245,790	7,042	38,99,357	553.73	15,00,000	9.20%	196,39,132	901,26,584	..
12	-do-	31,300	909	10,00,006	1110.11	1,25,000	12%	17,52,204	18,38,251	..
13	-do-	67,098	1,931	31,76,513	1645.01	14,39,448	14%	46,54,926	84,10,548	..
14	-do-	39,856	886	5,39,238	608.62	1,83,376	10%	45,79,659	55,50,455	..
15	-do-	82,886	1,615	54,16,464	3355.92	26,45,744	10%	64,49,562	71,62,692	..
16	-do-	122,308	2,673	20,78,822	1342.90	30,80,600	22%	117,06,291	182,21,899	24,07,416
17	-do-	117,743	1,548	2,50,731	583.09	80,42,107	18%	80,42,107	91,09,363	..
18	-do-	44,873	430	67,872	68.08	11,21,163	10%	7,38,724	18,23,980	..
19	-do-	47,113	997	14,00,845	2556.29	1,30,000	10%	27,60,734	37,51,687	..
20	-do-	38,147	548	47,99,772	6200.26	99,167	25%	39,03,634	44,93,699	..
21	-do-	41,807	774	15,22,483	930.60	1,00,000	22.5%	49,30,242	63,64,151	..
22	-do-	50,176	1,636	18,27,543	1087.17	28,10,063	12%	49,55,110	89,11,856	..
23	-do-	56,600	1,681	6,51,215	685.49	8,00,793	14%	42,16,388	67,06,429	..
24	-do-	39,827	950	7,98,810	662.36	11,87,381	20%	26,36,579	38,34,639	..
25	-do-	45,598	1,206	12,90,479	1005.83	7,09,116	17%	32,67,411	59,70,277	..
26	-do-	42,613	1,283	1,80,656	264.89	13,37,540	8%	26,46,582	56,22,237	6,64,718
27	-do-	39,364	682	5,11,896	1053.29	14,45,782	6%	32,81,683	40,96,484	..
28	28-2-1957	49,543	486	..	..	3,54,882	18%	40,23,424	60,87,072	..

* Average number of spindles at work daily.

† Average number of looms at work daily.

The sorry state of working of the cotton mill industry is strikingly brought out from the fact that, out of these 28 mills studied, there were hardly half a dozen mills which made any provision towards general reserves. On the contrary, nearly as many mills were obliged to transfer funds from their accrued reserves or dividend equalisation funds in order not to pass dividends. It would appear hardly feasible for the mill industry even to maintain the dividends in future years if the existing state of affairs should continue, as the draft from equalisation or dividend and other reserves cannot last indefinitely. Even as it is, it is broadly correct to describe the position in the following words taken out from the Directors' Report of an established and admittedly well managed company:

"At the commencement of the year under review (i.e. the year 1956), textile trading conditions were such that, although increases in production costs and rising prices of raw materials were prominent, an optimistic view could be taken for the immediate future. A serious deterrent, however, was presented by increases in Excise Duty on cloth which took effect from

1st March, 1956 and a further heavy incidence from 1st September, 1956, which, notwithstanding the Company's—the word 'industry's may well be substituted here—willingness to accept a part of the increase on their own account led to widespread disruption of trade and rapid lowering of prices".

According to another Directors' Report of an equally well established company, conditions since 1st September, 1956 have "deteriorated to such an extent that profit margins have been practically wiped off and sales of cloth even at prices below cost have become very difficult".

But perhaps the most eloquent testimony to the deterioration in the textile industry is provided by the comparison of stocks with mills at the beginning of their respective previous accounting periods and those at the end of the latest completed accounting period. In not even one single instance, do the latest year's stock figures register a decline, as compared with those at the end of the previous accounting period!

The table on p. vii gives a synoptic review of the results of working of the 28 cotton mills in question:

Food Grain Prices and Cloth Sales

(Contributed by the Economic Intelligence Unit of the Indian Institute of Public Opinion).

ONE of the most interesting, and perhaps most relevant issues, in cloth consumption is concerned with offtake of cloth when food prices change substantially. The dominant character of cloth consumption in the Indian Union is that per capita consumption in towns is more than double per capita consumption in rural areas. The average consumption of about 18 yards per head is composed of consumption of over 25 yards per head in urban areas against less than 10 yards per head in rural areas. Because of this strange dichotomy in the pattern of consumption, one would expect a rise in food prices to depress cloth sales in urban areas with no fully compensating factor in the rural areas where the larger income is received. This, in fact, has been the case. The Economic Intelligence Unit of the Indian Institute of Public Opinion has approached the problem of correlation between food prices and cloth sales both

over a longish period of 5 years from January 1948 to December 1953 and again from September 1955 to March 1957. The latter terminal has been chosen because with a twelve-month moving average the last six months are, so to speak, subsumed in the average. The table below shows the relation of cotton textile sales and food prices when adjustments are made for seasonal factors in both cases by using a twelve-month moving average.

If a regression equation is fitted to the series of index numbers in both cases, a relation of the order $Y = 0.44 X + 144.3$ is obtained where Y is the index of the cotton cloth sales, and X an index of food prices. The correlation coefficient is of the order of -0.78 and must be deemed fairly good in relation where obviously many other factors such as changes in per capita national income, the distribution of incomes, and competing

COTTON TEXTILE SALES AND FOOD PRICES

Cotton Cloth Sales			Index Nos. of Food Prices		
12 months' moving average		Base: September 1955-100	12 months' moving average		Base: September 1955-100
Actuals Mill. yds.	Actuals Mill. yds.		Base: Year ended Aug. 1939-100	Base: Year ended Aug. 1939-100	
1955 September . . .	389				
October . . .	346	397.3	100.0	313.0	309.4
November . . .	376	391.6	93.6	315.7	101.5
December . . .	428	390.3	98.2	326.5	103.6
		382.2	96.2	323.7	105.6
1956 January . . .	406				
February . . .	400	386.8	97.4	333.4	107.9
March . . .	304	386.6	97.3	335.3	109.9
April . . .	396	382.8	96.4	351.6	111.9
May . . .	409	397.0	95.4	360.9	114.1
June . . .	364	375.4	94.5	352.9	116.1
July . . .	405	374.6	94.3	350.5	118.4
August . . .	371	371.0	93.4	366.2	120.8
September . . .	343	365.3	91.9	380.6	122.4
October . . .	303	357.9	89.8	397.0	124.3
November . . .	366	356.2	89.9	393.1	125.7
December . . .	385	353.6	89.0	392.5	127.0
		351.6	88.5	411.6	128.8
1957 January . . .	338				
February . . .	299	343.6	86.5	413.9	130.6
March . . .	307	337.1	84.8	392.1	182.2
		333.0	83.8	406.0	183.4
				402.7	

elements in sales are necessarily present. The regression equation would suggest that a ten per cent rise in food prices would lead to a four per cent fall in cloth sales.

The graph on page x shows the position in the longer period and is, perhaps, even more suggestive. It will be seen that when food prices have stayed high, particularly in 1950 and 1951 seasonally adjusted cloth sales have fallen and that with food prices low between 1952 and 1953, cloth sales were correspondingly high. There is thus a prima facie indication that the relation between cloth sales and food prices is reciprocal, and that a dominant element in the making of cloth sales over the country in general is the level of food prices.

If this proposition is accepted, namely, that because the dominance of cloth sales in urban areas is substantial, the rise in food prices soon affects cloth sales over the country as a whole, it will be seen that the policy which makes for stabilisation of food prices at reasonable levels is one which also makes for stabilisation of cloth sales. The seasonal element will, of course, apply in both cases and the graph on page x shows how violent these seasonal fluctuations can be. But if one looks at the seasonally adjusted figures, the picture is far less confusing. The argument described has obviously great significance for the stabilisation of the cost of living as a whole. It implies that if one element is controlled, the other is automatically controlled.

The Art Silk Industry

THE problem of growing accumulation of cloth stocks does not appear to be confined to cotton cloth alone. The local mills which are engaged in manufacturing cloth from art silk yarn also have been complaining about the poor offtake of art silk cloth and, as a matter of fact, some of them have been obliged to close down shifts in view of the steadily declining offtake of cloth.

The main reason for this deterioration in the art silk industry and the trade is said to be the liberal rayon yarn import policy of the Government of India. It may be noted here that, in the year 1956-57, when the indigenous industry had made considerable progress, about 60 million pounds of rayon yarn were imported, against only 22 million pounds in 1952-53. During the ten-month period ended October, 1957, imports of rayon yarn into the Bombay Port alone aggregated 30.7 million pounds and, on this basis, it is estimated that the whole year's import into the Bombay Port alone would amount to at least 40 million pounds. If we add to this the total indigenous production of yarn of 30 million pounds a year, we can understand the reason for the present glut both in the art silk yarn and in the art silk cloth markets. The total annual consumption demand for art silk yarn in the country is put at no more than 50 million pounds, or, to express it in terms of cloth, 250 million yards. As against this, in the two years 1956 and 1957, the total availability (i.e. imports plus indigenous production) of yarn could be put at around 175 million pounds or an average of 87.5 million pounds of yarn, or 445.5 million yards of cloth. It is not surprising, therefore, that, with such a glut, the offtake of art silk cloth should have petered down.

It may be asked why, in spite of the present foreign exchange difficulty, the Government of India has not yet deemed it fit to ban all imports of art silk yarn into the country. It is not that nothing has been done, but what has been done so far is not adequate. There is either restriction or complete ban on imports of certain deniers of art silk yarn, but the effects of such a policy are still not being fully felt for the reason that the very liberal licences for imports given in the past continue to

be revalidated and, in some cases, while revalidating, the importers are even allowed to convert their licences into the restricted or banned categories of rayon yarn. This necessarily leads to the increase in clothing supplies of the very types of yarn manufactured by the indigenous industry which is sought to be protected by the Government of India.

Another difficulty that the rayon manufacturing interests would appear to be experiencing lately is the still not inconsiderable abuse of certain actual users who are alleged to be freely hawking the yarn imported by them. While a certain amount of exchange of one type of yarn for another type of yarn as between two importers (actual users) is understandable, as, for instance, when importers come to an understanding and arrange for imports of a particular type individually in sufficiently large scales to get the benefit of imports in economic quantities, it is difficult to appreciate the somewhat indiscriminate sales of imported yarn that are reported to be prevalent today.

As if these troubles were not enough, the industry is now further confronted with the repercussions of the Government's latest decision to give licences up to 100% of the value to exporters of rayon cloth. This is ostensibly justified on the ground that it will lead to more exports. But the question is whether, on balance, this would lead to any extra acquisition of foreign exchange by the country. This does not appear to be the case. While there is thus no distinct advantage on the foreign exchange front, it is possible that the indigenous manufacturing industry would be adversely affected by imports of rayon yarn under the scheme. For to the extent of such imports there must necessarily be a reduction in the offtake of the indigenous rayon yarn.

Surely this is by no means a rosy picture of the state of affairs in India's art silk industry. This industry has saved the country considerable drain in foreign exchange. It is to be hoped, therefore, that the Union Commerce and Industry Ministry would look into the matter and take some prompt and remedial action to restore sound health to this new indigenous industry.

**ZONE-WISE EXPORTS OF COTTON PIECEGOODS FROM INDIA, UK AND JAPAN
DURING THE HALF-YEARS ENDED JUNE 1956 AND 1957.**

(Figures in million yds./sq. yards)

Zone	COUNTRY OF EXPORT								
	INDIA*			UK			JAPAN		
	Jan.-June 1956	Jan.- June 1957	% rise (+) or fall (—)	Jan.-June 1956	Jan.- June 1957	% rise (+) or fall (—)	Jan.- June 1956	Jan.-June 1957	% rise (+) or fall (—)
Asia	117.30	146.85	+25.2%	26.84	24.14	—10.1%	378.44	427.74	+13.0%
Africa	123.35	154.02	+24.9%	101.13	107.21	+ 6.0%	41.14	56.95	+38.4%
Europe	46.05	79.71	+73.1%	25.23	26.91	+ 6.7%	51.74	85.87	+66.0%
America	13.45	14.35	+ 6.7%	14.34	12.91	—10.0%	122.68	90.49	—26.2%
Oceania	23.37	30.58	+30.0%	57.51	55.21	— 4.0%	28.57	34.22	+19.8%
TOTAL (Including others)	323.52	425.31	+31.5%	236.64	237.21	+ 0.2%	622.57	695.27	+11.7%

* Bombay Port only.

* Bombay Port only.

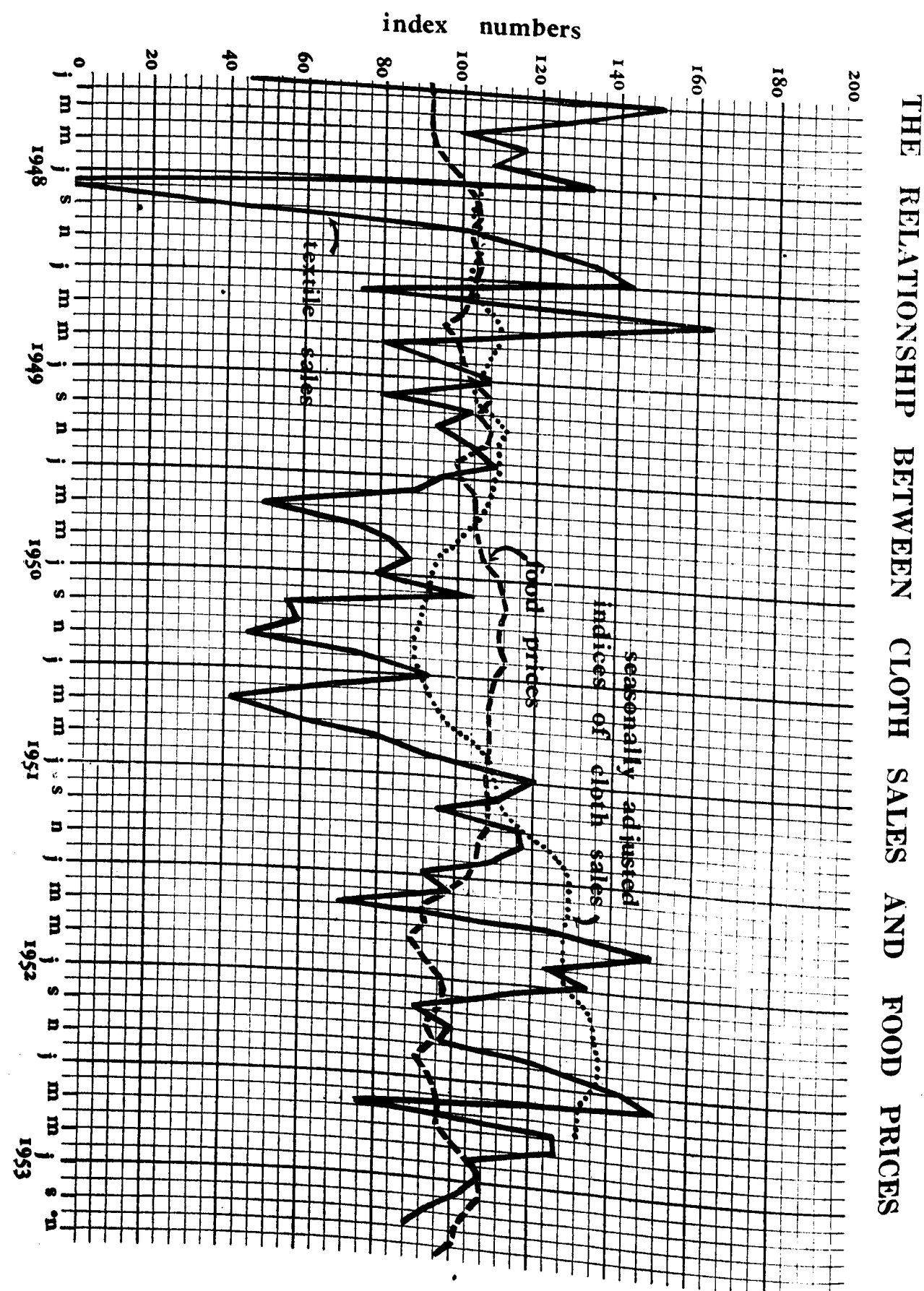
Source: Texprocil Bulletin.

**COMPARATIVE STATEMENT SHOWING THE ZONE-WISE EXPORTS OF COTTON PIECEGOODS FROM
INDIA, UK AND JAPAN DURING THE FIRST AND SECOND QUARTERS OF 1957.**

(Figures in million yards/sq. yards)

Zone	COUNTRY OF EXPORT								
	INDIA*			UK			JAPAN		
	1st Qr. 1957	2nd Qr. 1957	% rise (+) or fall (—)	1st Qr. 1957	2nd Qr. 1957	% rise (+) or fall (—)	1st Qr. 1957	2nd Qr. 1957	% rise (+) or fall (—)
Asia	89.26	57.59	—35.5%	14.12	10.02	—29.0%	217.15	210.59	— 3.0%
Africa	93.41	60.61	—35.1%	54.27	54.27	+ 2.5%	26.56	30.39	+14.4%
Europe	45.49	34.22	—24.8%	15.09	11.82	—21.7%	35.52	50.35	+41.8%
America	6.23	8.12	+30.3%	6.62	6.29	— 5.0%	42.64	47.85	+12.2%
Oceania	14.40	15.98	+10.97%	25.77	29.44	+14.2%	11.90	22.32	+87.6%
TOTAL	248.79	176.52	—29.0%	120.18	117.03	— 2.6%	333.77	361.50	+ 8.3%

Source: Texprocil Bulletin.



CENSUS OF MANUFACTURING INDUSTRIES

COTTON TEXTILES

1950 — 54

	1950	1951	1952	1953	1954
1. No. of registered factories in existence	608	530	491	482	521
2. Factories from which returns were received	567	492	468	460	488
3. Percentage of (2) to (1)	93	93	95	95	93
4. Fixed Capital Employed (Rs. lakhs)	65,70.58	70,27.78	76,28.88	82,94.06	89,67.81
5. Working Capital Employed (Rs. lakhs)	137,15.15	161,96.41	166,78.39	155,04.79	157,43.9
6. Total Capital Employed (Rs. lakhs) (5)+(4)	202,85.73	232,24.19	243,07.27	237,98.86	247,11.71
7. No. of workers employed (thousands)	602.731	625.177	651.318	655.434	675.52
8. No. of persons other than workers employed (thousands)	42.355	35.318	38.199	36.316	46.95
9. Total number of persons employed (7)+(8)	6,45.086	6,60.495	6,89.517	6,91.750	7,22.46
10. Wages paid to workers (Rs. lakhs)	67,09.29	77,10.59	83,55.17	87,30.04	87,62.5
11. Salaries paid to persons other than workers	9,64.54	9,08.33	9,27.78	10,00.69	12,30.
12. Money value of other benefits or privileges (Rs. lakhs)	66.38	33.40	90.68	1,26.59	2,00.
13. Total salaries and wages paid (10)+(11)+(12)	77,40.21	86,52.32	93,73.63	98,57.32	101,93.5
14. Value at factory of materials fuel etc. (Rs. lakhs)	207,49.50	203,55.93	287,74.46	253,75.38	276,65.1
15. Value of work done for factories by other concerns	2,06.47	2,44.40	2,32.37	3,15.12	3,83.1
16. Depreciation (lakhs)	8,95.38	4,21.59	4,60.79	5,02.90	5,45.
17. Total Materials and fuels consumed and depreciation (14)+(15)+(16)	213,51.33	300,21.92	294,67.63	261,93.40	285,98.5
18. Factory value of products and by-products (Rs. lakhs)	317,23.57	443,35.73	412,84.15	394,16.63	429,60.98
19. Value of work done for customers (Rs. lakhs)	59.66	65.12	78.64	95.51	1,03.94
20. Total of products and by-products manufactured for sale (18)+(19)	317,83.23	444,00.85	413,62.79	395,12.14	430,64.92
21. Value added by manufacture (Rs. lakhs)	104,31.90	143,78.93	118,95.16	133,18.74	144,70.99
22. Value added as percentage of productive capital	51.4	61.9	48.9	56.0	58.6
23. Value added per person employed (Rs. thousand)	1.617	2.177	1.738	1.925	2.003
24. Value added as percentage of gross output	32.8	32.4	28.8	33.7	33.6

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