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Gone Awry

IN the Special Number which appeared about this time a year ago, an explanation was sought for the stresses and strains that were then being experienced by the economy in general and in the execution of the Plan in particular, of which the following was the key-note:

"There is a story going round in the corridors of the North Block that when the present Finance Minister took over, he called the Secretary in charge of foreign exchange and asked him what checks the Finance Ministry had over the foreign exchange spending of the other Ministries. To this question, so runs the story, the official replied in the correct manner, by scratching his head and mumbling

something. He had yet to size up his new boss and was naturally cautious. But the reply, whatever it was, did not satisfy the Finance Minister who snapped back at him rather sharply and said, whatever the rules were, they must be pretty slack for he knew for certain that the Ministry of Commerce and Industry was squandering a lot of foreign exchange. Since the Finance Minister had himself been handling that other portfolio, there was no reason to doubt that he knew what he was talking about. The story is apocryphal, but it may well be true." This was the key to the crisis then. The justification for reproducing at such length what appeared in these columns a year ago is that the explanation

offered then still holds and has been amply borne out by subsequent developments.

The problem, then, was of foreign exchange, aggravated by food shortage and pressing need for food import. In these twelve months, many things have happened. Foreign assistance has been promised on a scale which could not then be taken for granted. But the food situation has not improved, and defence expenditure has increased to the extent of making heavy inroads both on internal and external resources. The Plan has been cut, cynicism and mistrust have taken the place of what little enthusiasm there was among the mass of the people, enthusiasm that was worked-up at the time of the General Elec-

Cold War Erupts Again

tions and given a token assurance of fulfilment in the first budget presented to the new Parliament. The controversial tax proposals which T T Krishnamachari had the boldness to present, had the merit of acknowledging, for the first time, the financial implications of the Plan, or, for that matter, for the achievement of a pattern of development which is deliberately chosen for the realisation of definite social objectives within a democratic set-up.

Despite the improved prospects for obtaining foreign assistance, not only does the problem of foreign exchange remain; the present trend of discussions, the series of policy measures recently announced and others that have been hinted at, all tend to create the impression that this is the problem before the country today, rather than the problem of internal resources. This impression is not borne out, however, by the appraisal made by the Planning Commission only a couple of months ago.

That appraisal clearly showed that the real shortfall, on present showing, would be in domestic resources, that no more than Rs 2,022 crores could be raised as against Rs 2,400 crores which had been expected, leaving out the uncovered gap of Rs 400 crores. On the other hand, external assistance could be expected for Rs 1,038 crores as against Rs 800 crores originally estimated. (Thus more than half of the uncovered gap of Rs 400 crores can now be covered by external assistance.) The outlook on resources for the five year period was, therefore, that if deficit financing was to be kept within Rs 1,200 crores, only Rs 4,260 crores would be available in money terms, Rs 540 crores less than the original estimate of Rs 4,800 crores.

What happened to domestic resources? The use of prices may explain higher cost of the Plan in financial terms and the necessity of bringing down the physical targets, but the financial ceiling remained unchanged. Does not rise of prices lead to increased money income, even assuming that the total output remains the same? And there is no indication that the total output has declined so very precipitously. There is no reason, either, to suppose that the propensity to consume, on which the rate

of saving for the economy was assumed in the Plan, has undergone a drastic change over the last couple of years. That would be contrary to experience, and entirely negative one of the fundamental assumptions of the Plan. If the rate of saving has not changed to any appreciable extent, the volume of saving should tend to increase with increasing money incomes.

Apparently, savings have been accumulating in some parts of the economy, but have not been flowing to the public sector to the extent that was expected and necessary for the implementation of the Plan. While the fiscal measures and the very limited controls, such as that on capital issues, have failed to mobilise resources in the desired direction, that is no reason to suppose that these resources have remained unutilised. This conclusion is supported by the unusually large imports of capital goods which have flown into the Private Sector. True, the Planning Commission did bring out a paper on 'Fall in Foreign Exchange Reserves' to refute the contention that imports in the private sector were unusually large. But the actual figures cited by the Commission and the subsequent information that can be gleaned from the breakdown of the imports in the first two years of the Plan, show clearly not only that the Planning Commission's study was far from conclusive; on the contrary, it raises doubts whether the Planning Commission was really serious in getting at the facts.

If the Plan has gone awry, it is because the Government has failed to control the Private Sector to the extent that was necessary, thereby destroying the balance between the Private and Public Sector which was one of the basic objectives of the Plan. It does not follow, however, that the Plan has failed in the sense that it will not achieve any kind of economic development and the economy will remain more or less where it was. Obviously, there will be less of investment in the Public Sector in physical terms, if not also in financial terms. But, if the analysis given above is correct, there will be more investment in the Private Sector than was contemplated. Total output will not be surely as much below the target as is indicated by the possible shortfall in public investments, but

the pattern of investment, employment and distribution of incomes will be different.

This is, however, not the end of the story. For, investments, once started, have to be completed and production capacity, once created, it would be difficult to keep idle. There is, besides, the argument of employment. The threats, held out from time to time of banning all commercial imports, therefore, cannot be taken very seriously. The drain on foreign exchange will be less but it will remain, in the shape of increased requirements of industrial raw materials and producers' goods. The case for screening all such import requirements, however, should not be thrown overboard on the specious ground of utilisation of capacity and employment. Nevertheless, in the remaining period of the Second Plan, it would not be possible to restore the balance which was one of the basic concepts behind the Plan, even if the Government has not abandoned that idea altogether. With loss of this vital balance, the growth potential of the economy has already been seriously undermined but no one has so much as uttered a word of protest.

The economic formula for growth is no more than an exercise in the arithmetic of compound interest. Goods and services that are currently produced but are not immediately consumed, put to certain other uses, can ensure a much greater abundance in future. This is not saying much. For how to ensure that the resources will be utilised according to the pattern which promises the greatest welfare of the people rather than highest profits to some and not much gain to the others? A satisfactory theory of growth in the broad sense, therefore, 'requires that breadth of vision and imagination and that degree of understanding which is called 'wisdom'. In short, it is a job for sages'. This is not woolly sentimentalism, but the actual words of a leading 'growth economist'. It is a job for the saints, because fundamentally, it is a question of moulding the minds of men and making them accept certain values in preference to others. But this is a job in which politicians, policy makers and administrators have also to play a part. It is high time that an appraisal were sought in these terms.

THE cold war has erupted again when hope was being centred on prospects of a summit meeting and relaxation of tensions. The lessons of Suez and Hungary, which assisted a return to comparative calm, seem to have been lost in a fresh wave of uncertainty.

It would be unreal to pick on a single explanation for the state of the world today. When the Sputnik burst into outer space, it helped to underline the need for a summit conference. The inter-continental ballistic missile had already entered into the calculations of military chiefs. The Soviet Union could assail any part of the world without crossing its borders. The orbiting Sputniks could carry hydrogen bombs—another technological leap forward; and by pressing a button, they could be dropped anywhere, any time. The USA, protected geographically by two vast oceans and with an air force potential unmatched by any other power, suddenly found herself vulnerable to lightning attacks.

Just now, the recession is there to create further complications; and to meet the situation, there may be a demand for a policy of 'positive containment', a policy which would push the missile build-up to the maximum, strengthen the strategic air force for the interim, develop anti-missile missiles, launch a nation-wide fall-out shelter programme, step up economic and military aid to uncommitted nations in addition to old allies and increase the budget by some billions a year. Normally, it would not have been possible to put such notions before the American people. But the stresses and strains manifesting themselves in the Communist world make the task somewhat easier.

In the maze of 'cultism', 'dogmatism', 'sectarianism', 'factionalism', 'revisionism', 'flowers' and 'weeds', the uninitiated can do no better than rely on the official attitude to Tito to unravel the twists and turns of policy among the 'dialectical materialists' since the passing of Stalin. Tito is important to the extent that he represents a substantial dissenting trend. To tolerate him implies readiness to tolerate other dissenters. When Khrushchev and Bulganin visited Bel-

grade, declaring that the Beria gang had used forged documents to slander Tito, the thaw had set in.

At this stage, the Communist leadership was surely troubled. The technological advance, symbolised by the Sputniks, had to be matched by a domestic programme to raise standards of living. Khrushchev spoke of outstripping the USA with an economy of abundance. This was not possible so long as the dissenters raised awkward questions. The speed of progress would be retarded if the Communist parties were denied dictatorial power and forced into endless theoretical discussions. An international conference of Communist representatives was called to clear the confusion.

The old 'unity' under Soviet leadership was temporarily restored. But Tito refused to play. What is more, he proceeded, at a congress of his own party, to revise certain principles dear to Marxism-Leninism, to challenge the official decisions of the International Communist movement. This was too much to tolerate, for it would open the doors to dissenters who had been silenced. The attack on revision was launched with Stalinist fury. Even the old forged documents were declared authentic. And just in case anyone in the Communist world should think of raising fresh issues, the senseless killing of Imre Nagy was carried out as a terrible warning.

Once again, sanity is at a discount all over the world and the unprincipled tactics of the cold war are sought to be dressed up in a respectable garb. The USA, building up its war machine as an answer to the looming depression, shows interest in local conflicts; and Indonesia and the Lebanon may be only the first of many to follow. The USSR backs Nasser's dream of a vast United Arab Republic and is prepared to ignore that he is hostile to progressive left opinion in his domains. De Gaulle rises in France, indifferent to democratic processes, and the USA and UK move to befriend him; the Soviet Union is silent on these happenings, believing that the egoism of this aged general may well destroy NATO.

It is tragic that those in the USA, who believe that the recession can be rolled back by war preparations against the 'monster of Communism', appear to be on the ascendant. Perhaps, there was some peculiar logic to their thinking when the USA had a monopoly of nuclear weapons. It is tragic, too, that the Soviet Union, failing to sense the impact of its new power, behaves as if it were still the only toe-hold of socialism on earth, threatened with extinction by the legions of capitalism. If, as Marxist theoreticians say, we are living in the era of transition to socialism, surely then it is time to put old ideas to the test of new experience. Free discussion and debate would remove the evils caused by Stalinist policies, banish the fear that dissent means death and isolate militarists everywhere who may have found a chance to parade as the true crusaders of freedom. This is the reality of the situation today.

Bridges to the summit conference, so laboriously built during the last four years, are being broken. Who then will salvage what remains of the structure? The victims of the cold war—the independent, unattached, under-developed countries of Asia and Africa—could play the role. The rapid revival of their sick economies depends largely on the aid offered to them by advanced nations, particularly the USA and USSR. If such aid is to be extended in the present situation, it may be vitiated by the pressures of the cold war. Then nations of Asia and Africa, though united by common problems, will be split, made to develop an interest in cold war tensions, for fear they would become isolated and friendless.

Already a strange silence and despair grip the leaders of these millions whose future can only be built in an atmosphere of peaceful co-existence and a friendly competition of ideologies and systems. This inertia must be overcome. If the protagonists of the cold war will not meet, let Asia and Africa show initiative again, bring what sanity they have to bear on outstanding problems and try to build bridges in place of the those already broken.

After Nehru...

(Contributed)

A POPULAR guessing game in New Delhi today is: After Nehru... What? Diplomats raise this question at almost every cocktail party, foreign correspondents write long despatches on this theme, politicians, both of the Congress and the opposition, have already started jockeying for vantage-points against such a contingency, senior civil servants are hoping that they will retire before Nehru goes—only the man in the street still seems to be relatively unconcerned—not that there is no reason for him to worry but his own worries are too many for him to take on a new one. Vinoba Bhavé's forecast that India will never lack leaders good enough to replace Nehru has partly helped him in this Micawberish attitude.

There is almost general agreement that so long as Nehru is on the scene, the status quo will continue more or less undisturbed. After he leaves the scene, so long as some veteran Congress leaders of the stature of Pant, Dhebar, Desai or Menon are there to take up the reins of government, not much change may be expected although some leftist or rightist members may find themselves squeezed out, depending on which of these leaders succeeds Nehru. But that will only make the Congress less of a platform and more of a party. Even after these veterans leave the scene and younger men succeed them, the Congress Party will continue to be in power at the Centre for several years through sheer momentum, although it may lose its hold in several States. But during this period, seeds will be sown for a more fundamental change which is bound to come sooner or later either through a process of slow erosion culminating in a sudden landslide through the ballot box or through some violent upheaval.

Going Kuomintang Way?

Since the publication of the article 'Political Perspective for Economic Planning' in the 'Economic Weekly Annual', January 1957, a view has gained currency that like the Kuomintang Party of China, the Indian Congress Party, while con-

tinuing in power for a decade or so even after Nehru has left the scene, will get so demoralised in course of time that the ultimate result may be a civil war in the country unless steps are taken by Nehru himself, here and now, to stop this demoralisation.

The argument is that after Nehru's disappearance from the political scene, the Congress organisation will be gradually captured by various vested interests, thanks to the costly electoral system and the peculiar nature of caste and regional politics. The prestige that the party will enjoy as the inheritor of the mantle of Tilak, Gandhi and Nehru will inhibit the growth of any effective or healthy opposition during the first few years. In later years, as popular discontent against the new generation of party bosses increases, they will, for sheer self-preservation, be led to make increasing attempts to capture votes by pandering to caste, communal and regional interests and ultimately even to 'rig' elections. This will bring the parliamentary system itself into disrepute. As a result, large sections of the people will eventually turn to undemocratic methods, and the change of Government at the Centre will come about not through the ballot box but through a civil war.

It is not, however, certain who will ultimately win this civil war because that will depend not only on the relative strength of the opposing parties, but also on how the polarisation of political forces, inevitable in a situation that leads to a civil war, will affect the loyalties of the armed forces and also the role that cold war rivals like the USA and USSR will play in such a situation. It is quite possible that as the result of such a civil war, if it comes about, India may be forced not merely to accept a dictatorship of either the extreme right or the extreme left but may even get 'balkanised'. There can be no certainty that the left will necessarily win and not the right. The only certain thing is that, in the highly stratified society that we have, if such a contingency were allowed to arise, the world would see mob hysteria and mass killings

of an order with very few parallels in history.

Congress Demoralisation

In the last few months, the question has been widely discussed, both in India and abroad. Congress President Dhebar has, on several occasions, warned the Congress against the dire consequences which demoralisation of the party will lead to and emphasised the urgent need for strengthening the party organisation, tightening up its discipline and purifying its cadres. The Congress High Command has initiated a number of reforms within the party with a view to ensuring that the Congress may not go the Kuomintang way. Lastly, Nehru himself has tried to give shock treatment by his threat to retire.

But so far none of these measures has met with success. The character of the Congress Party continues to be what it was. There may be a temporary slowing down of the process of demoralisation, but it is doubtful if after the present leadership leaves the scene, the party will be able to avoid for any length of time its capture by money interests and by regional, communal and caste caucuses. Recent happenings in Punjab, Orissa, Bombay and Mysore are not just isolated events. Apart from other circumstances, the electoral system itself is such as to increase the hold of the monied interests, once the initial idealism gets dissipated. And in a politico-economic system of mixed economy, in which the dividing line between mercantilism and socialism is still very obscure and control over the State machinery can give glittering prizes to the business as well as managerial classes, the monied interests are bound to infiltrate sooner or later into the ruling cadres of the party in power.

Postulates of Party System

There is, however, an alternative view that the possibility of the Congress going the Kuomintang way is not the only or even real danger. The very process of the swing of the pendulum which is such an essential and inevitable feature of a parliamentary democracy may create in a country like India, which is not yet properly integrated

and is full of caste, communal and regional groupings, a situation that will eventually make any stable government difficult, irrespective of how the Congress Party itself behaves.

The supporters of this school of thought point out that a democratic system works satisfactorily only in a situation where not only the transfer of power takes place smoothly through the ballot box but also where the party which secures power is in a position to use it effectively. The first condition postulates that the rival parties should have full faith in one another's desire to observe the rules of the democratic game, the main rule being that if the pendulum starts to swing away, the party in power should not try to stop the process through undemocratic methods as in pre-War Germany or present-day Czechoslovakia. The second condition postulates that the pendulum should swing only between two or three well-organised and responsible parties and not get lost amongst a large number of small parties as in present-day Pakistan or France.

While there is general agreement in the country that if a middle-of-the-way party like the Congress or the Praja-Socialist Party is in power at the Centre, elections will be more or less free and transfer of power from one party to another through the ballot box will be fairly smooth, there are many who feel that if an extremist party like the Communist Party or the Jan Sangh once comes to power at the Centre even though through the ballot box, they will not play the game and will try to prevent the return swing of the pendulum although so long as they may hold power only in the States, where they have no means of controlling the armed services or altering the Constitution, they may be models of good democratic behaviour.

Fissiparous Tendencies

This lack of faith may have no basis in facts, so far as the Indian parties of the extreme right or left are concerned. But in politics it is not so much what one believes oneself to be as what picture one creates in the minds of others that is important. For, it is the feelings of the people in general about a particular party which will determine their political reaction to it

rather than the professions of the party itself. Both the extreme right and the extreme left in India have to live down not only their own reputation but also the reputation of their counterparts abroad before they can help set up a stable democratic system in this country.

On the other hand, when Nehru leaves the scene, caste, communal and regional caucuses are bound to play an increasingly important role in the country. Because of the keen competition among all the major parties for votes, none of them will be able to resist these fissiparous elements although each may be very keen to maintain national unity in its own way. For instance, the Congress Party may try to unite the nation behind it by warning against dangers of 'balkanisation', the Jan Sangh by playing up the fear of aggression from Pakistan, the PSP by emphasising the competition between India and China and the Communist Party by working up popular indignation against dollar imperialism. Unless, however, there is a real crisis in the international field between India and Pakistan or China or the U S A, it is doubtful if these slogans by themselves will be able to keep down for long the forces of casteism, communalism and regionalism.

What After Period of Trouble?

The result will be that in their competition for power, all the parties will be obliged to make compromises with powerful group or local interests, sacrificing some of their own principles about national unity. But the party in power will be obliged to do so to a much greater extent because of its anxiety to continue in power and the patronage that it commands. Splinter groups will tend frequently to change their loyalties, and an ever-changing political pattern will emerge in the country. There will be increasing instability of Government first in the States and later also at the Centre. Although the Congress Party will perhaps be able to hold an uneasy sway at the Centre for quite a few years to come, within the party, there will be frequent struggles between rival groups; and even if the party as such may remain in power, caucuses within it will change sides with the same rapidity as parties do in France or Pakistan.

It is very difficult to say what will be the final outcome. Of course, as a top-ranking diplomat in New Delhi recently observed, "the question is not whether India will face a 'period of trouble' but whether at the end of this 'period of trouble' her fate will be like that of the USA after the Civil War or of the Austro-Hungarian Empire after the first World War or China after the second World War or of France or Pakistan today". But one need not perhaps take such a pessimistic view if one could presume that (a) for quite some time to come, the only possible transfer of power, if any, at the Centre will be between middle-of-the-way parties like the Congress and a PSP-led coalition; (b) during this period, extremist parties like Communists or the Jan Sangh will be holding power in two or three States and in that process will become somewhat moderate and also by their behaviour allay the extreme fears that their opponents now have about them; (c) there will be general agreement to keep the civil services and the armed forces scrupulously outside party politics and refrain from either undermining their efficiency or tampering with their loyalty; and (d) non-political organs of Government, e.g., the Election Commission, the Public Service Commissions, the superior administrative cadres and the judiciary will be able to function without fear or favour, so that they become a stabilising force during any 'period of trouble' that the country may face.

Election Funds

Dependence of political parties on monied interests for election funds can be reduced, elections made less costly and an important source of political corruption checked (a) by prohibiting donations of more than Rs 500 by any particular individual to the election funds of any party; (b) the parties collecting their election funds mainly through small subscriptions from their constituents as is the practice of the British Labour Party; and (c) the Election Commission giving a loan up to a third of the ceiling prescribed for election expenses to any bona-fide candidate for a Parliamentary seat in a general election to be spent only for specified purposes and to be repaid in easy instalments before the next election.

The present Cabinet system of government has many advantages and has to be retained at the Centre. But as the influence of caste and regionalism is much greater at the State level and is likely to aggravate the instability of State Governments more and more in future, it is worth serious consideration whether at the State level the Cabinet system should not be replaced by the Presidential system of government.

It is, however, clear that what happens at the Centre, where sovereign power rests, is much more crucial than what happens to the States. If the swing of the pendulum at the Centre is confined to middle-of-the-way parties, then the extremist ones need not be so desperate as to resort to unconstitutional action. But if any extremist party, either of the left or of the right, comes to power at the Centre, their rivals may feel so desperate as to be driven to violent opposition.

Middle-of-the-Way Opposition

But what are the possibilities of a middle-of-the way opposition party coming to power in the next few years as an alternative to the Congress Party? At one time hopes centred on the PSP, but thanks to Nehru's conversion of the Congress Party itself to a socialist pattern of life and also the inability of the leaders of the PSP to set up a strong party organisation all over the country, it is unlikely that the PSP will be able to capture power in the near future. In fact, the chances are that the Communists, who have one of the strongest political organisations in the country, are likely to gain support in many urban and industrial areas, especially amongst the lower middle class and industrial labour. On the other hand, in rural areas where the small peasant proprietor provides the main leadership, Communists are not likely to fare well, and it is a party like the Jan Sangh which is more likely to secure greater support there. In both the areas, however, there will be a large number of floating votes not committed to extremist parties like the Communist or the Jan Sangh, and these will frequently sway between the Congress, PSP and a number of small middle-of-the-way parties.

This last group of small parties, which will include not only the in-

dependents, but also regional communal or caste interests, may unwittingly add very largely to the political instability of the country. Independents and small parties may be very valuable sections of the community; but as the history of France and recently of Pakistan has proved, they often lead to disastrous political consequences. A stable government is always better than an unstable one. A firm policy is always to be preferred to a vacillating one. And to the extent that independents or small political groups add to the instability of governments or the vacillation of policy, they multiply the political difficulties of any country.

Opportunity Lost

Political stability can thus be assured only if at the Centre, the Congress Party is replaced by another middle-of-the-way party and not by a party which may arouse strong fears and provoke violent opposition. As things stand today, the danger is that there may not be any middle-of-the-way party strong enough to take over power from the Congress when the time comes, so that the alternative will be a strong polarisation of political forces as between the extreme right and the extreme left, leading to very serious consequences.

Jai Prakash Narain foresaw all this when he said that Nehru himself should help in his life-time to build up a democratic opposition party against the Congress. It was no doubt a confession of failure on the part of the P S P leader, but it is also obvious that a part of the responsibility lies with Nehru. If he had not been so pre-eminent and so universally popular or if he had not rejected Gandhiji's advice to dissolve the Congress Party or, what is even more important, if he had not converted the Congress Party to socialism, it is quite possible that around 1950-51 the right (or liberal) wing of the Congress would have broken away from the left (or socialist) wing when the Sardar group in the Congress was still strong, thus giving the country a two-party system in which the democratic transfer of power could take place. Since, in the interest of building up the national economy as quickly as possible and for meeting the various problems which the country faced as a result of partition,

Nehru worked heart and soul for keeping together and strengthening the Congress Party so as to make it a vehicle of his ideas, that possibility was irretrievably lost.

Capitalist Infiltration

As things stand, there is no longer any chance for a liberal party of the western conception to come to power. In India, capitalism itself has developed on a caste basis. The very fact that most of the capitalists come from a few castes automatically makes the others go against liberal ideologies, including those of free trade and free enterprise. The trading communities among the Parsis or Marwaris or Gujaratis or Chettiars may have arguments as well as a long purse, but they will not be able to build up a liberal party with a strong popular following, because capitalism has struck no roots in the other communities and castes. That is why the Forum of Free Enterprise can have no future either, and many members of the capitalist class find it more advantageous to profess that they are also socialists; and instead of building up a liberal party, they are busy infiltrating into the cadres of the Congress or the P S P, both of which have socialism as their ideal.

Since parties, which wish to have a large popular following will have to profess socialism of one type or the other, the people will always find it difficult to choose between one party and another on the basis of their fundamental principles, especially between democratic socialism as preached by the Congress Party and the Praja Socialist Party; and so, the parties will be judged more on the basis of personalities, details of policy, and past performance rather than that of principle. Hence when power begins to slip away from the Congress—although some votes may go to the P S P with the swing of the pendulum—a large number of votes lost by the Congress will get divided among the Jan Sangh, the Communist Party and various independents and splinter groups which will be also swearing by socialism. So if the Congress Government at the Centre has to be replaced by another of a moderate character, then it will have to be largely a coalition of the Praja Socialists, independents and splinter groups. At the same time, the parties of the extreme left and right will also try

to entice independents and splinter groups into forming 'popular fronts' or 'national falanges'. In this situation, it is by no means certain whether the swing of the pendulum away from the Congress will be towards the P S P, the Communist Party or the Jan Sangh.

Whether the country is going to have peaceful political evolution or not, will depend, therefore, not so much on the Congress, the P S P or other middle-of-the-way parties as on the extremist parties like the Communists and the Jan Sangh. If these latter wish that the country should avoid violent upheavals,

they should impose a self-denying ordinance on themselves for some time, and refrain from capturing power at the Centre, even if they are in a position to do so. They should content themselves with capturing power in the States only and see that some middle-of-the-way party, the Congress or the P S P or some other, holds the reins of government at the centre, so that neither the extreme right nor the extreme left may be driven to desperation. It is not what these parties themselves profess, however, that will matter but what the fears or doubts of other political parties are

about their future action and intentions. And until these parties are able to prove by their conduct in the States, where they may have come to power, that these fears and doubts are baseless, they should not try to force events to their own advantage by attempting to take over the Government at the Centre. This is, perhaps, too much to expect from any political party, far less from those of the extreme left or right, who passionately believe that their creed alone is the right one and all others have to be fought to the bitter end.

Ten Ruthless Rhymes

1

Jack and Jill
Went to the till
To fetch some LIC silver:
Both got caught,
Know the upshot!—
Mundhra couldn't be Birla.

2

•Baa baa black sheep
What have you got?
—Three little Plan plants
Stuck in this pot,
One for the Yankees one for the votes
One for ourselves don't tell the goats.

3

When lovely lady stoops to folly
And paces about in Washington,
To Export-Import Bank she pays
A killing price for the gramophone.
(—Although it is recession.)

4

(One, two,)
Lick my shoe
(Three, four,)
Clear the door
(Five, six,)
The stink sticks
(Seven, eight,)
Get it straight
(Nine, ten,)
Private fox will swallow Public hen.

5

Do you remember an inn, Miranda
Do you remember our Plan, Miranda
Somebody did us in, Miranda
Do you remember the man, Miranda
Was it not T T K, Miranda
But we mustn't be finicky, Miranda.

6

Hickory dickory dock
We visited a C. D. Block.
The block wasn't there,
It was a sight so rare
Some of us died of shock.
Hickory dickory dock.

7

I think continuously of the great . . .
The one who set the income increase rate,
The one who fixed the steel target,
The one who loves the vampire jet,
The one who cries for the Socialist State,
The one who with China would keep a date,
The one who dreams of U. S. aid in a plate,
The one who says, 'devalue' . . .
In the cul-de-sac each of them I've met,
I think continuously of the great.

8

Low rice output, import ban,
We know the fate of Second Plan.
If Deputy Chairman ends his span
What will happen to Third Plan?

9

Ring-a-ring-a roses
The Reserve Bank closes,
The Reserve Bank opens,
No sterling coupons.
But says Moses:
Who wants cushion,
We can still push on
A pocketful of poses,
Ring-a-ring-a roses.

10

Come away, O human child
The setback is but mild.
Let the Russians give us gold,
Our Plan will be once more bold.
If Ike and Nixon would give too
Where then is the Waterloo?
In case either think us wild
We will rush to Hammariskoeld.

Official Papers

Prelude to a National Atlas

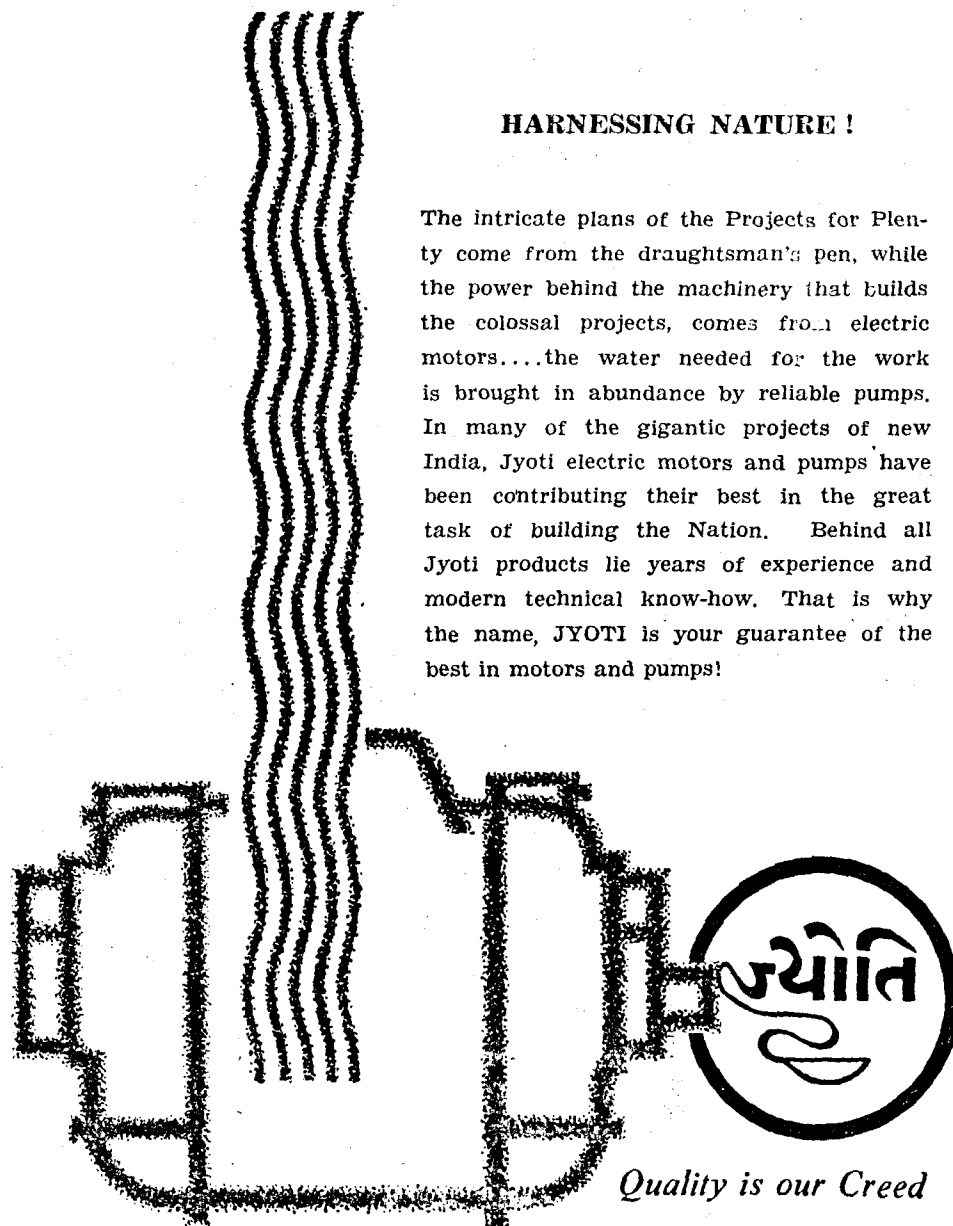
National Atlas of India (Preliminary Hindi Edition). Edited by S. P. Chatterjee, Director, National Atlas Organisation and Professor of Geography, Calcutta University. Prepared by the Government of India, Ministry of Education & Scientific Research. Printed at the Survey of India Offices, Calcutta: Dehra Dun 1957.

Size:—26" x 17" (66 cm x 43 cm). Price Rs 125 or Rs 100 (Popular Edition).

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EVEREST

THE simplest definition of an atlas is that it is a collection of maps bound together. A number of atlases were produced during earlier historical times right from Ptolemy's Geographica. Sometime in the second century A. D. atlases were designed to depict maps of countries with particular reference to their position, hill-ranges, rivers and place names. In other words they were meant to serve the traveler and the administrator and these same sources had perforce to serve also teachers and students.

The first modern Atlas, the "Theatrum Orbis Terrarum" of Ortelius, was published in 1570 and its popularity and immense use led to the preparation of world 'reference atlases' and finally, to still more specialised 'single country' or National Atlases. They have increased in number and quality to-day to more than 25 of which the best known is the 'Atlas of France'.

The atlases of U S S R, of Canada and the latest 'Atlas of Sweden' include broader aspects of geography—general, physical, social, economic and commercial aspects in specialised forms, using up-to-date information and embodying details of smaller regions studied by trained research workers. They are also meant to serve as a model for the cartographic techniques best employed for depicting particular aspects. This increases their usefulness in many highly specialised fields such as planning, besides their usefulness to the public for general reference.

National Atlas Organisation

For some years a variety of maps on an all-India basis have been coming forward and for long they remained as loose maps prepared in different departments to serve their immediate needs and purpose. Mention may be made of the Climatological Atlas and Agricultural Atlas in addition to those on live-stock and live-stock products issued from time to time by the Ministry of Food and Agriculture. 'India in Maps'

led the way towards the making of an all-India Atlas. Progress was however very slow and the 'State Atlases' of Bengal, Bihar, Bombay, Madras, Hyderabad—some of them embodying substantial work—appeared first and aroused a good deal of interest.

The Government of India set up The National Atlas Organisation in 1955 and 'the first—the preliminary Hindi edition'—prelude to a more comprehensive atlas has been published. The country owes a considerable debt of gratitude to Professor S. P. Chatterjee, Director of the Organisation, for his initiative in showing the need for a National Atlas, for all his work in building the team of workers and for his ingenuity in making the best use of available records etc.

Both General and Research Maps

The Atlas contains 26 plates. The keys on the plates themselves are in Hindi, but a shortened key in English is given in the early pages of the volume. The largest scale 1":80 miles is employed for the main maps—physiography, land use, industries, population etc. and a smaller scale 1":160 miles for some of the crop maps and transport. The size of the Atlas is so chosen that it can conveniently accommodate one map of 1":80 miles, while the margins provide space for the inclusion of insets; four maps in the scale of 1":160 miles appear on a full sheet. A large number of insets have thus been included making the Atlas more informative.

A group of general as opposed to research maps—India and World, Administrative, Education and Scientific Research, Health and Archaeology—are informative to the citizen or the administrator. A list of all Thana and Tahsil names according to Districts is a useful addition. The Metric System has been adopted. In some maps, e.g. relief, an equivalent scale in feet might have been given to facilitate easy reading by those as yet unused to the metric system.

Techniques Employed

Maps of physiography, land use, industries and power are given due weight. There are 10 plates with a variety of insets. Colour tints with an overprint of distinctively coloured shading have been employed with success in new ways to bring out correlations in one and the same map. Physiographic details in addition to the three major divisions have been distinctly brought out, e.g. the difference in level between northern and southern portions of the plateau of the Peninsular India. However in some maps colour contrasts are not well brought out and therefore regions showing equal 'intensity' (e.g. similar proportions to total cropped areas) are not easily distinguished. Differences in density of yellow are notoriously difficult to read. Maps of drainage and landforms have particular importance in that they are of use to both technical and general readers. The techniques employed, however, need more refinement (e.g. three dimensional effect by shades and hachures in landform maps).

A rainfall map along with insets brings out famine areas. In the distribution maps of crops, the usual dot-method for single crop has been replaced by that of different coloured circles representing different crops on the same map so that really careful study brings out the difference in regional association of the main crops. Cash crops are treated separately. The use of Districtwise data however obscures significant regional variation within. (E.g. in West Khandesh District, the Tapti mouth and the Khandesh region proper differ in extent of cotton cultivation.) We await more detailed work the more eagerly.

Conspectus of Main Aspects

Maps on industries help to distinguish highly industrialised areas. Details of the main belts, like Bombay, Raniganj-Asansol, Calcutta and Madras have been included as inset maps. The distribution of village and small scale industries is depicted.

ed in a separate map useful to planners. The concentration of such industries along Malabar Coast and around towns and cities having large-scale industry also is distinctly seen.

A railway accessibility map with a variety of insets (isochrone map) embodies new techniques and brings out the inaccessible areas. This however could have been supplemented by similar road map.

Amongst population maps, that of tribal population map is a new one of potential use to policy makers, giving a new picture of the great belt across middle India in which the problem of tribal people is particularly important.

High Level Performance

Lastly the Atlas has loose-leaf binding which facilitates removal of each sheet for detailed study. This volume is only a first conspectus of the main aspects of the country and more detailed volumes embodying maps of larger scale 1":16 miles—and research maps of small regions in detail are awaited.

We would plead that in future editions—for surely there will be many—there should be an appendix

on the statistical and cartographic methods employed in each map, for the benefit alike of other workers and the close reader interested in assessing the weight of a particular map.

The Atlas is cheap at the price. It is the result of enormous labours in compilation, and the level of research and reproduction (by the craftsmen of the Survey of India) compare favourably with any in the world. It is warmly recommended for administrative offices, business houses, libraries and educational institutions.

—ATUL & LSB

Hindustan Shipyard

WITH the completion, early this month of the last series of five 7,000-DWT Maierform type diesel vessels ordered by the Scindia Steam Navigation Co Ltd, the total tonnage built at the Hindustan Shipyard touched the 100,000 GRT mark.

The keel for the first ocean-going 8,000-tonner steamship was laid in June 1946. This vessel, christened "Jalausha", was launched in March, 1948. In the years that followed,

the shipyard built eight more ships of the same series upto 1952.

The Shipyard has so far built a total of 19 ocean-going vessels, besides smaller craft of various description: twelve 8,000-DWT—Jalausha type steamships; four 7,000-DWT—Maierform type diesel ships; two 8,000-DWT—Maierform type diesel ships; and one passenger-cum-cargo vessel for the Andaman Trade.

The Government of India took over the shipyard in March, 1952, and the Hindustan Shipyard Private Ltd, in which two-thirds of the share-capital was held by the Government and the remaining one-third by the Scindia Steam Navigation Co Ltd, was incorporated for this purpose. Since then the proportion of share-holding between the Government and Scindia Company has been 78 and 22 per cent, respectively.

Government of India have sanctioned a development programme costing about Rs 2 crores constituting the first phase. A further programme of development constituting the second phase is under consideration.

Calcutta Letter

Needed: Not Rhetoric, but Arithmetic

Cribb'd, cabined and confined by the harshness of his immediate social reality, the wider issues of national politics seem very remote to the Bengali.

Indeed, politics is becoming curiously unreal. Politicians continue to pour forth their rhetoric, while men starve and no birds sing.

The chasm between the chill and distant heights of professed idealism and the quagmire of local politics widens daily.

FROM time to time people in Bengal leave their homes and march to the Legislative Assembly. The reasons for this strange passion are diverse. It may be to demand better wages for dock workers, or to protest against the scarcity of food, or it may be simply the expression of moral indignation at the suppression of immoral traffic. Men, women and children march many miles for this purpose. Meetings addressed by recalcitrant politicians are followed by processions. The police, not unreasonably, dislike such exuberant displays. With rows of empty vans and buses neatly ranged behind them, they await the marchers at the appointed place. There is no hard feeling, no fuss. Some marchers are arrested, others dispersed. The incidents are so much a part of the everyday life of Calcutta that they disturb neither the complacency of the haves nor the apathy of the have-nots.

The processions are significant, not merely as symptoms of a widespread malaise. In their frequency can be detected a growing tendency to bypass the constitutional machinery as a device for the ventilation of popular grievances. The primary mode of political agitation is not by or through Parliament, but outside it. A cynical distrust of the aims of particular leaders and in general, the abortiveness of deliberations of the Assembly contribute to the disbelief in the efficacy of constitutional means. The barometer of public opinion is measured less by questions in the Assembly, than by the length of processions or the duration of hunger strikes.

The best way of resisting temptation is to yield to it. In Bengal this applies to both the governors and the governed. The temptation to which most critics yield is to blame the party in power for all the ills which afflict the nation. This attitude of mind is to some extent a legacy of pre-independence days. Partly it finds support in the habit of local thinking of proceed-

ing from the general to the particular. The suggestion that particular maladies spring from specific causes would come to them as a surprise. It would unsettle their a priori belief in government culpability, and possibly add to their frustration. Within and without Parliament, there is a great deal of such unconstructive, often unreasonable criticism. The disaffection with the present state of things is not confined to opponents of the present Government. It has spread, it seems, to the rank and file of the Congress. At the recent West Bengal Pradesh Congress Conference, the dominant note in the speeches was to rally these wavering, timid and timorous souls by the paternalistic reassurance that the party was here to stay. But the people are impatient with the heroic leaders of yesterday—what they demand is present performance.

What is needed is not rhetoric, but arithmetic. The enormity of the problem is not sufficiently appreciated. Since partition, more than forty lakhs of refugees have settled in or around Calcutta. The city is still staggering under the impact of this immense influx. If one may draw a hypothetical parallel, it is as if the entire population of Ireland suddenly settled down in London and its suburbs. Little wonder that things seem out of joint. The perennial problem of too many people on the one hand and too little food, accommodation or employment on the other, has been magnified manifold. The phenomenon is no longer new today, but so far no serious study of the socio-economic effects of this impact has been undertaken. Apart from spasmodic efforts to settle the refugees elsewhere, little has been done. The refugees either trust the promises of resettlement too little or love the allure of Calcutta too much to be persuaded to leave the city.

Confronted with these gigantic problems, aggravated by executive

inaction and the ineptitude of the municipal administration, the absence of enthusiasm is hardly surprising. Nothing, to put it mildly, is as good as it seemed before. Cribb'd, cabined and confined by the harshness of his immediate social reality, the wider issues of national politics seem very remote to the Bengali. Indeed, politics is becoming curiously unreal. Politicians continue to pour forth their rhetoric, while men starve and no birds sing. The chasm between the chill and distant heights of professed idealism and the quagmire of local politics widens daily.

Nature, too, has sided against man. The flow of the Hooghly is steadily decreasing and the water becoming increasingly saline. The State Government has proposed the construction of the Farrakha barrage near the junction of the Hooghly and the Ganges, to divert part of the flow into the former river. The necessary expenditure was not, however, sanctioned by the planners at the Centre a factor which may account for the apparent lack of harmony in Bengal's relations with the Central Government. The prospect is bleak. While Bombay, by way of contrast, has recently passed the Greater Bombay Act, Calcutta, as the Union Law Minister recently reported, is fast becoming a dead city.

—Dipankar

Exports to UK Decline

During the four months January/April 1958, India exported to United Kingdom raw cotton of the value of £372,000 as compared to £1,286,000 during the corresponding period in 1957; cotton yarns and woven fabrics valued at £2,698,000 as against £3,382,000 during the corresponding period last year.

In the same period India imported from U K textile machinery valued at £1,380,000 as compared to £2,940,000 during January/April 1957.



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From the London End

The Clash of Commonwealth Interests Preparing for Montreal

There has been a complete volte face in the British attitude to Commonwealth trade. While in the past, Britain sought the solution to the problem in tariff preference and commercial agreements, faced with the new international economic situation presented by the recession in the United States and a sharp fall in commodity prices, Britain now feels that the solution must be found in open, unrestricted marketing of Commonwealth produce.

The Commonwealth countries, on the other hand, want increased inter-sterling area trade through tariff discrimination and restrictive import policies.

Britain has also another objective in view, viz, strengthening of sterling and its unrestricted convertibility, possibly with increased liquid reserves provided by the United States.

All these run counter to Commonwealth countries' immediate needs. Hence the clash between Commonwealth and Britain which the London meeting failed to resolve.

THERE was a time when Commonwealth economic relations were a matter to be taken for granted. This was no doubt the result of the assiduous endeavours by Britain soon after the war to create the now exploded myth that the economic interests of each of the Commonwealth countries were identical. Indeed, the ease with which the whole sterling area with one notable exception accepted the devaluation of sterling in 1949 and later in 1952 agreed, without difficulty, on a unified Commonwealth approach to questions of economic development and investment, must have gone a long way to give substance to this myth. But now times have sufficiently changed to reveal certain crucial departures from this so-called identity of interests and among the more important indications of conflict were the series of meetings recently held in London by senior Commonwealth officials, who gathered in London to prepare the basic materials for the forthcoming Commonwealth Economic Conference at Montreal.

What is most remarkable about current attitudes, as revealed at the recent London meetings is the volte face by the United Kingdom. Unlike the British attitudes of 1931 when the solution of trade problems was sought in terms of tariff preferences and commercial agreements, the United Kingdom now strongly believes that the solution must be found in free international trade and the open, unrestricted marketing of all produce. The overseas Commonwealth countries in contrast appear now to be calling for an increased volume of inter-sterling

area trade through discriminatory tariffs and import policies. This represents the basic conflict of interests.

Britain: A Stagnant Market

The problems of Commonwealth economic relations are four in number. These are (1) inter-Commonwealth trade and the marketing of Commonwealth produce; (2) tariffs and the possible inclusion of Commonwealth countries in the European Free Trade Area; (3) questions of currency reserves, liquidity and sterling convertibility; and finally, (4) economic development and the supply of investment funds.

It appears likely that these four heads may very well constitute the agenda at Montreal.

To the overseas sterling area countries and Canada, the first of these four subject headings proved to be the most important and to Britain the most controversial. And while only indications of the nature of the controversy are discernible, it is possible to analyse the extent to which and why the Commonwealth considers this to be important. The United Kingdom as a market for sterling area produce has been steadily declining since 1953. And this cannot be explained by the purely deflationary policies adopted by the Conservative Government over this period to solve Britain's domestic and foreign exchange problems. Indeed this latter explanation has been proved to be irrelevant. Over the past five years the United Kingdom's imports from the sterling area have been stagnant while those from the non-sterling world have grown by over 40 per cent.

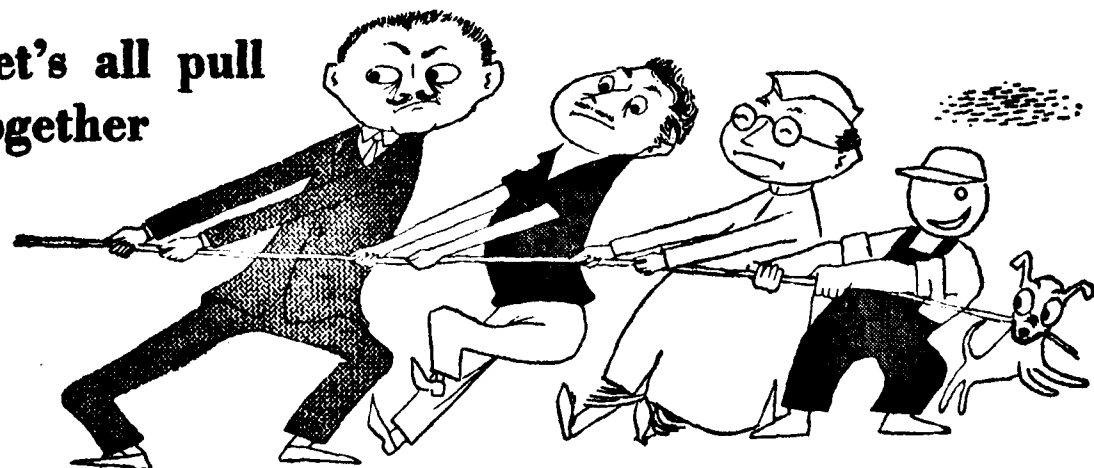
It is reported that the Common

wealth countries submitted data reflecting Britain's performance as an importer for some seventeen important commodities. In each case it was shown that while an abundance of such commodities were available from the overseas sterling countries, Britain's imports were increasingly drawn from non-sterling sources. Pakistan was able to substantiate her complaint that while her cotton crop was large and available for export, the United Kingdom had increased its imports of American cotton. Similarly Australian wool and canned fruits were exposed to the competition of South American wools and canned fruits to that of dollar and other non-sterling sources. To New Zealand, the trade in dairy products was severely impinged upon by the "open door" which the United Kingdom provided to Continental Europe. Apparently South Africa and India are similarly placed in the British market.

Presumably the seventeen commodities mentioned constituted the bulk of the exports of the Commonwealth countries. Having regard to the fact that the value of the exports of the overseas sterling area remained virtually unchanged between 1953 and 1957, the data in the table overleaf can only mean that the United Kingdom remained an absolutely declining market for the overseas sterling area. Indeed the value of exports of certain overseas sterling area products like hides and skins, natural rubber, raw wool and cotton, jute, sisal, animal and vegetable oil and fats, dairy produce, have fallen dramatically over the past five years.

This experience is itself wholly one-sided. The system of imperial

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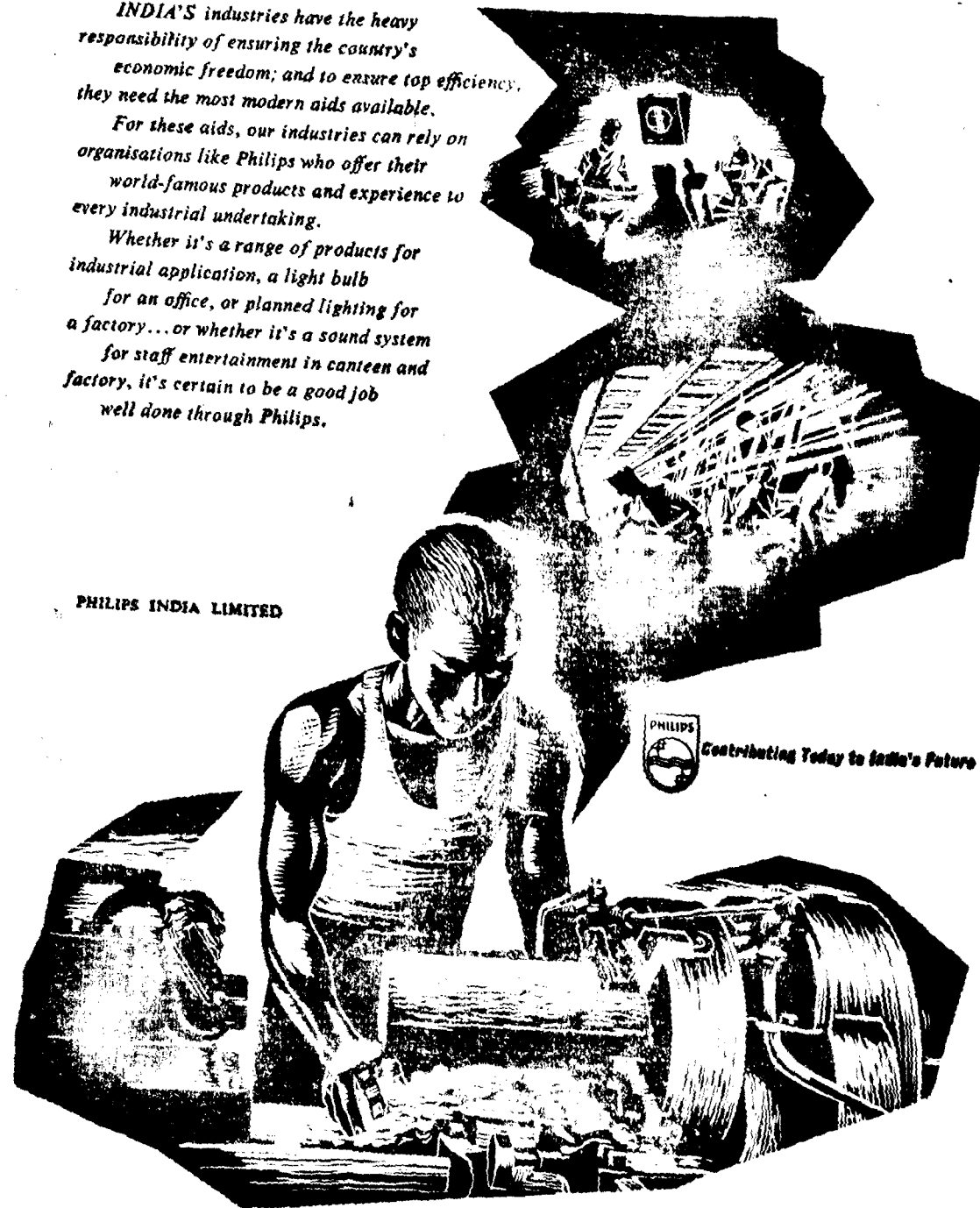
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preferences was designed to secure for the United Kingdom a relatively favoured market in the Commonwealth against similar concessions for Commonwealth produce in Britain. But it now turns out that this system of preferences is working in only a one-way direction. The British tariff structure arising out of the Ottawa Agreements was largely specific in character; these specific tariffs have lost much of their preferential significance with the price inflation that has occurred since 1931. In contrast the tariff structure in the Commonwealth is largely worked on an ad valorem basis, thus providing the margin of preference for British manufactures ever since 1931. Here then is a point of considerable substance and there can be little doubt that if the imperial preference is at all to work, it has now to be modified to be mutually advantageous to all concerned.

Britain's First Priority

The United Kingdom Government, however, views the problems of Commonwealth trade not in terms of purely restrictive practices but, for reasons of its own, as part of the wider problems of world economic activity and currency reserves. And not only this, but also in terms of diverting the centre of European economic gravity away from the Common Market into the Free Trade Area project. In numerous public statements the British Government has hinted on how it views its position in relation to the Commonwealth. The United Kingdom itself was no longer expanding but the absence of economic expansion at the present time was a necessary corollary to the position of strengthening sterling and the gold and dollar reserves. The problem of exports can in the present situation be solved only in terms of stable prices and an increase in world liquid reserves. Indeed, as the United Kingdom sees the situation, there is some scope in the Commonwealth for the

pursuit of deflationary price stabilisation policies. The 1931 tariff policies, so the British argument appears to run, followed a world wide slump and a crop of exchange crisis including the British abandonment of the gold standard. The tariff systems instituted then not only contributed to varying states of economic autarchy but more important, to the virtual political fragmentation of the Western world. In the process, the sterling exchange system declined absolutely. This experience is sufficient to suggest that the solution to current economic problems cannot be found in terms of restrictive policies.

The Commonwealth cannot but be impatient with this attitude. The liberalisation of trade while in itself an ideal to be worked for, is daily being subverted by the increasing compartmentalisation of trade and finance and in this context, the developments in Continental Europe are the most alarming. Britain's preoccupation with the Free Trade Area thus came under heavy fire from the Commonwealth. It appears that Australia and New Zealand called for the removal of a number of commodities which would be, or was planned to be, included in the Free Trade Area. This no doubt made it virtually impossible for the United Kingdom even to approach the Commonwealth for the association with the Free Trade Area—this, it will be remembered, became crucial to the French and hence the Continental European acceptance and entry into the Free Trade Area.

New Factors

In previous despatches the economic strategy of the United Kingdom was analysed; recent developments, particularly since the return of Mr Macmillan from the United States, tend to confirm this analysis. The United Kingdom is aspiring gradually to reconcile its twin responsibilities of maintaining Commonwealth cohesion and en-

larging the compass of sterling finance. The first of these responsibilities is seen solely in terms of maintaining the tempo of British private investments in the overseas sterling area and the second in terms of certain relatively newer interests. These require some comment.

There is little doubt that the capacity of the United Kingdom as an importer of agricultural products in general has reached a peak and that the possibilities for any further expansion are extremely limited. Britain's own agriculture has grown considerably and this has certainly impeded the British import trade in dairy products. At the same time, heavy pressures are being exerted by the Scandinavian countries and Holland on the United Kingdom market for their agricultural exports. These countries are themselves significant markets for certain British manufactured goods (particularly motor vehicles) and each of them is presently poised on making its own compromises with the Common Market which, if they materialise, can mean the virtual extinction of Britain as a factor in these markets. The European Free Trade Area, which the Commonwealth treats with such suspicion, can prove the juggernaut for Britain in Europe.

Sterling Convertibility

There is however another interest which is not so new and which in Britain's eyes can assist towards the staving off of the pressures presented by the new European economic alignment. This is the convertibility of sterling, possibly on an enlarged liquid reserve provided by the United States. There can be little doubt as to the validity of this interest in any interpretation of British economic aims. The economic recession, in so far as it spreads, and the German drive to unify Continental Europe into an economic and ultimately political union, can very well hurt Britain; the trade recession will cause heavy drawings on sterling and this can lead to the devaluation and collapse of sterling while the Common Market can severely isolate Britain. These arguments are impressive. By espousing liberal trade policies, increasing international economic co-operation and a widening of liquidity, the United Kingdom very well hopes to hold back the tides of adversity.

Distribution of Overseas Sterling Area Exports
(% of total exports)

Year	To U K	Other Sterling Area	Dollar Area	Western Europe	Other
1952	34	20	14	15	17
1953	37	19	12	16	18
1954	37	20	12	17	14
1955	35	20	13	17	15
1956	33	19	12	18	18
1957	31	19	12	18	20

South African Letter

Apartheid Provokes Resistance

There is enough material in South Africa for a gigantic flare-up. The tension, held back by the solid wall of the ruthlessness of a police state, is subdued.

With the unscrupulous help of the notorious Suppression of Communism Act, the Government has incapacitated most of the non-European leaders, who are barred from either attending or addressing public meetings.

A new and powerful group of 'Africanists' has suddenly emerged in the forefront in South Africa. They are a band of bitter Africans who believe that the white man's racialism should be answered back with an equally ruthless form of black racialism. The Africanists stand for black supremacy.

For a long time people have talked of the danger of a racial conflagration in South Africa. Perhaps it has been never nearer than now. The real danger is that if it does flare up, it will respect none of the carefully drawn frontiers on the maps.

AS the South African Parliament meets in Pretoria today (July 4) there is an air of subdued tension in the country. Normally the post-election session of a new parliament does not last more than three weeks; this time it may go well into October. Besides the debate on the postponed budget, which is the main business before the House, the session will consider some important and far-reaching measures to quicken the pace of apartheid, for the Government believes that its sweeping victory at the polls amounts to a national mandate to push ahead with a programme of total racial segregation.

Separate Education Bill

The most notable of these measures is the Separate University Education Bill, on which a Commission is at present taking evidence and against which there has already been a great deal of agitation by students and professors of all races. Another Bill in this session will seek to give the Government full control of the non-European Fort Hare College of the University of Cape Town. And there might be a third Bill, aiming to take away the non-European medical school from the University of Natal.

In Durban the Government has ordered complete segregation on the buses; and in the Indian quarter of the city, the Government is preparing to apply the Group Areas Act in the teeth of seething opposition. In Cape Town the authorities are busy planning a new Department of Coloured Affairs for the administration of the people of mixed origin, against whom apartheid is being increasingly intensified. At the same time, the Department of Justice is getting ready in

Pretoria to resume the trial of 94 South Africans (some of them white) on charges of treason.

Ruthless Police State

There is enough material here for a gigantic flare-up; but the tension, as has been mentioned, is subdued. It is held back by the solid wall of the ruthlessness of a police state. With the unscrupulous help of the notorious Suppression of Communism Act, the Government has incapacitated most of the non-European leaders, who are barred from either attending or addressing public meetings. Non-European assemblies of more than ten people at a time are prohibited by an executive order which was promulgated for "peace and order" at the elections, but which still continues to be in force. Even inside the Parliament, effective opposition against the Government's racial policies is impossible. The entire Labour Party and all the Liberals and Independents were swept out of Parliament by the elections, leaving only the United Party, which Smuts once led, to fight apartheid.

The United Party

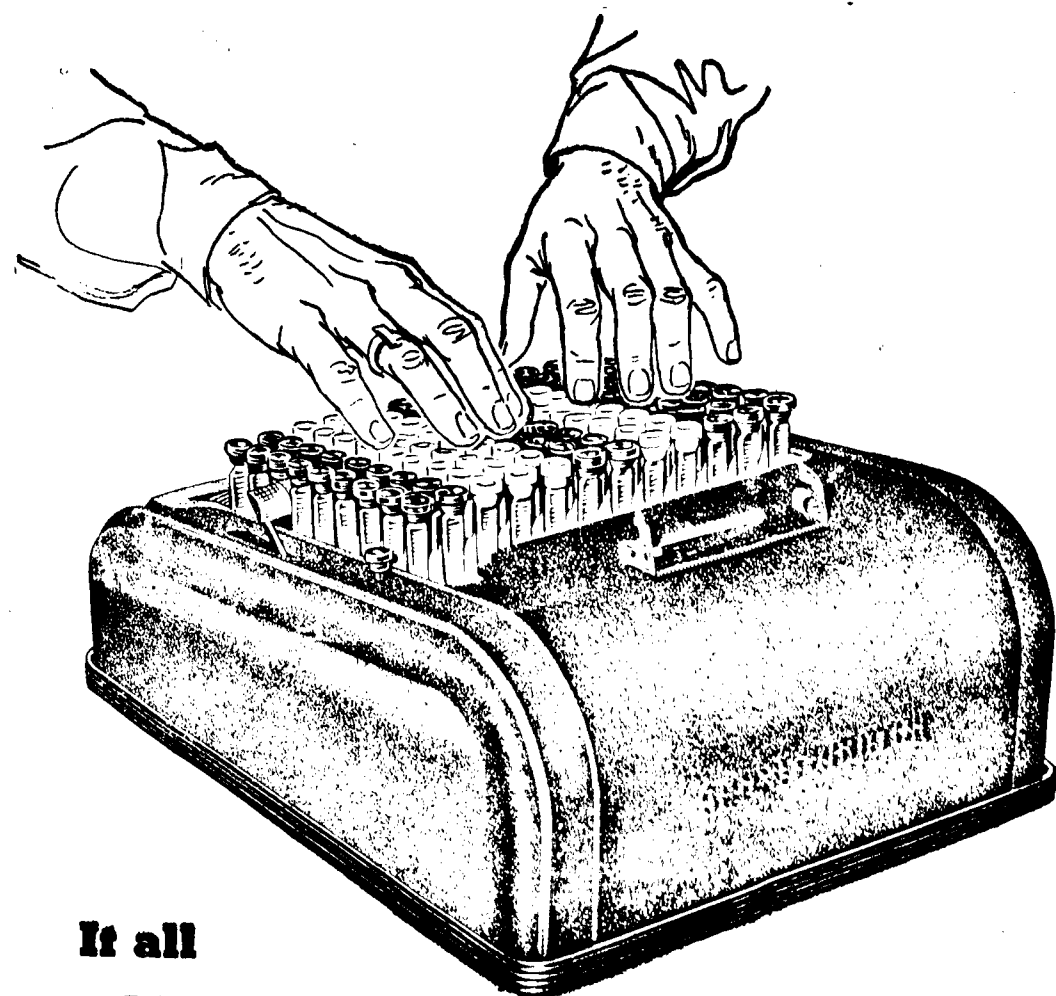
The United Party, however, has never wanted to wage such a battle. True, it opposes some aspects of the Government's racial policies, but its opposition is to the manner in which apartheid is being applied, and not to the principle of it. Indeed, apartheid is only an extension of the legacy the Nationalist Party has inherited from Smuts. The present leader of the United Party, Sir de Villiers Graaff, is a warm champion of what he calls "benevolent apartheid". To expect him to fight the battle of equality and liberalism in South Africa is futile. He and his party

are much more interested in planning somehow to expand their electoral influence than to take a stand on any abstract principles.

The political strategy of the party at the moment is dictated by the fear that it would only alienate a large section of the white voters if it were to take a firm stand against apartheid. What it is likely to do, therefore, is to try and narrow the gap between the Government's colour policies and its own, rather than to fight these policies by means of a more progressive and liberal programme. Sir de Villiers Graaff is hoping that it would be possible to make some sort of a "coalition" between his party and the "moderate" section of the Government party; and it is in this direction that he will bend his energies.

African National Congress

The traditional fighter against racial segregation in South Africa is, of course, the African National Congress; and it is one of the most distressing features of the South African scene today that the Congress has emerged weak and leaderless from the general election. This may seem a strange thing to say, for the Africans have no vote, and the elections were, in a sense, none of their affair. But the fact is that the Congress had announced an ambitious programme of demonstrations to coincide with the elections, with the intention of drawing attention to its grievances. The demonstrations were to include a nation-wide stay-at-home strike which, unfortunately, collapsed on its very first day. Partly, the failure was due to organisational weaknesses and partly, to the ruthless restrictions placed by the Government on African activities during



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From UN Headquarters

Lebanon—Problem Child of the Arabs

The big question that is now being asked here is not whether President Camille Chamoun should refuse to seek re-election in Lebanon or whether the rebels are helped by Nasser. The real question is whether Lebanon can long survive the onrush of Arab nationalism.

Lebanon, like Syria, is a war baby; its freedom is hardly fifteen years old. Once upon a time it was part of the Turkish empire, then, after World War I, a League of Nations mandated territory—given to France for administration. It is the smallest member nation of the 81 strong United Nations.

The analogy with Switzerland or Belgium is not applicable for these are Western nations among other Western nations, while Lebanon is a Western-oriented nation surrounded by nations culturally hostile to the West.

THE big question that is now being asked here is not whether President Camille Chamoun should refuse to seek re-election in Lebanon or whether the rebels are Nasser-sponsored. The real question is whether Lebanon can long survive the onrush of Arab nationalism.

First a few facts: Lebanon, like Syria, is a war baby; its freedom is hardly fifteen years old. Once upon a time it was part of the Turkish empire, then, after World War I, a League of Nations mandated territory—given to France for administration. It is the smallest member nation of the 81 strong United Nations. With a total area of 10,400 square kilometers and a population of 1,450,000 its pocket-size affairs, however, pose outsize problems.

Christian-Muslim Composition

Compare Lebanon with some other countries like Libya and Liberia. Liberia has ten times the land mass of Lebanon (113,370 square kilometres) but a population of 1,250,000—less than that of Bombay city. Libya is a hundred times as large as Lebanon (1,759,540 square kilometers) but a yet smaller population (1,105,000). The Lebanese are not Arab; they are Phoenecians. By birth and upbringing, traders and professionals. When Lebanon became free, it had a Christian majority; now, apparently, the Christian majority has dwindled and it is stated that if a census is taken, the Muslims might find themselves in a slight majority.

This is disputed; but what is true is that the Christians have not increased in the same proportion as the less-educated Muslims, who are of Arab lineage. Egypt accuses Lebanon of ousting some 13,000 Arabs; this may or may not be true. But the Maronite Christians and the members of the Greek Or-

thodox Church today hold a precarious edge on their Arab compatriots.

Eisenhower Doctrine

But if Lebanon were strictly neutral in international affairs the United Arab Republic which is today accused of meddling with the internal affairs of Lebanon might perhaps have kept its hands off. For there is no doubt in anybody's mind here that the United Arab Republic is meddling in Lebanon's affairs. This is probably not too direct, but those who know their Middle East know that aid need not necessarily have to be too direct. But Lebanon has been foolish; when none of the other Middle East countries accepted the Eisenhower Doctrine, Lebanon did; and though Lebanon is not committed to any nation, militarily, this commitment to the Eisenhower Doctrine has placed it in an invidious position.

It must be said of Lebanon that even during the days of its servitude to the Turks, it had a reputation for being the haven to all oppressed. Like Switzerland, it has always attracted refugees. Between Syria and Lebanon, especially, there has always been free commerce. Lebanese have moved to Syria and vice versa and it is no surprise therefore to be told that a good many Syrians are found today in Lebanon fighting with the rebels. Lebanon is paying the penalty for keeping its doors open to all. A small country like Lebanon can ill-afford to be too generous.

Tradition Broken

But religious tolerance has been a watchword in this country where Maronites, Greek Orthodox Christians, and Shia and Sunni Muslims have lived side by side in perfect amity over the centuries. This has always been one of the outstanding characteristics of Lebanon and in

the Government, the top posts, by tradition, have always been distributed among the respective religions. The first one to break this tradition has been Dr Charles Malik, who is a member of the Greek Orthodox Church. This has brought the wrath of the Patriarch on his shoulders and very rightly so, for the Patriarch knows that if once the tradition of co-existence and equitable distribution of jobs is broken, one lets loose the floodgates of religious intolerance.

Like the Jews, the Lebanese are widely distributed in the West and there is a saying that there are more Lebanese in the United States than in Lebanon itself. This is an exaggeration, but considering the smallness of the Lebanese population, it has the germ of truth in it. Like Israel, Lebanon is maintained in part by the contributions of Lebanese outside—especially in the United States. This could perhaps explain the pro-United States nature of Lebanese foreign policy.

Many Opponents

Lebanon's problem is that of a very small state, with no tradition of independence behind it, struggling to maintain its identity in a predominantly Muslim area. Lebanon is surrounded on all sides by Islamic nations that are blindly moving towards unity. If Lebanon were cent per cent Christian, it might perhaps have been able to resist Islamic pressures. But Lebanon is now becoming increasingly Muslim in its composition. And even if it had a small Muslim majority, those in India well know how vigorously a small Muslim minority can act.

Among the Lebanese minorities are the Druses, a Muslim sect of unknown antiquity, whose leader was slighted by the present Lebanese leadership and is now therefore reacting with great vehemence

the elections. Whatever the reason, most of the whites are convinced that the influence of the Congress has at last been crushed and that from now on, it will be easier to keep the African down.

Africanists

There could be no greater misconception than this. It is true that the African National Congress has received a severe set-back from the failure of its strike; but it does not mean that it is going to give up the struggle. Indeed, the whites today face a situation that is more, and not less, dangerous than before. A new and powerful group of "Africanists" has suddenly emerged into the forefront in South Africa. These "Africanists" are a band of bitter Africans who believe that the white man's racialism should be answered back with an equally ruthless form of black racialism.

While the Congress has always stood for non-violence and constitutional progress and equality for all South Africans, including the whites, the Africanists stand for black supremacy and will not hesitate, if it comes to that, to eliminate the white man by force. In fact there is some reason to believe that the election strike of the Congress had failed mainly because of the Africanists, who had never wanted a strike of such a non-violent character. It is said that it was under irresistible pressure from this group that the Congress called off the demonstrations. If the whites think, therefore, that their position has 'improved' as a result of the Congress failure, they are grossly mistaken.

Wrong Assumption

That, nevertheless, is the assumption on which the Government seems to be proceeding. All the restrictions and bans it had imposed on non-white political activity at the time of the elections continue to be in force, chiefly because they proved to be so effective in breaking down African organisation. The Government is watching the possibility of making them permanent in one form or another. Mr Strijdom obviously thinks that the Congress has been killed and that all that now remains to do is to give it a deep burial. He must, of course, be aware of the emergence of the Africanists, dedicated to African supremacy and anti-white violence; but

this is a kind of movement that he thinks he knows how to deal with.

Violence can be fought with violence. Indeed, it can be made an excellent excuse for unleashing a reign of terror on the Africans and break the back of African resistance. But even that cold-blooded calculation may prove wrong. Experience in Kenya, where an allegedly "handful" of Mau Mau rebels kept a vast number of fully equipped security forces at bay for five

years, confirms that terrorism is not so easily controlled or put down. In any event, no terrorist movement in history has ever been deterred by the fear of failure.

For a long time people have talked of the danger of a racial conflagration in South Africa. Perhaps it has been never nearer than now. And the real danger is that if it does flare up, it will respect none of the carefully drawn frontiers on the maps.

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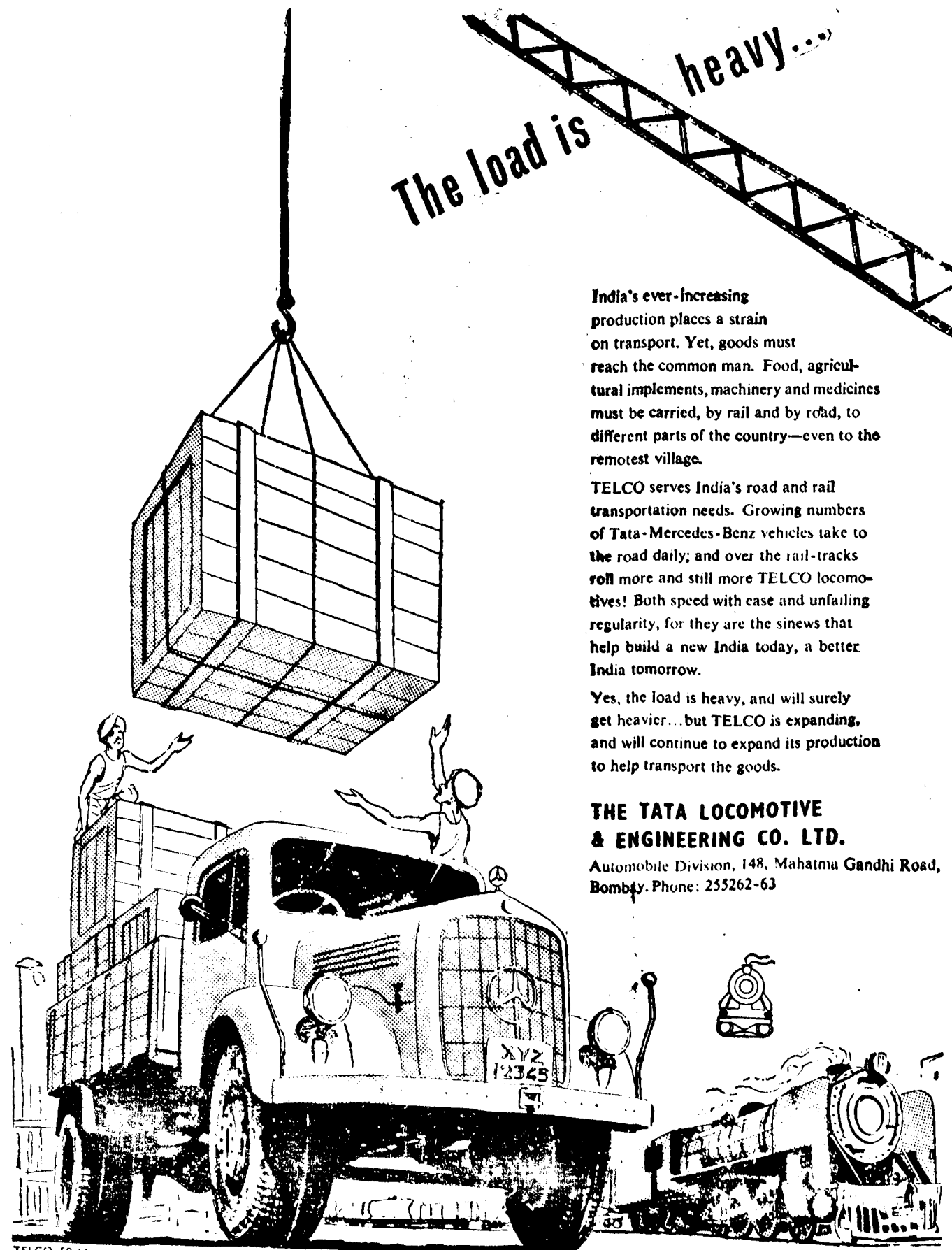
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against the Government. The Government of Lebanon has to fight many opponents; it is this which is today pushing the casualty lists higher.

Cairo-Damascus Propaganda

It is, of course, natural for a country such as Lebanon to want to act independently and to thumb its nose at its stronger neighbours. Lebanese leadership, instead of relying on the good sense of its neighbours, chose to rely on the armed might of the United States. This is bad policy, as the present Government is fast learning.

Under the conditions prevailing today, the United Arab Republic—but more notably Syria—does not have to stir trouble in Lebanon. There is enough dissatisfaction in that pocket state to start an insurrection. But Cairo and Damascus Radio have done their bit and contributed their two cents worth of anti-Lebanese propaganda. Possibly the Soviet Union has no hand whatsoever in these disturbances; but one does not have to say that it could hardly be unhappy over the developments.

Plan to Annihilate Israel?

The United States has a vital stake in Lebanon. In the desert of what is loosely described here as "neutrality", Lebanon has been the only pro-Western oasis. Lebanon has no oil, but its ports give a landing site to Western ships, if ever they need some in an emergency. If Lebanon should ever become part of the United Arab Republic, then Israel will find itself completely surrounded by "hostile" territory. It may be that it is the larger plan of the United Arab Republic to surround Israel on all directions with the ultimate view of annihilating it. This is not something that the United States would like to look on with favour.

Should Lebanon "fall" to the United Arab Republic, then it would undoubtedly increase its pressures on both Iraq and Jordan, neither of which has a tradition of antiquity. Iraq and Jordan too are artificial states and like all the Western-created states of the Middle East, depend upon Western largesse to keep them going. Iraq has a militant population which is presently under control but it may not long remain so. The oil wells of Iraq are an eye-sore to oil-hungry Egypt and Western powers which

today enjoy the oil rights in that strategic state are understandably apprehensive of the long-term plans of the United Arab Republic.

The Fertile Crescent

But what are the plans of the United Arab Republic? To most observers these seem fairly obvious. Egypt has always spoken of the Islamic Crescent, of one powerful Arab State stretching from the shores of North Africa on to Turkey. Today this is only a dream, but tomorrow it could be a reality. The Arabs know of their great past, and are willing to fight for an equally glorious future. They are not likely to cherish opposition. But the 'Greater Arab State' cannot be a reality without a basis in the people. Vast masses of the people in the area are nomads; there is no middle class of great significance; neither is there a technician class and the nationalism of the Arabs remains primarily amorphous.

The United Arab Republic has a long way to go, therefore, before it can be a power in the same class as the other great powers. But it must make a beginning somewhere. The primary task of welding the different peoples together is to be accomplished without, at the same time, coming into open clash with some of the vested interests in the area. These vested interests are well-established in Iraq, in Jordan and in Saudi Arabia. And they have the backing of the Western powers, notably the United Kingdom and the United States. Iraq is linked with the United Kingdom by the Baghdad Pact. The United Arab Republic therefore has to tread carefully, lest it treads on Western corns.

Arab League Membership

The strange nature of the struggle in the Middle East is further illumined by the fact that Lebanon, Iraq and Jordan are all members of the Arab League. The League was born almost on the heels of the birth of Lebanon as a free and independent state. But if Lebanon is anything, it is an extremely unwilling member of the League. Lebanon's theory has been that if you can't fight your enemies, join them. This has not paid off and indeed Lebanon must be wondering whether its membership of the League is worth the candle. Today it finds itself in the position of being damned if it is a member and damned

if it is not. Lebanon has very little choice. If it goes along with the Arabs, it is bound to be swamped; if it refuses to be so, it is bound to be swamped anyway.

This raises the important issue of whether a small nation has a right to remain, whatever the pressures of peoples surrounding it. Switzerland is often mentioned in this respect. Perhaps a better analogy would be Belgium. Even this analogy collapses; politically speaking, Belgium goes along with the political orientation of its neighbours. Besides, Belgium is essentially a Western nation among other Western nations. It is not as if a Western-oriented nation was surrounded by nations culturally hostile to the West. For there is no doubt that the Arabs are not as receptive to the West as Lebanon is. They are looking elsewhere for their inspiration. It is not for nothing that Mr Tom Driberg, of the British Labour Party, would like to invite President Nasser to the United Kingdom. President Nasser has never been to Western countries. He is reputed to have made the trip to the Soviet Union to see what he could learn in the techniques of developing a backward nation. He ought to be invited to India.

Lebanon's Future

The main point is that the ferment of Arab Nationalism is outpacing industrial development and it is doubtful whether even Nasser can halt it; it is a moot point whether halting the pace or even slowing it down is in the interests of the United Arab Republic. It is said, for instance, that if Arabs would only keep their hands off Lebanon, they would get it as a matter of course, in the next decade by the simple process of holding a referendum. The Muslim majority would make the result of a plebiscite a foregone conclusion.

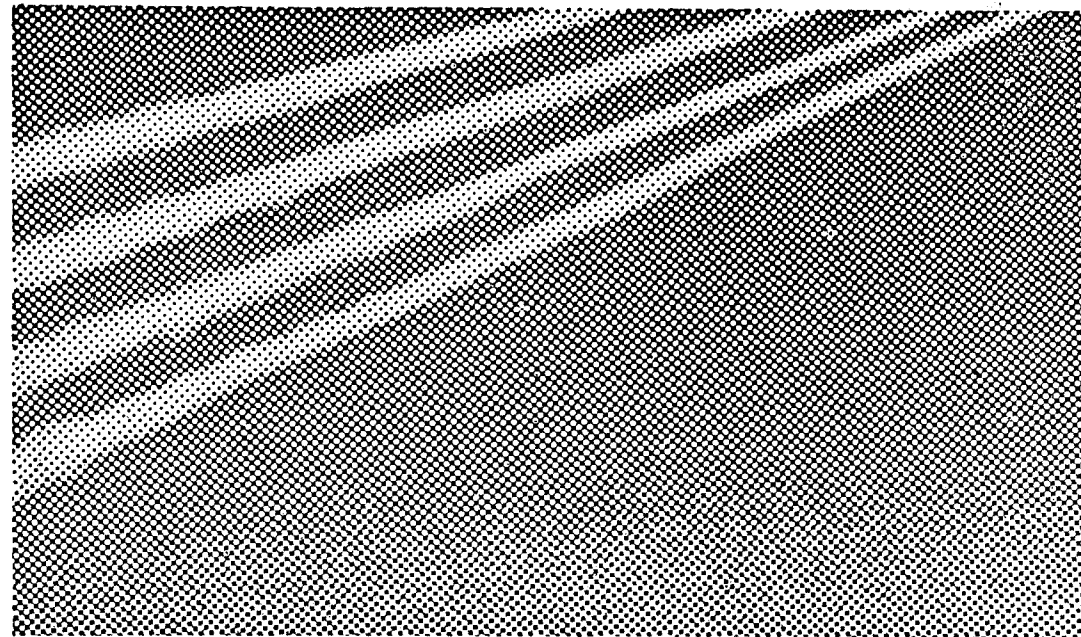
There is considerable confusion in the State Department as to what should be done vis-a-vis Lebanon. The first reaction has been that the line must be held firmly. In the Security Council discussions, Mr Lodge, the U.S. Representative said as much. But if the Arabs were to keep the pressures up, can the United States long maintain this position? Would it be in U.S. interests to oppose the Arab world? Would it not rather be more advantageous to make a behind-the-

scene compromise with the United Arab Republic and sell Lebanon down the line? Would it not at least give the Western powers some breathing space to rearrange their alignments, plan new safeguards for their oil interests? These are questions that are being discussed in Washington these days; the answers will have to come soon, before it is too late to do anything, for events are moving fast in Lebanon.

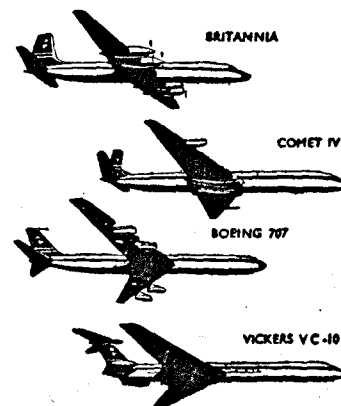
On the other hand there are some member states who think—not with-

out justification—that the amalgamation of small nations into larger units will create more power blocs; it is easy to point out that smaller units are not always economically viable, that often they are the hotbeds of reaction and so on. The arguments pro and con are as old as the hills, certainly older than either the United Nations or the League of Nations. When the question was posed in its naked simplicity by Dr Charles Malik, Foreign Minister of Lebanon, in the course of his speech

in the Security Council, there were quite a few sitting around the horseshoe table that were embarrassed. But the United Arab Republic knows of precedents: of the expansion of the USSR and even that of the absorption of Texas by the United States. Lebanese leaders cannot but know these facts. In the final analysis, they know that not learned arguments, but the inexorable forces of history, make or unmake nations.



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The West in Travail

Guy Routh

The trouble is not that pointed by the Marxists (nor, for that matter, by the American trade unions) of over-accumulation, of a superfluity of surplus-value that leads to chronic under-consumption. That could, it is conceivable, be remedied by much more intense investment. After all, investment in Western Europe and the United States is, on average, a long way behind that of the Soviet Union.

The difficulty is that an entirely different type of behaviour is called forth once the drags on inflation have become dominant and thrown the economy into reverse. While there is a negative real rate of interest there is, as it were, a subsidy on the acquisition of real assets and on production and, on average, the real rate of interest has been negative in most industrial countries since the war.

The danger of a depression is not that it is bad for everyone; it is precisely that it is good for those who can adapt themselves in time.

IN recent weeks, I have had the opportunity of listening to two specialists in the trade cycle, one, Professor Azumanyan of the Moscow Institute of World Economics, the other, Professor Gottfried Haberler of Harvard. They both gave their assessment of the condition of the capitalist world, with special reference to the United States. Also, I have before me an article by Roy Harrod, in today's (June 20, 1958) 'Financial Times', giving his prescription for ending the recession. The three views present an interesting contrast.

• Professor Haberler

The statistics on which they rely are necessarily the same. By April, industrial production in the United States was 13 per cent below the peak of mid-1957; gross national product had fallen by 4 per cent. Unemployment stood at 5,120,000 in April—7.5 per cent of the occupied population.

Professor Haberler remained calm—the bears had not frightened him. This was the third and most serious depression (he rejects the term "recession" as euphemistic) in the United States since the war. Indeed, it is the first "peace" recession, following a boom not in Government spending but in private investment. In 1953-4, industrial production fell 10 per cent in the 9 months following the peak; in 1948-9, 7½ per cent, both markedly below the present 13 per cent. But in 1929, the fall had been 16 per cent and in the short, sharp fall of 1937-8, no less than 30 per cent.

Again, gross national product fell 4 per cent to the March quarter, while in 1948-9 it had fallen only 0.7 per cent in the same period and in 1953-4 had actually clocked a rise of 1.1 per cent. But in 1929, there had been a fall of 8 per cent and in 1937 5½ per cent.

But there were two striking differences between now and the inter-war depressions: personal income was now down by remarkably little—by only 1 per cent, compared with 9.5 per cent in 1937 and 8.8 per cent in 1929, and there had been only a minor impact on retail sales. The reason for the contrast? The "built-in stabilisers" of the American economy. These consisted of the much higher rate of Government expenditure; unemployment relief; farm-price support; commodity support and the redistributive effect of high taxation.

By the end of the year, Professor Haberler anticipated that the trouble would be at an end and, if it were not, there would be nothing that a drastic tax-cut could not take care of.

Professor Azumanyan

Professor Azumanyan, by contrast, greeted the present depression as the "real McCoy" (although he did not use that term). His Institute had, last year, calculated that United States production would be down to 85 per cent of capacity by the end of 1958; they were now inclined to amend their estimate to 80 per cent. The position was, he thought, beyond the control of the United States Government. Tax cuts could not be of sufficient magnitude to reverse the trends. Massive aid to under-developed countries might do it, but, on the required scale, was not practical politics in the United States.

Also, the depression did not have its origin in any particular capitalist country; the world capitalist economy was an economic entity and the symptoms of decline were present in Britain, Germany and Japan as well as other countries.

Roy Harrod

Roy Harrod's policy has sometimes been castigated as one for

"spending our way out of inflation", but this is less than fair to him. True, he is calling for an expansionist programme, particularly in Europe, while retail prices are still rising, but that is because, in his diagnosis, the rest of the world is suffering from a tailing-off in European expansion and, though at present, Europe, and particularly Britain, are enjoying lower import prices, nasty repercussions, in the form of falling exports, are very soon bound to follow.

It would be mistaken, Mr Harrod says, if Britain took advantage of the present position to increase reserves by more than £50 mn a year—this would merely add to the difficulties of the rest of the world. And he produces a slogan for the forthcoming Commonwealth Conference: "Commonwealth expansion to cure the world recession."

I might have called this note "Keynesians in travail", for, while it is true to say that today all (capitalist) governments are Keynesian, there are as many branches of this ideology as there are denominations of the Christian church. While there is broad general agreement as to the cure, there is fierce controversy as to the meaning of the symptoms. And there is an abundance, in Britain, of those who say, "Ah, but this does not apply to us—we have a balance of payments problem."

What Makes the Tide Turn?

If I may now venture an opinion of my own, the trouble is not that pointed by the Marxists (nor, for that matter, by the American trade unions) of over-accumulation, of a superfluity of surplus-value that leads to chronic under-consumption. That could, it is conceivable, be remedied by much more intense investment. After all, investment in Western Europe and the United States is, on average, a long way behind that of the Soviet Union.

The difficulty is that an entirely different type of behaviour is called forth once the drags on inflation have become dominant and thrown it into reverse. While there is a negative real rate of interest there is, as it were, a subsidy on the acquisition of real assets and on production and, on average, the real rate of interest has been negative in most industrial countries since the war. In the United Kingdom, for instance, it has been estimated at -3.4 per cent before tax over the decade ending 1956. But it takes a very long time for investors to adapt themselves to this fact. Insurance companies, for instance, only reluctantly relinquish their liquidity and security to the extent of switching their investments to equities. But in due course they do (and have been doing on an increasing scale) and this is symptomatic of most large institutional investors who now dominate the supply of funds.

So liquid resources become increasingly scarce and interest rates rise, while fixed-interest bearing securities fall in price (I do not believe that the latter follows as a mere reflex of the former). What

makes the tide turn? A conjuncture of circumstances, including a disequilibrium between the supply of raw materials and finished goods, in which the former outpace the latter, and a general rise in productivity following the investment boom which tends to offset the process of inflation. The important thing is that once the deflationary process has set in, the economic units of the business world adapt their behaviour and pursue new ends with all the feverishness of the boom. The real rate of profit now becomes negative, once depreciation of assets has been allowed for, while a premium is placed on liquidity. And this will continue until forces build up that are capable of reversing it. The danger of a depression is not that it is bad for everyone; it is precisely that it is good for those who can adapt themselves in time.

The International Impact of U S Recession

THE mere knowledge of a change in economic conditions in the United States will affect business sentiment in other countries and in western Europe especially.

United States imports by the end of this year may well have declined by some \$2 billion at an annual rate. While no proper estimate can be made of the decline in private capital exports to be exported, a fall of some \$1 billion is well within the realm of probability.

With the remaining categories of dollar supply but little affected, the total dollar supply might thus fall by \$3 billion or more than 10 per cent. It is to be expected that the decline in dollar supplies will automatically — that is, without any intensification of contractionary monetary policies in foreign countries — lead to only a minor reduction in the rate at which dollars are used by foreign countries.

Therefore, the indicated reduction in the rate of supply of dollars could, if maintained for any length of time, have a very sizeable impact on the gold and foreign exchange reserves of foreign countries, amounting in total to some \$30 billion.

—'Economic Bulletin for Europe', Economic Commission for Europe, United Nations, May 1958.

Letter from Paris

Civil War in France

De Gaulle's success in capturing power, without a single shot being fired in Paris, has not wiped out the possibility of a civil war in France, for the causes of such war have not been removed.

This is not to say that civil war is a certainty. No such prediction is possible.

What appears almost inevitable is the intense political polarisation of French society giving rise to such a tension that a showdown seems unavoidable.

Whatever the issue of the struggle, it is certain that the days of liberal Capitalism are numbered in France. France has reached a decisive stage in the evolution of its history where it has either to choose Socialism or resign itself to Fascism.

'CIVIL WAR IN FRANCE' is the title of one of the historical works of Marx. Marx depended largely on the lessons of French history in developing his views on History. It is not therefore surprising that Marxism should find such resounding verification in the course of French history not only pre-dating Marx, but also post-dating him. In following the daily and hourly course of events of the recent crisis, the discerning observer could not merely find before him an experiment conducted, as it were, to test the Marxist theory of State. Even at the darkest hour of peril he could not but have been amused at the way the parties, classes and their leaders behaved—exactly according to the prescriptions as found in certain grossly oversimplified versions of what is called orthodox Marxism.

Those who have found the epithets used by Marx, Engels and more particularly by Lenin about the political behaviour of the Bourgeois, the Petty Bourgeois, the Social Democrats, etc., as a little too violent and therefore lacking in academic dignity would have changed their opinion: they were merely being correct. For the behaviour of the above-named agents conformed so accurately to their classic roles (brutality covered by hypocrisy for the Bourgeois, cowardice hidden by theatrical declarations for the Petty Bourgeois, treachery for the Social Democrats, etc.) that one had to rub one's eyes from time to time and wonder whether the whole thing was not just a cheap comedy written by a official propagandist of the French Communist Party to demonstrate how in a national calamity everybody else but the Communists and a few won over to their side would either reveal beneath the masks of their sweet smiles faces of monsters, or submit themselves to these monsters with varying degrees of

hesitation and varying delays in return for varying bribes, and how only the Communists and their freshly-won allies would refuse any compromise and stand and fight for the country. Yes, it all looked as unreal and as absurd as that—and yet it was true. The orthodox Communist view of the world might never have borne any relation to realities in any other time or at any other place; but it did so totally and completely, even to the most extravagant detail, here in France during the period that started on May 13, and closed on June 1.

The Six Protagonists

There are in the drama six chief actors:

- (i) the Soldiers;
- (ii) the Colons;
- (iii) the Fascists;
- (iv) de Gaulle;
- (v) the masses; and
- (vi) their leaders and organisations.

We shall rapidly review the role of each in the current crisis and try to draw from them inferences about probable future developments. We shall see that the road in front of France leads to civil war. That de Gaulle has succeeded in coming to power without a shot being fired in Paris does not mean that the danger of civil war has passed. The danger cannot pass without the causes of such a war being removed. They have not been removed.

France at the Crossroads

This is not to say that civil war is, in our opinion, a certainty. No prediction of such a nature is ever possible. What is however almost inevitable is the development of an intense political polarisation of French society giving rise to such a tension that a showdown becomes unavoidable. Whether the showdown would mean a real civil war on the lines of the Spanish or the

American Civil Wars, or of underground resistance fighters opposing a police State or just a social struggle involving strikes and lock-outs or whether one of the sides would merely capitulate without a fight, cannot be foretold. Neither can we foretell the composition of the two camps. The cores would obviously be Fascist on the one side and Communist on the other. But the repartition of the remaining elements of the society in the two camps cannot as yet be clearly perceived. Nor the banners under which the troops will be ranged.

But one thing is clear. A victory of one of the sides would mean the installation of real Fascism in France and a defeat for the working class movement, putting off the possibility of Socialism by decades. Victory for the other would mean a rapid transition of France to Socialism. Let there be no doubts: France has reached a decisive stage in the evolution of its history where it has either to choose Socialism or resign itself to Fascism. Whatever the issue of the struggle it is certain that the days of liberal Capitalism are numbered in France. It cannot be re-established in any permanent way, simply because it has become literally unworkable.

The Soldiers

Until now, it is the Army that has really had its way all through. It is the Army that has decided the course of events. The Army had gone over entirely to the rebels in Algeria, though, to start with, only a part of it (namely, the paratroopers) were participants in the plot and its execution. If the Army in the mainland did not openly take over Paris, it made it perfectly clear that it sympathised with the rebels, that it also would not tolerate anything but a de Gaulle Government and that there was no question of its fighting against the rebel Generals on the side of the



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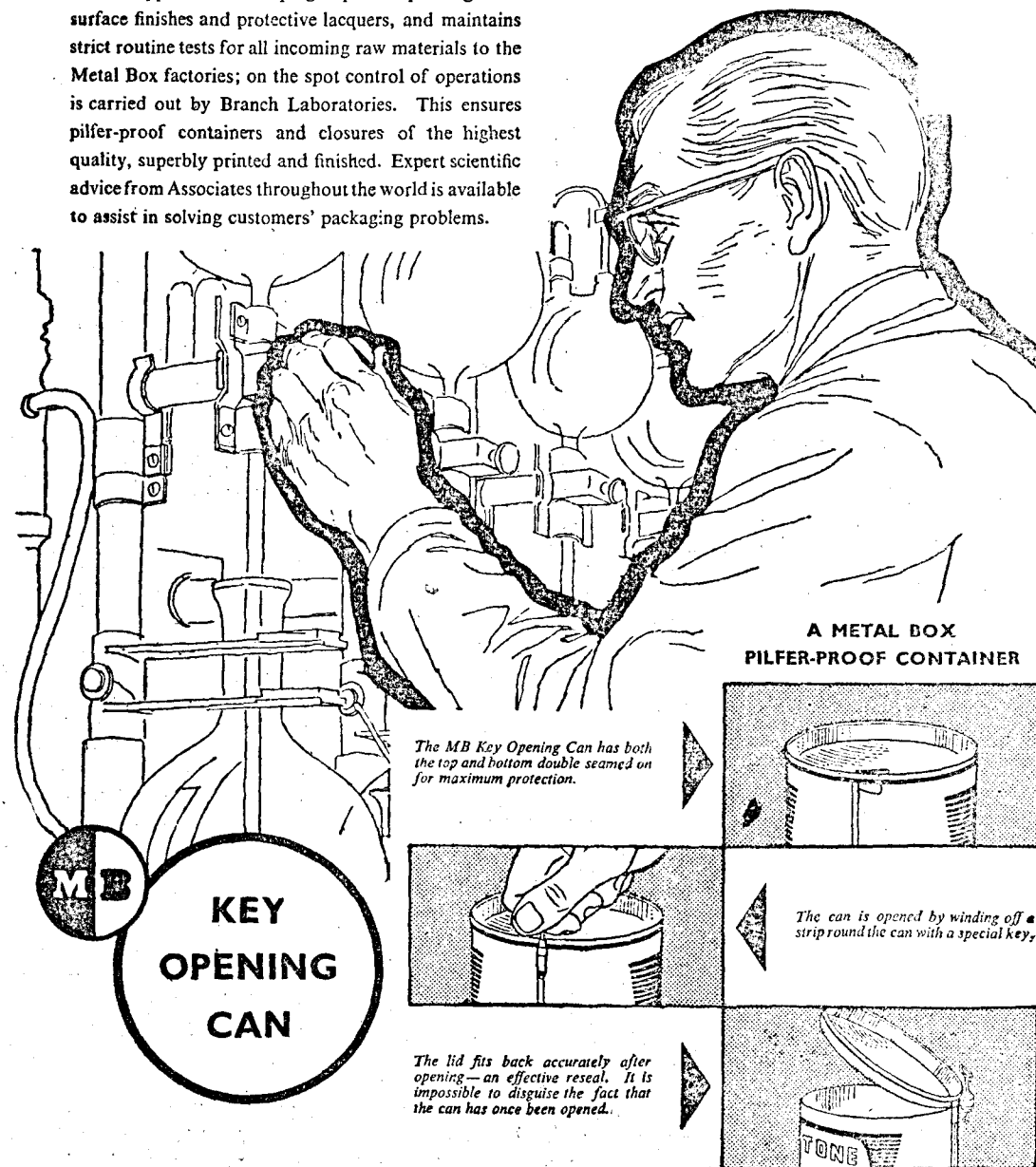
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Republican Government. The same sentiments were prevalent even in the Police services. Constables were openly joining in demonstrations organised by the Fascist gangs, but even the slightest attempt at a demonstration in favour of the regime instantaneously provoked brutal police action. The landing of paratroopers in Corsica proved beyond doubt that Government had no means at all of acting against the insurgents who were giving their followers in the mainland instructions to take over different cities. The Navy signalled its inclination by abandoning the NATO manoeuvres and moving over to Algerian ports. The Air Force topped it off by flying planes over de Gaulle's village in salute to him.

One thing should be quite clear: there was absolutely no possibility of checking the Fascists, short of starting a civil war and by distributing arms among the people. People abroad who reproach the French Republicans, especially the Socialists, for having betrayed the country are consciously or unconsciously not facing the alternative that the French Republicans had to face: giving arms to people meant giving arms to Communists. Whatever one pretends abroad about Communists not being patriots, all French politicians, particularly the Socialists, know that if the Communists today are the biggest single political force in France, it is because of the patriotic role they played during the War when they outnumbered and out-did all other resistance fighters. They know very well that Communists are the only people who have an organisation, efficient, devoted and disciplined, who in a civil war against the insurgents would be able solidly to stand their ground. That could have only meant that after the civil war the Communist Party would emerge with perhaps double the strength that it has now. During the fifteen days that followed the fateful 13th, it was not the spectre of de Gaulle, or of the Army Generals or of Fascism that haunted the politicians, but the shadow of Communism.

Divided Views

The fact that the Army has acted as it has done does not of course mean that it has been won over entirely to Fascism. It is, however, easy to see why even

those who are not directly indulging in politics, as some of the Generals are, should lend themselves to the service of the Fascists. The Army is against the Republican regime for it ascribes to the opportunism and self seeking of politicians the fact that it has been asked to fight without adequate means being provided, that it has had to change its field tactics according to changes in Parliamentary arithmetic in Paris, that it has had to suffer the humiliation of one defeat after another, that it has been asked to launch an attack on Egypt and then withdraw before any of the targets could be attained.

The Army hates the Left because it is the Left (leaving out, of course, the Socialists) that has been against Colonial wars, it is the Left that has been criticising the Army methods of 'pacification' (including the use of torture), it is the Communists, the only organised force amongst the European settlers in Algeria, who are fighting for Algerian independence. All this naturally makes the soldiers friendly to those politicians of the Right who are also against the Republican regime—that is, Fascists. It would, however, be erroneous to believe that the entire body of soldiers feel alike. While in Algeria the rebellion of the Generals seems to be supported by the Army rank and file, in the mainland the unanimity is not at all to be taken for granted, especially at the bottom levels. Division in the Army in a future civil war is not at all improbable.

The Fascists

When we refer to Fascists, we do not think of the extremely small groups and parties which existed with overtly Fascistic programmes and which were dissolved by the Pflimlin Government. Many of the leaders of these parties, who wanted to join the Algerian rebels, were roughly handled and expelled from Algeria by the Army. As we have said in our previous despatches, the importance of these parties was only symptomatic, being the insignificant visible edge of a submerged rock, of a huge Fascist plot whose organisers preferred to work underground.

Enquiries conducted by different journals now clearly suggest that the main organisers are ex-members of the now-defunct Gaullist

party, R P F, with very important connections with some Capitalist groups of the northern industrial regions. It has also come to light that Saharan oil interests have made very important financial contributions to the plot. Soustelle has, of course, played a leading role in the plot. The Communists claim that de Gaulle himself has been the inspirer of the whole thing. De Gaulle has denied that he has been in the know of the Army rising. It is probable that de Gaulle was in the know of the plot and tacitly approved of it but did not actually scheme for it.

The Colons

It is the Colons that provide the Fascists with mass support. The Fascists' main interest is, of course, in the mainland. They are also interested in Algeria in so far as the interests of certain industrial groups (in particular the oil interests) are linked with Algeria. But the coalition of the Colons and French Fascists is based on the following mutual advantages: (i) the Colons require a Fascist Government that could ensure their privileges; (ii) the Fascists require the mass support as well as the financial contributions of the Colons; they require a colonial war to convert the masses and the Army to Fascism.

It should be mentioned here that our anticipation ("Letter from Paris"—issue of May 31, 1957) that all classes of Capitalists, even those who did not consciously desire Fascism, will be obliged to accept Fascism as the only possible choice left to them, is getting more and more verification. That this was correct is indicated by (i) the swinging over, as a body, to the Army Generals of the Poujadists, representing small capitalist and small farmer interests, and the 'Independents', representing big Capitalist and large farmer interests; (ii) the swinging over, as a body, of the M R P, representing Catholic-Capitalist coalition of interests, and most of the Centre groups to the de Gaulle solution; (iii) the attitude of the millionaire press that has been singing more and more the praise of de Gaulle the Saviour, and writing with sympathy, if not admiration, for the brave soldiers and their achievement of the so-called miracle of 'fraternisation' between Moslems and Europeans.

General de Gaulle

Nobody will understand what is happening in France if de Gaulle's personal character is misunderstood. It would be a mistake to treat him as just another 20th century dictator. A dictator he is by temperament and ambition—but not a modern one. He has been most correctly described as one who imagines himself to be a monarch in the tradition of French monarchs—a liberal one who does not at all lack nobility or liberal views, one who could, say, listen with respect to the revolutionary ideas of a Voltaire or a Rousseau. His attitude towards his countrymen is paternalistic. He is quite sincere in his absurd vanity, in his incredible self-confidence, his belief that he is destined to save France and his desire to unite all the country under his patriarchal rule. He does not lack shrewdness or Machiavellianism, but these with him are of the same type as used to be with kings and princes. He lacks statesmanship and understanding of politics suited to the present age. It is incomprehensible to him that unity is just not possible between fundamentally opposed interests. He made Communists participate in his first post-War Government, and it is likely he would have them work with him even now, if only they would accept. For even towards Communists his attitude is that of an annoyed, but patient father to the son that went to the dogs.

It is this paradoxical character of de Gaulle that results in the fact that his supporters come from the very best of Frenchmen to the most reactionary, from Mauriac to Soustelle, and that there are people, not only in France, not only in the French Left, but even amongst the leaders of Tunisia and Morocco who believe that de Gaulle has got a secret peace plan for Algeria up his sleeves—a plan based on recognition of Algerian independence. To understand the de Gaulle phenomenon, it must also be remembered that he acquired considerable popularity as a War time leader—a popularity resembling very much that of Subhash Chandra Bose immediately after the War in India. All this has contributed to the failure of strong and spontaneous mass action against him, but that is a point we shall have to deal in more detail later on.

Finally, it must be remembered that when de Gaulle came to power after the War he rapidly lost popularity for not having a concrete programme. And what is characteristic, he did not continue in the game. He was not thrown out, he voluntarily abdicated out of disgust with his colleagues, who, ranging from Communists to the extreme Right, failed to work in the same ideal harmony as he desired. From all this it is not too hazardous to infer as probable that de Gaulle will not improve things by any miracle and that he would not like to stay in power long, particularly because it would be easier for him once again to throw up his arms, blubber some noble absurdities and go back to his village, leaving the country in a mess which will then become the field of open struggle between the Left and the Right. Of course, other courses are possible, even as far as de Gaulle's person is concerned. We shall discuss them at a later stage.

Leaders and Politicians

As is known to all, at first the Parliamentary leaders showed intense Republican zeal. The entire House, excepting a few stray individuals, the Poujadists and half the Independents, was solidly ranged behind Pflimlin, ready to face any storm. Yet, in only fifteen days time, the only people who voted against de Gaulle were the Communists, half the Socialists and a few stray Centrist leaders like Mendes-France and Mitterand, who are sincere Liberals and Republicans but have hardly any solid social forces behind them. What happened in these few days? In two words—blackmail and bribery.

(1) Firstly, blackmail and bribery of individual Deputies. Threats of death were being addressed to the intransigent ones, accompanied by offers of different prices for their votes.

(2) There was the blackmail, used at one and the same time, by Massu and Guy Mollet. "The choice is between the Army and Communists" said Massu. "If the choice is between de Gaulle and a Popular Front, I would choose de Gaulle", said Mollet only a few days after the Algerian coup.

(3) There was the blackmail used by de Gaulle himself, addressed mainly to the Socialists who were

still wavering, that if he was not accepted there would be a civil war and the responsibility for it would rest squarely on those who refused him.

(4) There was the blackmail of the President of the Republic, Rene Coty, who threatened to resign if the Parliament did not accept de Gaulle—an unprecedented action by a President.

(5) There was the bribe offered by de Gaulle to the Socialists in the form of friendly references to Mollet and Lacoste the only personal references in his Press interview.

(6) Finally, there were the threats repeated by the paratroopers that if the Deputies did not hurry up, they would land in Paris and literally chase them out of Palais Bourbon.

Trade Unions

The real drama in this shameful history of betrayal took place not in the Palais Bourbon, but outside it, in the Trade Unions. Foreign political observers are unlikely to know about it in detail. Hence the perplexity. Even if half the Socialists had betrayed, there was another half presumably the Left half. Why could not they, together with the Communists, organise resistance? How could de Gaulle come to power without even a riot in Paris?

One has, in foreign countries tended to suspect that the Communists might have also betrayed. Moscow being interested in de Gaulle's arrival to power. Even on the hypothesis that the French Communist Party takes dictation from Moscow, such speculation betrays naivete. For it is difficult to imagine that Moscow would prefer the liquidation of one of the two mass Communist parties of the non-Communist world in exchange for hypothetical advantages following from a de Gaulle regime. It cannot forget that Fascism has always regarded Bolshevism as its greatest and first enemy; that Hitler, from his 'Mein Kampf' days dreamt of conquering Russia; that the latter to his last days made overtures to Britain, but never, even while it made a pact with the Soviet Union, showed friendliness for Bolshevism. Anyway, whatever might be the attitude of Moscow to de Gaulle, that it has not had the slightest influ-

ence on the uncompromising stand of the French Communists has been clear to all and has been explicitly admitted even by 'The Economist'. What then had happened? The answer is a cool and calculated betrayal by the Socialist Trade Union, F O—a betrayal, so blatant, so shameful, that one could hardly believe it.

The F O Betrayal

It is not likely to be well known outside France—and your correspondent himself was ignorant about it—that the F O, which is dominated by the Socialists, is much more Right Wing than the Socialist Party itself. Any reader of French newspapers of the dates between the 13th May and the 1st of June can verify the truths of the following facts, which cannot but sound like scandal mongering:

(1) That there are among the F O leaders some who are themselves Gaullists.

(2) That while the Communist led C G T gave strike orders several times during the period, the F O never gave one.

(3) That during the entire period, the C G T leaders tried continuously to establish contacts with the F O but failed to get any reply from them. The F O refused even to talk.

(4) That the C G T decided to give an order for a General Strike on Tuesday, the 27th of May. The F O asked the workers not to strike. On the 26th of May, the Parliamentary group of Socialists, in a meeting unattended by Guy Mollet decided unanimously, but for three or four dissensions, that the Socialists would "under no circumstances" accept de Gaulle and do everything possible to make the Strike announced for the 27th a success. One can see how near, at this time, the Socialists were to act in conjunction with the Communists. A number of Socialist Deputies even wanted to go personally to the F O leaders to persuade them to join with the C G T. But in course of the same day, another meeting took place with Guy Mollet, at the end of which it was declared that the Socialists do not believe in interfering with Trade Union activities and, therefore, they do not think they can advise the F O one way or the other, but that the Parliamentary group wished all success

to the C G T-declared strike. The next morning the F O came out with its counter order.

(5) That if the demonstration that took place on the 28th May in Paris, when about two and half lakh people marched along a historical route of many political memories, was a success, that was principally because of Communist and C G T participation, for they obviously provided nine-tenths of the participants. Yet, great opposition was manifested to their participation by the organisers, chiefly by those of the F O. The day was organised by a Committee of Republican Defence of the Centre parties and the Socialists in the Parliament—from which the Communists were excluded. This Committee, together with the F O, officially called for a procession. The Communists and the C G T, uninvited, declared that they would join in the procession. This so much upset the F O leaders that they threatened to call off the demonstration. They finally resigned to Communist participation after the latter had promised not to be in the first ranks, not to shout any political slogans, etc.

But the worst fears of the F O Socialists proved correct. The Communists, according to their natural perversion, did not keep their word. The tail wagged the dog. Two and a half lakh people demonstrating is a spectacle which is not unusual in India, but is something phenomenal in a Western capital. Michael Foot, reporting for the 'Daily Herald', said he had never seen such a demonstration in his life. The Right Wing journal 'Figaro' fumed the next morning at the organisers who gave the Communists the opportunity to drown the non-Communists in their crowd and described the spectacle as 'sinister'. Those who have been dangling the red herring of a Red danger before the eyes of the weak-kneed Deputies found their last and convincing argument: if fighting were to be started between the Republic and the rebel Generals, out of ten people that would take arms, nine would be Communists.

The Masses

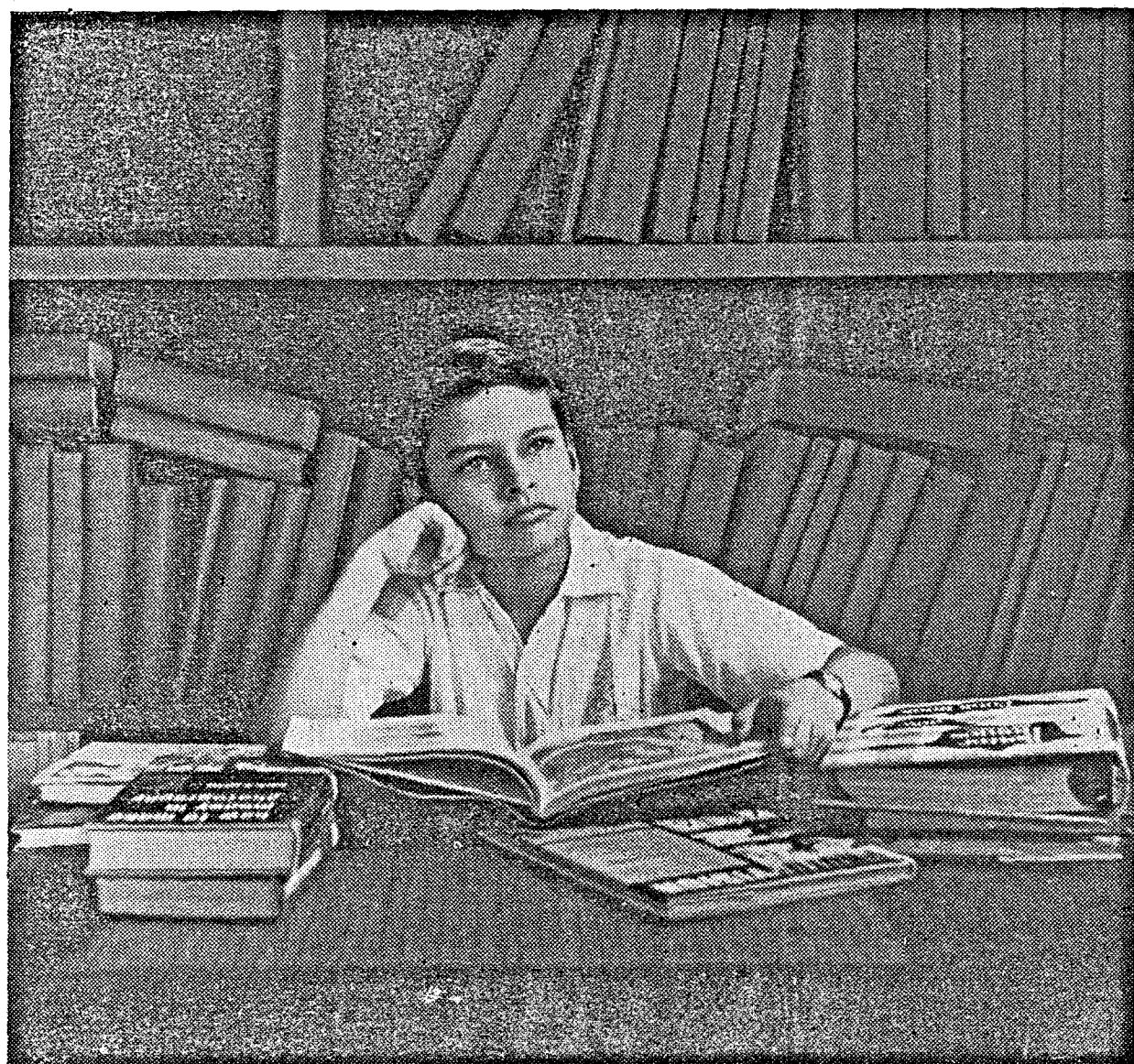
So much for the role of the organisations that lead the masses. One question however remains. Why did the workers let themselves be betrayed by the F O Socialists? In

particular, if it is true that the C G T represents about 75 per cent of the workers, if it is true that the Communist Party is the only working class party, the Socialist Party being to a large extent supported by middle class and the white collared workers, how to explain the fact that they themselves could not carry out successful mass action? Why did the workers of the Socialist Trade Unions not defy their leaders? And if it is true that the general public has shown a surprising amount of apathy how to explain that either? The following observations will, we hope, partly answer the questions.

(1) In so far as the French middle class is concerned, apathy is neither new nor strange. It has always been so. Members of the Paris Bourgeoisie were strolling up and down the Champs Elysees and amusing themselves in the Monmartre when, about eighty years ago, the heroic Paris Commune was being drowned in blood by the cannons of Versailles.

Fight? For What?

(2) If the French working class has proved itself more fiery and more revolutionary than any other in the past, especially in the 19th century, there have also been many occasions when it has faced crucial points of history with devastating indifference. Reference may be made to the coup d'etat of Napoleon III. Students of French history all know of the anecdote of the worker, who on being asked by a Deputy why workers were not building barricades, replied, "You want us to fight and die so that you can continue to enjoy your allowance of twenty five francs". This mentality has been strong in the workers' mind during the recent crisis. Die for what? For Guy Mollet? For Pflimlin? For those who have been waging the war in Algeria? Or those who have been selling the country to America? It is true that, as the French weekly 'Express' admirably puts, if no body could be expected to die for Guy Mollet's bread, there are forces against which one cannot but fight. French masses on the whole, it must be admitted, have been more impressed by the already proved perversity of the Parliamentary politicians than by the as-yet-not-demonstrated dangers of a Fascist regime. Even that particular section of the masses that support the



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Communist Party has not found enough enthusiasm for a call that did not go any further than merely defending the Republic. They would have fought harder if the call were for a Socialist rising. Such a call, however, the Communist leadership could not give, for it would have been suicidal. It would have provoked even more hostility on the part of the non-Communist workers and invited the sanctions of the Special Powers against itself.

Dispirited Working Class

(3) The French public, including the working class, is demoralised and dispirited. It is partly a result of the Algerian war itself. In our opinion, it is the creation of this demoralisation which has been one of the chief objects of the war. Besides, the growing realisation of the Communist supporters that they have no visible Socialist future, that they are destined to live as Pariahs, has weakened their militancy. The results of Khrushchev's exposition of the so-called Cult of the Personality and of the events of Hungary and Poland are also not to be minimised in damping the fervour of Communist rank and file.

(4) French workers know from experience that strikes, when not ordered simultaneously by all the trade unions, never succeed; they only expose the participants to penal measures. Knowledge of division among the leaders therefore always damps their enthusiasm.

(5) It is difficult for French workers to accept the Communist description of de Gaulle as a Fascist. It is to be remembered that de Gaulle earned during the War a popularity resembling that of Subhash Bose. While he does not certainly enjoy any mass popularity any more, people usually accept him as a patriot. Most people are at least convinced that, despite his absurdities, his vanity and his emptiness as far as a programme is concerned, he is personally a more able and less corrupt man than Guy Mollet, Pflimlin and Company.

Perspective for the Future

The regime that has been established in France since the first of June is correctly described as Bonapartism; that is a regime, where furious contradictions of class interests render inevitable, if open explosion is to be avoided, an absolute centralisation of power in

the person of a head of state who holds himself above the struggle and symbolises a state of truce. While Parliamentary democracy means transfer of the class struggle to the debating chamber and free play of social forces, according to rules laid down by the dominating classes, and while Fascism is a regime where Capitalists completely subordinate all the other classes to its direct domination, Bonapartism may be regarded as a temporary freezing of the struggle, a temporary cease-fire. Such a state of affairs may last for a more or less long time, depending on circumstances. There is, however, reason to believe that in France this cannot last long.

It has to be remembered that in France the Capitalists have been more or less continuously on their defensive since the War. Not that the Leftist forces have gained more and more strength. They have, but not to very large proportions. But they have been able to consolidate their positions before repeated onslaughts from the Right. The result has been that both Right and Left have been entrenching themselves firmly and deeply. This has meant tremendous disadvantages for the Capitalists. Today it is they who have taken the initiative, left their trenches and launched a major attack. At first it might have looked a desperate and very risky venture, but things have turned up till now entirely to their advantage. They have won all the initial positions. They have lost none. It would therefore be completely unreasonable to expect that the Fascists would now lay down their arms. As one of the Fascist leaders, Delbecq, put it, "We have not crossed the Rubicon to fish with a rod. We shall go to the end".

That for the Fascists de Gaulle is merely a cover is clearly demonstrated by the fact that some of those who have been asking for him the most loudly are the War-time Petainists—that is, collaborators of the Vichy regime. Things cannot therefore stop here. It would be infantile to believe that de Gaulle would impose a liberal solution to the Algerian problem. The French as well as the foreign Press has played up the popularity of de Gaulle with the Army and the Colons. Colons are certainly not going to have anything imposed up-

on them. Nor the Generals that have been mixed up with the coup.

Contradictions are already beginning to crop up between de Gaulle and the rebels. There have been minor frictions. De Gaulle has not dared dissolve the insurgent Committees. He wanted the Committees to be subordinated to the Army. The Committees have more or less openly defied him. There are several Generals in the Committees and they have made it clearly known that they mean to stay where they are. They have even declared their intention of spreading their activities to the mainland. Encouraged by the coming to power of de Gaulle, similar Committees are cropping up all over France.

Will de Gaulle Lead the Civil War?

In Algeria things have not changed since de Gaulle's arrival to power; it is virtually independent of Paris. Uptil now de Gaulle has been ceding. He has abandoned his chance, if he ever had one, of finding a solution in Algeria by declaring himself favourable to the "integration", that is absorption pure and simple of Algeria into France giving it the same status as, say, Breton. While it is absurd that Algerians could control one fourth of the Assembly seats in Parliament and "integration" will therefore certainly never be realised, it does not even achieve a temporary respite, for the F L N, who apparently are not all that naive, have have immediately and totally rejected the idea with scorn.

De Gaulle however is not Pflimlin. He is essentially of an authoritarian type, used to giving orders and being obeyed. While he would make an ideal puppet in the hands of really subtle string pullers, he is not one to stand impertinence from subordinates for long. Not being a Fascist himself, he will have to be pushed and pulled by those who have brought him to power. Sooner or later he would start getting annoyed. At this point he would most probably simply go back to his village. There is, however, a possibility, a slender one, that he may find them dangerous and turn back on them, and decide to lead a civil war against them, together with other Republicans. It would not be inconsistent with the character of a person who imagines himself to be a Joan of Arc, called upon by Voices to save France.

Will the Left Rise?

Whatever be the conduct of de Gaulle, it is clear that the struggle has only begun. As de Gaulle himself said on the 18th of June, 1940—words on which rests his immortality—only a battle has been lost, not the war. We have seen that it is the lack of fervour of the masses that is the ultimate explanation of the failure of the extreme Left to give a strong battle till now. Now will the same thing happen when Fascism replaces Bonapartism? There are reasons to believe that it would not be so.

It is usual to draw a parallel with Germany. But Nazism could establish itself in Germany so quickly and so easily chiefly because of three factors.

(i) It immediately destroyed the working-class movement, by proscribing parties, banning trade unions and shooting their leaders;

(ii) It could give satisfaction to the demoralised masses by creating employment through rearmament;

(iii) German Communists did not make any preparations to defend themselves, expecting the Nazi regime to founder under the weight of its own contradictions, driving the masses into its fold; and finally

(iv) There was among German intellectuals a very strong current of theoretically reactionary ideas, which could inculcate in the masses belief in Fascist doctrines.

Conditions in France differ on all points:

(i) The Bonapartist period provides time to the future resisters to organise themselves.

(ii) The Communists are determined not to repeat the mistakes of their German comrades of 1933. They have been preparing themselves from much before the coup of Algeria. In particular, they have been trying, in every possible way, to establish contacts with the Socialists. They had experience of underground fighting during the War. They undoubtedly will make use of the Bonapartist period to renovate their clandestine apparatus.

(iii) Fascism comes to France when the country is enjoying full employment, when the economy is fully militarised and when its weakness is not due to any policies pursued by the State, but to certain distortions in the very structure of the economy produced by its impe-

rialist past. There is no miracle by which the lot of the masses could be improved within the framework of the Capitalist regime.

Fascism Will Fail

Finally, in France, unlike Germany, Fascistic ideas in their theoretical aspects would not have many able advocates. The entire energy of the politically active intellectuals, professors, writers, etc., will work against Fascism. If it be true that economically Fascism cannot give any satisfaction to the masses and that on the contrary it will have to increase the share of profit by eating into the share of wages, it cannot but happen that the masses who have not as yet taken Fascism seriously will start becoming discontented. This, plus curtailment of civil liberties, would sooner or later start pinching them more and more. There will thus emerge popular resentment against the Fascists quite genuinely and spontaneously.

But popular discontent is no more a force by itself without able and determined leadership than is leadership itself without mass fervour. When the two come together, they forge themselves into a revolutionary force. That the masses would become more and more ready for action can be safely predicted. Whether however the Left leadership (including the Communists and those Socialists who would not mind fighting with them) would be able to lead the masses effectively is, naturally, a question which does not admit of prediction.

Explosion of Myths

The historical events of France have brought out many things. Among others, they explode certain myths which it might not be useless to comment on. The Western World claims, as is well known, moral superiority, over the Communists. The classic charge against the Communists—and one which is difficult for honest Communists to brush aside—is that they justify means by ends. Now one might have wondered whether this type of bad morals is completely monopolised by the Communists. French events bring out a remarkable fact which has not as yet drawn enough attention. What has been the Press reaction in the Free World over the French crisis? Nine comments out of ten have been on the future of the NATO. In only one case has any worry been expressed over the fate of Democracy in France.

Let us stop a little and think. Communism, it is assumed, is an evil. Hence defence of the world from its menace is as good as an end. But surely not all means are to be accepted! Is the alliance of a Fascist country also to be justified as a means for achieving the good end of saving Democracy? It is well known that there was foreign armed intervention in Russia after the Bolshevik revolution, but no steps were taken to nip Nazism in the bud even though it was possible. Assuming that Communism is as bad a political tyranny as Fascism, the difference between the two is that one has got a Capitalist economic base, the other a Socialist one. If Fascism is to be preferred to Communism, could it be maintained that it is because of the political aspect of Communism that the Democrats want to save the world from it? All responsible political leaders of the West have been content to say that it is none of their concern what sort of regime the French people choose to have (i.e. what a number of Fascist Generals want to impose on the country). The sentiment is noble; however, one might wonder how to square it with the repeatedly expressed Western concern for the enslaved peoples of Eastern Europe.

Similar light is also thrown on the Social Democrats. Assuming that Communism involves as bad a form of political tyranny as Fascism, it is again strange that they should prefer a political tyranny with a Capitalist economic base to one with a Socialist economic base. Was there not really a Fascist danger? On reading the declarations of the Socialists until the day they capitulated, one would not be able to find any discrepancy between their diagnosis of the situation and that of the Communists.

The first reports emerging from the Socialist International meeting at Brussels also indicate that they are concluding their deliberations by expressing confidence in the capacity of French Socialists to save Democracy in France.

Great Eastern Shipping

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Indians in East Africa

David Pocock

Without attempting to give the complete picture of the Asian settlement of East Africa I want to show how, firstly, traditional methods of trade and secondly political changes in the last century have to a large extent impeded the assimilation of this community.

In subsequent articles I shall be more concerned with changes within the community and with relations between it and other communities.

IT SEEMS fairly generally recognized except amongst a few extremists that in some way or other and apart from what anyone may particularly like, a so-called multi-racial government has to emerge in East Africa. A constitution has to be framed in which Africans, Indians and Europeans (in order of numerical strength) somehow co-operate for the good of all. To have realized this is at least to be one step ahead of those who have imagined that either European and African would work together to the exclusion of the large and wealthy Indian population, or that the only alternative is an African state based upon the African race.

Differentiating Factor

The idea of 'one race, one nation' is still popular in parts of the world although it has quite evidently ceased to correspond to the facts. Where, outside a few isolated and primitive tribes, do we find the Oxford Dictionary's definition of a nation: 'A distinct race of people, characterized by common descent, language, or history, usually organized as a separate political state and occupying definite territory.' To go no further afield, India stands out as a shocking departure from the Oxford standard. But on the other hand the term 'multi-racial state' is still as paradoxical as a 'multi-national nation'. If the word race enters into the idea of government, it is then idealistic folly to suppose that a vast majority which thinks of itself as being one race will for long support rule by the representatives of minority races in addition to its own. The very idea of race outside the field of physiology carries with it the Oxford Dictionary 'nation' and is flatly opposed to the cosy notions implied rather than stated in the plan for 'multi-racial states'.

Those who think of racialism as a nasty weakness that other people have, will readily imagine that

a little exhortation to tolerance and all the best liberal values will soon overcome the difficulty. For the sociologist, racialism is an expression in particular circumstances of a sociological platitude: those who are more like one, conform more to one's standards of what's what than people who are less like one. The Romans invaded Britain and doubted whether the savages were human beings; for the Greeks, the barbarians had less than human rights; the Aryans had their Dasyu races, and even in some primitive societies today 'the men' are the members of the tribe and members of other tribes are somewhat less than men. A nation in the old sense is composed of people who are sufficiently like each other in opposition, and the opposition is important, to others who are different.

From this point of view descent, language, history — and we could add culture—are the primary bonds of nations. If these bonds do not bind together a nation they bind together one group within a nation and produce the unhappy condition of a nation within a nation as it is loosely called. If a separate political state and a definite territory embraces two or three such groups, the situation is ripe for conflict. If the members of these groups have different coloured skins, this conflict will be fought under the flag of race. Physical race as the most outstanding differentiating factor becomes the symbol of cultural conflict.

Communities Isolated

The present writer is no political scientist and his pessimistic introduction may well appear naive to those for whom constitutions make situations and not vice versa. But as a social anthropologist he does not conceive it to be his business to offer any alternative to the various solutions currently held. He is concerned simply to consider the East African situation from the point of view of the Asian (Hindu and

Muslim) population settled there in their relation with other communities in a definite territory which one day will be organized as a separate political state.

There would be fewer problems in East Africa if inter-racial marriages could take place but to deplore their absence as some do is to deplore the total situation. It is not race that bars marriage but culture, just as it bars marriage for the most part between one economic class and another elsewhere. The major communities of East Africa are not isolated the one from the other because they do not intermarry but do not intermarry because they are isolated from each other.

Divisions Within

The role of the Indian or Asian community is a strange one for although it is culturally and recognizably separate from other communities, the same communal conflicts with which modern India is dealing today divide it. One has no desire to exacerbate these conflicts by stressing them but it would be reasonable to say that as yet the various Asian communities of East Africa are as much divided by their differences as all of them are divided from Europeans and Africans. Whatever politicians may say, this may not be the disaster it is often assumed to be. If each of the separate castes or Islamic sects could come to its own terms with the other racial blocs without forming an Asian political bloc before hand, we might then have the beginnings of a polity in which cultural differences were recognized for what they are and so detached from the relatively unchangeable characteristics of physical race.

But apart from cultural differences which are inevitable and not inevitably bad, there are certain historical facts which have emphasized the isolation of the Asian community as a whole. A brief account of these facts is the most

economical way not of explaining but of describing the present situation.

Old Trade Links

The European mind (whatever physical race it may inhabit) tends to associate the great period of world discovery and trade expansion with the late middle-ages and the period of the so-called renaissance. The history of international commerce begins with the writings of Marco Polo which stand as a bridge between fantastic legend and historical, geographic reporting. It is difficult from such a point of view to conceive of an entirely different world of travel and commerce in which the Roman empire was a peripheral and late participator and of which it is almost impossible to trace the historical origins. Even the most conservative estimate does not put the origins of this commercial world later than the 7th century B C while the evidence for maritime trade between India and the Middle-East in the 6th century B C is direct.

Of all the coastal centres of trade on the west coast of India the international reputation of Gujerat is the best documented and, as one would expect from the geographical situation, its contact with the Persian Gulf was the strongest. As the Arabs with whom they had contracted trade alliances penetrated down the coast of East Africa, the Gujerati traders went with them. Apart from a temporary set-back under Portuguese rule, this link between Gujerat and East Africa dates, at the very latest, from the 12th century to the present day.

No Permanent Settlement

The relevance of this to the present situation is found in the nature of trade. Only in the 19th century can we speak of Indian colonists in East Africa and even that was limited to certain communities. Only today can we begin to speak of an East African born Indian population. The traditional pattern of trade contained no notion of permanent settlement. In the early years it would appear that the trader from Gujerat with his companions and sons would make a seasonal trading trip to the Persian Gulf. Later, in East Africa, the custom grew up for leaving some members of

the trading group in depots on the coast where they could maintain and increase trade contacts ready for the return of their partners from India. After a few years' temporary residence in Africa, the representative of the 'firm' would be replaced by another and in this way trade contacts were maintained for centuries without one member of the family having been born in Africa.

Some Muslims brought out their women-folk in the 19th century but, with rare exceptions, Hindus continued to establish and maintain their married life in India until the opening of the 20th century. As a result of this reluctance to bring their women abroad and the mental attitudes associated with the traditional trading pattern, India remained the place where a trader retired. If he was neither born in East Africa nor died there, it was difficult to believe that East Africa was his home.

Not Always Interlopers

I shall discuss in another article how radically the situation has changed in the present century. For the moment I wish to show that while their own trading habits isolated the Indians, political events in which they were involved emphasized this isolation.

It is unfortunately the case that some Englishmen and Africans in East Africa have the opinion that the Indians are interlopers who have succeeded in establishing themselves in a position where they can exploit the people to whom the country is conceived to 'belong'. This was not always the case. In the 1820's the Indians as British subjects or protected persons were the most favoured race. James Emery R N, Governor of Mombassa during the short British protectorate established there from 1824 to 1826, writes in his journal that six Baniyas had been imprisoned by the Sultan for refusing to give goods on trust. 'I told him that I would not allow an English subject to be imprisoned by the caprice of a tyrannical Arab, and if the Baniyas are not released by tomorrow, I will go to the fort and release them myself or cause blood to be shed.' For the greater part of the 19th century the interests of Indians in East Africa were watched over by the Bombay Government. Even as late as

1894 a directive to a British vice-consul reads as follows: 'It is your duty to foster and protect such British commercial interests as may exist and generally assist in every way in which you properly can the numerous British Indian traders'. British officers were drawn for the most part from the I C S and their knowledge of and interest in the Indian community compares markedly with that of their successors a hundred years later.

Shift in Policy

In 1890, however, Zanzibar was declared a British Protectorate and it is significant that the qualifications of the new Consul General were that so far from having experience of India, he had held consular posts in Constantinople and Cairo, and come to Zanzibar with experience of Islamic countries and a sound knowledge of Arabic. Zanzibar and its ill-defined dominions now came under the Foreign Office and as earlier in India so now in Africa, British commercial interest was reinforced by explicit political control. Within seventeen years of this change, as Hollingsworth reports*, 'a government official urging the establishment of an Education Department points out the desirability of educating the subjects of the Sultan of Zanzibar, as, this would eventually enable them to replace those Indians and other foreigners (my emphasis) who held virtual monopoly of clerical posts in the Civil Service and of skilled jobs in the Public Works Department.' The situation developed almost exactly as did that of the Chinese in Malaya. There also a commercial community was fostered (and indeed founded) by British commercial interests only to be brought up later against the claims of indigenous nationalism.

Perfidious Albion again? Apart from the individual cases of sentimental 'pro-Arab' English officer (no less undesirable in the last analysis than his 'pro-Indian' predecessor), it is difficult to see how this shift in policy could have been avoided. It seems as inevitable as the resurgence of Indian nationalism around the same period which stirred the loyalties of East African Indians as inevitably as Zanzibar lay on Gandhi's route from Bombay to Durban.

* Hollingsworth, L. W. 'Zanzibar under the Foreign Office 1890 to 1913', London, 1953.

Scratches on American Minds

M V Kamath

"When you think of Asia, what comes to mind?"

With this open-ended question as a starting point, a well-known American newspaperman recently took off on a series of intensive interviews to uncover some American images of China and India and explore some American feelings about Chinese and Indians as people.

Fourteen months and 181 interviews later, Mr Harold Isaacs of the Massachusetts Institute of Technology's Centre for International Studies sat down to catalogue his answers to produce an altogether remarkable study of the nature of these images, their possible origins and potential effects.

The result is a book with the intriguing title: 'Scratches on Our Minds'.

MR ISAACS is not an ordinary run-of-the-mill sociologist. He is a newspaperman of standing, apart from having spent eight years in Asia, most of them in China. When he tackled this study he could hardly have expected the results. And yet, it is just as well that this is so, for the results have something refreshing about them. Both China and India should be grateful to Mr Isaacs for doing their job. For better or for worse, at least Indian affairs are bound to those of the United States and vice versa, and it was both necessary and right that a research work of this character and dimension should be undertaken by an individual who was not only eminently suited for the job but who was trusted by the men and women he interviewed.

The point that Mr Isaacs makes—and one that we will do well to remember—is that good policies are best made by people with knowledge of the countries they deal with. Most of the 181 individuals Mr Isaacs interviewed were just not anybodies. They were people of substance, people who influenced American policy-making, well-travelled people, many of whom had spent at least some part of their lives abroad and particularly in India and China. Needless to say, almost all were graduates, holding between them as many as 56 Ph D's and seven assorted doctoral diplomas.

Of them Mr Isaacs writes: "The panel of 181 includes 32 individuals who can be called nationally prominent, in the sense that their names are well-known to wide publics outside their own spheres, in at least half a dozen cases having or approaching the status of household names. There are 77 individuals who are professionally prominent, in the sense that their names would be quite well-known to all concerned in their particular fields, profes-

sions or interests... They all play an important or significant role in what we broadly call the communication of ideas and information and the pattern of attitudes among one or more of the many publics who compose the people."

In another breakdown, Mr Isaacs vouchsafes us the following information about the panel he interviewed:

Academic World	41
Mass Media	
(Press, Radio, Writers)	40
Government	28
Ex-Government	12
Business	13
Groups concerned with Public Opinion	27
Church Missionary Groups	20

What do these people think of China or India? What they think of India is of particular importance to us, not merely because it is safe to have a strong and friendly nation on our side, but also because they have the influence to help us in times of distress—as at present.

Though Americans are gradually becoming world-conscious and less isolated, this has not always been so. In 1942, Mr Isaacs tells us, four months after Pearl Harbour, an opinion poll found that 60 per cent of a National Sample of Americans could not locate either China or India on an outline map of the world! So much for American awareness of Asia. Mr Isaacs quotes another authority as saying that in 1953 it was estimated that there were then "possibly sixty or seventy Americans" in various pursuits with "authoritative knowledge" relating to India. We all know that it is impossible to think of any American journalist who made his career primarily by reporting India in the years before the War. Among the 25 Indian specialists that Mr Isaacs interviewed,

he says, there is not a single Government official or diplomat who can be described as a pre-war India specialist. For the good and obvious reason that no such specialist-official exists. American information of China was of a longer period; American contacts with China were of a longer duration. But, with India, America has little to do. An Associated Press correspondent did cover the Dandi March and the Salt Satyagraha and Mr John Gunther made a whirlwind tour of India to write his 'inside' book. Few Indians visited the United States and the little information that Americans had of India obviously was gathered from stories of Maharajas, Fakirs and holy men, in books, periodicals and films.

In the study "Treatment of Asia in American Textbooks", it was found that in 1944 an average of about 7 per cent of all the space in elementary and secondary school geography texts was devoted to Asia. Of this, the bulk was usually given over to China. India was usually dismissed in a few paragraphs with a picture of the Taj Mahal or a scene on the Ganges, usually showing a great mass of pilgrims. A more recent study by an Indian scholar (1954) found 1.5 per cent of the space in 28 world history text books published between 1921 and 1947 devoted to India and 2.5 per cent to 3 per cent in 27 Geography texts. When Mr. Isaacs interviewed his panel, the things that they remembered most about India were: "Columbus, fabulous India; snakes and poverty in India; Hastings, Clive, the Black Hole of Calcutta, the Taj Mahal, barefoot hungry starving mass; coolies".

What is painful to an Indian and what the Indian Government Information Bureau must seek most to correct is the impression of India on what is evidently the generality of



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Americans. Mr Isaacs says that 54 per cent of his panel of 181 people expressed more or less strongly negative views about Indians. Says Mr Isaacs: "Some of this antipathy was attributable to feelings over foreign policy differences. But it clearly had deeper roots reproducing in some respects much older reactions to Hindu life and culture. The antipathy was directed most particularly, however, towards Indians in the same professional classes as these Americans and with but few exceptions these were Indians encountered by these Americans during the last ten years, the first decade of Indian independence."

Mr Isaacs says that when the United States top policy body—the National Security Council—made its decision to supply arms aid to Pakistan, one of the policy-makers reportedly said at this decisive meeting: "This is a good thing to do, if only because it will show Nehru where to get off!" It is necessary here to say that similar antipathy of prominent Americans towards Shri V K Krishna Menon has had something to do with other decisions made in Washington. The clear fact remains that Indians, as individuals and as a people, seldom provoke positive reactions among Americans. 137 out of the 181 people interviewed by Mr Isaacs registered negative attitudes on Indian religion and customs.

It is possible, as Mr Isaacs points out, that the reason for this lies in history, and British influence. Many people think of India in terms of Kipling, his jungle books, Gunga Din, the Black Hole of Calcutta, 'Mother India', 'The Lesser Breeds Without the Law', 'The Benighted Heathen', 'The Faceless Mass', 'The King of the Khyber Rifles'.

But even after independence, when hundreds of Indians have come to the United States, the picture of the Indian in an American mind has not changed for the better in any great significant detail and the fault, perhaps, lies partly with the Indians themselves. They have brought with them, without any modification, their caste consciousness, their colour prejudices, their seeming arrogance, their lack of understanding of what goes for Western manners.

This is how some of Mr Isaacs's panel members described Indians:

Twenty three thought they missed the quality of honour in Indians they had met and talked to. They said:

"(Indians) are humourless; unable to laugh at themselves, did not care to tell a joke for fear of being misunderstood; can you imagine kidding an Indian?"

Forty four of the panel had this to say of Indians:

"Indians have a profound philosophical bent; deep, contemplative thinkers; more philosophical by nature than we are; are truly concerned with the ideas of God; have a great radiant faith; are spiritually minded; are more tolerant than we are; greatest honour in renunciation; bear life and suffering with fortitude...."

But what forty eight others have to say seems more to the point:

"....The claim of moral, cultural, spiritual superiority is infuriating; they are holier-than-thou; full of moral pretense that is offensive; assumption of spiritual superiority is untrue; there is no link in action between their philosophy and their behaviour; their moral and spiritual pre-occupations are an empty shell; the great dedicated Indian soul is a myth; there is great talk about ethical-spiritual-moral values matched against great private yearnings for material things; emphasis on philosophy and principle which they completely fail to follow themselves; hypocritical, ready to argue any side of the question; they play up the line of deep humanistic attitudes, but are all things to all men; can and do talk out of both sides of the mouth; they are not sufficiently embarrassed by these disparities; the spiritual-materialistic business is a joke that gets me sore; they are unaware of discrimination in India or willing to rationalise it; are severely critical of our race problem while they are probably the most racially biased people in the world; don't know anybody who chases a dollar worse or does worse things to get a dollar than the Indian businessman; Indians take a free ride on the absurd Western image of the soul-like character of Indians...."

Mr Isaacs says that among those whom he interviewed, 28 per cent of the whole panel expressed predominantly favourable views of Indians. He calls them "pros". There

were those who expressed predominantly unfavourable or negative views of Indians and they were forty per cent. Some twenty four per cent held views which were a mixture of pros and cons and another 4 per cent who were willing to "differentiate". Very few individuals, Mr Isaacs says, with substantial or extensive experience in India appeared either pro or con. Their reactions were mostly mixed.

It is entirely beside the point to repeat here some of the nice things said about Indians, but it is necessary, even urgent, that the unfavourable things said about Indians are made known. Lest this sound like a one-sided thesis it might be said that there are many Americans who think of us as being intelligent, sensitive, understanding, well-poised, articulate, highly intellectual, excellent to do business with, proud, honouring their loans, can be depended upon, are reliable, stimulating, friendly, wonderful, imbued with great enthusiasm, clean, listening actively, cultivated, mystic (though it is a moot point whether mysticism is of itself a good thing!).

But these people are in a small minority. The vast number of Americans take a dim view of Indians, for some reason or other. Here are a few samples:

A Government official: "The startling contrast between the Chinese and the Indian in the mass. The Indians showed no joy in life, beaten down, no spark or gumption... I was repelled by the submissiveness of the Indians, no sharp, clean twinkle such as you see in the eye of a Chinese shopkeeper. The Chinese would look at you, respond to you. Indian labourers avoid your eye...."

A well-known diplomat: "Have never found Indians agreeable. They are humourless, sorry for themselves. After seeing and being with Chinese, the Indians never seemed happy. What makes the Indian such a cantankerous soul? Any group of Chinese and Americans seem to belong together. With Indians you never get this feeling. Can you imagine kidding an Indian?"

A noted journalist: "I judge by history. India—in so far as it has a history that we know—is a debased and contemptible kind of place. You can't even call it a

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nation with a history. Its ideas and religion are based on a mess of mystical nonsense. No resilience, no strength, never could really stand up for itself. Some Indians are a very irritating people, it is going to take an irritating kind of American to get along with them ... I don't like half-baked Easterners."

Another journalist who served in India for lengthy periods during the last decade: "They are people who tend to worry too much about how many angels can dance on the head of a pin without worrying about the character of the angels or the location of the pin. They carry the act of argument to the point of enervation and are more interested in argument than in substance. It is a diseased state of mind in which any possibility of constructive action is vitiated by an intensely detailed and intricate analysis of motives. There is a basic insecurity in their religion which is no damned good at all ... I have no high opinion about them (Indians) ..."

A missionary, born in India of an old missionary family and who left India in 1939 after spending several decades of missionary work in the country: "There is a lack of integrity and straightforwardness. Indians themselves, I think, admit this when their hair is down. By integrity, I mean intellectual honesty. I have often felt and said that an Indian can harbour in his mind two opposite views and seem to do it with equanimity. This is almost illustrated by their lives; western clothes and manners in a traditionalist family and household. They become almost two different personalities ... I was always warned against placing responsibility for money on any one of my Indian associates. I am talking of people all the way from High Court judges and professors down to the village Indian. They are willing to cheat. It is very common at the upper levels. It is taken for granted, so there is a lack of trust in each other. ..."

The editor of an important magazine: "The Indians seem to be a very conglomerate foolish race by Western standards. Notion of cows and scanty crops, nobody to kill the cows, it is insane. I don't feel called upon to worry about them. If that is the way they want it, caste system and all, it is their business, but why should we feed and build up

anything like this? Nehru, as far as I know, is an arrogant anti-American, all his speeches indicate that he is pro-communist and anti-American. Menon the same or worse. That's all I know."

One of America's most prominent publishers: "English-speaking Indians speak with a beautiful flow of language but half of what they say amounts to nonsense or at least high-grade muddleheadedness. I am offended by it. May be muddleheadedness is not the word, need a politer one, may be high subjectivity ... An Anglo-Saxon gets embarrassed by the disparity between the beliefs and ethical code and actual behaviour of Indians. The Indian is not sufficiently embarrassed by this disparity."

The United Nations Correspondent of a major newspaper: "They and they alone are right and know what is right. Self-righteous. They alone hold the key to successful diplomacy. Arrogant. Menon especially. They have a tendency, when in positions of power, to be extremely exacting masters. They see the whole world moving around India. Benegal Rau was a better-balanced type of man, although not exempt from this kind of thing. Madame Pandit is a twisted person, all things to all men and able to turn any way according to needs and calculations. Met Nehru when he was here in 1949 and was fed up by the way American newspapermen pushed him to choose sides and I felt sympathy for his irritation. But since then I have gotten more and more irritated by his speeches ..."

A Mid-Western Congressman: "In Calcutta, on the street, you almost despise the people. You want to help them, but you cannot respect them. My meeting with Nehru did not help. He was very evasive about Kashmir, never gave a forthright answer. He was the only foreign head we ever visited who expressed no friendly sentiment at all ..."

A nationally prominent scholar: "... The Indian intellectuals I have met in recent years seemed to me abstract, repellant, always making verbal approaches, unable to shift the level of discourse to something practical and relevant. Back of this I have the whole Babu-British stereotype. The under-educated Indian making an ostentatious display of knowledge. Nehru's neutralist policy does not arouse my strong antagonism—look at our own his-

tory—but I do get mad at Indian self-righteousness about it".

A distinguished Negro scholar: "I had some Indian fellow students when I was at Harvard. They kept away from Negroes, wanted nothing to do with us. They were "Aryan" despite their colour ... It was a standard joke among us that all you had to do to get away from unpleasantness was to put on a turban and pass as an Indian. ... All they had was a selfish desire to improve their own status ... Other Negro intellectuals had similar experiences and it created a strong anti-Indian feeling among many Negroes ..."

A State Department official: "I became aware of having a pronounced anti-Hindu prejudice as far back as 1935. At various gatherings and discussions in Chicago, fanatical independence chaps among the Indians got me exasperated and the same later when I went to Harvard—suave, objectionable and biased opinions, unfair to the Western world. Ramaswamy Mudaliar came to Ohio state and was blandly and suavely rude to everybody; just plain nasty, hard to take. He felt extremely superior to all of us proletarians labouring at the University. In 1935 ran into Indians in Paris and London. My wife is a blonde and they are interested in blondes. This intensified my prejudice against these buzzards. This is still a sizeable component on my attitude towards Indians. I share and understand those who get up in the Senate and say: Let's give no dollars to Nehru."

There is nothing more cleaning than a picture of us as others see us and if I have presumed to quote so extensively—much more is yet to come—it is because what others think of us is best said in their own words.

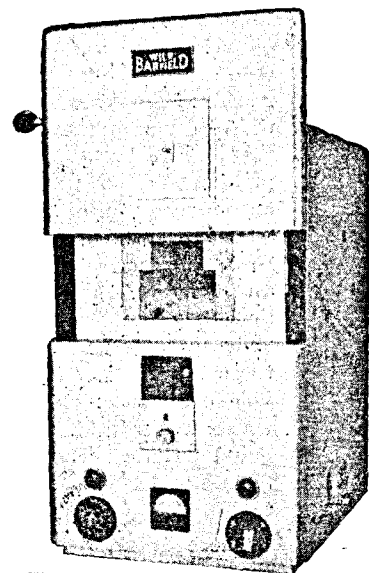
One can quote extensively from Mr Isaacs's remarkable book. One interviewee says: "Indians? I think of deception, swindling, sleight-of-hand, illusion, as opposed to reality. Insincerity, I feel a certain effminateness about Indians that bothers me. Pictures of Nehru repel me, that is as a physical type, although I have found his writings not bad. I never met an Indian yet whom I instinctively liked and wanted to make a friend of. I even think the sari is affected ..."

Another says: "You can't take what they say too literally. The

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grandeur of their past is a barrier through which one has to pass, a barrier of well-meant self-righteousness. When I do not encounter it, I am almost cautious, feeling that this individual's explanation of Indian experience might lack some degree of authority. . ."

A third: "There is a great capacity in Indians for friendship, but often a sharp line beyond which it is impossible to penetrate or understand. We find blankness in each other which are mutually unsatisfying. With one after another of my Indian friends, I found I could go astonishingly long distances, only to hit a roadblock at the end..."

Most of all this would sound harsh to Indian ears, but perhaps it is useful to look at ourselves as others, especially Americans, see us. Americans have often been harshly judged by Indians either out of sheer prejudice or without any understanding of what goes into the making of an American. There are many issues on which India and America differ basically. The Indian institution of caste is at fundamental variance with the American concept of the totally mobile society. But the collusion of various elements plays so vast a role in Indian-American encounters that the earlier Indians at least get to know what these elements are, the better it would be for them and for the world. Few Indians have made an attempt to look at themselves in the world mirror. Like most people all over the world, Indians, presumably, want to be liked, admired, looked up to. But what is there in India that others should look up to? What are the traits that are so admirable in us that other nations should look to us, for light?

Even granting that most of what has been said of India and Indians by Mr Isaacs's interviewees is prejudiced, the fact remains that these images of India exist and motivate men's minds. They are real, if anything could be real. What can be done to change them? Nothing much, perhaps, in short term measures. The Indian character has been nurtured by the millenia gone by and cannot be changed overnight even if some one had the power to move people. Certainly, it would be the height of folly to initiate large-scale 'brain-washing' of Indians travelling abroad. Besides, despite the prejudicially negative reaction of the majority of Americans to

Indians, it is not true to say that all Americans have negative views of Indians. Many Indian qualities are liked by outsiders and many more admired. But the tremendous insularity of the Indian people, their limited framework of reference could only harm the Indian people themselves. And in a rapidly expanding world where intellectual frontiers are not limited to geographic barriers, only the narrow partisan will continue to insist that everything Indian is great and haloed.

Indians are touchy over a number of things and if Miss Katherine Mayo's 'Mother India' could create a rumpus and indirectly contribute towards social progress, Isaacs's remarkable study of contemporary significance should contribute even more in this respect. The number of Indians, highly-placed and otherwise, who come to the United States full of pious platitudes and rationalisations is legend. Americans justifiably are cross with them. They ask: How are Indians qualified to criticise America for the Negro problem when they have the abominable untouchability problem staring them in their face? If Indians at least would fraternize with Negroes more often when they are in the United States, it would have been different; but Indians frequently keep aloof from the Negro community, much to the annoyance of Negroes and to the malicious pleasure of the whites. Indians, in that sense, do have double standards.

In many other respects Indians lamentably fall short of their own self-prescribed standards. They speak in 'high-falutin' language about their 'spiritual' superiority while they are not above admiring a pretty ankle or imbibing freely of alcoholic libations. They talk about plain living and high thinking while they prefer to have a Park Avenue address and entertain not so high thoughts about passing bonds. They condemn racial arrogance but while they are not entirely blameless they constantly seek to rationalise their own deplorable behaviour.

When Nehru, in a statement in Parliament spoke sympathetically of America's Negro problem, the reaction in the United States was spontaneous. The 'New York Times' which has seldom anything nice to say of Nehru wrote an enthusiastic editorial praising him. The fact, of course, is that the average American, like the average Indian, likes to be

liked. Who would not? He wants others to understand his own peculiar problems. He wants sympathy. Often enough, Indians refuse to extend that sympathy. They are piqued to the point of seeming to be hypocritical.

It may be argued that all Indians are not hypocritical and this is readily conceded by Americans as being self-evident. But many of the upper-middle and middle class Indians, who, after all, are the only ones that Americans come across, do give not so happy impressions of themselves. It is true that American images of India are far too often wrong ones or ones based on insidious anti-Indian propaganda. But can Indians wash their hands of the waste perpetrated in the past by the Maharajas? Child marriage can be explained as being historically necessary and presently non-existent, but child marriage was not uncommon a quarter of century ago and is still extant in many parts of the country. Untouchability might have been abolished by law, but how many temples are really frequented by Harijans? The caste system may not receive official recognition or sanction, but what is the percentage of inter-caste marriages?

But the major problem of what to do to erase the unpleasant images of India in foreign minds still remains unanswered. Propaganda is a dangerous word and at any rate, unless the Indian people themselves change, no amount of propaganda would ever do much good. The reaction of some people is summed up in the classic words: "Who cares?". This unfortunately seems to be the opinion of many officials and non-officials in high circles. "Who cares?" Should one care? To insist that what foreigners think of us is of no moment is to state in other words that there is really nothing wrong with us and that, at any rate, even if there is something wrong, we could not be worse than foreigners themselves. Those who subscribe to this kind of thinking can be heard frequently to say: "We have untouchability, have we? So what? What about the Negro problem?" A quick glance at this would show how stupid this kind of thinking is. When Shri K L Gauba wrote his monumental answer to 'Mother India' there were countless Indians who sat back and said to themselves: "Atta boy, well done,

That will teach the Americans to throw mud at us". 'Uncle Sham' was the discourteous retort, but it did not meet the issue squarely in the face. It sidetracked them. 'Mother India' might have been exaggerated, might have been—and indeed, it was—malicious in tone, content and intent. But it is a wise Indian who realises his folly.

Mr Isaacs's book (published by the John Day Company, New York) is unlikely to be read by Indians in all walks of life and it is a pity because it is intended, though not by the author, for Indians in every station in life. Mr Isaacs himself is a friend of India and China. He is the last person one can accuse of being anti-Indian. He understands India, its past, its present with all its multiplicity of problems. He wishes India well. Perhaps, it is because he wishes India well that he undertook this task of compiling the thoughts of others, to open out for the average Indian, a window on the world.

That an American undertook this job gives it both its strength and its veracity. Only with an American would Americans have been so free and frank. Were an Indian or a Chinese or even an Englishman to undertake this task, the results would, in all probability, have been different. Courtesy demands that one speaks softly of another people. But one could be completely honest with one's own compatriot. With Isaacs, his interviewees could relax, could feel free to speak out their minds. These men and women spoke freely, with no inhibitions, and sometimes with the completest detachment. They did not seek to hide either their emotions, or their temperamental shortcomings; they spoke what came to their heart and in this book we are brought face to face with honesty. It is for this reason, if for no other, that it should be highly commended.

It will be perhaps many years before what we may call the 'Indian character' changes and there is nothing to guarantee that it will change for the better. Will the rapid pace of industrialisation change the Indian character? Or will it merely uproot the Indian from his past and his heritage and make him less certain of himself, therefore more aggressive and therefore more obnoxious? What 'Indian' values should one cling to? Who should deter-

mine what values are good and what evil? What criteria shall we lay down? Those purely of survival? At any rate, how many Indians really know their heritage? How many high school students and college graduates are aware of what is written in the Vedas? How much of the Vedas should they accept as being relevant to the day and how much should be rejected as belonging to the dead past? Should Vedas be recognised at all as the last word? After all, the Indian people are not all Hindus and not all Brahmins. What, then, should be acknowledged as our guiding posts to a better life?

There is no doubt that a great deal of soul searching is presently going on in many young Indian minds exposed to the West through the written, spoken or visual media. And this soul searching is bound to be accelerated as the means of communications and transport are improved. Mr Wendell Wilkie was much closer to living in 'One World' than even he thought when he coined what seemed then a fine phrase, but that a decade later is proving to be more than a phrase: a living fact. The tiger-hunting Maharaja throwing jewels to his servants is a figment of the past and a new generation of Americans is growing up who are conversant with India's art and architecture, its history and civilization, its philosophy and ways of life. And more and more Indians travel abroad freely imbibing of what the Western civilization has to offer them.

If an older generation of Indians tended to be on the defensive, to be ready to rationalise, to carry a chip on the shoulder, the present-day generation of Indians seem to be willing to discriminate, to correct themselves. This is a healthy tendency that ought to be welcomed.

Some day, perhaps, when India is more fully and more extensively industrialised and has learnt to laugh at itself with better grace another writer will write another book on American images of China and India. For images do not last and are constantly supplanted by fresh ones. A generation ago Gandhi was the man in the loin cloth, famous for drinking goat's milk and practising non-violence against the mighty British Raj. It was not long after that this image was supplanted by that of a Godly

man who gave his life that his country may be spared the horrors of fratricidal war. Nehru, in pre-independent India was a hero, a man who went to jail for his convictions and yet bore no ill-will towards his gaolers. Today, he is the arrogant man, the Asian know-all, the political hypocrite. The one thing certain about images is that they do not last, which is perhaps just as well. It is possible that in the years to come the very same men who today criticise Nehru might find in him virtues they today strenuously deny. Such things are known to have happened before and they can happen again. But introspection, if it is not carried to extremes, can be a fine thing and indulging in it once in a while should be a healthy exercise. Mr Isaacs has helped us and deserves our thanks.

It is somewhat sad to reflect on the fact that a book of the dimensions of 'Scratches on Our Minds' should not have a larger readership. One hopes that it is read widely, not merely in the chancelleries of the world, but in American and Indian schools by American and Indian children. For often enough, we see at the world through coloured glasses, darkly. 'Scratches on Our Minds' subtly brings out the fact that our glasses are, withal, dark—a point that could bear stressing.

There is one more point to be made. So far no one has evidently done a comparable research job in India. What images of America do Indians have? How lasting are these images? After all contact is a two-way process and in as much as what America thinks of India affects Indo-American relations, what India thinks of America cannot but have its repercussions.

There is far too much of politeness in the international world that masks smothering hatred and bitternesses and it is important that these are aired and their nature known. Even if the Government of India is chary to sponsor a research project of this kind, there is no reason why the various Universities should fight shy of it.

If only we had more such studies of, say, Burmese, Ceylonese, Indonesian, Egyptian, Japanese images of India, we might be better equipped to do a good job not only of becoming good citizens ourselves, but in the process, helping others,

Town Improvement in Old Calcutta Its Impact on Property-owners

Benoy Ghose

The economic impact of town improvement upon property-owners can manifest itself in many ways. Any improvement of a site or settlement requires not only a whole range of public control over the use of property, but also the acquisition of property for particular use and development by various public authorities according to plan.

Many problems arise naturally in connection with such improvement works which are mainly economic and partly social. Of them, the problem of 'Compensation-Betterment' and 'Recoupment' is obviously a major one.

The present paper is devoted to this particular problem which inevitably arose in Calcutta in the first quarter of the 19th century, when planned efforts were made for the first time by public authorities for the improvement of the town.

IT IS necessary to note, first of all, what is meant by 'compensation-betterment' and 'recoupment'. Ralph Turvey in his 'The Economics of Real Property' (Chapter IX) says that 'the compensation-betterment problem consists of deciding the extent, occasion and method of paying compensation for property interests which are compulsorily acquired or depreciated in value and levying a charge on the owners of interests which are appreciated in value'. 'Recoupment' involves 'the purchase of more land than is necessary for the construction of an improvement and the subsequent re-sale of the surplus once the improvement is completed'. When property is compulsorily acquired for improvement, the property-owners will be made worse off unless they are adequately compensated. The cash price of the property acquired, at the prevailing rate, may not make up the loss which the owners are forced to incur by shifting from the particular zone of the town.

Betterment, in the narrow sense, means increase in the value of adjacent property, brought about by a particular improvement such as the construction of a public square, a new street or the widening of an old narrow street. In the broader sense, it means any enhancement in the value of land, including the buildings thereon, arising from governmental or municipal actions. The net gain to the public authority undertaking improvements by 'recoupment' amounts to:

the resale value of the property acquired for recoupment;

plus the increase in the re-sale value of the remaining land owing to its being

associated with the land taken for recoupment;

minus the compensation paid for the property acquired for recoupment.

The net gain, by reducing the net cost of the improvement, may encourage the authorities to undertake more improvement projects, and it may accelerate the progress of town-planning. The finance of town improvements in Calcutta, undertaken for the first time in the first quarter of the nineteenth century, affords an interesting example of these compensation-betterment and recoupment methods, which is worth examining in spite of the lapse of time.

In the 18th Century

The efforts made for the improvement of the town of Calcutta in the 18th century were sporadic and haphazard. They were mainly directed towards the clearing of jungles, swamps and filthy drains, in and around the old Commercial-Administrative-Military core of Calcutta, the present Dalhousie Square area, for the ostensible purpose of 'making the settlement sweet and wholesome', mainly, of course, to the 'White European' inhabitants, and not to the 'Black Natives' of the town. The administration of the town was virtually entrusted to one of the Company's civil servants, called the 'Zemindar' and later the Collector of Calcutta, who was more interested in exacting larger revenues than in improving the town.

Some time in 1753, an abortive attempt was made to raise a municipal fund by levying 'a house-tax of two or three lakhs of rupees, to defray the expense of cleansing and ornamenting the

place internally'. But the ditch near the Old Fort, into which the bodies of the 'Black Hole' victims were said to have been dumped, was not filled up until 1766; nor was the Maharatta Ditch, over which stretches the present Circular Road, filled until 1780. The Justices of the Peace for the Town, appointed in 1794, had an Executive Department, consisting of an engineer in charge of roads and conservancy, and his head overseer. But they also could not undertake any substantial improvement measure—except a notable one, the metalling of the Circular Road in 1799—mainly owing to financial difficulties.

The problem of compensation-betterment arose in connection with the improvement, on a large scale, at least in one area, in the middle of the 18th century. In 1758, after the battle of Plassey, the Govindapore village, which occupied the present site of the Calcutta Fort and Maidan, was wholly acquired, and the inhabitants were removed to different parts of the town so as to facilitate the construction of the new Fort and the adjoining 'Esplanade' or the level space separating the fort from the town. Govindapore was a gandagram or large village, with a local port and market for native merchants. It was surrounded by a tiger-infested jungle, which was later cut down for development of the new European Quarter, the Chowringhee. The development of Chowringhee was later included in a 'recoupment' scheme, but the actual compensation offered to the inhabitants of the Govindapore village is not mentioned in official records. There is nothing except this bare statement on record: "We have been obliged to remove all the Natives out of Govin-

dapore where the new Citadel will stand, the brick houses having been valued in the most equitable manner, and when reported to the Board, will be paid for; those who dwelt in thatched houses have had a consideration made them for the trouble and expense of removing, and have been allowed ground in other parts of the town and outskirts to settle in" (Letter to Court, January 10, 1758).

Trend Towards Zoning

Some sort of a 'zoning' of the town was already in operation in Calcutta in the second half of the 18th century. This can be traced through a study of the old maps and plans of Calcutta. Colonel Call's map of 1786 shows very few houses in Chowringhee, and there were very few brick houses in the north of the town. Numerous garden houses were being built at Sealdah, Alipore and Garden Reach, a clear indication of growing suburbs. In Baillie's map of 1792, there are some forty-five houses in Chowringhee, and the map distinguishes between the European and Indian quarters, the former extending from the Esplanade to Armenian Street, and inland as far as Chadney Chawk, both sides of Bowbazar Street, Dhuramtollah up to Circular Road, and Park Street. In Upjohn's map of 1792-93 only some five houses are shown between Tank Square (Dalhousie) and Mission Row, which indicates that by that time the land value in this part of the town was soaring up and the wealthy Europeans were beginning to move out to new suburbs, growing at Sealdah, Entally, Alipore and Chowringhee.

There had been constant change in the zoning of Calcutta throughout the second half of the 18th century. By the end of the 18th and the beginning of the 19th century, the commercial core had moved a little east and north, but it still kept to the Dalhousie-Lalbazar axis. Wealthy Europeans and Bengali and other Indian merchants and banians were building large residences on the margin, evidently seeking security from further encroachment of the steadily broadening commercial core. The original inhabitants of the place, predominantly scheduled-caste Hindu and Muslim peasant-artisans, were being systematically ejected by the baroque-minded town-planners and the rising class of native land-speculators.

Although some compensation in cash and in alternative land was made over to them, no definite policy of compensation-betterment had been evolved at that time, and whatever the improvement there had been till the end of the 18th century, its benefits were mainly reaped by Government and private land-grabbers. As the value of land and buildings began to rise with the zoning of the town and other improvements, the ground-rent was also considerably increased, and people had to pay more heavily for further improvements. It doubled itself in 1762, from less than three rupees per bigha to about six rupees per bigha (Proceedings, July 19, 1762). And it was further increased steadily as more and more public works were undertaken. It is evident from the scattered and scanty records available that people of the land were not benefited in proportion to the sacrifices they had made for betterment, and much of the 'surplus' flowed as 'unearned income' and as 'revenue-income' into the vaults of land-speculators and Government.

Improvements in 19th Century

Wellesley's famous minute of 1803 marks a new era in the history of public works in Calcutta. The improvement of drains, roads, streets and buildings was strongly urged in the Minute, and a Town Improvement Committee was appointed in 1803 to carry out all such necessary works. In 1805, the Lottery Commissioners were appointed and authorised by Government to undertake these works. Between 1805 and 1817, the Town Hall and the Belliaghata Canal were constructed, and some tanks were dug and roads built out of funds raised by lotteries. The Lottery Commissioners were succeeded by the Lottery Committee in 1817, which, till 1836, looked after the improvement of the town. The unpublished manuscript Proceedings of the Lottery Committee, which are still available for consultation (from 1817 to 1821), furnish enough material for a study of the 'recoupment' and 'compensation-betterment' schemes adopted for the improvement of the town of Calcutta in the early part of the 19th century.*

*It appears strange that in the printed books and reports on the City of Calcutta, these materials have not been used until now, and the Proceedings have been stated

One of the important improvement schemes undertaken by the Lottery Committee in 1817-18 was known as the 'Beparrytulloh Scheme'. 'Beparrytulloh' covered the present Wellington Square and its neighbourhood, bounded by Dhuramtollah, Circular Road and Bowbazar. By February, 1818, a considerable expanse of land had been purchased for constructing tank, square and road in Beparrytulloh and Sicca Rupees 54,742 paid to different proprietors, but it has been noted in the Proceedings (February 12, 1818) that the obstinacy of some proprietors not to sell their land at the price offered by the Committee impeded the progress of work.

One of them was Emam Buksh, 'having 6 Bighas, 17 Cottahs of land acquired in the area', who persistently refused to accept a compensation at the rate of 200 rupees per cottah, a sum, in the opinion of the Committee, 'amply sufficient and equal to what has been taken by others in the vicinity...'. It is to be noted that the Committee, when drawing up the scheme, was thinking of re-selling the surplus land after improvement at Rs 300 per cottah (Proceedings, January 15, 1818). So much about the land of Emam Buksh. The house of one Shaikh Mea Jaun was acquired for demolition, and the procedure which the Committee tried to adopt was not very kind. In a petition to the then Chief Justice of the Supreme Court, Edward Hyde East, the proprietor of the house, Mea Jaun, stated (recorded in the Proceedings of February 26, 1818): "That the Gentlemen of the Town Hall Assembly and the Collector of this District are about to take a house of your Petitioner situated at Dhuram Tulla, No. 30, in an unlawful and in a most tyrannical manner for the purpose of deepening a Tank at that place and the above-mentioned Gentlemen have prevented the Tenant of the said House from paying the House Rent any more to your petitioner. At first the Collector had taken your Petitioner's signature upon a piece of paper to pay the sum of 8000 Rs. for that

as lost, I am indebted to the Trustees and the Curator of the Victoria Memorial Hall, Calcutta, for the kind permission granted by them to me to consult the Proceedings and to use the materials lying therein.—B. G.

House, and now they offered to pay only 3032 Rs for the said House and threatened to pull down by employing the Prisoners, if he will not agree to the last mentioned sum...."

Clearly Explained

In an important Minute by a member, submitted to the Committee and recorded in the Proceedings (February 3, 1820), the 'recoupment' scheme has been clearly explained in these words: "For instance, if it were proposed to make a road through ground which might on an average be procured at 100 Rs per cottah and the value of the ground adjacent to the road should as soon as it was opened rise to 300 Rs per cottah, one third of the quantity so purchased might be given up for the road and 100 Rs clear profit be gained by the sale of the remaining two-thirds. I have already stated that the value of ground in Calcutta generally rises in proportion to its contiguity to a great thoroughfare and that upon this circumstance rested the possibility of effecting the improvement I proposed without expense, provided sufficient capital were advanced for the purpose in the first instance'.

This is a clear statement of what is actually meant by 'recoupment' from the economic point of view. Any recoupment scheme, to be sufficiently successful, involves a considerable capital outlay by public authorities in the beginning. The records indicate that such initial capital could not be secured by the Lottery Committee either from Government or from the public lotteries. After the construction of the Square (Wellington Square) and the roads, the Beparrytulloh Sub-Committee was reporting that about 4 bighas of land, north of the Square, could be sold at Rs 400 per cottah (Proceedings, July 20 1820), that is, at 100 per cent higher than the rate of compensation offered to the expropriated property-owners. The Secretary of the Lottery Committee in a statement to the Chief Secretary to Government (Proceedings, March 8, 1821) regretted that if the Committee 'had been able to make purchases to the extent originally contemplated, there is no doubt that the expense of the undertaking would have been very materially reduced'.

The co-operation of Government in financial matters was not always

available to the Committee for sponsoring a development scheme except in very few cases in which it felt interested. The Eastern Chowringhee scheme, better known in the Records as the 'East of the Theatre' scheme, comprising the present area between Chowringhee, Circular Road and Park Street, was undertaken by the Committee mainly for the purpose of developing a residential zone for Europeans. The major portion of this area was the property of Mr Camac, and it was under the management of Messrs Palmer and Co. When the Committee decided to acquire it for betterment, it was offered by the owners at Rs 50 per cottah, and the special Sub-Committee, appointed for the purpose of investigation and negotiation, wrote to the Committee that it was 'an offer of such manifest advantage that we earnestly recommend the Committee to take immediate measure for availing themselves of it'.

In support of its recommendation, it added, 'Adverting to the increasing European population of this Town we cannot doubt but that the greatest part would be purchased in its improved state for the erection of Dwelling House at rates which would more than repay the previous expenditure'. (Proceedings, May 4, 1820). The ground comprised nearly 250 bighas and the money needed to purchase it at Rs 1000 per bigha amounted to Rs 2,50,000. The Committee wrote for the money to Government and it was granted. The Chief Secretary, in a letter to the Committee, dated May 5, 1820, wrote, "The Committee... are authorised to draw upon the public Treasury for a sum not exceeding in the aggregate 3 Lacs of Rupees, to be appropriated to the purchase and improvement of certain spots of grounds at present appertaining to the estate of Mr Camac in Chowringhee... they are to be charged with interest at the rate of 6 per cent per annum". This was possibly the 'biggest' 'recoupment' scheme executed by the Lottery Committee and patronised by Government, mainly under the impulse of creating a separate European settlement in Chowringhee area.

Economic Consequences

The economic impact of these town improvement schemes was far-reaching. Usually the compen-

sation paid to the expropriated property-owners was at the then prevailing rate, and the owners suffered an economic loss in the sense that they did not derive the benefits of betterment. This was more true in the case of small landholders, who had no surplus property left for higher valuation after betterment. The poorest residents, whose number was very large in old Calcutta and who were living in their ancestral homes and huts, suffered most because the compensation paid to them was generally very small, and no alternative arrangement for their settlement was then made by the town-planners. I shall quote only one report of this destruction to illustrate my point. It is about 'a tract of ground contiguous to that part of the Chowringhee Road which lies between the house occupied as the College of Fort William and that recently rented by the Persian Secretary to Government. The greater part of the tract in question is covered with ranges of small huts situated nearly in close contiguity to one another, and occupied by the very lowest descriptions of the natives... The natives are as numerous and as fully occupied as in any other portion of the city... The total destruction of the huts and the appropriation of the ground now occupied by them for large buildings would unquestionably add considerably to the comfort and agreeableness of the neighbourhood and to the beauty of the city....' (Proceedings, July 20, 1820). This tract of ground was in the heart of the town, in and around Lalbazar. The humble owners of the huts, 'the very lowest descriptions of the natives', were thrown out on the outskirts of the town, and far away from it, to settle wherever they could. Nothing could make up for the loss of their ancestral homes and huts, and in many cases their hereditary occupations too. They were turned into a band of roving proletariat in the process of making rural Calcutta urban and transforming an 'agglomeration of villages' into a new 'baroque capital-city'.

Benefit to Big Landlords

The lion's share of profit went inevitably to the big landholders in the town, who had plenty of surplus lands in the neighbourhood of 'betterment' and 'recoupment' areas.

These landholders, among the natives, were the descendants of the Bengali Rajahs-Maharajahs, Dewans, Munshis and Banians, the founders of upper-class families in the new City of Calcutta, who had served the British 'Nabobs' and merchants since their advent in Calcutta in the beginning of the 18th century. A considerable portion of the huge capital which they accumulated was diverted to land in the town and suburbs (in some cases to mofussil estates also), and the rest was squandered away in conspicuous consumptions and luxuries and in long-drawn litigations in civil courts. And the 'unearned income', derived from the higher values of lands and houses, maintain generations of indolent descendants of these family-founders in the City.

Fortune-hunter's Chance

Another most important fact, which one comes across in the pages of the Proceedings of the Lottery Committee, is the British proprietorship of a large portion of land and quite a number of houses in the central part of the town, that is, around the commercial-administrative core. We have already referred to the huge property of Mr Camac to the east of Chowringhee. In a statement of lands on the east side of river Hooghly, from Chandpal to Jackson Ghat (Proceedings, May 4, 1820) on the site of the present Strand Road, it is found that Mr Vrignon owned 6 bighas and 6 cottahs of land under Pottah of 1206 B S, Col Hampton 1 bigha and 3 cottahs under Pottah of 1196 B S, Rev Johnson and Mrs Johnson 29 bighas, 7 cottahs and 2 chat-tacks under Pottahs of 1196 B S, 1200 B S and 1201 B S and several others less than one bigha under Pottahs of 1196 B S. It was also found by surveying that the owners were not only enjoying the actual lands granted to them, erecting houses, godowns and landing ghats, but also a large quantity of 'alluvium land' thrown out by the river, the legal proprietor of which should be the Company as Zamindar of Calcutta. They were paid huge compensation for betterment, that is, for widening the roads leading to the ghats and for constructing and extending the Strand Road along the eastern bank.

When Calcutta was nothing but a Zamindary of the Company, it is

natural that their servants and the English merchants and fortune-hunters should try to consolidate their position as landholders in the town. They actually did so throughout the 18th and the first quarter of the 19th century. Even persons like Rev Johnson and the great philanthropist-educationist, David Hare, the watch-maker, were big landholders in Calcutta in their days. David Hare purchased huge property in Bankshall area, possibly outbidding his 'native' competitors; and this transaction has been recorded in the Lottery Committee's Proceedings (September 27, 1821). The Secretary of the Committee, in a letter to the Sub-Treasurer, dated September 17, 1821, wrote, "I am directed by the Lottery Committee to transmit to you the accompanying sum of sicca Rupees Thirty eight thousand nine hundred and thirty seven, eleven annas and two pies, received from Mr David Hare, in payment of ground sold to him in the vicinity of the Bankshall and to request that you will carry the sum to the credit of the Lottery Committee in their account with the General Treasury". This property was purchased by David Hare from the Lottery Committee, obviously for its bright 'betterment' prospects and higher value in future.

Token Compensation

Quite a number of such instances may be cited to illustrate my point that the economic benefits of 'betterment' were mainly derived by big landholders, both foreign and 'native', in the town of Calcutta during its early period of improvement. The rising urban Bengali middle class, including the salariat class, was neither large, nor economically strong enough to be substantially benefited by it. The poor and the bulk of the original inhabitants of Calcutta in its pre-town stage did not gain anything economically out of the betterment. The compensation offered to them was 'token', and the manner in which they were liquidated from the important zones of the town was in most cases high-handed. Even the well-to-do inhabitants, as is evident from the petition of Mean Jaun quoted above, were not always treated sympathetically.

Thus Calcutta was taking the shape of a typical baroque capital with its law, order and mechanical

uniformity through the betterment-compensation and recoupment schemes of improvement in the first quarter of the 19th century. The 'law' of course, as has been pointed out by Lewis Mumford in his great book *The Culture of Cities*, existed in a baroque city to confirm the social status of the privileged class, the 'order' was the mechanical order of subjects to rulers, and as for the 'uniformity', it was the lifeless uniformity of the arrogant bureaucrat, reflected in the linear buildings and straight roads and streets of the capital. And the Lottery Committee was guided mainly by this baroque mentality in executing its various schemes of town improvement in old Calcutta, the economic and social consequences of which were far-reaching.

Export of Sports Goods

THE Export Promotion Council for Sports Goods, which was recently set up with the support of the Government of India, has started functioning. It has taken in hand the task of registration of manufacturers and exporters. Those who qualify for the registration certificates will receive help in securing import licenses for essential raw materials, and facilities for publicity and contacts abroad.

The sports goods industry is mainly organised on a small scale basis with nearly 300 units. Over 150 different items are being manufactured by these units, including the entire range of equipment required for different games.

The industry, which is concentrated in Jullundur, Meerut, Batala and Delhi, has an estimated output of more than Rs 1 crore per year. The total value of exports of sports goods from India in 1957 was about Rs 9.35 lakhs. The industry has a considerable potentiality for earning foreign exchange.

U P Financial Corporation

THE working results of the U P Financial Corporation for the year ended this March 31, show a net profit of Rs 3.8 lakhs. After providing Rs 2,25,000 for taxation and transferring Rs 10,000 to statutory reserve fund, the Corporation is left with an amount of Rs 1,45,352 for distribution as dividend.

Outside Leadership of Trade Unions A Bombay Survey

S D Punekar

A tentative survey of the composition of trade union leadership in Bombay highlights the fact of its dominance by outsiders, a feature that has both its advantages and disadvantages.

A large majority of these outsiders are wholtime trade union workers who have sacrificed much for the development of the trade union movement. Even so, unions need to realise that undue dependence on anyone not belonging to the ranks of industrial workers must necessarily affect the capacity of workers to organise themselves.

The outside leadership, in spite of its advantages, has brought with it the defects of political unionism and has had a damping effect on the rise of internal leadership.

A SERIOUS drawback of the Indian trade union movement is that its leadership is drawn mainly from outsiders, i.e., from those who are not actual workers in industry. The peculiar circumstances, in which the movement originated and developed, partly explains the predominance of outsiders in the labour movement. The immediate post-war period (1918-20) saw the emergence of Indian trade unionism. This period was preceded by the Russian Revolution (1917) and succeeded by the Swaraj Movement (1920-24); the former provided to the infant trade union movement an inspiration and a goal, whereas the latter supplied young and enthusiastic leaders, who proposed to exploit the workers' organisations in their political struggle for freedom.

Marked Division

During the first ten years, the trade union movement went into the hands of Communists, who looked upon trade unions as 'schools of Communism' or centres for organising the working classes and for training them in class consciousness and class solidarity. The moderate leaders, who differed from this concept, went out of the All-India Trade Union Congress in 1929, but not out of political unionism. During the fourth decade of this century, the movement experienced serious splits and weak unity moves — all on political considerations. At the end of the decade (1938-40), some superficial unity was achieved, but it was broken immediately afterwards (in 1941) when Royists formed their own Indian Federation of Labour on the issue of trade union support to war.

After Independence, the division of trade unions on political lines became more marked. The Indian

National Congress took the initiative in 1947 when it brought into existence its labour wing — the Indian National Trade Union Congress. Next year, the Socialists followed suit with the formation of the Hind Mazdoor Sabha. To make this an annual feature, the splinter radical groups established their own federation in the United Trade Union Congress in 1949. Even the Akhil Bharatiya Jan Sangh made an attempt in 1955 to have a national federation of labour on its own. Meanwhile, the All-India Trade Union Congress went completely under Communist control.

The division of trade unions on political lines has led to a vicious circle of such defects as rivalry and multiplicity of trade unions, low membership and unsound finances, neglect of legitimate trade union activities, heavy reliance on the State-controlled industrial relations machinery and inevitable dominance of outsiders. The strength and weakness of our trade unions alike lie in their pre-occupation with politics. Often their policies are dictated by political considerations and not by industrial or economic issues. Strikes are waged with political motives, though for the sake of some convenient appearances economic demands are put forth. Trade union leadership is mainly with outsiders, who owe their allegiance more to their political bosses than to their own trade union members.

The eminence attained by outsiders in our labour movement can be attributed to various factors. The necessity of participation in the nation's struggle for political freedom has been already mentioned. The assistance of outsiders sometimes becomes necessary, especially when there is a fear that employees engaged in trade union activities

would be victimised; in fact, some of our trade unionists are victimised workers. Outsiders are also useful in attending to the technical work of trade unions, particularly in matters of law and dispute. The unsound financial position of our trade unions makes it difficult for them to engage full-time, paid executives, whose work is therefore done by outsiders in an honorary capacity. The development of Indian trade unionism owes a great deal to selfless outsiders, who spent their time and money on organizing the workers. Their influence in political and social circles helped many unions to secure their members' demands.

Interesting Aspects

To study the various aspects of outside leadership of trade unions in Bombay, personal details of 45 trade unionists were collected.* No scientific sampling was attempted in the selection of these trade union leaders, though the broader study of Bombay trade unions was based on a stratified (according to membership) random sample of registered trade unions. Nevertheless, the

* These details were obtained by three of my students (Messrs F B Kenkare, C M Mariwala and P I Mathew) while collecting data, for their research project on 'A Study of Trade Unions in the City of Bombay'. The thesis, submitted as a part-requirement of the Diploma in Social Service Administration of the Tata Institute of Social Sciences, is available in the library of the Institute. I am indebted to these three students for the use of their material; I must, however, take the responsibility for interpretation of the data and the conclusions drawn from them.

—S D P

material collected reveals many interesting aspects, throwing valuable light on our trade union leadership.

Of the 45 leaders covered, 12 are in the AITUC, 15 in the INTUC and 18 in the HMS. Naturally, their political leanings are respectively towards Communist, Nationalist (Congress) and Socialist parties. One of the leaders, who recently went over from the HMS to the INTUC, appears still to be a Praja Socialist, whereas in the HMS itself, two leaders seem to be politically independent, two belong to the Socialist Party and the remaining fourteen claim to be Praja Socialists.

Language and Caste

A majority of Bombay workers have Marathi as their mother-tongue and hence it is not surprising that 73 per cent of the leaders are Marathi-speaking. (Table I).

Most of the trade unionists in Bombay can speak Marathi, Hindi, and English fluently. The first is the language of a large mass of workers; the second is convenient for addressing any type of gathering or dealing with fellow trade unionists; while the third is necessary for trade union work in labour courts and in the office of the Registrar of Trade Unions.

The leadership is predominantly in the hands of Brahmins, who constitute 60 per cent of the total, whereas trade union membership, actual and potential, comprises largely non-Brahmins. (Table II).

Language and caste have at present little influence in the trade union movement. In the recent municipal strike, the call given by the Republican trade union to back out of the strike was not followed by the strikers though a majority of them are political followers of the Republican Party; instead, they preferred to follow a Christian trade unionist, hailing from Mangalore.

Though a large number of trade union leaders are Maharashtrians and Gujaratis, many of them have migrated to Bombay for various reasons, economic, educational and political. Two of the INTUC leaders were trained in the Ahmedabad Textile Labour Association, whereas a third had his training at Sewagram. Most others had trade union training by actual experience in running unions.

'Empire-building' Tendency

The tendency towards 'empire-building' in the trade union field is somewhat evident in Bombay, as can be seen from the figures in Table III.

One INTUC leader is President of 17 unions and General Secretary of two more unions, whereas an AITUC leader (lawyer by profession) is an office-bearer of 20 unions. A large number of members are office-bearers of unions, numbering between three and five. Many trade unionists are also actively associated with the State and national federations. The all-India headquarters of the AITUC and HMS are in Bombay, and hence some of their all-India leaders reside in Bombay city. Among the 12 AITUC leaders, 5 are members of the State Working Committee (including the General Secretary), two are national working committee members and two are General Council members of the AITUC. Similarly, of the 15 INTUC leaders, four are office-bearers (including the Secretary, a Vice-President and Treasurer) of the State federation, whereas eleven are members of the national General Council (including an ex-President of the INTUC). Of the 18 HMS leaders, eleven are

executive members of the State federation, while three are executive members of the national HMS (including the General Secretary and the Treasurer).

Because of the political rivalry and multiplicity of trade unions, there has been overlapping in the trade union activities of the three federation leaders. For example, all the three federations have their unions in cotton textiles, engineering industries, docks, transport and the B E S T. However, the AITUC is strong in metal and hotel industries, the INTUC in cotton textiles and the HMS in the municipality and engineering, silk, automobile, printing press and chemical industries. Their strength is derived mainly from individual leaders, and there have been instances of leaders changing the affiliation of their unions with a change in their own political affiliations. For example, when the General Secretary of a union went over to the Communist Party from the P S P, his union changed its affiliation from the HMS to the AITUC.

Political Pre-occupation

The pre-occupation of Bombay trade union leaders with politics is illustrated by the seats won by them in the Bombay Municipal Corpora-

Table I

Number of leaders whose mother-tongue is:

Federations	Marathi	Gujarati	Konkani	Urdu	Other languages	Total
A I T U C	10	—	—	—	2	12
I N T U C	10	4	—	1	—	15
H M S	13	2	3	—	—	18

Table II

Number of leaders according to community

Federations	Brahmins	Kayasthas	Marathas	Baniyas	Muslims	Christians	Total
A I T U C	7	3	2	—	—	—	12
I N T U C	10	—	2	2	1	—	15
H M S	11	2	2	1	—	2	18

Table III

Trade union leaders connected with

Federations	one union	2-5 unions	6-10 unions	11-15 unions	Over 15 unions
A I T U C	1	7	3	—	1
I N T U C	6	5	3	—	1
H M S	—	13	3	2	—

tion, Bombay Legislative Assembly and the Lok Sabha. The General Secretary and President of the AITUC are both veteran trade unionists of Bombay and are at present respectively in the Lok Sabha and in the Mayoral Chair. Three of the office-bearers of the Mill Mazdoor Union (AITUC) are in the State Assembly, while one is in the Corporation. The Tanksal Mazdoor Sabha (HMS) also has its representative in the State Assembly. In addition, the Dyes and Chemical Workers' Union (AITUC), Engineering Workers' Union (AITUC), BEST Workers' Unity Front (AITUC), Chemical Mazdoor Sabha (HMS), Bombay Port Trust Employees' Union (HMS), Mill Mazdoor Sabha (Silk) (HMS) and Engineering Mazdoor Sabha (HMS) have their representatives in the Bombay Municipal Corporation. The INTUC could not achieve similar success, because the elections were fought on the Samyukta Maharashtra issue.

Age and Education

The leadership appears to be in the hands of middle-aged persons; nearly 50 per cent of the trade unionists are in the age-group of 31-40. (Table IV).

The leadership of the HMS appears too young, compared with that of the other two federations. The age of the youngest trade unionist is 27, while at the other end there are two INTUC leaders, both of whom are 60 years old.

Outside leadership makes its influence felt because of education. Of the 45 leaders, only two appear to be non-matriculantes, while as many as 30 (i.e., 66.6 per cent) are graduates. (Table V).

Some of the leaders have had brilliant academic careers. For example, among the INTUC leaders, one has a first-class science degree, another is a solicitor while a third is a barrister. One HMS leader stood first-class first in the engineering degree examination. Because of the reliance of trade unions on the State-controlled legal machinery, lawyers have an important place in them: of the 45 leaders, 8 are full-fledged lawyers (two in the AITUC, five in the INTUC and one in the HMS). Other trade unionists also are well versed in labour laws though they do not have any law degree.

Table IV

Number of trade unionists whose age is between

Federation	25-30 years	31-35 years	36-40 years	41-45 years	46-50 years	51-55 years	56-60 years
A I T U C	1	2	5	—	3	1	—
I N T U C	1	5	2	2	2	1	2
H M S	4	8	2	3	—	1	—

Table V

Educational qualifications of trade union leaders

Federation	Non-matric	Matric	Inter	Graduates	Double Graduates
A I T U C	2	2	1	5	2
I N T U C	—	2	2	6	5
H M S	—	6	—	11*	1

* One is a doctor (M B B S) and another an engineer (B E).

It is somewhat interesting to enquire how these trade union leaders maintain themselves. Our trade unions are financially weak: on an average, a registered trade union earns Rs 154 and spends Rs 134 a month, and hence it is difficult for a union to engage even a single full-time paid executive. However, it was found that 38 out of the 45 trade unionists (10 from AITUC, 11 from INTUC and 17 from HMS), i.e., as many as 85 per cent of the total, are paid from trade union funds. The amount paid varies from Rs 50 to Rs 350 a month though the standard monthly remuneration appears to be Rs 250 for INTUC leaders and Rs 150 for AITUC and HMS leaders.

As has been stated earlier, three leaders (two of the AITUC and one of the HMS) are members of the State Legislative Assembly while six leaders (three each of the AITUC and HMS) are Municipal Councillors. These leaders get allowances, which supplement their income. A few leaders are maintained by their political parties because primarily they are political workers. Lawyer trade unionists maintain themselves by legal practice, which brings in incomes ranging from Rs 400 to Rs 800 a month. In six cases (one AITUC and five HMS), wives of the leaders are earning members, and they lessen the financial worries of their husbands.

The tentative survey, though lacking a scientific basis, brings out certain salient features of our trade union leadership. There are some

bright features about the outside leadership of Bombay's trade unions. Most of these leaders are brilliant young men, devoted to the trade union movement. In choosing a trade union career, they have shown preference for an unstable and uneasy life, full of financial difficulties and physical hardships. With their education, enthusiasm and zeal, they could have obtained secure jobs, with better monetary prospects.

The Second Plan makes a distinction between outsiders who are whole-time trade union workers and those who look upon union work only as a part of their activities. Fortunately, a large majority of our trade union leaders belong to the former category of devoted workers, who have sacrificed their material well-being for the development of the trade union movement. Even so, as the Second Plan suggests, unions need to realise that undue dependence on anyone not belonging to the ranks of industrial workers must necessarily affect the capacity of workers to organise themselves. The outside leadership, in spite of its advantages, has brought with it the defects of political unionism and has had a damping effect on the rise of internal leadership. Indian trade unions now need a cadre of whole-time career trade unionists, who will be entirely paid by the unions and who will consequently be responsible only to the trade unions and not to any political party, which wants to exploit the unions for non-industrial activities.

What Is Caste?

(III) Caste as a Status Group

Irawati Karve

This is the third in a series of articles, the first of which, "Caste as Extended Kin", appeared in the Annual Number and the second, "Caste and Occupation", in the issue of March 22.

In these three articles, some salient features of the caste system have been discussed. The caste system is, however, but one feature of a vast society, and an attempt will be made in the next article to discuss parallelisms between the social implications of the caste system and certain other historical features of society in India.

AS in other places in the world, in India also status depends on a number of things like economic condition, birth, age, possession and conspicuous manifestation of certain qualities valued by society like learning, valour or saintliness, literary and artistic ability and power.

Status rarely depends on any one of these things, nor is there ever complete accord as regards a scale of values for the attributes enumerated above. Status is not just a value system in the abstract but a value which receives concrete manifestation on innumerable occasions. A man may receive public recognition as citizen number one on a certain occasion but may be way down in the scale in the same society on certain other occasions. In India, the older people always take precedence over the younger: the younger ones bow to the feet of the older people and this normal procedure is reversed only on one occasion. The groom and the bride symbolise Vishnu and Lakshmi, the god and goddess of prosperity; and the parents for once bow before their own child immediately after marriage. The man in power, whether king, minister or dictator, may pay homage publicly and bow his head before an acknowledged saintly man, but otherwise completely disregard his admonitions.

A society has almost never a fixed system of values in which the social concept of status can be determined rigidly. In some respects, under certain historical circumstances, status may attain both clarity and fixity in certain respects. Thus, during the days of British rule in India, the status of an Englishman was always higher than that of an Indian, whatever the status of each might have been in his own social structure. This order of importance remained even when the Hindu Brahman thought he was polluted by the touch of the Englishman. An equally rigid definition of status

has been in existence 'theoretically' in India for centuries. Though this does not apply in its entirety to the present Indian situation, the value-system of the structure has great effect on the thought, aspirations and actions of different castes; and to acquire full knowledge of the present tensions, it is necessary to describe in short this traditional scheme of status.

The 'Four-Rank' System

In Sanskrit and in modern Indian languages, this scheme is called 'the four-rank system' (Chatur-varnasamstha). The word 'varna' has been taken by jurists, anthropologists and Indologists to mean 'class' which is correct. It is used in grammar to denote a class of letters, which may change in certain ways or take on certain prefixes etc. In this context, varna does mean class without any connotation of rank. But in the social system called the varna system, the idea of rank predominates, and so in order to avoid misunderstandings arising from the word 'class', which is used widely for a different type of social system in Western society, and to bring out clearly the underlying idea of status, the word 'rank' has been used to denote varna.

This four-rank system has been very clearly described by Manu, who is supposed to be the first codifier of India. All other versions are expansions or modifications of the system as given by Manu. Below Manu's version is given in short.

Manu says, 'jati's (caste) are many while varna (rank) are only four. The latter are (1) Brahman, (2) Kshatriya, (3) Vaishya and (4) Shudra, in that order. The first three are 'dwija' (twice-born), i.e., have the right of going through the ritual of the thread ceremony, while the fourth rank has no such right. All the jatis are derived through

marriages of people of different varnas. Given the pairs B-man b-woman (Brahman), Kk, Vv, Ss, one can combine any man with any woman. When the mating is between men and women of different ranks from the four original primary ranks, we have hybrids of the first generation who give rise to certain castes. Their crossing with other hybrids or back into the original four ranks give us some more castes. And in this way the four varnas (ranks) and the vast number of jatis are connected through the mathematical process of permutation and combination, without much thought of actual investigation.

Varna Endogamy

The law of marriage, as enunciated by Manu, was that people married within their varna and, that a man of a higher varna could marry a woman of a lower varna. The progeny in the latter case would belong to the varna of the father according to the patrilineal law of descent. This type of marriage was called 'anuloma'. In modern anthropological terms, it is hypergamy. The marriage of a man of a lower varna to a woman of a higher varna was frowned upon.

Two things deserve to be noted in this account. (1) Manu's rule of marriage lays down varna-endogamy and not jati-endogamy. He actually describes the ritual etc for the first three varnas and does not say anything about the internal structure of the fourth varna. (2) Manu's rule of anuloma marriage directly contradicts his attempt to derive castes (jatis) from inter-marriage between varnas. If a child belonged to the varna of its father, how could innumerable jatis come into existence from the original four varnas?

The classical scheme, as given in law books (smritis), the record of

power

for the little man

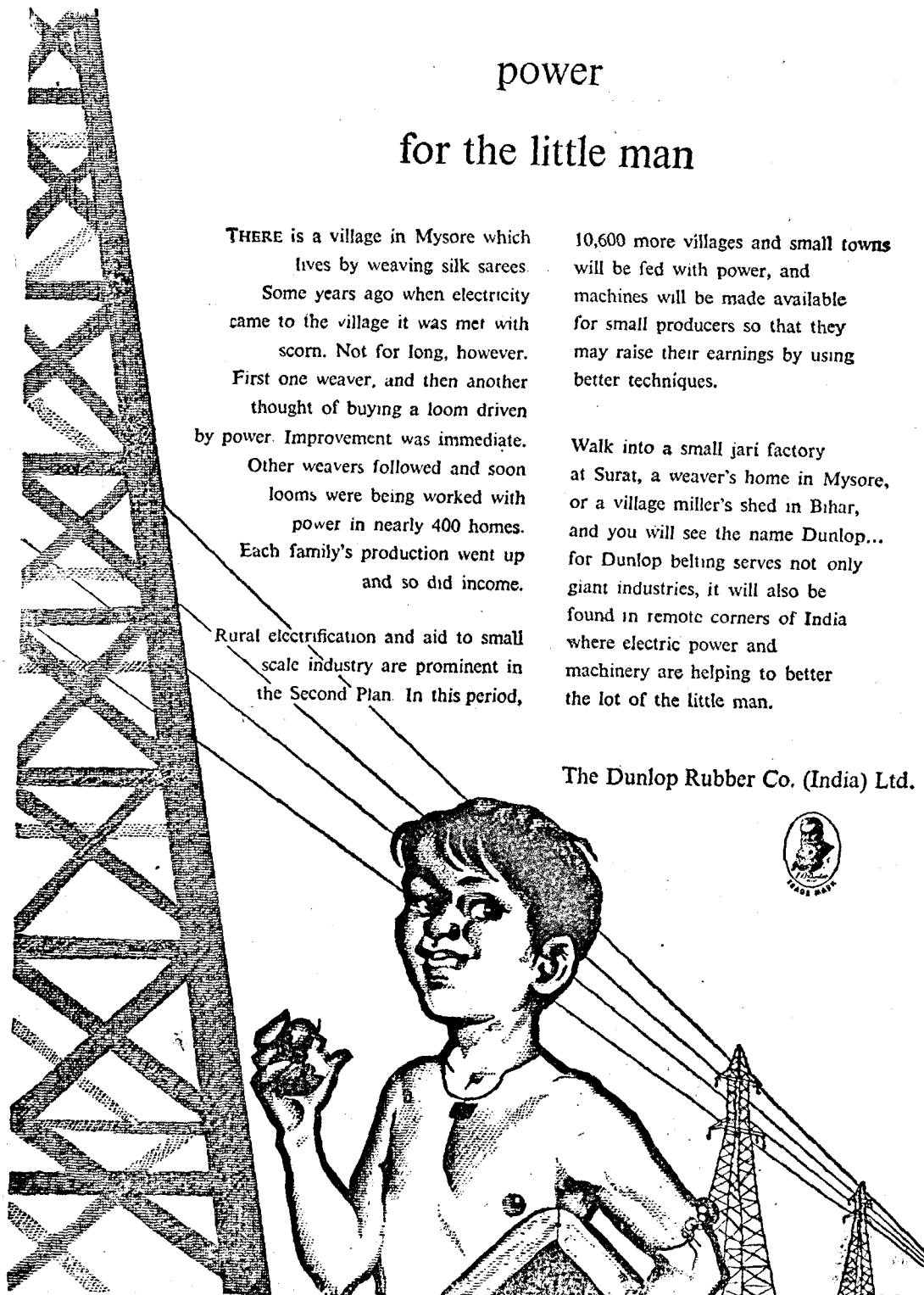
THERE is a village in Mysore which lives by weaving silk sarees. Some years ago when electricity came to the village it was met with scorn. Not for long, however. First one weaver, and then another thought of buying a loom driven by power. Improvement was immediate. Other weavers followed and soon looms were being worked with power in nearly 400 homes. Each family's production went up and so did income.

Rural electrification and aid to small scale industry are prominent in the Second Plan. In this period,

10,600 more villages and small towns will be fed with power, and machines will be made available for small producers so that they may raise their earnings by using better techniques.

Walk into a small jari factory at Surat, a weaver's home in Mysore, or a village miller's shed in Bihar, and you will see the name Dunlop... for Dunlop belting serves not only giant industries, it will also be found in remote corners of India where electric power and machinery are helping to better the lot of the little man.

The Dunlop Rubber Co. (India) Ltd.



actual marriages in early Sanskrit literature and the historical circumstances which gave rise to the classical scheme and its modification through the ages make fascinating study, but need not be expanded here as they are largely irrelevant to the present study. The four ranks and their names are, however, of importance in understanding the problem of caste and status in the present and so are explained below very briefly.

Caste and Rank in Maharashtra

A description of the position of caste and rank (varna) in Maharashtra will help one to understand what prevails in other regions of India. Each region reveals a slight variation depending, mainly on: (a) the history of the region, (b) the power and numerical strength—which, in the modern context, are sometimes synonymous—of the different castes, and (c) the safeguards offered by the Constitution. Of these factors, the historical one is very prominent in Maharashtra.

Maharashtra was under Muslim rule from the 14th century. As a ruling people, Muslims enjoyed the same type of precedence which the British did during their days of domination in this country. Within the Hindu society Manu's fourfold ranking system—modified in certain respects—involving various rights and disabilities held sway, as can be seen from the available literature and political and revenue documents. Manu's system was modified in two respects. Almost all the castes, with the exception of the Brahman, were denied the right of the thread ceremony and thus made into Shudras. Among the Shudras a sub-class was in existence. This sub-class was made up of certain castes whose touch (even their shadow) was held to be polluting—this was the 'untouchable' rank. In literature people wrote about the age-old four-rank system, but in effect there were only two varnas, viz, Brahman and Shudra and a third one was later added—the 'untouchables'.

Shivaji Made a Kshatriya

In the 17th century, Shivaji fought successfully against the Muslim rulers of the south and against the Mughal Emperor Aurangzeb and was crowned King of Maharashtra. An account (dated

1697) of the event runs as follows: "Gagabhat, the man proficient in Vedas, hearing of the great deeds of the Raja (Shivaji) came to see him. He, the great Brahman, thought that if Muslims could sit on a throne and become Padshah, why should not the Raja, who had defeated four Padshahs and possessed seventy-five thousand horse soldiers, also be crowned in a similar way. The Maratha Raja must become a crowned king. The Raja acquiesced in this. So he brought together influential and powerful people who also agreed with the idea. Then he searched after the pedigree of Shivaji and found out that he was a 'pure Kshatriya', belonging to the great house of Shisodia. Then he thought that the sacrament of thread ceremony should be performed on Shivaji as was the custom of the northern Kshatriyas. So in a sacred place Shivaji had the thread ceremony performed on him and was made a pure Kshatriya and then crowned king in the year 1674". (Sabhasada Bakhar, written in 1697. Emphasis added. It was edited and published in 1957 by Wakaskar at Baroda.)

In this significant document we learn that, in spite of the title of Raja being enjoyed by certain families of the Maratha caste, the caste itself was not recognised as Kshatriya, nor did it go through a ceremony entitling it to be called Dwija. A search (?) revealed Shivaji to be of Rajput origin. This seems to have been the usual role of Brahmans who raised in this way many Shudra families to Kshatriyahood. The thread ceremony had to be performed first, and it may be noted that the Raja was 44 years old at the time it was performed. (Generally it is performed before a boy is 12).

Up Grading of Castes

So a particular caste in Western Maharashtra, till then supposed to be Shudra, became Kshatriya. And in the society of Maharashtra three varnas were established. There was no Vaishya varna, whose hereditary occupation was trade and shop-keeping. The poet Tukaram, a contemporary of Shivaji, was Marathavani (trader) by caste. He called himself 'Kunbi', i.e., a caste-group belonging to the Shudra varna. This system continued up to the British period. After the British were well established, they

started recording castes of people, and almost from the time the first census was published people of different castes started complaining that their caste name was wrongly described and that the real name was something else. The 'real' name always contained a claim to Brahmanhood or Kshatriyahood by castes that were generally held to be Shudras. Thus, as late as in 1921, the Census Commissioner reported that the 'Daivadnya Sonar' claimed to be 'Daivadnya-Brahmin', that the 'Panchal Sutar' claimed to be 'Vishwa-Brahmin'. The 'Jingars' asserted that they should be described as 'Somavamshi Arya Kshatriya' and 'Patwegars' wanted to be called 'Somavamshi Sahasrarjuna Kshatriya'. (Page viii, Appendix C, 'Census of India', 1921, Vol. VIII, Part I.)

The present author had a similar experience when taking anthropometric measurements and blood-tests of different castes. A caste near Bombay, called 'Vadval' (market gardeners), styled itself Somavamshi Kshatriya; another caste called 'Kalan' claimed to be Dixit-Brahman; a map from the 'Bhavsar' caste telephoned recently to find out whether it was true that the Bhavsar caste was reckoned Shudra and not Kshatriya. Members of the 'Chandraseniya Kayastha' caste fought successfully with Brahmans over this question and established their Kshatriyahood by bringing letters from Kashi Pandits. The Kayasthas of Uttar Pradesh were declared to be Kshatriyas by a decree of the Allahabad High Court, while the Kayasthas of Bengal were declared Shudras by a decree of the Calcutta High Court. (S. V. Ketkar, 'Maharashtra Dnyan-kosh', Article on 'Kayastha'.)

Hold on People's Minds

In the Konkan there is a caste which calls itself 'Vaishya-Vani'. A 'Vani' is a shop-keeper and like Tukaram may be just a Kunbi. The appellation Vaishya-Vani tells us that this caste claims to belong to the Vaishya (the third) varna in the four-rank system. A number of very low ranking castes have started calling themselves 'Valmiki'. Valmiki, the mythical composer of the epic Ramayana was, according to popular mythology, a robber belonging to a low caste. The word Valmiki, while not laying any definite claim to a higher varna, re-

leases the castes from the degradation associated with the old name in the future.

These examples illustrate the hold which the four-rank system has on people's minds; they also give an insight into the relationship between caste and varna. When people show an inclination to change the caste-name, they invariably try to assume names which would put them in a higher varna.

Government's policy at present is to give preferential treatment to people of the lower castes and we shall see that this has, to a certain extent, reversed the urge to be called Kshatriya or Brahman but the old trend is still seen working very powerfully. It has been reported to the author in a personal communication that people of the Scheduled Castes of Bengal have been paying certain fees to the Registrar to get their family names changed to Chatterji, Banerji, Mukherji, i.e., obviously Brahmanical names.

The Marathas, politically a very conscious group, set up for some time a strong anti-Brahman front. On the plateau of western Maharashtra, there used to be two main agricultural castes—the Marathas and Kunbis, who were separately enumerated till the census of 1911. In the 1921 census, the Kunbi caste had become so small in the districts of western Maharashtra that a combined caption 'Maratha and Kunbi' was adopted. In 1945-48, the author, while doing anthropometric work in this area, found no man claiming to be Kunbi. We have seen above that Marathas claim to be Kshatriyas, and it was averred by Maratha leaders that Kunbi and Maratha were the same and that the appellation Kunbi should be given up. In western Maharashtra—especially in the districts of the Deccan plateau—this has come to pass, but though unity has been achieved on the political front, as regards marriage, the Marathas as a rule marry only Marathas and not those who were formerly classed as Kunbis.

Caste Clusters

We thus see that, irrespective of the economic situation or influence, here are some traditional values attached to certain ranks and that it is the endeavour of the lower ranks to reach the higher. This endeavour, its nature and the character of the structure need to be further clarified.

a name, and, barring that, the codifiers did not know much about the internal structure of the fourth rank.

The second peculiarity of this rank is that it contains more caste clusters than any of the other three ranks. Besides most of the artisan castes mentioned in the first article of this series, it also contains caste-clusters following the profession of fishermen, boatmen, shepherds, buffalo-herders, some types of cow-herds and pig-keepers, as also all those castes which comprise landless tenants or agricultural labourers and some types of farmers. It contains thus over fifty caste clusters, each cluster containing from five to over a dozen separate endogamous castes.

In yet another way is this varna peculiar. The castes labelled 'untouchable' also belonged to this varna. The theoretical equality (of which more will be said presently) of castes in a varna is so disturbed by this that instead of calling the untouchables a part of the fourth varna, in Tamilnad a new varna 'Panchama' (the fifth) was created for these.

Another phenomenon to remember about the varna system is that, while there was and still is great rivalry among the first three varnas, the fourth as a varna has not figured in it.

What Benefits?

What does varna ranking mean socially? Is the ranking universally agreed to? What benefits does this ranking involve?

Taking the second question first, Sanskrit, Pali and Ardhamagadhi literature reveals that in different periods of Indian history and in different regions the varnas occupied different ranks. There was ancient rivalry between Brahman and Kshatriya, which is revealed in Brahmanical and Buddhist literature. The Vaishyas came into their own with the blossoming of Jainism in Gujarat from the 8th to the 14th centuries.

The stereotypes one gets of these three varnas in early Vedic literature, in the two epics and the Puranas on the one hand, and in Buddhist and Jain literature on the other, are worth studying. The story literature, portraying folk sentiments, is in a class by itself; and the stereotypes in this are slightly

a
million
hands
are
not
enough!

*This age has shown
the importance of
speed and precision.*

*Hence, mere hands,
however willing,
are not enough!*

*Man must work with
the best of modern machines
for the greater prosperity
of the nation...*

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different from those of the literature mentioned above. These stereotypes have been handed down through the ages and are reflected in writings and oral traditions like the folk tales and proverbs of the regional languages. They are of two types: the judgment made by a caste about its own rank and its judgment about other castes. As noted above, in certain periods of history, there might have been such general accord as to make both the judgments coincide.

The stereotypes, so created through the ages, show that while the first three varnas have some positive and negative features attributed to them, the fourth varna invariably appears as a despised class. On very rare occasions does one get a glimpse of the evaluation by the fourth varna of any of the three upper varnas.

At present, one could say that except for the untouchable part of the Shudras, there does not seem to be much agreement between the actual social rank and the rank as conferred by the varna system; and yet, as the author has stated above, there are attempts even now to try to pass up to a higher rank in the varna system.

There is general agreement that the Brahman, Kshatriya and Vaishya rank above the Shudra. As between the first three ranks themselves, there are differences of opinion. In Maharashtra, when asked about rank, the Maratha as a Kshatriya claims a rank above that of the Brahman. In actual practice, the Brahman and the Vaishya in many villages behave as if they were higher than the Maratha, i.e. neither of them will take food with the Maratha. Social relationship involves taking food with one another, exchanging daughters in marriage, being neighbours, being friends etc. A recent study (not yet published) shows that while most of these activities are found among the castes belonging to the caste cluster Brahman and the varna Brahman, there is not much inter-marriage among Brahman castes. As regards other varnas, the intercourse among castes of the same varna becomes more and more restricted as one goes down the varna scale. The fundamental assumption of the ranking system, that people of the same rank are socially more closely knit, is not found to hold at all at present.

Whether it was in existence in the old days needs careful investigation. Manu's rule about marriage of a boy and a girl belonging to the same varna without any reference to caste does not apply at all now in as much as most marriages are within a caste.

Survey of Marriages

A survey of marriages registered in the Poona city and district during the years 1955 and 1956 shows that of a total of 5,895 Hindu marriages, 126 (2 per cent) were marriages between castes belonging to one caste cluster. These were all marriages between different Brahman castes. The number of marriages between castes belonging to different caste clusters (not necessarily to different varnas) were 41 (0.6 per cent) and the marriages of Hindus with people of other religions were 32. All the other marriages were inside the endogamous caste. From these figures, one might say that marriages across the caste cluster and varna were almost as rare as marriages out of one's own religion. The higher incidence of inter-marriage within the caste cluster called Brahman need not be accepted as evidence of the continuation of a supposed solidarity or homogeneity in the Brahman varna. The Brahmans are the most educated castes of Maharashtra. They have been advocating social reforms and especially inter-Brahman-cluster marriages for a long time, and the anti-Brahman movements of the past fifty years have made them aware of a common destiny. These events in recent history can explain the higher incidence of such marriages. It may be noted that of the 41 inter-caste-cluster or inter-varna marriages, 28 were those in which one partner was a Brahman.

These figures again reveal that caste is the group within which marriage takes place, and it is a group representing extended kinship. It is this feature which is entirely at variance with whatever Manu had to say which makes it easier for a caste to try to rise in the ranking scale by claiming Brahmanhood or Kshatriyahood. A caste claims that it is Brahman or Kshatriya on the ground that it is descended from a mythical sage or hero. The older Brahman or Kshatriya castes merely shrug their shoulders because this does not necessitate social intercourse be-

tween castes in one varna. And the phenomenon cannot be described as general acceptance of the newly assumed rank. It is not merely marriage or the taking of food that demonstrates this fact. Occasionally the general non-acceptance of such assumed varna or rank is vividly illustrated by incidents arising out of caste hatreds or rivalries. In Maharashtra, houses of Brahmans were burned down by non-Brahmans especially of the Kunbi-Maratha group, following the assassination of Mahatma Gandhi. The houses belonging to Vishwa Brahmans (of the carpenter caste) or Daivadnya Brahmans (of the goldsmith caste) were, however, not burned in spite of the fact that in census reports from 1921 onwards both these groups have been listed as Brahman.

Numerical Strength

Not only the actual varna ranking, but also the numerical strength of different varnas has a significance for the social structure of a region. In Maharashtra the position at present is that there is a Brahman varna making up about 9 per cent of the population, a Kshatriya varna (comprising only the so-called blue-blooded Marathas) of about 30 per cent (this is purely conjectural), a Vaishya varna (comprising mostly non-Marathi merchants) of about 5 per cent and a Shudra varna (including all the occupational and service castes, Kunbis and other small castes of agriculturists) of about 56 per cent, of which about 9 per cent belong to the scheduled (formerly untouchable) castes. Most of this population is Hindu. In Tamilnad there is no Kshatriya varna. The Vaishyas form a numerically small community so that the percentage of Shudras is far greater than in Maharashtra.

In Maharashtra, the flux of political and social affairs in the past 25 years has been such that the Marathas have tried to bring the agriculturist castes into a big political group to oppose the Brahmans. The Vaishyas try to remain away from politics if they can help it. The scheduled castes have become a politically well-knit and significant minority, whose chief fight today is not so much with Brahmans as with the Marathas. In Tamilnad, the non-Brahman opposition did not secure the type of leadership which Marathas could offer because

of their numerical strength and their historical role as the former ruling caste. While the Maratha leadership is threatened by rivalries among the Maratha leaders themselves, in Tamilnad the rivalries of various castes in the Shudra varna prevent a single leadership for non-Brahmans.

Pattern of Relationship

In different regions and sub-regions of India the numerical strength of the varnas, the number of castes in each and the inter-relation of the castes and varnas make for certain patterns of alliance, rivalry, avoidance and aloofness which need to be studied. In East Bengal and Sind we had the extreme case of the four-varna system virtually vanishing. The upper varnas (Brahmans and Kayasthas in Bengal and the trading castes of Amil and Bhaiband and a few Brahmans in Sind) were all that had remained of Hindu society. The lower varnas were either partly or wholly converted to Islam. The religious struggle became also a class struggle in the modern connotation of the term. The exquisite flowering of modern Bengali literature, which shows a complete unawareness of the social situation and depicts the Brahman and Kayastha society in its glory and decadence, must be studied and interpreted in terms of the varna system and the inter-relation of the varnas.

The author had an opportunity to hear a street-corner oration in which the exploitation of 'Golden Bengal' by 'foreign' people was again and again mentioned. The trade and commerce of Bengal being in the hands of Vaishyas who belong to Marwar, the exhortation was obviously aimed against that community; but the speaker forgot that the great Shudra toiling masses of the city of Calcutta were also 'foreigners', being Oriyas and Biharis and people from Uttar Pradesh.* No study is extant about how, if at all, the varna system works in such a situation in the great cities of today. Surely 'rank' cannot be felt in such a social context to the same extent as in a society made up of Brahmans, Marathas, Kunbis and untouchables.

*There is considerable resentment against these other 'foreigners' also which occasionally leads to violent outbursts.—Ed.

One cannot see what tangible social advantages a caste can gain now by calling itself Kshatriya or Vaishya or Brahman. In modern India, there are opportunities for every man to gain education, wealth and power. Men of the higher varna may have better opportunities; but these are due to a better economic start than to any membership of a varna; and yet, it is equally obvious that people find a value in the old classification and wish to rise in terms of those classes while, at the same time, enjoying the benefits offered by the present society.

Endogamous Unit: Caste, Not Varna

The discussion above has made it clear that there is no mechanism for changing one's varna other than by claiming to belong to a higher varna and assuming that status. Such claims cannot be substantiated by marriage with the older castes in that particular varna because, whatever may be Manu's opinion, it is the caste and not varna that is the endogamous unit. There are no sanctions now as in olden times to substantiate or disallow such claims. No caste of any varna, be it Brahman or Kshatriya, wishes to get involved in controversies and hatreds by disputing such claims. The older Kshatriyas keep to themselves as an inter-marrying unit, whatever the new accretions to the Kshatriya varna. Thus, in Andhra, a fisher and boatman caste (Pallikara) has started calling itself 'Agnikula Kshatriya'. It has public trusts registered in that name, but no old Kshatriya family of Andhra even dreams of a day when there might be inter-marriage between them and these Agnikula Kshatriyas. Thus there is no marriage between different castes claiming one varna.

Though this statement holds good for practically all castes today, the internal structure of certain castes suggests the incorporation of outside elements. Positive assertions in ancient literature that whole families of Kshatriyas were taken into the Brahman fold, that a Shudra boy was recognized as a Brahman etc, or that Shudra rulers assumed the Kshatriya rank and got recognition as such are phenomena which must be taken into account when we consider further how rank affects caste.

The question of rank is not exhausted with the classical ranking

system. There are differences of of rank between castes in a caste cluster, in a varna and between parts of one and the same caste.

Caste Cluster Among Shudras

The occurrence of distinction of rank among castes belonging to the same varna but to different caste clusters is easy to understand. This is seen especially in the fourth rank where the appellation of Shudra is not taken by any caste or caste cluster. The main feature which divides all Shudras into two separate classes is, as already mentioned, that there are some caste clusters among Shudras which are held to be untouchable. This distinction divides castes of all varnas into two distinct groups for certain aspects of social life. The division between the touchable and untouchable is far more significant than the division between non-Shudra and Shudra. The number of untouchable castes within the Shudra varna increases as one goes from the north to the south.

It may be noted here in passing that though untouchability has been made illegal by our Constitution, it flourishes all over Maharashtra and South India in its old form of separate housing areas and wells in almost all villages. The efforts made by Government to ameliorate the condition of these castes have led to an increase in the social distance between them and others. The Bombay Government (and probably other State Governments too) has a number of hostels for Scheduled Caste students which set them effectively apart from the rest of the student world. Generous building grants have given rise to habitation areas called 'Jawaharnagar's' and 'Gandhigram's' well away from the old townships and tended to increase not only the social, but also the physical, distance between the touchables and untouchables. Almost all over the world, the difference between the higher and lower rank is manifested by physical distance in the form of different habitation areas. In South India, this was developed into a science, and the distance at which a man of a particular caste had to stand in order to speak to a Brahman was fixed in yards. This distance, while fixing the level of the speaker vis-a-vis the Brahman, also placed each caste in an extremely precise ranking system.

THE ECONOMIC WEEKLY

Among the untouchable Shudras as also among the touchable ones, there is a ranking in caste clusters. In Maharashtra, the three untouchable caste-clusters of Chamar, Mahar and Mang do not live in the same habitation area as neighbours, and the ranking is in the order indicated. The Mala and Madiga in Andhra also have separate habitation areas in each village, and there is great rivalry, amounting almost to hatred, between these two untouchable groups. This rivalry is intensified by the fact that the Malas are under the protection of the Reddi agriculturist caste, while the Madigas are protected by the Gwala cowherds.

Ranking Among Shudras

Among the touchable Shudras, caste-clusters like those of Sonar (goldsmith), Sutar (carpenter), Parit (washerman), Nhavi (barber) etc have ranks. The goldsmith claims a higher rank than the others. The Parit or washerman ranks very low. The barber ranks high in North India and low in South India. This ranking holds good over a wide area. Sometimes, however, the exact rank of a caste may change from village to village. The Ramoshi caste is deemed touchable in Poona district, while it is held to be untouchable in certain parts of Satara district. Members of the Dhanger (shepherd) caste claim to be Kshatriyas and rank high in some parts of Maharashtra while in other parts they are definitely lower than Kunbis. In the three higher varnas, Brahmans of different castes have their own ideas about rank, but rarely is that idea given expression to publicly. Certain castes, however, are looked upon as being mere claimants to Brahmanhood and not real Brahmans at all. Thus the membership of the Brahman Sabha of Bombay (founded in 1888 and still active) is open only to certain Brahman castes and not to others. The same is true of Kshatriyas. Taking into consideration old Sanskrit accounts and incidents like the crowning of Shivaji, one may assume that the process of such castes as claim a higher rank, being considered as outsiders for some time and then, when opportunity offered, being accorded recognition, must have taken place again and again in India.

Rank Within Caste

This brings us to the existence of rank within a caste. It is again of

two types—a simple and generally not very rigid division of a caste into one section higher in rank than the other. Almost all Brahman castes display such a division, based on whether a Brahman is a well-to-do person, i.e., a landlord, a man in the so-called liberal professions or one versed in various branches of ancient learning like philosophy, logic, grammar etc or whether a Brahman pursues priestcraft for a living. The former consider themselves higher than the latter, but poverty may lead a member of the former division to take up a priest's vocation while families of priests may become members of the first class. In Marathi, the first division is called 'Grihastha' and the second 'Bhikshuk'.

In Bengal, apart from the broad distinction between 'Vaishyaik' and 'Yajmani' Brahmans, corresponding to those in Maharashtra, Brahmans fell into two divisions. The 'Kulin' was the higher division and the 'non-Kulin' the lower. 'Kaulinya' was liable to be lost or tarnished by marriage with lower ranks. And so few of the Kulins remained of the purest stock that it was usual for them at one time to marry many wives. This practice became almost a racket in Bengal. A Kulin groom married as many non-Kulin girls as he could, extracting dowry from each. In such marriages, the girls were often left at the father's house after marriage and were visited once in a while by the husband who collected money for doing this honour. (What happened ultimately to these girls and their progeny has not been described fully.) Another consequence of this ranking system was that wealthy non-Kulin Brahmans 'bought' indigent Kulin grooms for their daughters and acquired social prestige thereby—though a show of kidnapping the groom was staged to save the face of his family. However, as a result of this system girls born in poor Kulin families found it difficult to get a boy. A Kulin girl named Snehalata under such circumstances committed suicide and left a letter explaining the plight of her father. This letter and the girl's sacrifice were given much publicity in all Indian papers (1916?) and became an illustration for all social reform conferences to quote.

With greater opportunity for education and employment, the distin-

ction between the two divisions (Kulin and non-Kulin) is vanishing rapidly. This type of division within a caste does not, I believe, lead to a permanent fission and formation of two castes. It must be viewed as a disturbance, lasting for a longer or shorter period, of the fundamental equality of families within a caste.

Different Type of Ranking

There is, however, a different type of ranking seen within certain castes which are numerically quite large, occupying a considerable territory and having a rather complicated structure. Three castes of this type known to the author all claim to belong to the Kshatriya varna. They are 'Khatri' of Punjab, 'Rajput' of Rajasthan and 'Maratha' of Maharashtra. All these castes have internal divisions representing rank. Marriage is generally within each division, but a well-dowered girl of a lower division is accepted as bride in a higher division. This practice leads to polygyny in the highest division and polyandry or levirate in the lowest division, existence of spinsters in the highest division and of bachelors in the lowest division. The Rajputs are divided in three descending ranks: Suryavamshi (descended from the sun), Chandravamshi (descended from the moon) and Agnikula (arisen out of the sacrificial fire). Each rank is made up of exogamous clans who occupy a certain territory. Some of the names of these clans, especially those in the Agnikula division, are names of foreign tribes like Shaka or Kushan or Huna who entered India in great waves before and after the advent of the Christian era. Chahaman (Chauhan) is one such name. Pramara or Parmar (the killer) is obviously an assumed name. These were Hinduised and probably given the Kshatriya rank by indigenous priests (as in the case of Shivaji later).

Based on Territory

Among the Marathas, clans are based on territory and the names of the clans reveal a bewildering variety. Some are obviously derived from the old rulers of Maharashtra and others from the names of Rajput clans while some belong to Mahabharata heroes and yet others are purely totemistic without any connection with old royal families. Like the Rajput, the Maratha

caste displays the phenomenon of various racial elements, indigenous and foreign, being welded into a single ruling caste. This conjecture is based on the facts enumerated above. It is also worth noting that all these three castes are found in the western and northern parts of India, most exposed to the pressure of tribal immigrations during a few centuries before and after the start of the Christian era. If this assumption is correct, internal ranked divisions within a caste and hypergamy are mechanisms of great importance. They represent a principle of mobility in the caste structure, while also indicating a real exception to the rule of endogamy asserted in the first article of this series. Whether the structure revealed by these three great castes represents something inherent in the structure of all castes or whether it is something peculiar to these castes or the Kshatriya varna only needs to be investigated.

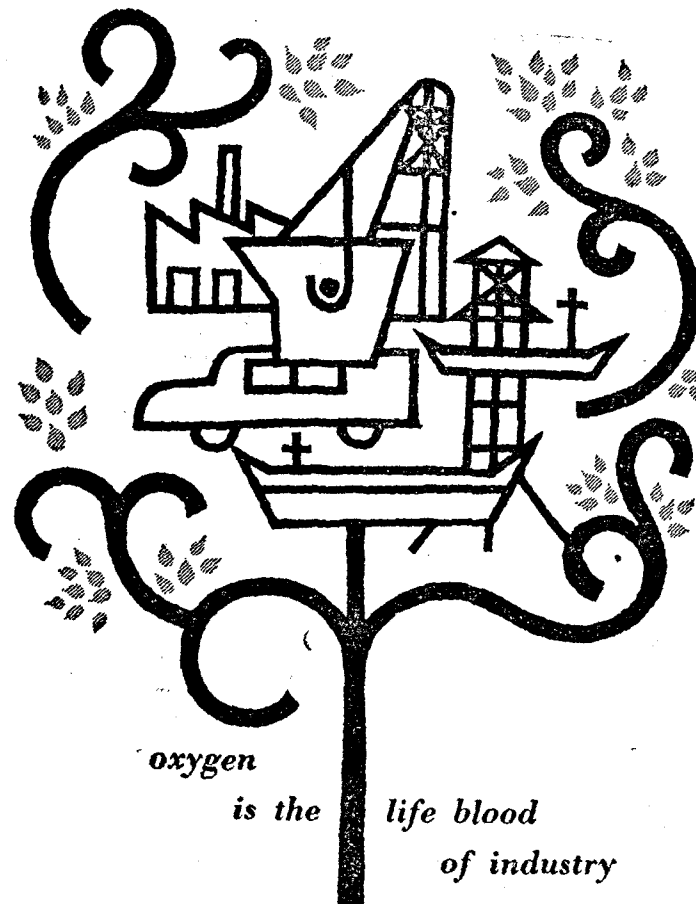
The primary implication of a hierarchical structure is that those of the lower rank try to rise to a higher rank. Certain conditions (e.g. foreign rule) seem to be favourable to such attempts. In the social ladder, there are also certain points which seem to be more attractive to the climber than others. Such, for example, seems to be the rank of Kshatriyas. There is internal ranking within a caste which seems to be of two types—one represents a passing disturbance of the equality inherent in castes while the other seems to represent a more important device of caste-making. The social injustices imposed by the rank system have not been discussed, not because they are of no importance but because they have been very well described by other writers.

Minor Irrigation Since 1951

ABOUT 40 per cent of the Second Plan target fixed for minor irrigation was achieved in 1956-57 and 1957-58. In absolute terms, the additional area covered in the two years would be approximately 3.6 million acres, i.e. 1.8 million acres in each of the two years. This includes benefits derived from minor irrigation schemes in community development and N E S blocks. The Second Plan target for minor irrigation is fixed at 9 million acres, half of which will be in community development and N E S blocks.

For minor irrigation, total Central Government expenditure in 1956-57 was Rs. 9.08 crores, Rs 8.39 crores as loans and Rs 69 lakhs as subsidy to States. In addition, Rs 4.04 crores were spent on minor irrigation works in community development and N E S blocks. Tubewells accounted for an expenditure of Rs 3 crores.

In 1957-58, actual expenditure on minor irrigation is likely to be Rs 13 crores, and on tubewells Rs 3.25 crores. Another sum of Rs 4 crores is expected to be utilised for irrigation in community development and N E S blocks. Drought-affected States of U P, Bihar and Orissa were also allocated a sum of Rs 1.25 crores in 1957-58.



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Community Development Administration —An Evaluation

Scarlett Trent

The Community Development Programme is one of the most important agents of change in modern India, because it tries to change the way of life of the large mass of the rural population; it attempts not only to make the villager change his farming techniques so as to increase the yield of his lands, but it also seeks to change rural social organisation.

It is important to ask how far such programmes achieve their objects. Professor Dube's recent book provides a valuable critique of a Community Development Project, which will be of immense value to development officials, as well as to the general reader.

THE study of a Development Project in U P by Professor Dube* falls into two parts: firstly, it examines the administration of the project and secondly, it evaluates the impact of the project on villagers. To begin with he stresses the re-organisation of development functions at the National, State and District level, and the introduction of the new office of the Village Level Worker with multi-purpose duties. At the national level the development function is concentrated in the Ministry for Community Development; at the State level a Development Commissioner is in charge. He works under the supervision of a State Planning Board, which in U P consists of non-official experts and the members of the State Planning Committee. A similar pattern operates at the District level. The Deputy Commissioner is ultimately responsible for development in his District. But he is actively assisted by a District Planning Officer. Both these officials work under the supervision of a District Planning Committee which, like the State Planning Board, consists of non-official as well as of official members.

Innovation in Administration

The important innovation in administration at the District level is the concentration of control over all development departments in the person of the Deputy Commissioner, whereas previously each department had its own hierarchical structure reaching from village to State. However, it seems that in practice few Deputy Commissioners take an active interest in their new development responsibilities and still regard law and order and revenue functions as their major duties.

* India's Changing Villages by S C Dube, The International Library of Sociology and Social Reconstruction, Pp 230, Price 25s.

Most of the responsibility for development at District level is thus concentrated in the District Planning Officer. This involves the supervision of specialists by a layman and raises complaints from the specialists.

In the U P Project the situation was aggravated by the fact that the District Planning Officer was junior in length of service and salary to a number of the officials he supervised. Here we get a glimpse into the prestige rating within a bureaucratic administration: length of service and salary are the major determinants of prestige and yield authority.

The actual Project is under the supervision of a Deputy Project Executive Officer who works in conjunction with an Advisory Committee which again consists of non-official and official members. The officer in charge of a Project is assisted by a group of technical men specialising in the different areas of Project activities. The actual work in the villages is carried out by the multi-purpose field agents, the Village Level Workers.

No Two-Way Channel

The planners of the development programmes have given much thought to improving administrative efficiency. The most significant change they advocated was the "democratisation" of the administration: they recommended not only a change from an authoritarian or paternalistic approach to villagers to an attitude of service to the population, but also a change in the relationship between superior and subordinate officials. To this end they introduced special training courses. But whereas the Village Level Worker got a six months training, the Project officials and the District Planner only received six weeks training. None of the

officials above the level of District Planning Officer received any re-orientation training at all. This meant that the lowest grade officials, the Village Level Workers, were in a way better equipped for their jobs than their superiors.

What emerges clearly from Professor Dube's study is that an administration cannot be changed from the lowest level upwards, because pressures from above keep the traditional administration intact. The line of authority from the top downwards operates in every bureaucracy, change therefore must proceed from the top. The development planners also sought to convert the administration into a two-way channel of communication, but in practice, so far, communication comes down only from the top and is not passed on from lower to higher officials. For at present every development official at each level is pushed by his superior to complete the target set and the traditional norm of boss-subordinate relations is difficult to eradicate. All this pressure from above is finally translated into official-public relations by the Village Level Worker, who is forced to work according to targets set by his superior officers with little chance of his advice on the felt needs in his villages being communicated to them.

Not According to Felt Needs

Thus planning according to "felt needs" is really a myth. In fact the plan for the U P Project was a copy of the model budget provided by the Central Community Development Administration. Professor Dube suggests that since the particular Project operated in an agriculturally more advanced area, more attention could have been devoted to public health and social education. But in fact the Project planners preferred to play safe and

follow the model plan rather than plan in the light of local conditions. In this connection, it may be noted that the innovation of associating local people with the official organisation through Advisory Committees has not proved successful either in conveying, felt needs to the administration. At the meetings the non-official members accepted all the proposals made by the official members without making any suggestions themselves. We are not told how the non-official membership of these committees was constituted, but we may assume that for the Project Advisory Committees it was made up of the rural elite, who are the intermediaries between the ordinary villagers and the administration. These leader-politicians, as Professor Dube calls them, regard being on good terms with officials as a factor vital to their prestige in the villages. Their intermediary role induces them to accept all proposals made by officials, instead of submitting the felt needs of the villagers.

Thus the ineffectiveness of administrative innovations in the U P Project may be summed up in four points:

(1) Democratisation was not introduced from the top level downwards.

(2) It is difficult to change the boss-subordinate relationship between officials at different levels in a long established administration.

(3) With the accepted norm of authority by seniority and length of service it is difficult to put junior officials in responsible positions.

(4) Village leader-politicians are under too much pressure to keep in with the officials to represent the felt needs of their villages to the Project.

Benefits to Elite

The impact of the development programmes on the rural population was studied intensively by Professor Dube in two of the Project villages, supposed to be representative of the two types of villages in the area—one, the large nucleated village which includes surrounding hamlets and the other, the small single settlement village. We are given the caste composition of the population, but not the landholding pattern. We are also told that the population of the two villages can be divided into three socio-economic

groups, but we are not given the percentage of population which falls into each group. Without these data it is difficult to get a picture of the economic organisation of the villages reviewed. For instance, Professor Dube mentions the existence of 'jajman' relations between agriculturists and artisans, but he does not examine the effect of the introduction of new tools on this traditional patron-client relationship. Although he refers several times to the inadequacy of development planning for the artisan castes, he himself neglected to study them.

Professor Dube makes some illuminating remarks on village leadership. He warns the Village Level Worker not to accept the rural elite as the only leaders in the village. Leadership is diffused: persons with prestige in castes and factions may not be recognised as official leaders, but they are important in decision-making. I would add myself that each sphere of village life has its own prestige hierarchy, and the men at the top of these different structures are the effective leaders in the village.

Most of the Project's activities in the two villages were concentrated on agricultural extension and 70 per cent of their benefits went to the rural elite. The result therefore is to increase economic differentiation in the villages rather than reduce it. But Village Level Workers, pressed by their superiors to fulfil set targets, naturally seek to work with the most willing and responsive villagers who are in practice the rural elite, the richest men in the village. These men can most easily afford experimentation. They also wish to oblige the officials so as to keep their leading position as intermediaries between villagers and administration. Village Level Workers had too little time to devote their energies to explaining the Project's activities to the middle farmers or the poorest section, who are more suspicious and distrustful of the advice of an official. The poorer farmers could ill afford to buy new tools.

Response to New Techniques

A relevant factor here which is not discussed by Professor Dube is the hereditary relationship between farmers and their Untouchable farm servants, which exists in many societies in rural India. If such hereditary relationships exist, they explain the farmers' resistance to new

labour-saving devices. For as long as these exist they secure to the Untouchable farm labourers a minimum of subsistence. If the farmer offers his dependent labourer less work, he must nevertheless still provide him with food. This raises the more general problem of the benefit of introducing labour-saving tools into rural India, where there already exists a high level of under-employment. In such a situation the introduction of mechanical aids is only justified if the tools can perform jobs that cannot be performed by men, but the substitution of tools for manual labour is uneconomical for the country at large, although it may reduce the individual's farm costs. Since community development planning is concerned with the well-being of the nation as a whole, planners should consider this point very carefully.

The response to new techniques depends on more than the mere conservatism of farmers and their labourers. If the new techniques reduce the amount of labour required for a certain operation and the farm labourers are paid a daily rate they will no doubt resist their introduction. If the new techniques are more time-consuming as is the case, for instance, with the transplanting of paddy according to the Japanese method, and labourers are paid a rate for the job, it is again in their economic interest not to accept the new method, unless they are paid more for their greater efforts. In his discussion of this problem Professor Dube appears to have overlooked the importance of these general economic factors: my own experience suggests that villagers are very quick to realise any innovation which is to their own economic detriment, and to resist it.

Religious and Cultural Factors

Other factors such as religious considerations also affect the reaction of villagers to development programmes. For instance, farmers greatly appreciated the gift of a pedigree bull and a breeding buffalo because they realised the necessity of improving the breed of their cattle. But these breeding bulls did not materially improve the cattle situation because of the presence also of scrub bulls. As Siva's mount the bull is regarded as sacred and many are left to roam loose after a death or as an act of atonement. Because of their sacred character interference with their

freedom is regarded as a sin and their castration is unthinkable to most villagers. This is but one of the many ways in which religious considerations far outweigh immediate economic gains.

The villagers' reaction to development programmes is also affected by other cultural factors. One illustration given by Professor Dube is the traditional division of labour between the sexes and the pattern of prestige which were responsible for the villagers' refusal to use the compost pits dug on the outskirts of the village. By tradition it is the woman's job to collect manure, but it would lower the prestige of upper caste women to be seen carrying manure right through the village. So the compost pits remain empty while manure is still collected in the customary fashion.

The caste of the Village Level Worker is another important factor in his influence among villagers. If he belongs to a caste represented in the village where he works, his fellow caste-men are bound to give him unqualified support. But this identifies him with one caste and makes him part of the established system of caste relations within the village. Even if his caste is not represented in the village the Village Level Worker and all development officials who come in touch with villagers face the problem of caste identification. If they interact mostly with upper caste groups the lower castes become suspicious of their intentions to improve the life of all villagers. So where upper caste agriculturists adopt improved agricultural implements, which reduce the demand for labour, the lower castes complain that government is responsible for their economic deterioration. The converse also holds true, so that the Village Level Worker who associates himself too closely with the low castes is accused of being a vote-catcher.

Caste and Economic Status

In spite of the importance Professor Dube attaches to caste in these experiments in social engineering, he himself fails to indicate the caste of the Village Level Worker whose 10-days diary forms an interesting appendix to the study. Nor are we given the caste or the economic status of the agriculturists mentioned in the daily records. In this connection one interesting point emerges from the diary—the discrepancy between the optimism of the

Village Level Worker about his success among the Untouchable Chamars and the remarks made by the Chamars themselves after his visit to their quarters, which indicate that they feel neglected by government and that their poverty prevents them forming a co-operative society on the lines advocated by the Village Level Worker. Their views appear to have substance, for in both the villages studied by Professor Dube, where the Project had embarked on a scheme for paving village lanes, the Untouchable quarters were the only ones left unpaved. The extreme poverty of Untouchables prevents them making the necessary contribution to the cost of certain Project activities. They are deprived therefore of their benefits, although they have to make voluntary labour contribution to schemes which benefit the caste quarters.

The inferior socio-economic status of Untouchables prevails throughout all their relations with the Upper Castes. For instance, the upper castes always welcomed the "shramdan" drives, and through them the repair and construction of roads. Their voluntary labour contribution to these "shramdan" drives consisted in supervising the performance of the work actually done by Untouchables and other low castes. Although the Project planners regarded "shramdan" as an effective instrument for securing the people's co-operation in constructive activities, in actual practice "shramdan" was reduced to the traditional pattern of relations between upper and lower castes: the former supervised and in many instances even forced the latter to perform all the hard work in all communal undertakings of the village. The lower castes naturally resented having to work hard without getting paid for it, but their economic dependence on the upper castes prevented them from voicing openly any protest.

Apart from "shramdan" drives, the Project programmes included little outside the sphere of agricultural extension. Social education was largely limited to adult literacy classes, which found little response among villagers and were discontinued after the first year of the Project's operation. Villagers ridicule those who try to acquire literacy at night school, though they place a high value on education for their children. The upper castes

want their children to get education so as to perpetuate their families' prestige, but they are afraid that education of lower castes will lead these to disobedience. This raises the general problem of the place of the educated villager in rural society. Is he not likely to be a misfit, particularly if he belongs to the lower castes? I once listened to a speech made by a member of the Mysore Legislature on the opening of a school built under the auspices of a National Extension Bloc, who encouraged villagers to send their children to school by telling them that American farmers were educated and therefore owned each about 500 acres of land. To give a villager the idea that his sons will be able to have more land if they are educated is to mislead him; for however educated the future rural population may be, this will not increase the area available for cultivation. What then is the advantage of education, particularly of higher education to villagers? It has been observed that a raising of the level of education leads to a corresponding rise in the level of aspirations. Unless appropriate opportunities are found for all the educated village youth, there is a danger that they will constitute a group of frustrated and under-employed intellectuals. Thus the type and level of education desirable for villagers is another problem which deserves careful attention by development planners.

Professor Dube rightly challenges development planners to attempt a clearer outline of the basic aims and objectives of the rural development programmes. With a clearer view in mind of what society they visualise, the planners should be able to avoid many of the shortcomings which at present reduce the effectiveness of community development.

Central Institute for Study and Research in Community Development

The Central Institute for Study and Research in Community Development was set up in Mussorie, U P on June 9. It is to stimulate thinking in the key personnel engaged in community development programme and to supervise and guide Bloc Development Officers' and other training centres set up by the Ministry of Community Development.

Central Issues in Rural Planning

D Bhattacharyya

We can do more good to the villages by stopping all narrowly conceived programmes of rural development, and by going in for a larger dose of urban penetration, so to say, which alone can bring about the psychological climate in which an all-round development of the villages is possible.

Romantic ruralists may shudder at this proposal, but their values command little respect in the workaday world. If we want the villagers to participate in the great task of national reconstruction, we have to confront them with the necessary challenges.

These challenges can come about only if the urban civilisation relentlessly marches ahead, compelling the villagers to change their traditional ways of life in order to come to some sort of a working compromise with the new ways of working and living prevailing in the urban or semi-urban communities. This means, in effect, that we shift our emphasis from rural programmes as such to town planning or urban community development.

If we can use our resources to divert some of the population from the bigger cities to a fairly large number of small townships dispersed all over the countryside and equip them with the essential urban amenities, the surrounding villages cannot fail to react to the impact of the new way of life which is brought to their very door.

The views expressed in the article are the author's personal views and are in no way connected with his official position in the Planning Commission.

AS everybody knows, it is much more difficult to carry the message of the 'good life' to the rural areas than it is to build up a whole congeries of industries with all their technical complexities. For the technical issues arising out of planning, we may rely on competent technicians. If our financial resources are adequate, we may have no difficulty in moving on to higher and higher technical planes and these will ordinarily give us the best results, if not in the short-run, then at least in the long. But the problems of rural planning are meta-technical. They arise out of institutional peculiarities, cultural non-adaptability and such other intangible factors. Programmes of Community Development and similar others have come into prominence in recent years carrying an assurance that these factors are not immutable, that rural society is not in fact impervious to the influences of modern 'scientific' existence and that it can be stirred to life with a little push on the part of the more advanced segments of society, which in effect means today the Government of the country.

This is the theory and it rests on the assumption that the urban holders of political power have an unsullied interest in helping the rural people to their feet. One may question this basic assumption. One may, for example, be permitted to wonder whether much of the interest in rural development that one sees nowadays is not merely for the sake of getting the political support

of the rural voter. It is, of course, true that in an ultimate sense the prosperity of the urban areas is bound up with the development of the rural communities.

But the actual urban-rural nexus, as it has developed historically, has been of a different nature altogether, based on relations of feudal and commercial exploitation, and it is doubtful whether the city-dwellers can have any real interest in the development of the rural community per se. They may be interested in developing the resources of the rural areas; but that can mean something very different from what is implied in the usual meaning of the term 'Community Development.'

Upper Strata Benefits

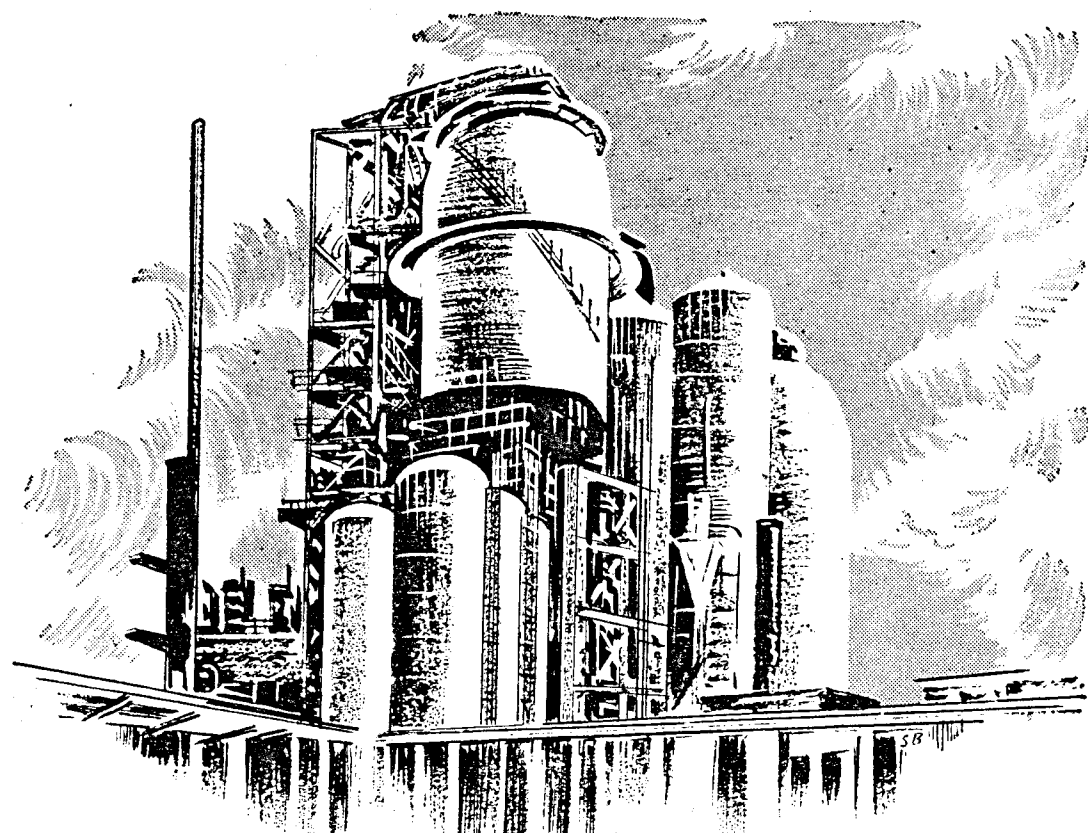
Even if we put these disturbing doubts aside, what remains in the currently accepted programmes of community development? You let loose some educated people, attuned to the urban way of life, in the midst of the villagers. The problem of adjustment is simply tremendous. It is equally painful for the development staff who must seize every available opportunity to rush to the District Headquarters, (incidentally, the 'jeep' has come in for a good deal of ridicule in the C D areas) and the villagers who suddenly see some alien people planted in their midst. It takes a long time before a reasonably satisfactory relation is built up between the development staff and the villagers. But which of the villagers? Not the very lowly and down-

trodden who stand most in need of integration into the rural community, but the people who can come nearest to the development staff because they stand at the very top of the rural hierarchy.

It is no wonder, therefore, that, as the Evaluation Reports have repeatedly pointed out, the benefits of rural development programmes undertaken so far have gone largely to this upper stratum of villagers. Materially there may have been some little gain. Productivity may have increased in certain directions and hence incomes too; but inequalities in rural society may have increased at the same time. What is more important, this inequality must be preventing the emergence of the rural community that was supposed to move forward on its own steam. The smooth functioning of community life in the rural areas demands as its very first condition that existing inequalities, which are considerable and multifarious, must in no way be aggravated.

'Casual' Extension Work

It was perhaps a mistake on the part of the Indian Planners to put too much faith in an extension service of the American or British type, which may have its own uses but cannot be expected to work wonders, especially under the circumstances prevailing in this country. To be successful an extension service requires facilities of communication, in both a physical and a spiritual sense. Indian villages, unlike



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THE ECONOMIC WEEKLY

American or British, have been too long cut off from the main stream of urban existence to be able to benefit from casual extension work.

The word 'casual' is used here deliberately. Extension Work in India has still to develop a sense of purpose and a unity of direction. Too many cooks at present tend to spoil the broth. There is too much formality in the manner of approach and inter-departmental jealousies stand in the way of the farmers' requirements being studied as a whole, much less attended to as a whole. The piece-meal reforms which are nowadays known as extension work, were not unknown even during the British regime. It does not matter much that the volume of effort and expenditure connected with so-called extension work has gone up by leaps and bounds during the last decade, for the lack of a unity of approach to the villagers' problems for which we used to condemn the agricultural policy of the Imperial regime still remains the biggest problem with us.

Naive Attitude

In India the real problem is not only one of carrying knowledge to the farmer but of carrying to him a whole set of new values. That explains why extension work of the traditional type has failed to bring about any significant changes in the life of the rural community. This has led some people to argue that all that the Indian villages need is extension work of a more intensive nature. Because of the very heavy demand on resources, both in men and money, which such intensive development work makes, the present idea is to try out such programmes for a short period only and in selected areas. This is to be followed by a 'post-intensive' phase during which outside assistance for rural development is to be reduced to the minimum.

This sort of phasing of the programmes of rural development betrays a naivete that is almost staggering. To suppose that you can fix in advance a period of apprenticeship for the villagers after which they can be left to run their own show, is fantastically unrealistic. Its only sequel has been that intensive development work has created a set of vested interests in the administration and in rural society in general. The cessation of the inten-

sive phase merely causes embarrassment to these elements without in any way building up the inner strength of the rural community.

II

Democracy of the Soil

Faced with these difficulties inherent in the Community Development Programme, the Balwant Rai Mehta Committee has swung to the other extreme and pleaded for a larger dose of self-government for the rural community. It is true that officials responsible for extension work have up till now, by and large, prevented the emergence of a "sense of belonging" in the rural community. The villagers have looked up to the officials for material assistance, but there the matter has ended. Very few of the development staff could realise that their duty was to call forth local leadership, local initiative and local resources. But supposing that this realization on their part had been perfect, could things have been very easy that way?

Shortage of Personnel

Anyone who has a more than casual acquaintance with our villages will bear testimony to the fact that democracy can work there only against heavy odds. In a community where social, economic and cultural levels are so varied as in an Indian village, democratic institutions take time to strike roots. The introduction of politics upsets the delicate balance of interests that was maintained so long, partly under outside influence and partly through a dim realisation of its necessity. It is no answer to this to say that disparities are even more marked in the nation as a whole and that if democracy can successfully work in the field of national politics, there is no reason why it should fail in the rural areas. The answer to this is simply that national analogies do not apply to village politics. Most national issues are so remote from our daily experience that we do not normally react very emotionally to them. Local or parochial issues on the other hand are apt to arouse a good deal of passion, and where passion has its sway, democracy can hardly hope to succeed.

This need not be taken to mean that villages must for ever remain closed to democratic institutions or

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that Government should discontinue its present attempts to introduce different types of self-governing institutions in the rural areas. Such institutions no doubt offer a good field for training in democracy. But it is one thing to build up such institutions for limited local purposes and quite another to make such institutions the chief instruments for bringing about the much-needed transformation in the rural areas. The idea that the self-governing local institutions can secure and spend all the resources that can be spent for economic and social development seems to us to be a bit premature, to say the least. It is difficult to believe that (considering the nature of the rural society in large parts of this country) rural self-governing institutions can also become self-propelling. We shall have to wait for such a happy consummation till the time when economic forces succeed in making rural society much more homogeneous than it is at present.

Even if local institutions grow up in plenty they will have to suffer from the existing shortage of personnel capable and willing to contribute to rural development. If the National Government is unable to attract a sufficiently large number of qualified people for rural services, is it not too much to expect that the isolated rural communities will be able to obtain their services? Decentralisation, even if it is effective, will mean a multitude of different standards in educational, medical and other essential community services. In the Indian context this will inevitably mean that only the minimum inescapable responsibilities will be taken up by the local self-governing institutions.

III

Urban Penetration Necessary

If neither the official development staff nor rural self-governing institutions can prove equal to the task of rural development, what is the alternative left to us? Does it not mean that all proposals and programmes for rural uplift must go awry because no suitable implementing agency is discernible? This conclusion cannot be avoided so long as we insist that the present character of the programmes of rural development must on no account be changed. So long as rural development programmes remain simply 'seed and water' pro-

grammes, with perhaps some construction work thrown in, these difficulties are bound to crop up. But with suitable modifications in the contents of the programme, much may still be done to bring about the necessary social changes in our rural areas.

The above discussion of the difficulties involved in rural planning need not be taken to mean that we are in favour of letting things take their own course. But the type of programme which we have in mind is not going to concern itself directly with rural uplift. It is our considered belief that we can do more good to the villages by stopping all programmes of rural development, narrowly conceived, and going in for a larger dose of urban penetration, so to say, which alone can bring about the psychological climate in which an all-round development of the villages is possible. Romantic ruralists may shudder at this proposal, but their values command little respect in the workaday world. If we want

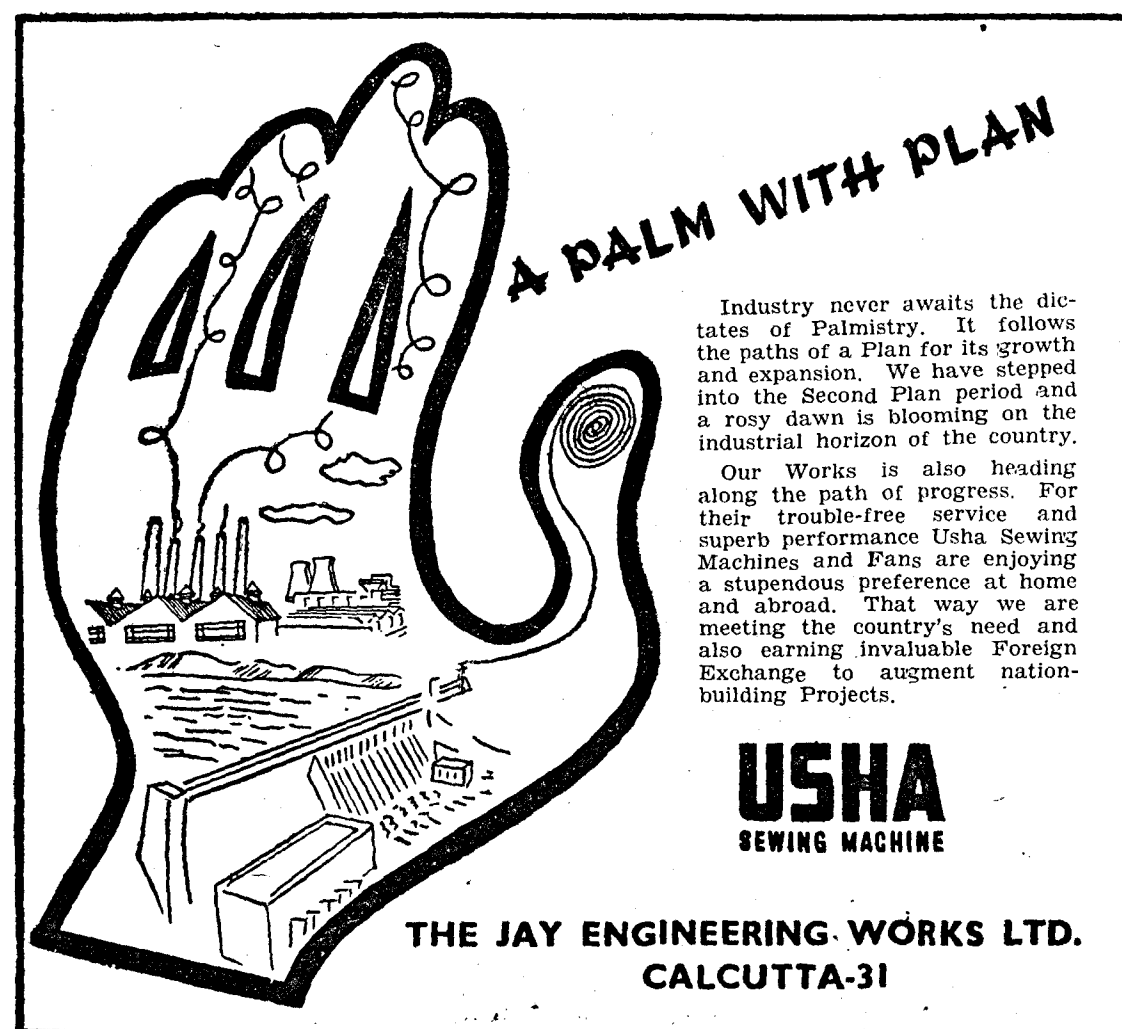
that the villagers should really participate* in the great task of national reconstruction, we have to confront them with the necessary challenges. These challenges can come about only if the urban civilisation relentlessly marches ahead compelling the villagers to change their traditional ways of life in order to come to some sort of a working compromise with the new ways of working and living prevailing in the urban or semi-urban communities.

Shift in Emphasis

This means, in effect, that we shift our emphasis from rural programmes as such to town planning, or urban community development. If we can use our resources to divert some of the population from the bigger cities to a fairly large number of small townships dispersed all over the countryside and equip them with the essential urban amenities, the surrounding villages cannot fail to react to the impact of the new way of life which is brought to their very door. To the

average villager of today the 'good life' is something remote and mysterious; but if he sees it round the corner he will very soon try to make it a part of his being. We believe that this now remains the only effective way to build up rural society 'from below'.

A programme of this nature need not suffer from the incompatibility between the tastes and training of the programme personnel and the nature of the task that they will have to undertake. But it may, of course, run against other difficulties. The preference-pattern of the urban population will have to be interfered with and the giant cities prevented from drawing more people to them. Some established habits associated with big city life will have to be changed and a new structure of urban occupations has to evolve. But these difficulties appear to us to be less formidable than those involved in the building up of rural communities with materials that are unsuitable for such a task.



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Evaluation of Community Development

Some Basic Considerations

D Ghosh

The Community Development Programme is the means, and the development of our rural communities in terms of material and human resources is the end.

There are three tests to which means should be put. Are they appropriate to the ends they are intended for? Are they equal to the magnitude of the tasks involved? Has the Programme discovered correct techniques of securing people's participation in development activities?

The object of this note, however, is not so much to put the Programme to these tests as to bring out some of the basic issues involved in social and economic change which suggest the kind of tests that should be applied to the Programme.

TO EVALUATE something is to appraise it or determine its value in terms of something else. One can therefore evaluate means in terms of ends; one cannot appraise ends except in terms of more ultimate ends to which the former stand in the relation of means. We shall not, therefore, judge the ends of the Community Development Programme; they should, however, be clearly defined before the means can be evaluated.

The basic objective of the Community Development Programme is the development of our rural communities in respect of their material and human resources. The former implies increased production in agriculture and rural industry and higher standard of living for the mass of the rural population. The latter implies the growth of a sense of belonging together, which will express itself in lively concern for problems of common interest and readiness to act together in solving them.

Factors Inter-related

The two aspects of rural development are inter-dependent in the long run; the long-term growth of a community's material resources depends on the moral and intellectual development of its members, on their knowledge, skill, intelligence, enterprise and their willingness to employ these in the service of the community. Conversely, the increase of material wealth renders investment in the development of human resources less and less difficult.

However, there is some choice in the short run between the two aspects of development; it is possible to develop the material resources of a community, up to a point, without corresponding development of

the individuals who constitute the community. It is practicable to develop a rural area and increase the yield per acre of the land and the output of rural industries by methods which call for little active participation by the people except as hired or dragooned agents of production. This is the method of bureaucracy and in particular of colonial administration. The Community Development Programme has eschewed this choice; its central objective is the development of the community, the development of its material resources being a means to its own development.

At any stage of the programme, however, there is the problem of proper division of its resources between social and economic objectives. There is no unique solution of this problem, in fact, the solution belongs to the art of social or economic engineering and the division of the total resources between the two objectives must be made, at any point of time, by reference to the stage of development of the rural society in question, its social and economic characteristics, the relative urgency or value of social and economic investment in terms of its own long term growth and of the requirements of the larger national economy and society of which it is only a part.

Means and Ends

The Community Development Programme has to be evaluated as a means to the realisation of these ends. There are three tests to which means should be put. Are they appropriate to the ends they are intended for? Are they adequate to the magnitude of the tasks involved? Has the Programme discovered the correct techniques of securing the people's participation in its activities?

The object of this note is, however, not so much to put the means, i.e., the Programme to these tests, as to bring out some of the basic issues involved in social and economic change which suggest the kind of tests that should be applied to the Programme. It would be useful to deal with economic and social development separately. Economic development is, by and large, a matter of organising economic resources in proper quantities, and educating people on their use. Take, for example, increased yield per acre of a certain crop. It depends, among other things, on the use of improved seeds. The function of the Programme is first to convince the farmer of the real superiority of improved seeds over the unimproved varieties, to arrange for the proper supply of the improved varieties and to help organise the disposal of the larger output at prices which leave an adequate margin of profit to the producer.

By and large, the adjustment of means to ends in the economic field is a matter of costs and returns. The work of extension consists mainly in convincing the farmer of the real superiority of the improved practice over the old method by demonstration or otherwise, and educating him in the use of the former. There may be some psychological resistance on the part of the farmer to the acceptance of the new practice; but it is likely to be small and temporary, except where, as in the case of excreta for the making of manure, the new practice calls for a revision of personal and social values.

Projects of Common Benefit

One should also draw a distinction between economic projects of individual benefit and those of common benefit. They require the



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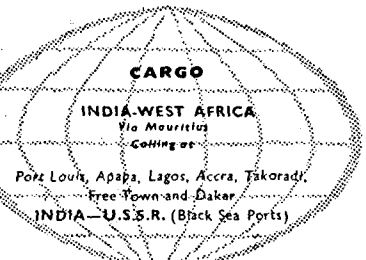
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active cooperation of more than one person and there is often no necessary relation between the contribution made by an individual to the common project and the share of the common benefit received by him. The main function of public economics has been to devise techniques of taxation and modes of public expenditure which will solve this problem on some basis of equity. In the unregulated rural society, the sharing of the common benefit tends to be influenced by the distribution of social and economic power among classes and individuals. Those who are powerful use their power to secure the largest share of the benefit accruing from the common project, while the weak and the socially depressed tend to stay out of such common enterprises.

Moreover, participation in a joint enterprise, e.g., the cooperative society, on a footing of formal equality runs counter to current ideas of social hierarchy and social prestige. The rich and the powerful try to re-establish the social distance within the framework of formal equality, while the poor and the weak yield to the unseen pressure of social opinion and accommodate themselves to the de facto arrogation of power and authority by the rich and the powerful. The fundamental facts of social stratification tends to twist democratic institutions in their actual operation, and make a mockery of economic democracy. In this field the limitations of the economic forces have to be corrected by social education.

Structure of Rural Economy

Social change is a much more complex affair than economic development. It is in part the result of economic development; both the degree and the manner of economic advance exercise important influence on social values, social attitudes and social relations. But the extent and manner of economic change must be sufficiently large and even abrupt to produce significant effect on social relations and social values. Economic revolutions have been invariably accompanied by social upheavals. However, the Community Development Programme in our own country is both orthodox in its pattern and modest in its resources. It seeks to raise the income and standard of living of the rural population on more or less existing lines and except in

so far as it succeeds in extending the scope of cooperation in rural life, its direct impact on the structure of our rural economy and on the pattern of social relations in the villages is likely to be small.

The desired social changes in the rural areas must therefore come about, in great measure, as a result of the operation of the social part of the programme. Some social changes—and these will be very important indeed—will result from movements and measures outside the programme, e.g., land reform, general education of the people, political franchise, increasing contact of villagers with the world outside the villages, movement of population between villages and towns etc. The rest has to be accomplished by the part of the Community Development Programme which is directed to social advance.

Instruments of Social Change

The social change must be in the direction of social democracy, towards equality of social status and increasing social consciousness on the part of the mass of the rural population, which will express itself in increasing participation in projects of common benefit. The primary instruments of deliberate, planned social change are education, social institutions and legislation. Only the first two would be considered here, in the context of community development.

The effectiveness of either of these instruments in a particular society depends on its character. There is extensive literature on this topic. Here only a few broad statements will be made: these may help us to understand more fully the problem of social change in our rural society. In the first place, social change takes place more easily or with less difficulty in an advanced society than in a backward community. There is not only a greater consciousness of social responsibility in the former and greater resources for social adjustment, the environment in such a society is in flux and the individual member acquires a capacity for ready adjustment to new situations. Secondly accommodation to new social relations is less difficult in the relatively impersonal environment of urban areas than in the face to face world of the rural community. Finally, the difficulties of social change are

greater, the more individuals are grouped in castes and sub-communities which are separated by wide social distances. Our rural society has been, generally speaking, static or stagnant for decades, the environment in which the villager lives is intensely personal, while his primary loyalty is to his caste or religious group rather than to the larger village community. Obviously, the move towards social democracy in such a society must be difficult and slow, and any large advance would seem to await fundamental alteration of the framework of our rural society.

Education and its Content

To take up education first, as an instrument of social change. The mere fact of gathering boys and girls belonging to different castes and religious communities and social strata in the village under the same roof for a common purpose must, in some measure, affect their social attitudes, if not their social values. But the effect is not likely to be enduring. The relationship between boys or girls, or between boys and girls who belong to different castes and social strata is not regarded as part of the wider social relationships on which the framework of a society rests. Indeed, boys of different castes in a village may play and study together and even become friends, without seriously affecting their social relations in the adult period of their life, and it is the relation between adults which determines the social structure of a community. From this point of view there is a strong case for the extension of teaching of the adolescents and the youth of the village in common institutions. This may help to reduce social distance between members of different classes and castes at a time when they normally drift apart and the social distances tend to re-establish themselves.

The primary value of education, however, is to be found in its content. If education is to be the chief instrument for social democracy, not only should the schools and other institutions be open to boys and girls and men and women of all castes and classes, but the content of that education must be oriented to the ends of social democracy. The teacher and the text books should emphasise the new values of social equality and civic

responsibility rather than concentrate on an uncritical glorification of our past and indirectly, of a form of society with its social divisions and classifications that are inconsistent with rural democracy.

There is a danger here of our basic education schemes unconsciously lending support to social stratification. While education should be close to the facts, in particular to the ways by which boys and girls have to earn their living later in life, the tendency to encourage the carpenter's son only to take to carpentry and the potter's son to pottery would only help to continue the social distance between them in later life. A carpenter's son to become a potter and a potter's son to train himself to be a carpenter would help to reduce the social distance between carpenter and other castes. Occupational mobility is as important a force for social equality as social miscegenation.

The Role of Institutions

The role of institutions is a matter of considerable difficulty. Co-operation for a social purpose tends to assume the institutional form where it is sufficiently wide and continuous and stable. Institutions here represent a natural evolution in the growth of social cooperation. There is however a tendency to conclude from this that if only the appropriate institution is created, it would bring about the desired social cooperation. The utility of such institutions is doubtful; they often remain as empty monuments to fruitless efforts. The proper course would therefore be to rely upon the evolution of the cooperative spirit to lead to the emergence of the right kind of institutions, rather than impose on the community institutions based upon pre-conceived notions or notions borrowed from widely different social milieu. But this would be regarded as a counsel of perfection or of despair. Moreover, institutions deliberately created with as much people's participation as can be had, create opportunities for cooperation which have some educative value of their own. They embody new and democratic ideas in their objectives and constitution, bring people together for the execution of common purposes, help members develop habits of cooperative action, demonstrate the value of orderly procedure etc.

The basic problem here is the choice of the proper institution or institutions. The first step is to discover the felt needs of the community and to devise institutions which can satisfy those needs adequately. The great willingness of the Indian villagers to contribute to the building of primary schools for boys and girls in the villages is an evidence of the importance they attach to the education of their children. By contrast, they have as yet shown little or no interest in the education of their womenfolk; in the circumstances of their existence, women's education does not as yet seem to figure as a felt need.

There is, of course, the consideration whether the creation of an institution may not lead to the emergence of a new need which is not actually felt but should in the interest of rapid advance be felt. Here we are on doubtful ground; an institution may help crystallize a need commonly but vaguely felt; it rarely succeeds in creating in the minds of the participants an intense feeling for a need which does not really exist. It is advisable to consider whether such institutions really promote social cooperation. The harm that they may do because of their ineffectiveness may be considerable.

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Techniques of Collective Deliberation

Conferences and Seminars

I P Desai

There has been a spate of conferences and seminars ever since Independence. In them one can see the development of new techniques of collective deliberation or co-operative thinking, as also a recognition of the role of experts.

But seminars are also employed for taking decisions on important problems, and in such cases, their decisions are represented as decisions of experts, who may sometimes be experts only by ascription.

Moreover, being invited as an expert gives one a status and consequent advantages. If experts lend weight to the bureaucracy, the bureaucracy also lends weight to the experts.

The seminar, which is quite useful as a technique of deliberation, can also become a dangerous instrument in the hands of bureaucracy which may push forward its decisions under the convenient democratic cover of consultations with non-official experts.

It is worthwhile investigating how far this fear is warranted.

THE post-Independence period in India, while witnessing other activities, has also seen a spate in conferences, seminars and the like. There were no doubt conferences and conventions in the pre-Independence period too. But, in recent years, the number of conferences and seminars and the frequency of their meetings as also the number of persons participating in them have assumed such proportions that they call for attention. It is not merely the quantitative aspect of these conferences which deserve attention, but also the attitude of the class of people who participate in them and the importance attached to their decisions.

Related to Social Change

The ostensible purpose of these conferences or meetings is to bring together persons of different views and interests in the same or different fields and promote exchange of ideas with or without a view to arriving at the greatest common measure of agreement for action. These conferences are efforts at co-operative thinking. They are meant to be an aid to correct action. Actually, there is nothing objectionable in these activities: they may even be deemed necessary. With increased division of labour and specificity of action, the need for co-operative thinking and action increases. The heightening of activity in the shape of conferences and seminars may be indicative of this trend.

With increase in the division of labour, the number of persons allocated to different divisions increases, and consequently, these interest groups in society multiply, new groups arise and the question

of relationship among themselves and with the old groups crops up. This may lead either to a reshuffling of the old social stratification or to the creation of a completely new one. Thus, in the ultimate analysis, the phenomenon in question could be related to social change. Understanding the phenomenon in this way, it would be fruitful to inquire into (1) the number of conferences and seminars and the fields that they cover; (2) the sponsors of these seminars and conferences; (3) the persons attending them; and (4) the decisions arrived at.

Many and Varied Sponsors

In the past, the conferences which were best known were those relating to different university subjects and to different economic and political interests. There has been a quantitative change. In addition to those that were being held in the past, a large number of meetings are now held for narrower and specific problems. For example, there may be a seminar on slum clearance or a seminar on methods of teaching in class-rooms or the teaching of the languages or there may be a seminar on the uses of atomic energy. A list of the seminars that are held would be quite instructive. It would reveal the problems and interests that engage us and the way we are alive to them. We might be able to glean from such a list a number of new interests, or there may be a new way of looking at old ones.

In the pre-Independence days, the word 'seminar' was hardly known at all. The conferences and congresses that were held in those days were sponsored by non-official

bodies. The favourite creations of Government were commissions and committees. Even today such commissions and committees are being sponsored by Government; but, in addition to them, there are seminars such as on community projects sponsored by Government exclusively for Government employees. There are also Government-sponsored conferences and seminars attended by non-Government invitees. And there are seminars and conferences sponsored by private agencies, but partially aided by Government. That is not to talk of the several seminars and conferences sponsored by foreign trusts and foundations or by international organisations such as the WHO or UNESCO. On the whole, it would not be wrong to say that Government is the single largest sponsor of these seminars, followed by foreign trusts and foundations and international organisations.

A very pertinent question that may be raised in this connection is: does the sponsorship affect the deliberations of these bodies? It would be puerile to suggest that Government or any other sponsor would order a particular decision or even give a directive. The question can be properly answered by observing the personnel attending the seminars and conferences and examining the decisions taken by them. Before we come to that, we may further note the differences between conferences and seminars.

Seminars and Experts

Conferences are generally sponsored by non-Government bodies, and they are usually large gatherings, the attendance being governed by the payment of membership

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fees. There are a variety of conferences depending on a variety of interests—such as caste conferences, conferences of artists and literary men and also conferences on academic subjects of the type being held in the past. Qualitatively they are not new. All of them no doubt have a significance, though we are not considering all of them here. In this note, we have only conferences on academic subjects in view.

To go back to the question of distinction between a seminar and conference, it must be pointed out that attendance at a seminar is not by membership but by invitation. There is no permanent organisation behind seminars, and they cease to exist as soon as a particular session ends. Sometimes attendance at a conference, too, may be by invitation, but such a conference ends with a particular session. Such Conferences are organised to discuss special problems as they arise. Seminars and conferences of this type are not permanent bodies, representing specific interests. They are generally meetings of experts in different fields. They, therefore, carry with them the weight not so much of a vested interest, but of disinterested experts or scientists. For that reason, their deliberations and decisions have a different influence. They are at times called by Government for Government employees only, and sometimes non-Government experts too are invited. Even where only non-Government experts are invited, the seminar may be sponsored by Government.

Experts by Ascription

The seminar thus represents not only a new technique of deliberation, but also signifies recognition of those people whom we shall call 'the experts'. The class of experts existed in the pre-Independence period too, though it was probably small. But the recognition it has earned is undoubtedly a post-Independence development. Theoretically, there is no reason why sponsorship should affect the deliberations and decisions of experts who are known to be free and independent thinkers. Whether this is actually so or not could be empirically judged by the proceedings and decisions at the conferences and seminars and deductively by the qualifications of the invitees.

As has been mentioned, the

attendance at conferences is by membership, and the only qualification required is that one should be a member of a particular profession. At conferences on university subjects, which is the main theme of this article, the participants are naturally university teachers, and it is only recently that some former university teachers who are in Government or industry also attend them. But their attendance is more an exception than a rule. As a matter of general practice, the expenses of attendance are met by the institutions in which they serve. And it is almost always the head of the department who attends the conference. There have been instances in which university teachers have retired without attending any conferences because they never reached the top. Similarly, when attendance at a conference or seminar is by invitation, it is usually the head of the department concerned and or his nominee who gets the invitation. Therefore, the other teachers in the department have always to be in the good books of the head, and the delegation to a conference becomes a favour like an examinership bestowed by the senior man.

In this way, though a conference of academicians is open to all, in practice it is the element of seniority in office and one's relationship with the head of the department and not academic achievements that determine the selection. Thus, a large number of those who are invited to participate in discussions are considered competent to do so, not so much because of their capacity to deliberate as because of the positions they hold in their respective organizations. It may be argued that the positions they hold are due to their capacity to deliberate. While it is true that the positions in question need persons of such capacity, it does not follow, at any rate in the present circumstances in the country, that persons holding these positions necessarily have that capacity. As a matter of fact, the complaint from some quarters is that many of them are proving unequal to the changing situation. Deliberations at annual conferences on different subjects are not found to be of a very high standard, and these conferences are not taken to be anything more than annual social gatherings. Thus, the quality of

deliberations at these conferences is not what it is expected to be.

In the actual proceedings of these conferences too, it is not rare to find a tendency towards bossing or indifference on the part of the 'seniors' and luminaries. The ostensible purpose of co-operative thinking and action is largely nullified in practice. Thus these conferences fail to wield influence as organisations of experts because the participants are experts by ascription and not by achievement.

Seminars Fare No Better

The seminars and such conferences held on the basis of invitation are smaller bodies and the invitations go to persons having certain achievements to their credit in their respective fields. The experts are thus selected, and these meetings may therefore be expected to fare better than those in which attendance is by membership. Here again, we can judge the performance empirically by studying the proceedings and decisions of these gatherings and deductively by observing the invitees. These invitees are presumed to have been called for specific achievements in their respective fields, and not because of their membership of a profession or of the office they hold. The tasks set before them are also specific. But these experts are selected from the larger body of experts who attend the usual conferences, and the normal manner of selection is by calling the senior man. The only supposed improvement over the conference method is in the selection of the better ones among the seniors. But the assessment of who is better and who is not is left to the selectors who are generally Government officials. They might consult others as to who should be invited; but this consultation can, and very often does, mean that people are invited for the connections that they have had with Government officials. This detracts from the quality of the invitees.

Another practice is to ask institutions to send their representatives or delegates, and, of course, there is the senior man or the 'influential' one in the institution, who may himself go or send his nominee. Thus even in smaller bodies like seminars, the principle of ascription creeps in. Thus deductively arguing from the quality of the personnel, the deliberations at semi-

nars also are not what they are expected to be. This deduction could be empirically checked. There is a strong feeling that claims made for the achievements of these seminars are rather exaggerated. Like the conferences, some seminars where the invitees are not given a problem to solve but are only invited to exchange ideas, learn something and improve themselves, have become a joke; and they are considered as enjoyable outings at the expense of Government or the institutions. Moreover, they are often held at hill-stations or places which have pleasant environs.

Thus, to the extent that the selection of participants in seminars and conferences is left to sponsors, sponsorship affects the standard of deliberations. This does not mean that sponsors expect the deliberations to be in favour of the views which they hold.

The formulation of problems, whenever made by the sponsors, limits the deliberations at seminars. Sometimes, when the director of the seminar is left to formulate the problem, the sponsorship does

not affect the deliberations. One may give the instance of the seminar held on the 'Unity of India' under the auspices of the University Grants Commission. Another seminar held under the same body on 'The Teaching of English' had also a very specific problem, and the participants were expected to perform a technical job. This was very efficiently done.

Thus, all seminars are not of the same category. Some of them, which do not go beyond performing the technical job, might prove to be very fruitful in terms of efficiency. But seminars are also employed for taking decisions on important problems, and in such cases, they lend weight to the deliberations. Their decisions are presented as decisions of experts, whose quality, as we have seen, is not beyond doubt. In such cases, the seminars may prove to be dangerous instruments in the hands of the bureaucracy, which may push forward its decisions under the democratic cover of consultation with non-Government experts. The experts on their part, being what they are, are not prepared to

risk their relationship with Government. (A few months ago a writer in the 'Economic Weekly' questioned the decision of the Panel of Economists advising the Planning Commission.) Being invited as an expert gives one a status and consequent advantages in one's own institution and the world outside. If experts lend weight to the bureaucracy, the bureaucracy also lends weight to the experts. The two work hand in glove. The alliance between the two is facilitated by the recognition that university degree holders have got for the first time after Independence. Quite a number of them have been absorbed in Government, and those outside look to Government for such and other favours. In return, the expert outside Government tries to be convenient and accommodating to the one inside Government.

The seminar, which is quite useful as a technique of deliberation, can also become a respectable instrument for furthering the views and interests of a section of the people. It is worthwhile investigating how far this fear is warranted.

The Choice of Technique An Alternative Formulation

A K Dasgupta

Even in a state of unemployment, the employment of labour, if carried far enough, does involve social cost, even if indirectly, through loss of efficiency on the part of the agencies from which savings are drawn.

The social cost of employment of labour in an over-populated, under-developed country is surely less than the market rate of wages, but we shall go wrong if we equate it to zero just because there is a plethora of unemployed labour.

In choosing our technique of production, we must go by a 'shadow price' of labour given by the opportunity cost. But it will be rarely that the criterion of minimum cost will justify the adoption of a technique that would correspond to maximum output.

WHEN factor prices are given and constant—as they are supposed to be to a firm under theoretically perfect competition—and factor proportions are variable, you choose that combination of factors in production which equates the relative prices of factors to their relative marginal productivity. The object is to minimise cost of a given output. The combination that you choose gives you the technique of production. The prices of factors depend upon their relative degree of scarcity. If labour is more scarce, relatively to capital, you choose a relatively capital-intensive technique. If, on the other hand, capital is more scarce than labour, you choose a relatively labour-intensive technique. The production function, together with factor prices, solves the problem of choice of technique.

Let us be clear about the assumption that we are making here. The output is given, and the same given output can be produced by varying proportions of capital and labour. You may use a little less of labour and a little more of capital, or you may use a little more of labour and a little less of capital, and yet you will get the same output. There is, however, one particular proportion which satisfies the minimum cost condition, and it is this proportion that you choose. The technique thus is independent of the scale of production.

Criterion of Minimum Cost

Now vary the hypothesis and assume that the volume of capital—however it might be measured—is given, while labour is variable at constant price. Here the output will vary with every variation in the labour-capital ratio, i.e. with every variation in the technique of production. In what manner? Applying the so-called law of non-propor-

tional returns, one finds that with given capital and varying labour employment, the output goes on increasing up to a point and then declines. Over a range, increasing labour-capital ratio yields increasing returns. But beyond a point, there is too much of labour used with relatively too little of capital and you have the phenomenon of 'diminishing returns'. Where do you fix your technique in this case? Applying the principle of minimum cost, you choose that technique where the wage rate is equal to the marginal product of labour. If you make your technique more labour-intensive, although your total output may increase, the wage rate exceeds the marginal product and therefore the average labour-cost of output increases.

In both these cases the criterion of choosing the technique is the same—the criterion of minimum cost, which is the only valid economic criterion. However, whereas in the former case, since the output to be derived is given and the problem of technique is a problem of the substitution of labour for capital, the pertinent equation is the equation between relative factor prices and relative marginal product,—in the latter case, since the volume of available capital is given, so that capital figures as Ricardian land, the relevant equation is the equation between the price of the variable factor, labour, and its marginal product.

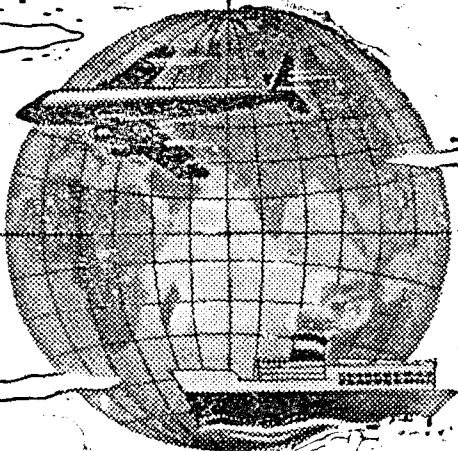
Capital Given, Labour Variable

Now, it is this latter hypothesis which forms the basis of recent discussions on the choice of technique. The discussion arose first in the context of the reconstruction of war-devastated economies and then extended to the problem of planned development of under-developed economies. These economies have

two things in common,—a plethora of unemployed labour and a limited supply of capital. The aggregate of this capital is composed in varying proportions of foreign aid (Marshall Aid, for example), and internal savings. It is reasonable to assume in the context of these economies that, while the form in which capital is to be used is variable, the volume of capital as such is not. Since, therefore, the form which the given capital is allowed to assume determines the amount of labour that a unit of capital can accommodate at full capacity, the question naturally arises as to how labour-intensive (or capital-intensive) the technique of production should be,—what, in other words, should be the amount of labour employed per unit of capital with reference to the varying forms that the available capital might be given. The problem is complicated by the fact that there exists in such economies a plethora of unemployed labour, so that the supply of labour is perfectly elastic as much to the economy as a whole as it is supposed to be to a firm under perfect competition.

Maximum Surplus vs Maximum Output

The answer given to the question by the post-war economic theorists who have worked in this field has been based on alternative criteria of policy. I shall take two of these criteria which have figured rather more conspicuously,—the criteria of maximum surplus and maximum output, and see what they precisely mean. For my purpose, which is just illustrative, it is enough if we take the simple, single-product model. Given the volume of capital, the output is a function of the amount of labour employed, i.e. of the labour-capital ratio. Thus, with each technique of production, there is a



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corresponding output. The form of this function is, however, such that as we go on increasing the labour-capital ratio, the resulting output increases up to a point and then it declines. There is therefore a certain labour-capital ratio which corresponds to maximum output.

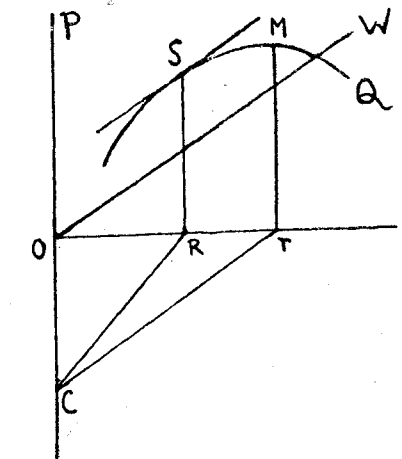
There are those who argue that, since the opportunity cost of unemployed labour is zero, employment of labour should be carried up to the point of maximum output and the technique adjusted accordingly. This certainly is a point where we have currently the highest standard of living for the population. If you go beyond this, you increase employment, but you reduce output at the same time. On the other hand, there is another point where, at given wage rate, the surplus of output over the total wage cost is maximum. The technique which gives you maximum surplus is, given a positive wage rate, necessarily less labour-intensive than the technique which yields maximum output. That we should not choose a technique less labour-intensive than the one that yields maximum surplus or that we should discard any technique more labour-intensive than the one which yields maximum output, is agreed on all hands. But as between maximum surplus and maximum output there is, it is held, a real problem of choice. Assuming that the whole of wages is spent on consumption and the whole or a constant proportion of the surplus is invested, it is argued by some that the technique which yields maximum surplus is the one that should be adopted for it makes for maximum rate of growth.

Choice of Objective?

Let me illustrate the point with reference to a diagram which Prof A K Sen employs in this context (Quarterly Journal of Economics, November 1957).

Measure labour along the horizontal axis (OL) and product along the vertical axis (OP). Suppose the given volume of capital is OC, shown below the line, and, with varying degrees of employment of labour, you have the resulting product given by the curve Q, which slopes upward up to a point, say, M, and then declines. The labour-capital ratio is given by $\angle RCO$, $\angle rCO$ etc and the corresponding total output is measured by RS, rM etc. OW is the total wage curve. It is a straight line by hypothesis, for the wage rate

(given by $\angle WOL$) is constant. Since the curve Q starts sloping downward from M, the point, M, represents maximum output, while the point, S, tangent through which on the Q curve is parallel to OW, represents maximum surplus. The corresponding techniques are given by the labour-capital ratios measured by $\angle rCO$ and $\angle RCO$. If you are interested in maximising the current level of income, choose your technique at M. If, on the other hand, you want the rate of growth to be maximised and work for a higher income for the future generation, choose your technique at R. This is how the problem is usually stated. So sharply are the objectives often contrasted that at least one writer has been led to wonder if the pro-



blem posed is a problem of choice of technique at all,—if it is not just a choice of objective (Economic Weekly—Annual Number, 1958: "Choice of Technique" by D Ghosh).

Maximum Output

However, the matter may be put somewhat differently so as to conform to our accepted economic criterion. The economist cannot obviously decide on any issue between objectives. But cost-price considerations are surely within his domain. And in this particular context of choosing the technique, we do not need to go beyond these considerations; the enunciation of alternative objectives is beside the point.

The accepted economic criterion for a policy decision is the criterion of minimum cost. Applying this criterion, we might say that, if for producing a commodity, different alternative techniques are available, that technique is to be chosen which conforms to the principle of minimum cost. The condition of minimum cost as regards the kind

of hypothesis that we have taken is, as we have seen, an equation between wage rate and the marginal productivity of labour. At what technique would the condition be fulfilled? The real problem lies here, for it depends upon what wage rate we take into account for purposes of our calculation. If we go by the market wage rate, which is given by $\angle WOL$, the technique at R is the relevant technique. The marginal product of labour is given by the slope at any point on the Q—curve. At S where the tangent is parallel to OW, therefore, the marginal product of labour is equal to the price of labour. If, on the other hand, we go by the opportunity cost principle, and equate the price of labour with social cost and further assume, in view of the existence of unemployment, that the social cost of employment is zero, the relevant technique is the technique at r, for it is here that the marginal product of labour is also zero.

Opportunity Cost of Labour and Wage Rate

The point of enquiry therefore is not what objective we should choose; the objective is indeed unique, namely to minimise cost. The pertinent enquiry is rather whether we should go by the actual market price of labour or by some 'shadow price' given by the opportunity cost of labour. This problem relates specially to the labour market, for however low the opportunity cost of labour may be, there is a minimum below which the market rate of wages cannot go. Even in a state of acute unemployment, a labourer may not choose to accept a job unless he is paid at the existing wage rate, even though the alternative that he is surrendering is just unwanted leisure and no product.

And yet if we consider the matter from the point of view of society, the market rate of wages ceases to be relevant. What matters from the point of view of social cost is the alternative product displaced in the process of the employment of labour. And if that is nil, the point of maximum output coincides with the point of minimum cost.

What happens, however, to 'surplus'—the basis of growth? To answer this question, let us make an extreme assumption. Let us assume that the extra wages of the newly employed labour spent on current consumption are fully compensated by saving done by the rest of the

community and that this extra saving, even though a part of it may come via additional taxation, is not accompanied by any loss of product to the society in other directions. On this assumption, since savings result in mere transfer of income, the point of maximum output remains the point of maximum surplus, too. Applying the criterion of minimum cost, we have here at the same time maximum output and maximum surplus. What is more important is that the condition that we are postulating here is fulfilled even if a part of the savings is drawn forcibly through inflation, in so far as the consequent reduction in the real wage rate does not affect efficiency of labour.

This extreme assumption, however, does not apply in practice. Even in a state of unemployment, the employment of labour, if carried far enough, does involve social cost, even if indirectly, through loss of efficiency on the part of the agencies from which savings are drawn. The social cost of employment of labour in an over-populated, under-developed country is surely less than the market rate of wages, but we shall go wrong if we equate it to zero just because there is a plethora of unemployed labour. In choosing our technique of production we must go by a 'shadow price' of labour given by the opportunity cost. But it will be rarely that the criterion of minimum cost will justify the adoption of a technique that would correspond to maximum output.

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Models, Growth and Planning

Amartya Kumar Sen

While Ricardo and others were justified in using some qualitative results derived from economic models, it is more difficult to justify recent attempts to get final sets of precise quantitative results for a country's plan of development from models of development planning.

Models of growth and development have to be treated as nothing more than stages in a process of successive approximations. This becomes clear if we look at the actual evolution of growth models.

IT has been recognized, since the day model-building began, that (a) models can be very useful in economic analysis and that (b) they can also be very dangerous. It is not surprising, therefore, that we are not sure what is the role model-building should play in economic planning. If one introduces all the complications of real life in one's analysis and does away with simplifying models, economics becomes unmanageably difficult. If, on the other hand, one leaves out some of the complications for the sake of simplicity and manageability, one cannot be sure that all the results of the model will be valid in the real economic world.

Successive Approximations

Now that the economists in India have started thinking about the Third Five Year Plan, one often hears the question "what sort of a model should be used for its formulation?" This involves the more general question "what can be expected from models in economics?" It seems to me that the best way of appreciating the usefulness of model-building is to examine the method of "successive approximations". The economic world is far too complicated to be swallowed at one go and naturally we prefer to move gradually closer and closer to reality. The human mind is weak and we are likely to drop exhausted if in deciding on every bit of policy we had to think at once of all the million factors which have a bearing on the question. Instead we prefer to start with a few factors which appear to us (perhaps wrongly) to be the most important of the influences. When the results of the model involving only those factors become clear enough it becomes worth our while to feed into the model some more complications, and only when the latter are also digested, we proceed to bring in still more factors.

One-factor Growth Models

This may be illustrated with an example from economic theory. In

the post-Keynesian period the awakening of interest in growth theory started with the rather elementary models of Harrod and Domar. These models concentrated on the process of accumulation of one factor of production, namely capital. The supply of goods and services were made to depend almost entirely on the available capital stock (via the capital-output ratio) and demand was determined by investment (i.e., addition to the capital stock), the savings ratio being given. Assumptions were made about the labour force and the process of technological innovation mainly to get them out of the way rather than to allow them any positive role in the determination of the actual or the "warranted" rate of growth. The "natural" rate of growth in Harrod's model, given by the rate of increase of productivity and population, left the actual rate undisturbed so long as the latter was below the former. For long-run moving equilibrium, the capital-output ratio was somehow kept constant and the rate of growth of output coincided with the rate of growth of the capital stock.

All this was very helpful. It took us quite a distance forward. We were no longer obliged to assume stationary states or to concentrate, like Keynes, on the short period only. We could make certain generalizations about the importance of accumulation of capital in countries trying to grow, or about the possibility of instability in a free-enterprise economy. Still the models were too distant from the real world to draw any but very general conclusions and the attempts to use them in actual policy making have not been very successful. The First Five Year Plan of India made use of the Harrod-Domar model, but many of its projections have not been fulfilled in the actual movements of the Indian economy. Even the attempt of as competent an economist as Professor Tinbergen to use the model for determining the optimum rate of saving for a community seems to have left the question at a somewhat chaotic state.

(See 'Economic Journal', December 1956; for criticisms see the present writer's note in E. J., December 1957 and B. Horvat's note in E. J., March 1958.)

Two or More Factors

In recent years there have been some attempts at presenting proper two-factor models with the labour force being given some positive role. Perhaps the most important example of this is Joan Robinson's 'Accumulation of Capital', where alternative methods of combining labour and capital provide the core of the argument. Recently the problem of choice of capital-intensity has been clarified by Maurice Dobb (see particularly his article in the 'Review of Economic Studies', 1956) and others, and perhaps the implications of a two-factor growth model are clearer to us now than they have been in the past.

But is a two-factor growth model satisfactory? Its limitations become clear when we try to discuss the problem of factor-substitution in agriculture. Can we assume that whenever capital and labour are increased in a certain proportion, agrarian output too will go up in that proportion? Once land as a factor of production is admitted and the possibility of diminishing returns is introduced, the problem of scale becomes enormously important. We can no longer relate uniquely, as in conventional growth theory, the capital-to-labour ratio with the product-to-labour ratio, for the relationship will depend on the absolute scale of production. Since agriculture and industry are related (industry, for example, consumes agricultural raw materials and industrial workers eat food), diminishing return in one will tend to lead to diminishing returns in the other in value terms. Thus the usefulness of a two-factor model turns out to be less than one might have supposed.

Then, there is the progress of technical knowledge. It is tempting to assume "neutral" technical progress at a rate independent of other growth factors (as Harrod does),

or alternatively to link it up completely with the pattern of accumulation of capital (as Kaldor does; see 'Economic Journal', December 1957). Either assumption makes the problem easier to tackle, but neither may be applicable to economies in which we are interested. This, then, is another hurdle.

Perhaps however we shall be able soon to provide models which will take care of these difficulties as well. But these again will not be final. Other complications (e.g., foreign trade considerations, relative prices of individual commodities) have to be fed into our models. And so the process of successive approximations will go on.

Implications

What is the implication of all this to the question of a correct model for the Third Five Year Plan? It is simply that any model should be treated as a stage in the process of successive approximations and nothing more. Whatever model we assume for the Plan, it will contain assumptions which if abandoned would affect some of the results. The conclusions drawn from any model, therefore, have to be treated with considerable caution and we should not hesitate to change our plans (some times considerably) to take account of factors left out of the model. In doing this we may have some more complicated model at the back of our mind or we may be acting intuitively or applying "common sense", and of course it is possible that some times we may be mistaken about the implications of the left-out factors. But that is no justification for deciding on the whole problem of investment and its allocation on the basis of some one model of development planning however "good" it may be.*

One should, in this connection, distinguish between two kinds of models—those which lead to certain qualitative conclusions and those which are used to get some precise quantitative results. The first is typified by the models of David

*I suppose, however, in the limiting case when one does not know anything at all about the way in which any of the left-out factors is likely to affect the results, there is an argument for sticking to the results of the model. In normal planning problems, however, this is not the case.

Ricardo. On the basis of these one may argue, for example, that the Corn Laws in Britain affected accumulation adversely though one cannot point out to what precise extent this happened. While the models are based on simplifying assumptions (e.g., the workers consume only corn) which are not strictly realistic, the qualitative results, however, do apply to Ricardian England. In contrast to these Professor Mahalanobis's model for the Draft Plan-frame ('Sankhya,' December 1955) aimed at certain precise quantitative results about investment and its sectoral allocation. There is no doubt that the removal of simplifying assumptions in the case of a model of this kind will affect the quantitative results. Land reforms, for example, will affect the intersectoral flows in the economy, among other things, and if a model leaves it out, its precise quantitative implications must be open to modification.

The Job of a Model

The contrast may become clearer if we look at the Keynesian model. The proposition that an expansion of effective demand in an advanced capitalistic country suffering from a slump will lead to greater employment may be realistic in spite of the various unrealistic simplifying assumptions of the Keynesian model. If however one takes a simplifying model of this sort and tries to find out from it the exact extent to which effective demand has to be raised to produce full employment, one is sure to arrive at a figure the size of which will be affected when the assumptions are released. This is not to suggest that therefore such a model is of no use, only that one has to be cautious in using the results of the model and one would be wise not to draw up a plan entirely on the basis of a model, however good it may be. It is not surprising therefore that while in the Soviet Union planners like Strumilin make use of the Marxian model to derive certain general conclusions (see Dobb, 'Soviet Studies' 1955), there is no one model on the basis of which the exact plan is drawn. Even Strumilin's own model ('International Economic Papers', Vol I) on the choice between alternative investment projects which give definite quantitative results, has not yet been applied (as far as I know) in that form in Soviet planning.

The idea that a model can be used for getting precise, quantitative plans of action seems to be based on a misunderstanding of what a model is supposed to do. The point of a model is that it abstracts. When these abstractions are removed the quantitative results will be affected, even if the direction of the movements remain unchanged. Models can be very useful (and indeed they are very useful, if not essential) for development planning if they are used to improve our sense of vision rather than to arrive at a final set of precise quantitative schemes. It is only when we look at model-building as a method of "successive approximations" that we realize the significance as well as the limitation of the question: 'What Model for the Third Five Year Plan?'

World Demand for Kerosene

WORLD demand for kerosene is rising steadily, and largely because of increasing industrialization.

Yet, even today, kerosene is still used for cooking, heating and light in 4,000,000 rural homes in the United States alone, certainly one of the most industrialized of nations. In 1957, India alone consumed approximately 450 million imperial gallons of kerosene which is by far higher than the sale of motor spirit (including power alcohol and Benzol) in the same year, of 260 million imperial gallons.

More important than these traditional functions, however, are the new industrial applications in which kerosene is proving itself more valuable than ever. Powering jet engines is one of this versatile product's latest contributions, and it is more than a little startling to think that a screaming jet, crashing through the sonic barrier, uses essentially the same fuel as the humble kerosene lamp that has done yeoman service for so many years.

There are other new uses, of course. More and more industrial products, such as insecticides, cut-back asphalts, paints, polishes, cleaning and de-greasing compounds and gas-absorption oils, include kerosene as an ingredient.

At the refineries in the Eastern Hemisphere which Caltex owns or in which it has an interest, more than 34,000 barrels a day, or approximately 12,500,000 barrels a year are produced—'Oil Progress'.

National Growth and International Equilibrium

Kenneth K Kurihara

Underdeveloped economies with a low saving ratio and a high capital-output ratio would experience an inflationary tendency arising from the excess of the investment ratio over the saving ratio, while developed economies with a high saving ratio and a low capital-output ratio would suffer stagnation from the excess of the saving ratio over the investment ratio.

By importing the excess savings of advanced economies, underdeveloped economies would be helping themselves to grow more rapidly than by their own effort while at the same time helping advanced economies to maintain the equilibrium of domestic savings and investment.

KEYNES conceived and supported the idea of a World Bank for Development and Reconstruction so that the development needs of underdeveloped economies might be made compatible with the stability requirements of developed economies. This idea was subsequently elaborated in the United Nations' well-known 'Measures for the Economic Development of Underdeveloped Countries'. As a matter of fact, Mr Harrod, long before Keynes's espousal of a World Bank, had advanced the pioneering notion of making national growth and international equilibrium compatible with each other in his "An Essay in Dynamic Theory" ('Economic Journal', March 1939).

Mr Colin Clark, in his 'Fortune' article "The World Will Save Money in 1950's" (July 1950), subsequently provided an extrapolative statistical justification of the Keynes-Harrod condition for international economic homogenization.

In this article I propose to discuss the technical possibility of making national growth and international equilibrium compatible in a way that permits of alternative domestic measures, that is, on the assumption of variable domestic growth parameters.

Considered as an "open" system with foreign-trade relations, an underdeveloped economy's total savings must equal its total investment in the special form: $S + M = I + E$, where S is domestic real savings, M real imports, I domestic real investment, and E real exports. It follows that domestic investment must equal domestic savings plus imports minus exports, or $I = S + M - E$. We may specify the variables of this last equation as: $S = sY$, $M = mY$, $I = \Delta K = b \Delta Y$, and $E = \bar{E}$, where Y is domestic real income or output, K domestic real capital, $\bar{E}$ autonomous real exports, s the saving ratio

(average = marginal), m the import ratio (average = marginal), and b the capital-output ratio (average = marginal). These functional relations (omitting constant terms) are based on the familiar assumptions regarding the behaviour of saving, investment, imports, and exports. In the light of these relations we may rewrite the relation $I = S + M - E$ as $b \Delta Y = sY + mY - \bar{E}$. Dividing both sides of the last equation by Y , putting $\bar{E}/Y = e$, and rearranging, we get the rate of growth of national output:

$$\frac{\Delta Y}{Y} = \frac{s + m - e}{b}$$

which tells us that the domestic growth rate can increase as a result of an increase in capital imports relative to any level of national output (a rise in $m - e$), when the domestic saving ratio s and the capital-output ratio b remain constant. It implies that if the domestic saving ratio and the capital-output ratio are changed by design, the amount of foreign capital to be imported for growth

purposes will vary accordingly. The foreign-trade as well as domestic policy implications of the growth equation can be illustrated by the numerical model below.

A brief explanation of the model is in order. First of all, we are tacitly assuming that the target rate of growth ($\Delta Y/Y$) is the same figure as the maximum potential growth rate consistent with population growth and technological advance. To be more precise, we consider a sum of the rate of growth of labour population ($\Delta N/N$) and the rate of growth of labour productivity ($\Delta H/H$) as representing the maximum rate of growth that any economy could achieve. If, for instance, an underdeveloped economy desires to have a 2 per cent rate of growth of population while aspiring to have a 3 per cent rate of growth of labour productivity, the maximum growth rate must be 5 per cent. This is the rate at which both output and capital must grow if the standard of living is to rise steadily. For the rate of growth of labour productivity, which measures the standard of living per worker, equals the rate of growth of output

Given Domestic Data	Saving Ratio (s +	Import Ratio m	Export Ratio - e)	Capital Ratio / b	Growth Rate = $\Delta Y/Y$
Capital-using but capital-poor	.05	.20	.05	4	.05
			+ .15		
Capital-saving and capital-poor	.05	.10	.05	2	.05
			+ .05		
Capital-using and capital-rich	.10	.15	.05	4	.05
			+ .10		
Capital-saving but capital-rich	.15	.00	.05	2	.05
			- .05		

minus the rate of growth of labour population, or $\Delta H/H = \Delta Y/Y - \Delta N/N$.

Turning now to the model itself, the expressions "capital-using", "capital-saving", "capital-rich" and "capital-poor" in the first column denote respectively a high capital-output ratio, a low capital-output ratio, a high saving ratio, and a low saving ratio—structural parameters given by various institutional-psychological and technological conditions or by deliberate policy. These are the given domestic data to which foreign-trade variables must be adjusted in order to achieve the target growth rate (assumed to be 5 per cent in all cases). Since exports are largely autonomous of domestic activity, we hold the export ratio constant so as to concentrate on the import ratio as the strategic variable to control. The first row depicts the capital-using but capital-poor state of affairs (as in the early stage of industrialization requiring much capital per unit of output relative to meagre domestic savings) in which the underdeveloped economy in question would have to import as much foreign capital as 15 per cent of its domestic national income in order to achieve the 5 per cent target growth rate. The purely domestic policy implications are that the saving ratio (s) must be increased and/or the capital-output ratio (b) decreased if the same target growth rate is to be achieved without capital imports.

The second row describes the capital-saving and capital-poor state of affairs (as at the pre-industrialization phase of development using little or no capital per unit of output or during a period of rapid technological advance with a rising productivity of capital relative to small domestic savings) in which the economy would have to import capital equal to only 5 per cent of its national income for the same growth rate. Here the domestic policy implication is that the saving ratio should be increased if capital imports were to be avoided for any reason. The third row shows the capital-using and capital-rich state of affairs (as at a later phase of industrialization with the capital-labour ratio K/N increasing faster than the productivity of labour Y/N so as to increase the capital-output ratio $K/Y = (K/N) / (Y/N)$ relatively to a high saving

ratio) in which the capital imports required for the same target growth rate is 10 per cent of national income. The domestic policy implication in this instance is that the capital-output ratio should be decreased if capital imports were not to be relied upon. The last row indicates the capital-saving but capital-rich state of affairs (as at a mature phase of development with an increasing productivity of capital relative to high domestic savings). In this last case capital exports are what is needed to achieve the same growth rate, for $m-e = -.05$. The domestic policy implication here is that the saving ratio should be lowered if capital exports were to be ruled out for any reason.

These different states of affairs should be looked upon, not as historical data, but as experimental data to which capital imports and exports must be adapted for the target growth rate. In other words, more or less foreign-capital requirements for growth purposes must be based on domestically alterable technical conditions such as the saving ratio and the capital-output ratio. To see the compatibility of domestic growth and international equilibrium, it is

only necessary to contemplate what would happen if capital imports or exports were considered impossible or undesirable. Underdeveloped economies with a low saving ratio and a high capital-output ratio would experience an inflationary tendency arising from the excess of the investment ratio over the saving ratio or $b(\Delta Y/Y) > s$ ($4 \times .05 > .05$, as in the first row), while developed economies with a high saving ratio and a low capital-output ratio would suffer a stagnationary tendency arising from the excess of the saving ratio over the investment ratio, or $s > b(\Delta Y/Y)$ ($.15 > 2 \times .05$ as in the last row). By importing the excess savings of advanced economies underdeveloped economies would be helping themselves to grow more rapidly than by their own domestic effort while at the same time helping advanced economies to maintain the equilibrium of domestic savings and investment. Looked at from the standpoint of advanced economies, by exporting their redundant capital to underdeveloped economies those advanced economies would be helping themselves to maintain domestic economic stability while simultaneously helping underdeveloped economies to grow rapidly.

BURN & COMPANY LTD.

NOTICE

NOTICE is hereby given that the Annual General Meeting (being the sixty-fourth Ordinary General Meeting) of the Company will be held on Thursday, the 31st July, 1958, at 11 A.M. at the registered office, 12, Mission Row, Calcutta, to transact the following business:

1. To receive and adopt the audited accounts for the year ended 30th April, 1958 and the Directors' and Auditors' Reports thereon.
2. To declare a dividend. (The dividend, if declared, will be paid on or after the 4th August, 1958, to the Shareholders whose names are on the Company's Register on the 31st July, 1958, or to their mandatories.)
3. To appoint a Director in place of the retiring Director. In this connection notice is hereby given that Special Notice as defined in Section 190 of the Companies Act, 1956, has been received by the Company under Section 261 of that Act to move the following resolution as a Special Resolution at the meeting.

"That Mr. K. L. Ganguly, the retiring Director, who is an associate of the Managing Agents of the Company, be and is hereby appointed a Director of the Company".

4. To appoint auditors and fix their remuneration. The Ordinary Share Register of the Company will be closed from the 23rd July, 1958 to the 31st July, 1958, both days inclusive. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and a proxy need not be a member.

By Order of the Board,
MARTIN BURN LIMITED,
F. G. Liversedge,
Director,
Managing Agents.

Calcutta,
5th July, 1958.

Import Control and the Plan

Bhabatosh Datta

The main issue does not depend on the simple distinction between capital goods and consumption goods, but on the definition of "essential" imports, or on the criterion adopted for the ranking of social priorities among the end-products of the different actual and potential activities. The discovery or formulation of such an order of priorities—of the major premise incorporating society's or the planners' evaluations—creates its own innumerable difficulties, but planning is meaningless unless such a major premise is fairly clearly patent to the people responsible for implementing the plan.

Given the major premise, the definition of "essential" imports would automatically follow: only those imports are essential which represent the minimum necessary for sustaining the development process indicated by the accepted policy-postulate. The distinction between capital goods and consumption goods then becomes unimportant.

If the imports of consumer goods which are necessary for the sustaining of the development process are classed in the essential category along with the immediately needed machines and equipments, the effect on prices of a reduction, or even complete elimination, of the imports of other consumer goods will not be very serious.

An appropriately designed import control scheme may even bring about a partial deflationary effect on prices.

THE continuing decline in the foreign exchange reserves of the country has lent a great importance to the Government of India's policy of import restriction and it has generally come to be recognised that for some years to come, it will be necessary to keep "non-essential" imports down to the minimum practicable level. One can point out now that there would have been much less necessity for drastic import controls at the present stage, if only a little foresight was used in the First Plan period. But this historical reasoning is unimportant for deciding on the matters of current and future policy in regard to the payments deficit. What is more important is the clarification of the main issues involved in the problem as it stands now, and especially of the meaning to be attached to the terms "essential" and "non-essential", when applied to imports.

One of the interesting features of the recent discussions on the problem is the attempt to pinpoint the guilty element in causing the payments deficit. The view originally presented by some Government spokesmen was that the deficit was mainly caused by a large increase in the imports of capital goods. It was supposed to follow from this that there was nothing very unhealthy about the payments deficit — we were using our saved-up resources for a purpose which is appropriate for saved-up resources, namely, to increase the productive potential of the country. The view could be easily challenged on factual grounds and, in any case, one

could point out the difficulties of isolating capital goods and consumer goods from the classification system used in India's import statistics. In addition, one could emphasize the fact that it is logically meaningless to isolate any one component of an algebraic sum and to say that it alone is responsible for a change in the value of the end-result. What is still more important is that even if it is established that imports of capital goods are the main causes of the deficit, difficulties remain. The capital goods that have come in may not be the ones that India wants immediately; they may not be the ones that India can effectively use immediately; and they may have come in as private importers' inventories and not as currently needed investment equipment.

Criteria of Essentiality

The mere fact that an import item is a machine or an industrial raw material does not necessarily mean that it should rank high in the order of priorities underlying the import control scheme. Foreign exchange can be saved if, instead of importing cosmetics, we import their ingredients for final processing and packing in India. But if we have placed cosmetics in a low position in our general order of priorities, there would be a strong case for not importing the ingredients even. Similarly, there can be "non-essential" machine imports also. Working on the presumption that capital goods imports are desirable, we may be importing machines that can be produced in India with some additional effort.

We may import machines which could easily be substituted by labour under a more labour-intensive process. We may import machines which would only be used for producing soft drinks for urban top-income groups. We may import machines before we are ready to use them and we may import capital goods which we cannot use in the absence of complementary factors. There have been instances in all import-controlling countries of machinery imported under conscientiously granted import licences and then allowed to lie idle and rust because other things were not ready.

The main issue thus does not depend on the simple distinction between capital goods and consumption goods, but on the definition of "essential" imports, or on the criterion adopted for the ranking of social priorities among the end-products of the different actual and potential activities. The discovery or formulation of such an order of priorities of the major premise incorporating society's or the planners' evaluations — creates its own innumerable difficulties, which are well-known to all students of welfare economics. But it is obvious that planning is meaningless unless such a major premise is fairly clearly patent to the people responsible for implementing the plan.

In fact, in a community producing more than one homogeneous commodity, there can be no definition attached to economic growth which is independent of the social welfare major premise, unless of course the outputs of all commodi-

ties are increasing and the real incomes of all individuals are increasing. Even in a single-commodity world, a welfare postulate incorporating the ordering of priorities is necessary, if a choice has to be made from among different alternative time-paths of the production of that single commodity.

Follows from Policy-postulate

Given the major premise, the definition of "essential" imports would automatically follow: only those imports are essential which represent the minimum necessary for sustaining the development process indicated by the accepted policy-postulate. The distinction between capital goods and consumption goods then becomes unimportant. The most important essential import for sustaining the accepted development process may be foodgrains, or an insecticide, or an antibiotic, or a luxury material needed for producing a commodity with a very high export prospect.

An authority in charge of prescribing and implementing an import control policy in a capital-short, exchange-short, development-seeking economy has to face two main problems, which appear to have conflicting solutions — the problem of reserving a large portion of the exchange resources available (export earnings, loans, gifts or accumulated assets) for the essential imports and the problem of reducing the pressure on prices by allowing imports of consumer goods. One notes, however, that if the imports of consumer goods which are necessary for the sustaining of the development process are classed in the essential category along with the immediately needed machines and equipments, the effect on prices of a reduction, or even complete elimination, of the imports of other consumer goods will not be very serious. This is particularly true in India where the non-food consumer good imports represent a very small fraction of the total national absorption of goods and services.

An appropriately designed import control scheme may even bring about a partial deflationary effect on prices, if the reduction or elimination of the imports of non-essential machinery and raw materials would reduce or stop investment in certain lines and, consequently reduce or stop the income-

expanding local currency expenditure associated with these investments. Planning is not simply an exercise in increasing the total investments of a country; it involves positive encouragement of some lines of investment and also a positive discouragement of some other lines. To the extent that import control can be used as an instrument for investment control, its effect can be very markedly disinflationary.

II

Pressure from Indian Traders And International Institutions

The Indian import control policy during the First Plan period vacillated at first between acceding to the supposed requirements of price-stability and those of payments balance. There was, however, a general trend towards relaxation in the closing semesters of the period and one could see even at that time that this did not entirely agree with the requirements of an economy seeking to develop with highly import-intensive sectors. The relaxation was encouraged by the fact that the planned drafts on the reserves did not take place, sometimes because of failure to implement the planned foreign expenditures and more often because of unexpected increases in export earnings. There were pressures from two important quarters — from the Indian trading classes who were insistently demanding greater import facilities and from international institutions which often press for relaxation as a matter of principle and make the pressure particularly strong if there is a payments surplus even for a short period.

Both of these quarters generally take a short and narrow view of the whole problem. The trading groups are naturally interested in their own immediate sectoral profits and there is an excusable belief among them, as among many others, that it is highly desirable to expand the scope of private trading. The international institutions like the Fund are generally near-sighted. Problems of long-term requirements do not enter into their calculations as much as they should, and arguments often become peculiarly lopsided on account of their upholding of a distinction in principle between quantitative restrictions and restrictions through import prices,

Problem of Choice and Feasibility

A country in India's present position has logically to put the long view above everything. Current difficulties and strains have to be borne, and in so far as they are not so great as to impair the realisability of the Plan itself, they are the necessary costs of planning. These costs would be substantial in any case and would be very great if a deliberate choice has been made for types of investment which are highly capital-intensive and import-intensive. Whether the choices in the Second Plan should have been so much in favour of such investments is quite a different matter. The actual choices made are an expression of the planners' welfare postulate, involving different commodities and their availabilities over different periods of time, placed against the computation of the resources available or likely to be available. From a pure welfare angle, the most desirable plan would presumably be one which involved an immediate increase at the maximum possible rate in the rate of growth of output of all consumer goods. When this is not practicable, the problem of economic and technical feasibility comes in and the planners have to decide what to expand, what to contract and what to maintain at the present level. Even when there can be a simultaneous expansion in all sectors, there is a choice problem involved if the expansion of any one sector is not entirely independent of the rate of growth of some other sector.

The economic feasibility problem relates to the methods of achieving the targeted results and to the need for changing the targets when the methods available prove inadequate. And here one comes face to face with the problems of choosing the capital-intensity and the import-intensity of the methods to be adopted. Starting with given targets and with given data about the real resources available, and making some simple assumptions about the inter-industry structural relations, one can easily discover the technical answers to each one of the many questions of choice. In some cases, the answers that the given or assumed equations will yield may not be of significant or operationally meaningful value, but on the other hand there may exist a range within which meaningful

technical answers will be possible. If one takes the inter-relations mentioned above, together with the available alternative or complementary instruments of economic policy, one can get feasible answers, i.e., answers which are technically correct and are also realisable with the available instruments of action. The equations relating all these can be so defined, or supplemented, as to take the demand side into account, and in that case one gets answers which should satisfy fully the economist's criterion of feasibility.

The economist modestly realises that the basic choice of the welfare postulate involves a large variety of non-economic considerations. In the case of the Indian choice of heavy industries with high capital and import contents, there have surely been important non-economic considerations, even though one can easily give a purely economic justification for such a choice from the requirements of steady growth over time. It is mainly a question of social value-judgement whether it is desirable or not to impose a substantial current cost — through checks on the expansion of domestic consumer goods output and through import control — and the problem becomes more and more of an ethical nature as the time-lag between the bearing of current costs and the accrual of future benefits becomes longer.

III

Re-examination of Targets

Once a general decision has been taken and provisional details worked out, it becomes necessary to re-examine one's targets and instruments of action. Planning by its nature is an exercise in continuous forward and backward movements, from the data, assumptions and instruments to the objectives and from the objectives back to the instruments, assumptions and data. If one takes fixed technical coefficients between imports and particular output projects or the minimal coefficients from among the alternatives possible, one can estimate the total import of capital goods and raw materials for the plan period. Calling this 'Mi', one can add to it the estimated imports, 'Mf', of food and other consumer goods which are necessary for sustaining the development process. One has also to add the "auto-

nomous" imports, 'Ma', i.e., imports like those of defence stores which are determined by non-economic factors. The sum of these three categories, estimated on a minimal basis, can be taken as the "hard core" and the problem of control then relates to the imports of goods other than these. If there are no restrictions on imports, the development-induced increases in incomes will lead to increased imports of non-essential consumer goods, of capital goods for the private sector in which the new investments may easily be antithetic to the requirements of the aggregate plan, and of traders' inventories in either capital goods or consumer goods.

The estimates made in regard to 'Mi', 'Mf', and 'Ma' may be upset simply because of changes in the level of prices in the originating countries. There are, besides, separate special factors operating in the case of each one of the categories. In the case of 'Mi', the estimates may be upset because of wrong assumptions, wrong statistical data or wrong phasing. In the case of 'Mf', the most important single factor likely to vitiate the estimates will be found in unforeseen changes, particularly a decline, in the domestic output of foodgrains. And it is obvious that a sudden change in the political situation outside India may bring about a substantial change in the volume and value of the imports of defence stores. The volume, and value of non-essential imports, in the absence of controls, are composite results of the particular income-elasticities and price-elasticities of demand for the different commodities. In practice, the estimate for such imports will depend on the degree of reliance placed on quantitative controls over imports. Given a high degree of reliance on restrictions and a highly efficient system of enforcement, the total value of non-essential imports of consumer and capital goods can be pegged anywhere, or allowed to vary within very narrow limits.

Case for Physical Controls

Once such non-essential imports have been cut down to the minimum, there is nothing much that can be done about the external deficit from the import side, except by cutting down the plan (which would include any lengthening of the plan period or the more euphemistic "re-phasing"). But there may be strong

non-economic reasons for not cutting the plan down substantially, and it may not be practical to do so, if large expenditures have already been undertaken. One can think of changing the composition of the plan to less import-intensive methods, but this, again, may not be practicable; besides, if the plan is based firmly on inter-industry balances, a change in the pattern of investment that remains to be undertaken may create difficulties over the whole structure. It is interesting to note that planning in India has generally proceeded on the basis of fixed technical co-efficients and fixed import-intensity of the individual projects. On this basis, a decline in the import-intensity of the plan as a whole can result only from the entire elimination of some highly import-intensive individual projects, and this may easily set up a chain-reaction of disturbances over the entire economy.

One can probably assume that, despite all efforts, it will not be immediately possible to bring about an increase in the export earnings. The factors that are important here are the possibility of increased domestic retention of exportable raw materials and the probability of increased consumption within the country of exportable consumer goods like sugar, tea or coffee. This last effect is likely to be fortified by the controls that may be imposed on the import of non-essential consumer goods. There can thus be a strong case for physical controls over domestic consumption — not only of imports but also of exportable domestic goods, including those domestic goods which use raw materials or other factors which could alternatively be applied for the production of exportable goods. The difficulty here is not simply one of administrative efficiency. There is also the problem of defining and selecting the exportable consumer goods and the domestic goods which divert resources away from, or prevent them from moving into, the production of potential exports. No one knows even vaguely what is the extent of potential exports we are currently consuming.

IV

Production of Import-Substitutes

A few words are perhaps necessary here regarding the domestic

TRAVEL HABITS

- ☆ **CLEANLINESS** is next to Godliness. Let us cultivate the habit of cleanliness. We can help by not throwing scraps of food, skins and peel of fruit and water on platforms or in compartments. These should be consigned to the dustbins.
- ☆ **SPITTING** indiscriminately on platforms is unhygienic. It is also bad manners. Let us use spittoons.
- ☆ Let us not use cooled and filtered drinking water for other purposes.
- ☆ Let us avoid sitting with the feet on the seat. This is annoying to others in the compartment, and is not good manners either.
- ☆ Booking our heavy luggage in the brake-van will give our fellow passengers and ourselves more room in the compartments.
- ☆ It is an offence to smoke in a railway train when requested by a fellow passenger not to. Let us avoid smoking when requested, or when the compartment is crowded or the doors and windows are shut.
- ☆ Railways are the Nation's property. We can help to safeguard these by apprehending persons pilfering or causing damage to railway property. They should be pointed out or turned over to uniformed Railway Staff on duty. Unsocial elements indulging in unauthorised alarm chain pulling could be dealt with in like manner.

ISSUED BY THE WESTERN AND CENTRAL RAILWAYS.

time comes for returning it to its rightful owners. Apart from this, in the present context, it would be useful to augment official gold reserves by transfer from private gold hoards even if the intention is not to use the gold so obtained for purchases abroad. A larger gold reserve now will strengthen confidence in the rupee and this is no mean advantage in the present state of our sterling balance.

Response Not Worthwhile

The real question is: "Will the response to gold bonds be worthwhile?" The demand for gold in India arises from many factors. In large part, it is decreed by social custom and it is doubtful if hoarders of jewellery or ornaments will be prepared to forgo the cost of workmanship in order to be able to purchase gold bonds. Equally, if the suggestion is that jewellery should be returned as such, it would make little sense on the part of the Government to collect a large variety of small ornaments, value them, keep them in safe custody, for fifteen or twenty years and pay interest on the same in the meanwhile. It is also clear that those who hold gold as insurance against political uncertainty would not be persuaded to part with their gold.

It is only that part of gold which is hoarded to-day as hedge against inflation or as a convenient way of concealing wealth obtained by illegal means which might come out in response to an offer of gold bonds—especially if the bonds are bearer bonds and no questions are asked to subscribers about the sources of their gold. A gold bond which can be purchased anonymously without fuss and which can be exchanged for gold at the end of a prescribed period would offer to its holders practically all the economic advantages they enjoy to-day from the possession of gold with the additional attraction of being able to earn some interest on the hoarded wealth. On the other hand, the one advantage that will have to be given up by exchanging gold for gold bonds is that of insurance against political and similar risks.

May Facilitate Tax Evasion

It will be seen that unlike bonds redeemable in rupees, gold bonds would introduce a real change in the prevailing assets preference

of the people. But whether the response to gold bonds would be reasonably satisfactory or not is difficult to say in the absence of any knowledge about the extent to which different motives predominate in determining the demand for gold currently. All one can say is that to the extent that the motives for gold hoarding are likely to be mixed, even gold bonds would prove unattractive to most people.

There is also the question whether it would be advisable to introduce a new asset in the community when the main if not the sole attraction for it would lie in the superior facility it would offer for concealing illegally acquired wealth and for evading taxes. Indeed, to the extent that gold bonds prove attractive, they would also give an impetus to smuggling of gold into the country as it would clearly be to the advantage of people to acquire gold in the first instance in order to acquire gold bonds which are preferred to gold but which can be purchased only with gold. Admittedly, the gold smuggled for this reason would ultimately find its way into official reserves; but this does not alter the fact that the country suffers, if anything, a loss in official foreign exchange reserves as a net result. The conclusion seems, therefore, inescapable that the introduction of gold bonds would either prove a flop or would make for a stronger entrenchment in the country of anti-social activities such as tax-evasion and smuggling of gold.

Compulsory Acquisition

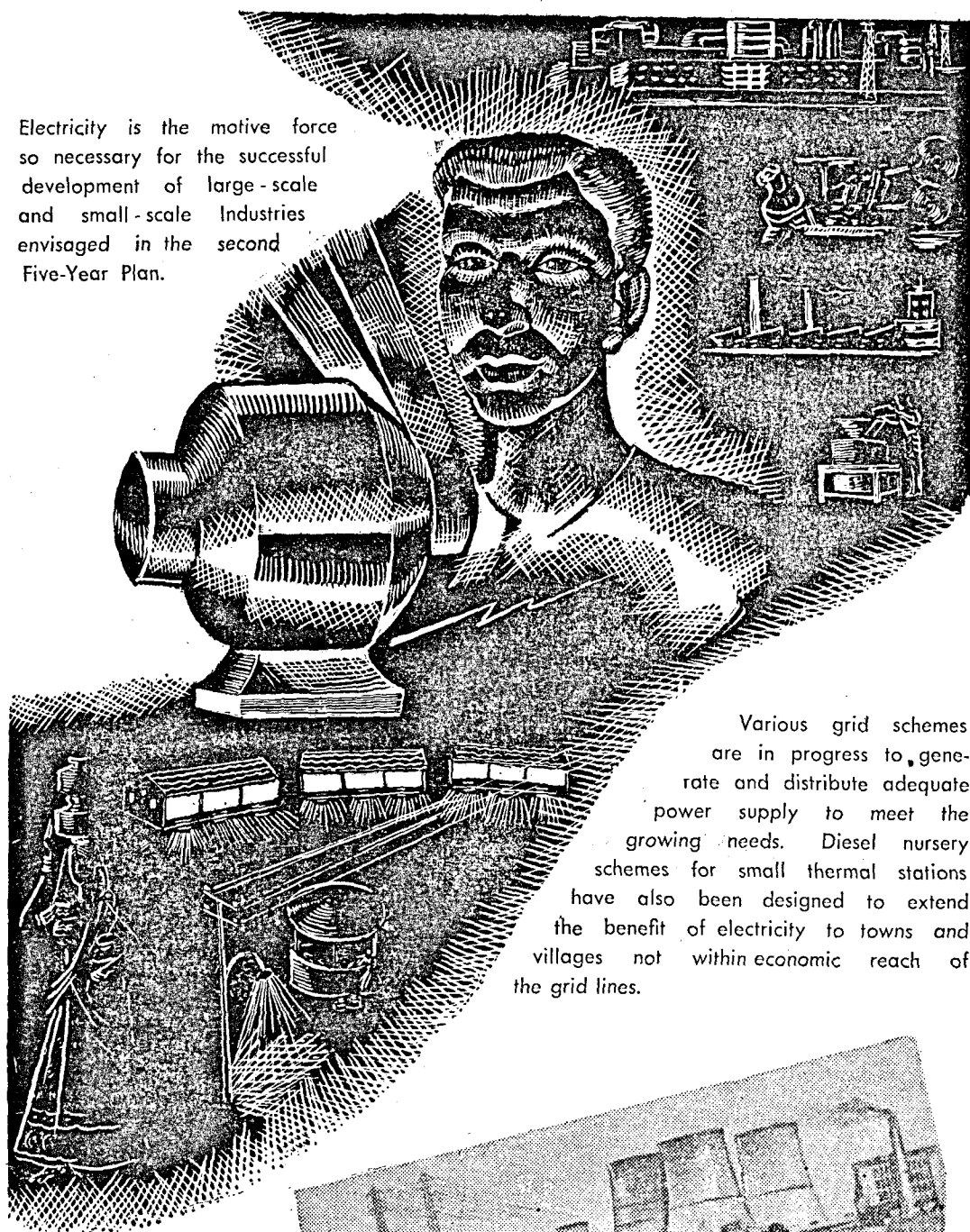
There remains then the alternative of compulsory acquisition of a part of privately held gold. One has only to mention this possibility to realise that short of a revolution, the gold held in the form of jewellery and ornaments can hardly be acquired by compulsion. The utmost one can think of adopting in the near future is a system of regulations such as those in the U S which prohibit private ownership of gold except in the form of jewellery of certain specifications. But a regulation of this sort would serve little purpose in India where demand for gold is wide-spread and where the gold at present held privately is held in all sorts of forms, ranging from small orna-

ments too dinner sets and gold bars, so that the line of demarcation between jewellery and not-jewellery cannot be drawn easily. The only practicable alternative in India would be to prohibit private hoarding of gold in any form in excess of a certain limit per person. But politically and administratively, the time is hardly ripe for a solution of this nature.

Are we then to conclude that the search for a philosopher's stone which can turn gold into the sinews of India's economic growth is as much in vain as the more familiar search for an alchemy to convert base metals into gold? If the search is to yield fruit in the immediate future, when our balance of payments prospects appear particularly bleak, the answer to the question just raised is almost certainly in the affirmative. But for better or for worse, the habit of gold-hoarding has a great deal of significance to India's economic future and it would be a pity if an attitude of utter helplessness is allowed to develop in regard to it. There is so much talk of perspective planning these days—talk of keeping the long-term goals in view even as we plan for the next year or two. But what is the perspective we should keep in mind in regard to private gold hoards in India? There can be little doubt that the development of the country requires that sooner or later, ways must be found to eradicate the evil of gold-hoarding which saps the vitality of the nation at many points. There can be even less doubt that the solution of the problem must lie, at least in part, in compulsion, for if we are to wait for the process of education to reduce the attraction of gold, we might as well wait for ever.

It is perhaps by means of a mixture of sustained propaganda, compulsion, incentives and a sort of war of nerves affecting people's expectations about the value of gold in future that the long-term objective of mobilizing private gold hoards and of reducing the attraction of gold can be achieved. But whatever the ultimate solution, the agenda for the dethronement of gold from the position it occupies today in India deserves more serious consideration at the hands of thinking people in the country than it has received so far.

Electricity is the motive force so necessary for the successful development of large-scale and small-scale Industries envisaged in the second Five-Year Plan.



Various grid schemes are in progress to generate and distribute adequate power supply to meet the growing needs. Diesel nursery schemes for small thermal stations have also been designed to extend the benefit of electricity to towns and villages not within economic reach of the grid lines.



ISSUED BY THE DIRECTORATE OF PUBLICITY, GOVERNMENT OF BOMBAY

Gold Deposit Certificates A Scheme of Small Savings

H T Parekh

The rate at which our gold and foreign exchange resources are running out and our rising requirements suggest the immediate need to mobilise such resources as might be available within the country.

The accumulated savings of the people in the form of gold constitute a large reserve fund from which it should be possible to draw a small portion into the national vault.

Storing wealth in the form of gold is an age-old habit of the Indian people based on social no less than economic considerations, for which the decision rests perhaps more with women than with men. To break such deeply embedded tradition is no easy task. It is a bid to create new faith in place of gold.

INDIA'S rapidly deteriorating position in regard to her foreign exchange resources coupled with heavy external commitments over the next few years has posed a problem of resources which must ultimately determine the success or failure of the Plan. This is a challenge which must be met. Import cuts and export promotion, foreign aid and foreign loans can meet the situation only in part, leaving a wide gap still to be filled. Our gold and foreign exchange resources have gone down and both the current rate at which they are running out and the rising requirements suggest the immediate need to mobilise such resources as might be available within the country. Fortunately for the nation, the accumulated savings of the people in the form of gold constitute a large reserve fund from which it should be possible to draw a small portion into the national vault provided a right approach is made and provided confidence is not undermined by any false move which can even remotely be construed as expropriation.

Hard-earned Savings

Nothing is more important than to realise and appreciate that people's gold holdings represent their life's hard-earned savings which, while serving a social purpose, ultimately form their last line of economic defence. People could be induced to part with a portion only if they are assured in every way that these savings are intended to be kept intact and there is no design to take them away from the people. The bulk of this gold is distributed in small amounts among families and the appeal should be to lend a part of it to Government temporarily to tide over the present emergency. It would be a fatal mistake to take the view that these gold holdings represent illicit wealth accumulated through tax evasion. Though a

few in the community no doubt hold such gold, the major part of people's holdings are with small people accumulated over a life time out of their legitimate savings. In any case illicit wealth held in the form of gold is unlikely to come out by any inducement, for the owners of such wealth would not put their trust in any Government scheme for fear of being found out by tax authorities. Any scheme which seeks to tempt tax-evaded wealth would be misconceived and would fail to evoke response from the people concerned for obvious reasons.

On the other hand, a scheme based on the perfectly valid assumption that response of the people is sought from their legitimate gold savings could be a success on the explicit understanding that such gold certificates would be redeemed on due date.

It would be essential also to realise that the scheme has no bearing on smuggling of gold that is going on because people who buy gold in the open market for personal use are themselves no party to the traffic in smuggled gold nor do they buy gold known to be smuggled.

Currency Reserve

The object of the scheme, declared clearly and solemnly, should be to build up a sizable amount of gold reserve of the Reserve Bank by appealing to the people to deposit a part of their gold holdings for a fixed period of 10 years under a carefully worked out scheme of small savings called 'Gold Deposit Certificates Scheme' of the Reserve Bank bearing Government of India guarantee.

India's present currency reserves are made up of a small part of gold and a large part of foreign exchange. Consequently on heavy imports of capital goods required

for the country's industrial development, the foreign balances are being rapidly depleted. One effective means of utilising the foreign balances without weakening the reserves would be to strengthen the gold reserves of the Reserve Bank through a voluntary lending of gold by the people.

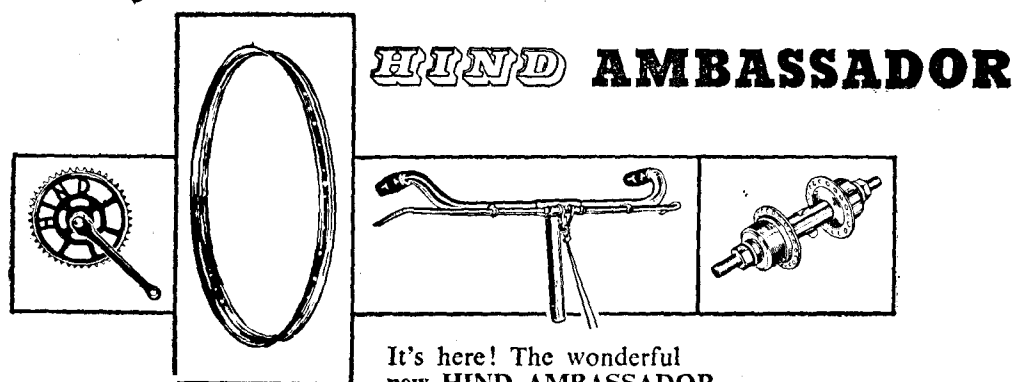
The scheme of Gold Deposit Certificates should be operated by the Reserve Bank. Under it people should be free to deposit gold calculated in fine tolas against issue of certificates or bonds carrying interest of 4 per cent per annum, carrying the solemn assurance that gold will be returned to the registered holder tola for tola at the end of 10 years. While the certificate of deposit will be in tolas, it will bear a notional price of gold of say Rs 100.00 per tola on which interest at 4 per cent will be calculated for the next 10 years. For the period of the certificates, the notional price would remain constant. The Reserve Bank will keep a register of depositors. In line with the existing schemes of small savings nobody would be permitted to hold certificates exceeding 250 tolas, i.e., Rs 25,000. Rules in regard to joint holdings can be framed on lines of rules in force for National Savings Certificates.

Transferable Certificates

These certificates should be transferable and marketable, the holder thereby being enabled to sell them if he chooses at any time at such price as he may get, the Reserve Bank being under the obligation to register the name of the purchaser in its books up to the prescribed limit of 250 tolas in one name.

The scheme will be a success only if it could inspire confidence of the public that it is a genuine move on the part of Government

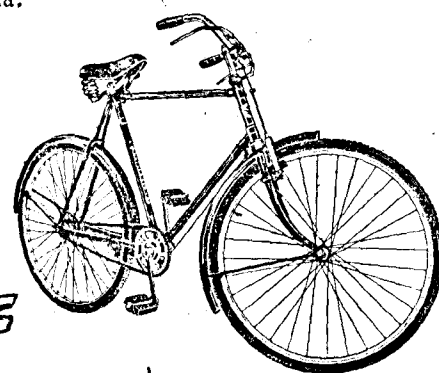
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and not calculated to be a source of harassment of those very people by tax officials in future in regard to income tax, wealth tax or Estate Duty. It is for the Government to give a solemn undertaking which will set at rest doubts which people will surely have in this connection. People will initially entertain serious doubts about the safety of the gold and its unconditional return. Government promises carry so little conviction these days that the solemn declaration that gold certificates will be redeemed in gold will not be readily believed by the people. The pledge to redeem should be given only if it is earnestly meant to be kept.

The primary appeal to people to deposit their gold under the scheme must no doubt be on grounds of national emergency. The offer of 4 per cent interest can serve as part compensation but gold is so greatly valued by the people as their ultimate reserve that inducement of interest by itself is not likely to move the people. Storing wealth in the form of gold is an age-old habit of the people based on social, no less than economic, considerations in which decision rests perhaps more with women than with men. To break such deeply embedded tradition is no easy task. It is a bid to create new faith in place of gold.

Tax Exemption

A mere offer of interest can have little appeal because when people buy or hold gold they knowingly forgo a return on such investment. In present times of high taxation of income and wealth, the best inducement which can have the desired effect will be to offer tax exemption on these certificates on identical lines to that now available on National Savings Certificates or Treasury Savings Deposits. The interest should be free from income tax and should not be included for calculating the total income. The Gold Certificates should also be exempt from wealth tax and Estate Duty. These exemptions are not as substantial as might appear at first sight, nor do they involve large loss of revenue because personal limit for these certificates would not exceed 250 tolas equal to Rs 25,000. In all Government schemes of small savings, such exemptions are given as a matter of course and what is

suggested here is to extend the schemes of small savings to include Gold Certificates. The scheme seeks response from the small men who in any case are not liable to tax at high rates and who are also unlikely to be affected by the wealth tax and Estate Duties. The richer sections will seek to derive benefit, which will doubtless involve some loss of revenue as is happening today when they invest under schemes of Small Savings. But it is this limited relief which will act as inducement for them to deposit their gold and to that extent, the cost must be borne. It should also be remembered that in the absence of a scheme such as the one now proposed, much of the gold in any case would escape taxation through non-disclosure and the net burden to Government will therefore not be heavy when it is realised that the whole purpose is to mobilise the hidden resources of the community which have remained hidden for ages. Even if we succeed in raising Rs 100 crores of gold in the next 4 years, the result would be far better than what is sought to be achieved through wealth tax which is expected to yield annually rupees 15 crores. This would hardly be 2½ per cent of the national stocks of gold. The goal is to educate the people to hold Gold Certificates in place of gold and it is fully realised that initial difficulties are many which will not be easily overcome.

No Target

Actually it is unnecessary to lay down a target and the offer can be kept on tap. The sense of patriotism of the people coupled with their self-interest would be able to rouse them to a new effort, once they have the assurance that the gold would be held in the national chest and given back to them on due date. They will be reassured when they understand that the scheme is intended to make it possible to release the remaining sterling balances for nation building activity by fortifying the currency reserves.

Once people learn to hold Gold Certificates instead of gold, not all the holders would want to claim gold on maturity, thereby enabling reissue of Certificates on terms then suitable. The pledge to redeem gold on due date must, however, be fulfilled. The popularity of the Gold Certificates would be ensured by making them marketable like Government securities which will give

them liquidity. In this respect, they will differ from the National Savings Certificates which are non-marketable and cashable only after one year. The market price of the gold certificates will obviously vary with the price of gold and the ruling rate of interest.

The experiment of the issue of Gold Deposit Certificates deserves serious consideration, for it can make tremendous impression internally and externally, if it succeeds. If it does not succeed, little would be lost.

Economic Development Plans in Africa

FINANCIAL setbacks, caused mainly by the downward trend in the prices of raw materials and the continued rise in the prices of manufactured goods, have forced the majority of primary producing countries in Africa to cut expenditure, or postpone their plans for economic development.

At this stage, development projects already initiated are being continued—often with a “greater resort” to foreign loans—but cuts and postponements in development plans not yet under way are much in evidence.

The share of the United States as a buyer of African commodities has averaged less than 10 per cent, as compared with some 70 per cent for European countries. Therefore, if the United States recession should spread to Europe, this would have considerable repercussions in Africa.

The terms of exchange between primary commodities and manufactured goods became progressively less favourable to primary-producing countries in 1957. The withdrawal of United States stockpiles of strategic minerals and the effect of the United States recession on the diamond market also had repercussions on the economy of Africa.

Apart from climatic vicissitudes, the dominant factors affecting the present economic situation in North Africa are political rather than purely economic in nature.

These are some of the findings of a United Nations document, ‘Review of Current Economic Developments in Africa’. It is being used as one of the background papers for the annual discussion of the world economic situation at the UN Economic and Social Council’s session which opened on July 1, in Geneva.

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Surplus Manpower as Source of Capital. The Economics of the Chinese Achievement

K S Gill

For some years now the economics of development of densely populated underdeveloped countries has taken note of the savings potential implied in the widespread unemployment and under-employment prevailing in these countries.

Nowhere, however, has this potential been realised in such a big way as in China recently. There, since October 1957, the rate of capital formation has been sharply stepped up through the investment of surplus manpower, mainly rural but to some extent also urban. Indeed, this development is a major factor in the current 'big leap forward' of the Chinese economy.

The Chinese experience is naturally of great importance for all densely populated underdeveloped countries that might be interested in striving for a similar leap forward of their economy by throwing the full weight of their manpower into capital formation. The present article examines the economics of the Chinese achievement.

THE fields, where capital formation has been sharply stepped up mainly through investment of surplus labour, are: small irrigation and flood control, afforestation and soil conservation, land reclamation and farming and small power and industry. The achievement in each field is outlined below.

In China irrigation has a history of over two thousand years. The total irrigated area stood at 238.93 million mou* or about 39.82 million acres at the time of the founding of the People's Republic (October 1949). In the following eight years, it expanded by 273.21 million mou or about 45.54 million acres ('Peking Review', June 3, 1958). From October 1, 1957 to May 31, 1958, the irrigated area was further expanded by 399 million mou or 66.5 million acres ('Peking Review', June 17, 1958). Thus in just eight months of the formerly slack agricultural season, through a massive effort by co-operative farmers, 21 million more acres were brought under irrigation than in the previous eight years of the new regime and 27 million acres more than in thousands of years of Chinese history preceding that! In the same period, soil erosion was brought under control over an area of 200,000 square kilometres. (Hsinhua News Agency, Daily News Release, June 14, 1958). Furthermore, by April 30, 1958, over 200 million mou of low-lying and easily-water-logged farm land were transformed, and irrigation facilities were improved over 140 million mou or 23.3 million acres. ('Peking Review', June 3,

1958). A comparison with India would demonstrate the extent of the Chinese achievements.

The major and medium irrigation works under the First Plan expanded the irrigated area by 4 million acres*. The Second Plan is expected to expand it further by 10.4 million acres (Review of the First Plan, p 48), making a total of about 15 million acres for the two quinquennia. Thus, in China, in just 8 months, about 4½ times as much acreage has been added to irrigated territory as would be added in India during ten years of planned development. This stupendous feat of capital formation, involving 33,000 million cubic metres of earth and stone work (Hsinhua News Agency, Daily News Release, June 14) has been achieved largely through a massive investment of the surplus labour of collective farmers. In October, when the campaign started, 30 million peasants joined in. The number swelled to 60-70 million in November, 80 million in December and 100 million in January ('Peking Review', March 4, 1958). By the beginning of 1958, thus, every day, one out of every six persons in China was out digging and hacking the hills to bring life-giving water to farm lands.

* The Planning Commission, 'Appraisal And Prospects Of The Second Five-Year Plan', May 1958, p 47. Even in India minor irrigation works — percolation wells, pumping sets, tube-wells, tanks, kuhls etc. are estimated to have added 10 million acres to irrigated territory. ('Review of the First Plan', p 41).

* One mou is equal to one-sixth of an acre.

Campaign for Afforestation

When the spring came, as big a campaign emerged for afforestation. By the end of May, 1958, 20.8 million hectares (51.4 million acres) had been afforested. This was 160 per cent of the total acreage afforested in the previous eight years of the new regime. In addition, during this period, nearly 20,000 million saplings were planted near houses, around villages and along roads and river banks. (Hsinhua News Agency, Daily News Release June 3, 1958). Indeed, no nation has ever gone turning its country green in the way the Chinese have done this spring. It had been planned to expand the present forest area of 1,500 million mou or 250 million acres to 3,000 million mou or 500 million acres by 1967 with a view to raising it to 20 per cent of the land surface of the country. In the light of the experience of afforestation this spring, the programme is likely to be fulfilled in less than 5 years.

Capital formation in agriculture through investment mainly of surplus labour has been accelerated also in such traditional ways as levelling the ground, improving the soil, clearing swamps, developing mountain areas and reclaiming land. Since the beginning of this year, this process has spread in a really big way to a new field, namely, technical reconstruction of agriculture, in the first instance, by equipping it with semi-mechanised and improved tools. These include double-share ploughs, multi-purpose cultivators, small tractors, rice planting floats, hulling and sowing implements, mechanised and semi-mechanised irrigation and

Onward to 1,00,000

November 22, 1957 marked a red-letter day in the life of our young company. On that day we celebrated the production of our 55,000th vehicle.

Behind its production lie a few brief but hectic years, years of careful, far-sighted planning and intense effort, ultimately translated into prideful achievement. Ahead of it lies an undreamt of future, a vast field of endeavour for us. To follow it, there will be a long long line of more and more vehicles to be produced under our plan of progressive manufacture.

These vehicles* are destined to play an important role in the country's transport and economy. Imagine the crores of rupees that are likely to be saved by way of foreign exchange! The Second Five Year Plan, which has been rightly called the "Transport Plan," is geared to the needs of rapid industrial development. The target is an annual manufacture of 57,000 vehicles by 1961. We have the will, the confidence and the ability to make a substantial contribution to it.

* Dodge and Fargo diesel buses — Diesel and petrol trucks — Dodge, Plymouth and Fiat cars.

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drainage equipment,* well-drills, hand-driven and animal-drawn wheat harvesters, threshers of all kinds, transport equipment for farms and water-conservancy works etc. The mounfing tool-innovation campaign is, indeed, a budding technical revolution in Chinese agriculture. The improved tools are mostly fashioned by artisans and peasants out of locally available materials. They have opened out a vast new field for investment of surplus labour.

Surplus labour is also finding investment in the development of animal husbandry. Recently great emphasis is being laid on additions to livestock. The number of pigs, for instance, rose from about 146 million in December 1957 to 164 million by the end of March 1958. By December 1958, the number is expected to rise to about 200 million, i.e., by 37 per cent, as compared with the figure for December last.

New Field

Lately, small power has opened out an extensive new field for investing the surplus labour of peasants and rural artisans. At the end of 1957, the capacity of small rural hydro-electric stations stood at just 20,000 k w, and in the current year alone 900,000 k w, of such capacity are to be added. This compares with the total addition of 1.3 million k w to installed capacity in India under the First Plan. In addition, small electric and mechanical power stations worked by small steam and internal combustion engines, and even by wind power, are being set up, primarily to process farm produce. All these stations have been set up mostly by the investment of local labour and by the use of materials and equipment produced locally out of local materials. (In many cases, even turbines are reported to have been made of wood rather than of metal. Bamboo and timber have been used as substitutes for other metals in construction.)

Finally, local industry has provided another vast field for capital formation by investment of surplus

labour. Emphasis on the expansion of such industry is a major recent trend in China's economic development. To speed up industrialisation in accordance with the guiding principle—to build more, faster, better and economically—accepted recently, it has been decided to establish industries not only in cities but also in small towns and rural areas, co-ordinating small and medium industries with big ones in a nation-wide network. The Central Government is responsible for developing big industrial units while local authorities and co-operatives look after small ones.

In China local industry refers not to antiquated handicrafts but to small and medium modern industries. It does not mean the Char-kha and the handloom, nor the hand-pounding of rice and the ghani-crushing of oil-seeds, but small coal and other mines, blast furnaces, non-ferrous metal smelters, chemical and granular fertilizer plants, units for the processing of agricultural produce, animal products and wild plants, workshops producing and repairing farm and other machinery, semi-mechanised and improved tools, plants for producing cement and other construction materials, coal carbonisation plants, petroleum and shale-oil refineries, shipyards producing small steam and other types of boats, printing shops etc. Local industry is meant, in the first place, to serve agriculture and facilitate the development of large-scale industry, and secondly, to satisfy the needs of the people.

Expansion of Industry

Indicative of the immense scope for capital formation created by this new trend is the expectation that in a few years the total output value of local industries in the country will surpass that of farming. A 37 per cent increase in output is expected in the current year alone. Very recently, the 'big leap forward' in agriculture has called forth and inspired a corresponding 'big leap forward' in local industry.

Within the first five months of this year, more than 520,000 industrial enterprises under local authorities are reported to have been completed and switched to production. This does not include industrial enterprises run by co-operatives or

the hsiang authorities. It is now planned to build within a year more than 10,000 small blast furnaces with a total annual capacity of 20 million tons of pig iron. This is about 10 times the Indian output of pig iron in 1957.

Within a year, 200 medium and small Bessemer converters with a gross annual capacity of 10 million tons of steel are proposed to be built. Their capacity is about twice India's expected steel output by the end of the Second Plan. A number of small steel-rolling mills are to be built. Three thousand small copper smelting furnaces, with a total capacity of over 150,000 tons of crude copper (about 25 times India's current output), are to be set up within a year. The development of local coal pits has also been greatly stepped up. In the current year new local pits with a capacity of 38 million tons are to be opened, as against 4 million tons of such capacity created last year. Indeed, it is to a considerable extent on this account that coal output is expected to jump from less than 130 million tons in 1957 to 180 million tons in 1958, and 240 million tons in 1959. China's annual increase in output exceeds India's total output (42 million tons in 1957) by a wide margin. Next year China's coal output would be the third largest in the world, exceeding that of even Britain and West Germany.

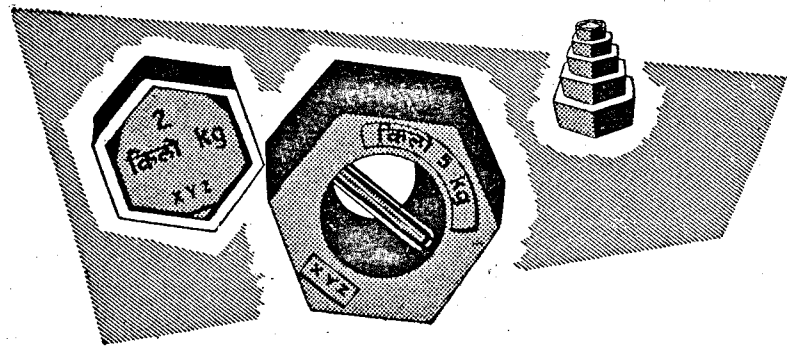
Manpower — the Main Input

Surplus manpower has been the main input in the establishment of local enterprises and the fabrication of equipment for them. Moreover, since a considerable proportion of these enterprises produce capital goods (metals, tools, machinery etc) the surplus labour that finds employment in running them also contributes to capital formation.

Utilisation of surplus labour has contributed to the growth of investment in such fields as large-scale industry and mining, major irrigation, power and flood control, modern transport and communications, administrative, commercial, cultural and residential buildings, and urban public utilities. Construction almost always accounts for well over 50 per cent of the total capital formation. Indeed, in the initial stages of economic development, it accounts for about two-

* In 1958 alone, agriculture is to be provided with 3.5 million horsepower of mechanised pumping and drainage equipment. This is six times the entire such equipment available in rural areas at the end of last year.

CHANGING OVER TO THE METRIC SYSTEM



India has at present no common system of weights and measures. There are not less than 143 systems in use. This multiplicity gives room for malpractices. The introduction of a uniform system throughout the country based on Metric Weights and Measures will be very convenient and make calculations extremely easy, especially because the country has already adopted the decimal coinage. The Standards of Weights and Measures Act, 1956 has laid down the basic units under the metric system. The reform will be gradual so as to cause minimum inconvenience to the people.

Even after its introduction in an area or a trade, the traditional weights and measures will be permitted to be used for a period of three years.

THE CHANGE-OVER TO THE
METRIC SYSTEM OF WEIGHTS
AND MEASURES BEGINS
FROM OCTOBER, 1958

KNOW
THE
METRIC
WEIGHTS



The unit of weight is the
KILOGRAM = 1 seer 4 tolas
(or 86 tolas.)
or 2 lb. 3 ozs.

SUB-UNITS

10 milligrams = 1 centigram
10 centigrams = 1 decigram
10 decigrams = 1 gram
10 grams = 1 decagram
10 decagrams = 1 hectogram
10 hectograms = 1 kilogram

MULTIPLES

100 kilograms = 1 quintal
10 quintals or
1,000 kilograms } = 1 metric tonne

1

ISSUED BY THE GOVERNMENT OF INDIA

thirds of the total investment. It did so, for instance, in the U S A (Lewis W A, "Theory of Economic Growth, 1955) and the U S S R. (Central Statistical Board of the U S S R, National Economy of the USSR, 1957.) The fact that construction makes up about two-thirds of the total capital formation and that it is very amenable to labour intensive methods, has enabled the Chinese Government to step up public investment by drawing on surplus manpower. State investment in capital construction has expanded from 3,711 million yuan in 1952 to 11,905 million yuan in 1957. The budget estimates for 1958 have put the figure at 13,838 million yuan, but the actual amount is expected to be considerably larger because the great improvement in State revenues, resulting from the 'big leap forward', makes it possible to increase the allocation for the purpose.

II

China has been able to tap surplus manpower for capital formation so successfully because of the socialisation of her economy, basically completed by the spring of 1957 through the co-operativisation of peasant agriculture, handicrafts and a part of trade and the transformation of industry and the rest of trade into public enterprise. This has pulled down major barriers to the investment of surplus labour.

Seasonal Unemployment

In a densely populated underdeveloped country, surplus manpower exists, first and foremost, in the heavily over-crowded agricultural sector. The nature of this surplus has been a moot point among economists. Some identify it essentially as disguised unemployment, others as seasonal unemployment. The latter view appears to be nearer the truth. In a country like India today or China till very recently, where farming is mostly individual and small-scale, the manpower surplus exists mostly as seasonal unemployment of self-employed cultivators and attached agricultural workers.

Disguised unemployment seems to be less important, for it is doubtful if, given the existing technique and the basic institutional framework (the essence of which is individual, small-scale farming), a large percentage of the working population could be removed from agriculture without an adverse effect

on the total farm output. The proportion of the agricultural working population unemployed or under-employed at peak seasons is rather small. Widespread unemployment and under-employment, largely the latter, occur mostly during slack seasons. Realisation of the savings potential under discussion is thus, first and foremost, a problem of investing the vast amount of labour rendered surplus by the seasonal ebb in agricultural activity. Disguished unemployment in agriculture as a potential source of capital formation is of rather secondary importance.

As long as manpower surplus emerges mostly as seasonal under-employment of the agricultural working population, the scope for its investment is very limited. When the seasonal ebb in activity does not mean that fewer men are working, releasing others for capital formation, but only that most of them, being tied to their farms (looking after the cattle and the crops) work fewer daily hours each, the manpower surplus emerges in a form that does not admit of its full or even substantial investment in capital formation. Co-operativisation has enabled China to overcome this hurdle. In the slack season, farming operations as such are now attended to not by all farmers, each putting in a fewer hours, but by fewer farmers, each continuing to work full time. The labour of the rest is released for capital formation.

To release surplus manpower for capital formation, seasonal under-employment in farming proper has to be converted into seasonal unemployment. That, in turn, requires that farming should be transformed from small-scale unorganised activity into large-scale organised enterprise. In China, this has been done through the co-operativisation of agriculture. In India where small-scale, individual farming continues to be the rule, there remains an effective barrier to the investment of surplus manpower.

Another Hurdle Overcome

Co-operativisation has helped China overcome another major hurdle. When idle manpower is availed of to step up capital formation, unless it is unpaid labour, there arises the problem of matching additional investment outlay by additional saving. The persons thus employed, being from the low-

income groups, are likely to save but very little of their additional income. The additional saving must, therefore, occur elsewhere. To the extent the problem is sought to be solved through additional net inflow of funds from abroad, the additional saving is effected outside the economy, but to the extent of the balance of the amount, the saving has to occur within the rest of the domestic economy. The lower the marginal capital-output ratio and the shorter the fruition period of new investment, the larger will be the amount of additional saving forthcoming through a rise in income, i.e., through the movement up the savings function. The balance of saving, in the face of a more or less stable propensity to save, will have to be forced largely through taxation and inflation.

The above-mentioned problem may also be presented, as has been done by several economists, differently. The persons newly employed in capital formation earn extra income equal to their wages. Their marginal propensity to consume being high, the extra income would go largely into consumption.* The additional consumption must be met either through additional imports of consumer goods financed by additional net inflow of funds from abroad or through the fructification of additional investment or through measures (mainly inflation and taxation) designed to depress or restrain consumption over the rest of the economy.

On Farms' Account

The need, in the absence of additional net inflow of funds from abroad, to induce or force extra domestic saving to match the additional investment outlay constitutes an additional barrier to the investment of surplus manpower. Development economics has been acutely conscious of this in recent years. In China, however, co-operativisation has overcome this barrier as well. The co-operatives have invested the surplus labour of the

* Some economists assume that the additional consumption would be only of food. This would be largely but not wholly true. In a country like India, even in the case of the lowest income group, some part of the additional consumption outlay is bound to be on items other than food.

members mostly on their own (farms') account. Members working on irrigation, afforestation, reclamation, soil improvement projects etc undertaken by the farm, are paid, as in the case of farming operations proper, by having work-days credited to them. The labour invested by members in capital formation is thus paid for by restraining the return on labour devoted to farming proper. This means that the co-operators themselves collectively save the amount which they receive as remuneration for labour invested in capital formation. Indeed, co-operatives in China have been saving more than that. For, outlay on equipment, construction materials etc, required for capital formation, has been met increasingly from the reserve funds of co-operatives.

Acreage under Food

The increase in co-operative saving to match co-operative investment occurs along with an increase in the co-operators' consumption. The farmers have for their consumption the net disposable output of the farm less the part that is credited to reserve. Most of the co-

operative investment being such (minor irrigation, soil improvement etc) as bears fruit within the same crop year, there is an increase in the net farm output. This is particularly so if, induced by capital formation or otherwise, idle manpower is also drawn into farming proper and there is an all-round increase in efficiency through organisational and technical measures. In China, for instance, the massive investment of labour last winter in irrigation works, flood control, soil improvement etc, has induced a similar intensification of effort this year in the collection of manure, seed selection, ploughing, sowing, hoeing, weeding etc. By the end of April enough of fertilisers of all kinds had been collected to average 54 tons an acre, which is three times (in terms of plant nutrients) the amount accumulated in 1956 ('Peking Review', June 3, 1958). As a result, this year the rice acreage is expected to expand by 18.53 million acres, maize acreage by 3.88 million acres and potato and sweet potato by 10.78 million acres. Naturally a 'big leap forward' in agricultural output is anticipated. Al-

ready the summer harvest of wheat and other food crops just gathered shows an estimated increase of 10 million tons. A call to the peasants has accordingly been issued to strive for an increase of over 20 per cent in grain output this year, as against the increase of 19.8 per cent during the entire period of the First Five-Year Plan. A part of the increase in output will be absorbed in additional allocation to the co-operative reserve and the rest would go to swell the disposable personal incomes of farmers. The system under which farmers receive payment for the labour invested in capital formation by having work-days credited to them would depress only the cash and kind payment per work-day unit. The total payment per person during the year would increase on account of the members earning many more work days than previously.* The far-

* This year, in most co-operatives, the attendance of able-bodied members (men and women) in collective work is reported to have been over 90 per cent. ('Peking Review', June 3, 1958.)

mers' consumption would thus increase along with co-operative saving.

Tax Rate Fixed

Co-operative investment, financed by co-operative saving, being the chief means of tapping surplus labour as a source of capital, steps have been taken to extend its scope. Farm co-operatives are now being encouraged to invest in small industry, provision of educational, public health and cultural facilities, improved and semi-mechanised equipment, and in livestock. Large-scale investment in housing may be expected to begin soon. To enable the co-operatives to save enough to meet the cost also of the equipment and materials required for capital formation, the absolute amount of the agricultural tax has been fixed for the next five years at the 1958 level. This, together with the 61 per cent increase in agricultural output envisaged during the Second Plan period (1958-62), would enable the co-operatives to allocate larger amounts to reserves. To the same end, ceilings on the percentage of co-operatives' income, required to be allocated to reserves, have been raised or altogether eliminated recently.

Co-operativisation of agriculture has enabled China to overcome other important hurdles in the way of the investment of surplus manpower. Previously the building of minor irrigation works, afforestation, reclamation, soil improvement etc were often impeded because these were beyond the scope of individual effort, resource and field of operation. Jealously guarded property rights in individual plots of land and lack of interest in improvements that would benefit mostly someone else's land and crops, also very often worked in the same direction. Co-operativisation has radically transformed the situation in these respects.

Institutional Framework

Co-operativisation of handicrafts, undertaken as part of the socialist transformation of the economy, has, like the co-operativisation of agriculture, created an institutional framework capable of tapping surplus manpower in this sector for capital formation both within the sector and elsewhere in the economy. The expanding demand for handicraft-produced farm tools and other equipment and consumer

goods has further stimulated such capital formation. Socialisation of trade (through substitution of State and co-operative trading for private trading) has enabled it to be carried on with fewer men. The rest of them, representing previously existing disguised unemployment, have been released for production and capital formation.

While the expansion of co-operative investment has tapped the savings potential represented by seasonal unemployment, the much larger expansion (in value terms) of State investment in capital construction has, as explained above, increasingly tapped the potential represented by outright and disguised unemployment. This, too, has been made possible by the socialisation of the economy. Rapid expansion of public investment has not been thwarted by the inflationary barrier because the socialisation of the economy has made it possible to finance such investment mainly through Robertsonian saving rather than credit creation, or, as the term goes in India, deficit financing.

Expansion of Public Sector

The creation and rapid expansion of the public sector, embracing not merely overheads but also highly profitable enterprise like external and internal trade and manufacturing industry, together with its

* The revenue from State enterprises increased from 7,670 million yuan in 1953 to 14,221 million yuan in 1957. The 1958 budget estimated the yield from this source at 15,716 million yuan. Actually, on account of the big leap forward of the economy, the actuals are expected to surpass the estimates by a wide margin. For several years now, the revenues from this source alone have more than covered State investment in capital construction.

** The yield from these taxes increased from 11,970 million yuan in 1953 to 15,439 million yuan in 1957.

† The expenditure on defence and civil administration declined from 8,654 million yuan in 1953 to 7,000 million yuan in the 1958 budget estimates. (Li Hsien-nien—Budget Speeches for these years). This is in marked contrast to the trend in India.

growing efficiency and a suitable wage policy (under which the ratio of wages to net value added has been kept at about 1 : 2) has greatly and continuously increased public revenues by swelling the profits of public enterprise.* The end to tax evasion (the bane of all under-developed countries), also made possible by the socialisation of the economy, together with rapid expansion of economic activity, has also added to public revenues by swelling the yield of taxes on industry and trade.** At the same time, socialisation of defence and administration has enabled repeated cuts in current administrative expenditure.† The net result of all these developments has been cumulated expansion of public saving, making it possible to achieve a corresponding expansion of public investment without resort to excessive credit creation. The socialisation of the economy has also been helpful in that property rights in land no longer impede capital construction projects.

Inspired Devotion

Apart from that, it has assisted the realisation of the savings potential, represented by surplus manpower, by creating an institutional framework that is consonant with such realisation not only economically but psychologically. The new environment has made possible an effective campaign against 'white collarism' which in a class society often prevents investment of the surplus labour of the entire population. At the same time, the vision of a China leaping forward to the front rank of nations has fired the imagination of the people. In the new socialist society, the 600 million Chinese people are thus not only enabled but also inspired to strive their utmost for national construction. There is every chance that in less than 10 years, China will be the third country in the matter of industrial output and the first in agricultural output.

In an under-developed country, genuine socialist transformation of the economy thus emerges even more as an instrument of accelerated economic growth than of social equality. It appears to be about the only way in which the full weight of surplus manpower can be thrown into capital formation and other spheres of national construction.

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4¼ PER CENT STATE GOVERNMENTS LOANS

Name of State	Amount	Year of maturity	Issue Price per cent.
(1) Andhra Pradesh	Rs. 500 lakhs	1970	Rs. 99.50
(2) Bombay	Rs. 1000 lakhs	1970	Rs. 100.00
(3) Kerala	Rs. 300 lakhs	1971	Rs. 99.75
(4) Madhya Pradesh	Rs. 200 lakhs	1970	Rs. 99.00
(5) Madras	Rs. 500 lakhs	1970	Rs. 99.50
(6) Mysore	Rs. 500 lakhs	1970	Rs. 99.50
(7) Orissa	Rs. 300 lakhs	1970	Rs. 99.00
(8) Rajasthan	Rs. 250 lakhs	1970	Rs. 99.50
(9) Uttar Pradesh	Rs. 700 lakhs	1970	Rs. 99.50
(10) West Bengal	Rs. 500 lakhs	1970	Rs. 99.50

All the State Governments reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

All the above loans will be repaid at par on 15th July 1970 except the 4¼% 1971 loan of the Government of Bombay which will be repaid at par on 15th July 1971.

THE LOANS WILL OPEN FOR SUBSCRIPTION ON 15TH JULY 1958 AND CLOSE ON 19TH JULY 1958 OR EARLIER WITHOUT NOTICE AS SOON AS SUBSCRIPTIONS APPROXIMATE TO THE AMOUNT OF EACH ISSUE.

All the loans will bear interest from 15th July 1958.

Subscriptions may be in the form of CASH/CHEQUE in respect of all the loans.

3% BOMBAY GOVERNMENT LOAN 1958, 3% COCHIN LOAN 1955-58, 3% MADHYA PRADESH LOAN 1958, 3% MADRAS GOVERNMENT LOAN 1958 and 3% UTTAR PRADESH LOAN 1958 will be accepted AT PAR for conversion into the new loan/s of the Government concerned; interest on the securities of the respective loans tendered for conversion will be paid upto and including 14th July 1958.

APPLICATIONS FOR ALL 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 :—

- At the office of the Reserve Bank of India at Nagpur in the case of the Bombay loans.
- At the branches of the State Bank of India and at Treasuries and Sub-treasuries in the case of Andhra Pradesh, Bombay, Kerala, Madhya Pradesh, Madras, Orissa, Rajasthan and Uttar Pradesh loans.
- At the branches of the State Bank of India in the case of West Bengal loan.
- At the branches and treasury pay offices of the State Bank of Hyderabad in the case of Andhra Pradesh and Bombay loans.
- At the branches of the Bank of Mysore Ltd. except at Bangalore, the State Bank of India, the 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.

Diminishing Returns in Taxation

I S Gulati

"The yield from income-tax indicates the operation of the law of diminishing returns—The structure of income-taxes is tending to reduce the incentive of the entrepreneur to work more and earn more."

"The policy of increased progressive taxation has not been yielding increased revenue."—Asoke Kumar Sen, Law Minister, 'AICC Economic Review', November 15, 1957.

"Ridiculing those who grumbled that the limit of taxation had been reached and the law of diminishing returns was set in operation, Mr. Desai caustically expressed surprise that the business men had agreed with the Communists who had been alleging this. The figures published by them yearly repudiated this. Surely, they did not think that a representative Government voted to power by the people was unmindful of their primary needs and heedless of the law of diminishing returns"—From the speech of the Finance Minister, Times of India, July 3, 1958.

ACCORDING to a recent announcement by the Government of India, a committee has been set up with Shri Mahavir Tyagi as its chairman "to advise the Government on the procedures necessary for implementing the integrated scheme of direct taxation with due regard to the need for eliminating the evasion and avoiding inconvenience to the assesseees." The appointment is particularly welcome as evidence of the realisation on the part of the Government that a tax system however well-conceived will fail to serve the desired objectives unless it is effectively administered.

I

While there is scope for disagreement with regard to the precise order of tax evasion taking place in the country, it is more or less common ground that evasion is taking place on a large scale which only means that there is considerable scope for improvement in the existing machinery and procedures of the administration. Recently, however, a tendency seems to have grown especially with the critics of the Government's present taxation policy to ignore the fact. In current discussions of the present taxation policy, the Government has come in for sharp criticism for introducing a whole set of new direct taxes and one of the arguments adduced against the Government's present policy is that already a stage has been reached in this country where tax receipts are becoming more and more unresponsive to increases in taxes and tax rates. It is contended, therefore, that even on considerations of revenue alone, the Government ought to desist from both levying new taxes and also enhancing the existing rates. These critics, it must however be said, are in a

highly respectable company, for no less a person than a cabinet minister of the present Government, Shri A K Sen, has committed himself to the view that "The yield from income-tax indicates the operation of the law of diminishing returns". ('A I C C Economic Review', November 15, 1957) According to Shri Sen's appraisal "such trends indicate that in India the sources of personal income are drying up". That is why, "the policy of increased progressive taxation has not been yielding increased revenue." His conclusion therefore is that "Government will not be able to realise increasing yield of taxes unless the income of the people expands at the same time at least proportionately." But he does not seem to be very hopeful with regard to the expansion of incomes because, according to him, "the structure of Income-tax is tending to reduce the incentive of the entrepreneur to work more and earn more."

Unintentionally perhaps, Shri Sen has by propounding the above thesis with regard to the operation of the law of diminishing returns in the sphere of taxation provided the critics of the present taxation policy with a stick with which they can beat time and again the Government of which he himself is an important member. Critics have to be answered properly. We must examine how well-founded Shri Sen's thesis is. If it can be established that the whole thesis is based on weak foundations, the critics will have to look around for some other proofs. This particular one will no longer be of much use to them.

II

Shri Sen bases his conclusion regarding the operation of this law of diminishing returns on two

grounds. First, he takes the figures of Income-tax receipts for the year 1951-52 and 1954-55 and finds that receipts declined between these two years by about Rs 22 crores. This decline, according to Shri Sen, occurred "in spite of the fact that during this period the rate of tax has continued to increase." Secondly, there was a decline in the number of assesseees from 647,000 to 496,000 between these two years which combined with a fall also in personal income assessed to Income-tax.

Now the question that has to be answered is: Was Shri Sen justified to conclude on the strength of the above facts that the law of diminishing returns had started operating in the sphere of income taxation in India? Before an answer to this question is attempted, let me put some of the facts straight. Firstly, it is not correct to say that during the period 1951-52 to 1954-55 the rates of income tax underwent any increase. Not only that there was no increase in the rate of income or super tax during this period, but there was actually a reduction in the form of a rise in the minimum exemption limit as from 1953-54 from Rs 3600 to Rs 4200. Secondly, the figures of income-tax receipts included for a number of years after the abolition of the Excess Profits Tax in 1946-47, sums collected as arrears pertaining to years when the tax was in force. The disposal of arrears in respect of the Excess Profits Tax, says the Report of the Taxation Enquiry Commission, "continued to yield substantial revenue in the next three or four years." Also, the figures must have included arrear collections in respect of the Capital Gains Tax which was abolished in 1949.

In the light of the facts given by us, it is possible to explain the

decline in income tax receipts as between 1951-52 and 1954-55 largely as a consequence of the normal extinction of arrear receipts in respect of taxes no longer in vogue and partly as a result of the rise in the minimum exemption limit. As for the fall in the number of assesses this is entirely explained by the rise of exemption limit. It will be observed that the fall in the number of assesses was proportionately much larger (24 per cent) than the fall in personal incomes assessed to tax (13 per cent) which is as it should be. For the average level of personal income will obviously be much lower at the lower rungs of the income-scale than the average for all the assesses taken together.

The position being as explained above, it seems rather rash to conclude that income tax receipts had really registered a fall during the period 1951-52 and 1954-55. I have already said that during this period there was no rise in the rates of income or super tax. To say, therefore, that the law of diminishing returns has started operating cannot be supported by the facts relating to the above period.

III

I do not, however, discuss the theoretical possibility of the law of diminishing returns operating in the field of income taxation in the sense that a given increase in rates may yield less than proportionate increase in receipts. Ordinarily, with a progressive rate-schedule applying to successively rising levels of incomes, a given increase in rates should yield more than proportionate increase in revenue, provided we assume a certain rise in total incomes (retaining however the existing pattern of distribution). But if in actual practice the yield does not conform to this rule and is less than expected, this could mean either of the two things: one that the tax rates have reacted so adversely on the incentives to work that the sources of income have started drying up; and second that tax evasion is taking place on a scale larger than before the rise in rates. Shri Sen subscribes to the view that the sources of income in India are drying up under the strong disincentive impact of the high rates of income tax. It may be conceded that the rates of income tax are rather high in this country and they must be deterring

many income-producing activities. Still it remains that in spite of the high rates of income tax, the level of incomes in the country has not only not fallen but has actually been increasing. (Perhaps the rise in this level would have been higher if rates of income tax were lower). The non-agricultural incomes in India recorded a rise of over 16 per cent in real terms over the period 1951-52 to 1955-56. (The increase was somewhat higher for agricultural incomes, but they are not subject to income tax). In terms of current prices, incomes generated in factory establishments, professions and trade and commerce went up during the same period by 42 per cent, 19 per cent and 6.5 per cent respectively. Here again facts do not support Shri Sen's view that sources of income in the country are tending to dry up.

On the strength of what has been said so far, one would be perfectly justified in saying that Shri Sen's conclusions both with regard to the operation of the law of diminishing returns and the extent of the disincentive impact of high rates of income taxation do not stand scrutiny.

IV

While there is little evidence so far that the receipts from direct taxes (income tax was the only direct tax levied by the Central Government until very recently) have started declining in the face of high rates or even shown resistance to rise, if this were to happen and that too in the face of rising incomes, it could only mean that the evasion has started taking place on a scale larger than before. And when a Government introduces new taxes, it has to be prepared for a contingency like that. Evasion is likely to assume greater proportions both because the administrative burdens imposed by new taxes will strain the existing machinery of tax administration, unless adequately strengthened, and also because fresh tax burdens will reinforce the decisions of the taxpayers to evade the payment of taxes. Actually, it is claimed that one of the most important merits of an integrated tax system is that by broadening the base of direct taxation through relating tax liability to a number of indices of taxable capacity instead of relying on only one such index, some internal checks and balances are introduced into the system whereby falsification of returns

and consequently evasion becomes a difficult task. But that only means that through an integrated system of taxation the effective burden of direct taxes can be enhanced on the tax payers. (Of course, this assumes that the tax or taxes already in force retain the existing rates and are supplemented by new taxes to make the system an integrated one). If this is so, then quite naturally greater and bolder attempts at evasion will be made in spite of the integrated system. This should not, however, be mistaken as a plea on my part against an integrated system of taxation. On the contrary, if by having an integrated set of taxes it is possible to secure an honest system of taxation instead of the prevailing system "which imposed (nominally) fantastically high marginal rates of tax, while permitting the continuance of wide loopholes for tax avoidance" (cf Kaldor: 'Indian Tax Reform' p 11), it should be possible to reduce the rates of taxes without sacrificing any part of revenue. The point has been raised because the Government of India has introduced the new taxes which Mr Kaldor had recommended as part of an integrated system without moderating the rates of the existing income tax with the result that all the taxes combined, if applied effectively, may be really confiscatory in their total incidence and that might as a consequence cause the drying up of the sources of income. Then perhaps the law of diminishing returns might set in. The danger would become real if the Tyagi Committee succeeds in suggesting reforms which make the enforcement of the taxes really and truly effective.

Progress of Housing Scheme

Nearly 72,000 houses have been completed up to the beginning of this year under the Subsidised Industrial Housing Scheme, which came into operation in September 1952.

Since the inception of the scheme in 1952, Rs 28.77 crores have been sanctioned by the Central Government, out of which Rs 14.84 crores was in the form of loans and Rs 13.93 crores as subsidy covering about 98,700 houses. A total provision for Rs 45 crores has been made under the Second Five Year Plan to finance the scheme for construction of 1,28,000 houses.

The Plan and Its Execution

A C Chhatrapati

At a time when emphasis is being put on increased productivity and scientific management, it would be good if Government on its part paid adequate thought to rational implementation of the Plan, co-ordination of policies, stream-lining of organisation and effective utilisation of man-power in carrying on its economic activities.

It would also be good if the lessons of the Second Plan were borne in mind in preparing the Third.

ECONOMIC planning means a conscious direction of the available resources of the nation towards achieving the ends the society has in view with optimum results. For this, the resources available must be properly evaluated, targets established in accordance with the objectives of the society, effective policies laid down and an organisation built up for carrying out the policies for achieving the targets. How far can the Second Plan and its implementation in the last two years and a quarter be said to meet these criteria of planning? Admittedly, in a dynamic economy, natural and extraneous influences may compel diversion of resources and revision of targets. Due allowance must be made for such disturbing factors in assessing the success of the Plan.

Independent Course

With regard to the evaluation of financial resources for the Second Plan, it will be recalled that the Taxation Enquiry Commission undertook this task and thought that an outlay of Rs 3,400 crores in the public sector would be a bold effort and recommended measures to raise these resources. However, Government statisticians and economists had visions of a bolder plan, based on the availability of physical resources and their utilisation. Their Plan-frame recommended targets, requiring an estimated outlay of Rs 3,400 crores. The Planning Commission drafted the Second Plan on an outlay of Rs 4,800 crores in the public sector. However, financial resources were not available to carry out a plan of this order. After making liberal allowances for increased taxation and borrowings the Commission could find Rs 2,400 crores only. The gap was to be narrowed through deficit financing of the order of Rs 1,200 crores and external assistance of Rs 800 crores, which still left a gap of Rs 400 crores unfilled. Further, not much was said in the Plan about raising resources for an outlay of Rs 2,400

crores in the private sector.

On publication of the Plan, the Commission took the back seat, and, under the aggressive leadership of the Commerce and Industry Ministry, the development programmes began to take an independent course. Rising industrial output and low raw material and food prices, due to good crops in the last two years of the First Plan, spurred the ambition of Ministers for rapid industrialisation. New industrial projects were added to the Plan, and the capacity targets of the engineering, cement and other industries in the private sector were revised upward significantly. As a result of this orgy in industrial development programmes, the outlay under this head increased from Rs 1,094 crores to Rs 1,655 crores. Import licences for capital goods as also for raw materials for increasing industrial output were issued freely. Even consumer goods licensing was liberalised, and remarks in the Plan about the difficulties of raising foreign exchange were forgotten.

Before the first year of the Plan was out, ominous signs of crisis in respect of external and internal resources for the Plan began to appear. The 'blind gods of rain' failed to shower their blessings on India. Defence and other non-development expenditures compelled Government to resort to deficit financing on a much larger scale than envisaged in the Plan to meet development outlays even on a reduced scale. Inflationary pressures began to raise their ugly head, increasing the cost of the projects. The rise in the prices of imported capital goods added to the burden. The estimate of total outlay of projects in the public sector increased to about Rs 5,600 crores. Heavy imports and the failure of exports to rise reduced sterling reserves to alarmingly low proportions.

In these circumstances, Government had to declare a ceiling on outlay in the public sector at

Rs 4,800 crores. The Planning Commission recently reviewed the resources position and felt that the total outlay under the Second Plan on existing conditions would be Rs 4,260 crores, but recommended extra efforts through increased taxes and borrowings to achieve an outlay of Rs 4,500 crores. The National Development Council, however, thought otherwise on political grounds and maintained the target at Rs 4,800 crores, with a proviso that efforts would be made, first, to complete the projects included in the outlay of Rs 4,500 crores. It has been found that the foreign exchange requirements of the Plan were grossly under-estimated. They are of the order of Rs 1,700 crores against Rs 1,100 crores mentioned in the Plan.

From the foregoing, it is clear that under the influence of advocates of physical resources planning and political pressures of the ensuing general elections, financial resource planning was given secondary importance in the Second Plan although, in a free market economy, financial resources are the determining factors.

Lack of Co-ordination

With regard to implementation of the Plan, it is becoming increasingly apparent that lack of co-ordination in policies and effective supervision of their execution often impedes, if not defeats, the purposes of the Plan. Management of the external resources of the country is a striking example of this. Although it was clear from the beginning that foreign exchange resources might prove a serious bottleneck in the implementation of the Plan, there was no budget for foreign exchange commitments until early 1957 when a serious crisis was already on hand. What is more, no accurate information could be had, reasonably in advance of the payments falling due, of the outstanding liabilities for import licences issued. It has been estimated — only recently, nearly a

year after the crisis—that the outstanding liabilities which will have to be met within a short period (how soon, it is not known) stand at over Rs 800 crores. Still about Rs 350 crores are required in foreign exchange for the core of the Plan; and between the current year and 1965-66, the end of the Third Plan, the total liability for repayment of external debt with interest has already grown to a level of Rs 1,500 crores which should make prospects of the Third Plan dismal indeed.

Curiously enough, despite the seriousness of the foreign exchange crisis, there are still instances of import licences being issued for non-essential items which indicate lapses in effective supervision or misguidance in policy. A large commercial firm was advised some time ago that funds were available from Canada for the purchase of machinery and equipment and that it should forward a list of its requirements within a fortnight. The firm had no contacts with machinery suppliers in Canada. Consequently, it placed orders for comptometer and accounting machines! Imports of cars of a new model in CKD condition, when factories are closing down for want of essential raw materials and spare parts, have already received wide publicity.

Diversión of Resources

The diversion of resources raised for the Plan to non-developmental expenditure is another indication of ineffectiveness of Government policies for fulfilment of the Plan. Undoubtedly, increased expenditure on Defence, due to factors beyond the control of the Government of India, is an instance of extra-national influence on resource availability, for which allowance must be made. But the increasing expenditure in non-developmental fields, diversion of resources to projects outside the Plan under political pressures and the indirect encouragement to State Governments not to make efforts to meet deficits in revenue expenditures through higher taxes by increasing subventions from the Centre to meet such deficits impede the progress of the Plan, as is obvious from the statement of the Planning Commission that, despite the bold measures taken by Shri T T Krishnamachari to divert resources from the private to the public sector through heavy taxation, the surplus

revenue available for the Plan has not improved much.

Lack of co-ordination between Ministries often impedes the progress of the Plan. For example, the Plan provides for an increase in the production of iron ore to 12 million tons. Indigenous steel manufacturers have made arrangements for meeting their requirements from their own mines or from others under long-term contracts. Other mine-owners must depend on exports for increasing their output. Since export of iron ore has been made a monopoly of the State Trading Corporation and as this Corporation is not prepared to make any commitments for purchase of ore, iron ore mines are in the doldrums and it is not expected that the target will be reached.

Another example of such conflict is the resolution of the Ministry of Food and Agriculture that cottonseed crushing should be developed only on co-operative lines by farmers' co-operatives. Development of the cottonseed crushing industry is a function of the Development Wing in the Ministry of Commerce & Industry, and this Ministry, anxious to develop cottonseed crushing rapidly, is inviting private entrepreneurs to establish cottonseed crushing plants and is issuing licences for the purpose. The conflict between the two Ministries' policies is likely to have repercussions on the growth of the industry.

Unsuitable Organisation

With regard to the organisation for carrying out the Plan, the Government machinery and procedures, originally established for very narrow functions, are proving a great impediment to the implementation of the Plan. Despite the reports of Dr Appleby and the efforts of the O & M. Division, the old procedures hold sway on the approval and implementation of programmes. For example, increase in oilseeds output forms an important part of the agricultural programme of the Plan. The Indian Central Oilseeds Committee requested State Governments to submit proposals for the intensive cultivation of oilseeds for meeting the target of the Plan. Submission of plans by Agricultural Departments through their respective Governments and their approval by the Committee took six months, but acceptance of the grants of the Committee even by States which

claim to be best governed, has not been conveyed to the Committee although nearly a year is gone.

Thus three seasons have been lost in complying with these procedures. It is not known how much more time will be wasted before the Agricultural Departments receive sanction for the purchase of land for the multiplication of improved seeds, recruitment of staff and expenditures necessary for implementing the extension scheme. Similarly, in an industrial project of a Government, the approval of the Tender, of the agreement with the supplier, payment of advance under the agreement and application for import licences took nearly nine months although the project was considered to be urgent and the Government was anxious to complete it in a year's time.

Problem of Management

Another impediment to the implementation of Plan projects is the complete reliance on administrative services for the management of such projects and the continued practice of transferring the men in charge, regardless of the requirements of the projects. For example, an IAS Officer is posted as Development Officer for a Community Development Project with powers to spend Rs 15 lakhs in three years and with very little guidance as to how this amount should be spent to achieve good results. The officer takes time to study the requirements of the block and to prepare plans for spending the amount. He is then sent for training in rural development work for a few months. On his return, he is posted to an entirely different type of job as during his absence his post was filled by another officer. Such instances can be repeated ad nauseum.

At a time when increased productivity campaigns are being launched through National Productivity centres and emphasis is laid on scientific management, it would be good if, in the management of the economic activities of Government, increased attention were paid to rational planning, co-ordination of policies and stream-lining of the organisation of Government and to the effective utilisation of manpower. It is also to be hoped that the lessons of the Second Plan will be borne in mind in preparing the Third.

Technicians, Administrators and the Plan

(Contributed)

The Plan was drafted after careful consideration by various technically competent groups. The latter included the Panel of Economists and the Indian Statistical Institute. It is doubtful, however, whether the changes now being made in the Plan are being effected with the same degree of care.

Decision-making in a planned economy presents many perplexing problems. Planning has to be within the four corners of the Constitution, which set up a democratic framework. Apart from this conflict of ideologies, the vicissitudes of planning reveal a great deal of confusion about what we really want, and how we are going to achieve it. We are not clear about the respective roles of the technician, the administrator and the policy framer.

Personalities very often play the more important role; and it is difficult to know whether the policies resulting from the clash of personalities have the concurrence of Parliament.

PANDIT Nehru's reversal of policy regarding State participation in co-operative credit is an example of the prevailing confusion regarding the respective roles of the technical expert, the policy framer and the administrator. The Committee of Direction of the All-India Rural Credit Survey was a purely technical body. It was appointed by the Reserve Bank because the Reserve Bank of India Act wants it to play an active role in rural credit. The report of this committee was submitted to Parliament in December 1954.

The recommendations made in the report were considered by the Indian Co-operative Conference, the Conference of State Ministers for Co-operation and by the special conferences called by the Ministry of Agriculture, Government of India, at Hyderabad and Jaipur. Finally, the scheme was accepted as the basis for the development of rural credit in the Second Five-Year Plan. Technicians and policy framers were associated at all stages of the development of the scheme, and it was approved by Parliament as an integral part of the Second Plan. No questions were raised about the principle of State participation which was inherent in the scheme.

Despite the approval of the Plan by Parliament, some groups, in which were influential members of the Planning Commission, appeared to have some doubts about the recommendations. An important Minister came out openly against the scheme and questioned the need for having a three-tier system of co-operative credit, consisting of primary societies at the village level, central banks at the district level and State Co-operative banks at the State level. One group raised the objection that the system of warehousing—another integral

part of the scheme—would lead to the withholding of produce by cultivators and the pushing up of prices. The Programme Evaluation Organisation came to the conclusion that the cultivator was holding back his produce and thus raising prices. Another group questioned the ability of large-co-operative societies to meet the credit needs of all cultivators.

Finally came Pandit Nehru's confession that he had been mistaken in accepting the recommendations of the Committee of Direction of the All-India Rural Credit Survey. At none of these stages did the Planning Commission and the groups opposing the recommendations of the All-India Rural Credit Survey either thrash out the controversial issues in public or try to take the public or Parliament into their confidence. To place both sides of the case before Parliament and abide by the latter's decision would have been the proper thing to do. Can Pandit Nehru absolve himself of this responsibility on the specious plea that he had referred to these issues in the past and that he had issued a 'directive' to reverse his policy?

Present Conditions

While Pandit Nehru has changed his mind in regard to co-operative credit, he is still all praise for the Community Development Projects. Do the findings of the Programme Evaluation Organisation justify the claims made on behalf of Community Development? If one were to judge by potentialities alone, surely the scheme of rural credit should deserve the same support.

Today a problem is allowed to assume serious proportions, an atmosphere of crisis is created and then it is put before the public. Government is asked to take a quick decision; the newspapers play up the crisis in streamer headlines

and then, after a while, the subject dwindles into insignificance. Instances of such public education are not far to find. To mention only a few we have had the 'food crisis', 'the foreign exchange problem', 'the money supply crisis' and the 'lack of technical personnel problems'. Not a day passes without the public being alerted about some crisis or other. By now it must have resigned itself to the crisis atmosphere. From the general trend of events, one gets a little suspicious whether some group of vested interest or other is not trying to profit by the crisis atmosphere, which registers a cyclic trend of 'teji' and 'mandi', so characteristic of kurb trading in Kalbadevi.

Early in 1952, we decided on a policy of manufacturing most of the automobile parts in India by a stipulated period. Some assembly plants agreed to this, while others had to quit. Those who had agreed forged ahead, thereby getting a monopoly over the motor trade and production. But they did not keep their promise. There seems to be no effort either on the part of Parliament or of Government, to insist on the condition of the contract. Who is at fault?

The nationalisation of road transport is another instance. In 1951-52 the policy of nationalising road transport was accepted. Recently the authorities, going back on their stand, say that there should be no further nationalisation. It is a little difficult to understand how this policy was reversed and on what grounds and who was consulted. We do not know whether the difficulties were of a technical nature or of implementation. It will be worthwhile to find out who appointed the Committee which went into the question.

Decision Making

The process of 'decision making'

in planning can be divided into eight stages as follows:

(1) Collection and analysis of the data etc. of the 'existing situation'.

(2) Determination of priorities, with due regard to the set goals and the available resources. Alternative plans, suggesting allocation of resources, are to be submitted by technicians.

(3) Acceptance by people's representatives on one of the two or more plans suggested by the technicians.

(4) Implementation of the plan accepted by the people's representatives and the taking of day-to-day decisions in the course of administration by the executive.

(5) Review, assessment and evaluation of the progress of implementation by technicians responsible to executive bodies.

(6) Reconsideration and re-phasing of the programme in the light of assessment, at stage (5) above.

(7) Critical examination of the policy and its implementation by technicians who are independent of executive bodies.

(8) Reconsideration and reappraisal of the policy and programme of implementation by people's representatives in the light of assessment at stage (5) and critical examination at stage (7).

Let us now examine the actual process of planning and implementation in respect of some of the schemes for rural development and find out whether, under the present governmental set-up, adequate provision has been made to see that necessary thought is given at every stage to ensure the fulfillment of the targets. So far as the first four stages are concerned viz collection and analysis of data, discussion of alternative plans, acceptance of the plan by the people's representatives and implementation, the machinery that has been evolved appears to be adequate for the purpose in view. It is in respect of the last four stages that the existing weaknesses threaten the success of the Plan.

The P E O

There is, first, the notable example of the Programme Evaluation Organisation. The P E O, as it is commonly known, has been publishing valuable evaluation reports. The work of the organisation has been so much appreciated that a Parlia-

mentary Committee enquired into the 'possibility of entrusting the continuous evaluation of projects other than Community Development and National Extension Service to the P E O or an organisation similar to the P E O'. (Estimates Committee—1957-58, 21st Report, p 25.) On the other hand, Shri S K Dey, Minister for Community Development, is reported ('Jagriti', Volume II, No. 26, May 29th, 1958) to have 'deplored that the Evaluation Organisation functioned more as an audit party, i e, as a brains trust of the entire scheme'.

The common man is, therefore, entitled to ask: who is correct, Shri S K Dey or the Estimates Committee? May be, both points of view have elements of truth. The difference in judgment arises from difference in the definition of the scope of work which has been allotted to the P E O. While Shri S K Dey rightly wants the P E O to provide guidance helpful to the formulation of policy for the future, the Estimates Committee expects only an objective appraisal of actual performance. But the difference in the definition of the scope of the P E O's work itself reveals glaring defects in the present set-up, so far as the planning process is concerned.

Need for Continuous Assessment

In a different context, Professor Gadgil makes the following comment which is of relevance: "The basic problem raised by the existing situation is essentially political and administrative. The failure is not only at the top policy level but also at the highest administrative levels responsible for watching and for implementation. On a lower level of importance the failure to discern unfavourable trends early enough might be attributed to the comparative lack of informed public debate on questions of economic policy in our country. No provision appears to have been made for this by the Planning Commission. There is also no provision by which Parliament or a Parliamentary Committee will examine in detail proposals and forecasts for the future in conjunction with the past performance of the economy." (Paper submitted to Economists Panel, January 1958)

The Future

What is lacking today is a critical, objective and forward-looking analysis of the implementation of

the Plan by a body which is independent of the executive. It is in this context that the valuable recommendation made by the Estimates Committee, 1957-58, in its 21st Report should be carefully considered. Want of proper assessment of results has been pointed out year after year by various groups and students of the Indian economy. It was also discussed in an article ("Performance in Agricultural Planning—Parliament should Assess") in the Annual Number, 1957 which ended on the following note:

"Finally, there is the vital desideratum, an independent assessment of performance in terms of effort and resources spent. It need hardly be added that this all-important function of evaluation cannot be left to bodies which are responsible to the executive. It would be a grievous error to do so. In a political system which runs on checks and balances, and against the background of an economy which is being developed on a planned basis, failure or delay on the part of Parliament to assume the responsibility would mean betrayal of the trust reposed by the people in that august body."

It is for the Indian Parliament to discharge its responsibility. Will it create the necessary machinery independent of the executive for a periodical assessment of Plan performance?

Bird & Co (Africa) Ltd. Related to (India) Ltd?

BRITAIN'S Colonial Development Corporation has agreed to subscribe up to £ 450,000 towards the cost of a tea development scheme being carried out by Bird & Co (Africa) Ltd on its estates in the eastern Usambara mountains of Tanganyika. The company plans to increase the 840 planted acres on its estates to 2,700 acres by June 1965 at an estimated cost of £ 820,000. This will include the cost of building a factory capable of handling annually some 3mn lb of tea.

The Colonial Development corporation and the Bird company will also cooperate in investigating the possibility of an African small-holder tea scheme in the Usambaras. Last year's estimated production of tea in Tanganyika was 6 million lb.

Nehru Government's Naga Policy

K C Chakravarti

The Government of India was wise in integrating the Naga areas under its direct control; but this marks only the first step towards the solution of a problem that assails a vital frontier.

What still needs to be done is to ensure full scope to the Nagas to pursue their own way of life, without interference from zealous reformers, to strengthen the Indo-Pakistan frontier by improving the means of communication and to guard against disloyal elements or foreign agencies inclined to use the hill tribes against this country.

BY separating the Naga district from Assam and associating it with other Naga areas in a single administration under Central control, the Nehru Government did a wise thing. This policy has vastly improved the situation. It is now clear that the trouble would have ended long ago had Government correctly understood the situation before. It is also clear that Assam realised the folly of its old policy; and the people there did not, very wisely, oppose the move for creating a separate Naga territory. But what is not so clear is the attitude of the Nagas.

Just now, they seem to be divided. The rebels have not wholly surrendered; and disturbances at some places (not in the newly-created area) do occasionally occur. There is nothing unusual in Phizo and his associates not surrendering. Passions, once excited, cannot be expected to cool down soon. Once the Nagas faced ridicule and lack of sympathy from haughty Indians in the plains of Assam, and this they found intolerable. When such Indians are prevented from going to the Naga areas to impose their language and culture, the Nagas will feel relieved, and there will be no reason for resentment. Of course, Phizo can still excite them and Christian missionaries encourage them to revolt; but in the absence of any solid ground for resentment, the passions of the followers of Phizo will surely abate. In any case, Phizo can get no new adherents.

Separatist Move

Today, the newly-created Naga area is more or less free from disturbances. Loyal Nagas at the Conference at Kohima have indicated their disapproval of any hostility towards India. But that really does not amount to much, and the Naga trouble is, in a deeper sense, not over. Encouraged by the separation of the Naga area, other hill tribes of Assam have started demanding a separate State. This

they unmistakably indicated at the East India Tribal Conference at Aijal. Shri B P Chaliha, the young Chief Minister of Assam, who seems to be wiser and abler than Shri Bishnu Ram Medhi, his predecessor in office, has adopted a highly conciliatory attitude. He will, no doubt, be able to keep the situation under control as long as he continues to be the Chief Minister. Nevertheless, a day will come when the demands from other hill tribes for separation will have to be squarely faced.

Apart from that, let it be remembered that the rebel Nagas have not yet surrendered. There has been only a strategic retreat. From Manipur and North Cachar, they occasionally come to raid Indian villages. They have established contacts with East Pakistan through North Cachar, rendering communication between lower Assam and the rest of India insecure. Sporadic and isolated raids would not have been so dangerous but for the complication created by the presence of certain other factors. The proximity of East Pakistan, whose attitude is always unhelpful to India, with a land frontier of some six hundred miles without any natural barrier, the presence of a large Muslim population, the lack of proper and adequate facilities for transport and communication, uncongenial weather particularly during the monsoon, the rugged hills and tropical jungles, all these have complicated the Naga problem.

Cause for Resentment

For a correct understanding of the present situation and consideration of lines of future policy, it would be wise to take note of certain realities. The distinction between hostile Nagas and loyal ones has no great significance. Even if a loyal Naga does not approve of the violent ways of the hostiles, he cannot do anything about it. Whatever divergence of opinion there may be on the question of methods

to be employed, all Nagas are brothers as against Indians. One cannot expect a single Naga to cooperate with Indians in opposing or fighting another Naga. If any one does so, he will be branded a traitor and he cannot associate with others. All Nagas, hostile or loyal, resent the superior and patronising attitude of Indians of Assam. They do not like that Indians living in the plains of Assam should seek to impose their language and culture on them in the name of unity. Once this is stopped, resentment against India will wane; but it is a matter that will take time.

The Nagas are temperamentally inclined to violence. They are a race of head-hunters, and for generations they have been indulging in tribal feuds. This, however, need not be a source of worry to India. If they confine their violence to their jungle homes, it should be enough. In pre-Independence India, they remained isolated in their jungle abodes; and well may they continue to be so now.

No Imposition

It is generally wise to allow a man to do what he thinks to be good rather than force him to do what others may hold good. When the Nagas' notions of good and bad tend to be different from those of others, there is no point in imposing our ideas on them. Unless they come out of their jungle homes and raid Indian villages, their way of life should not be interfered with. Indian reformers as well as Christian missionaries who work among them should be kept under strict control.

The problem of individual Nagas raiding nearby Indian villages in the old way is not a major one. The police can control it by themselves; the situation becomes serious only when they receive facilities of training, arms etc from foreign powers, including Pakistan. The problem will continue to be a headache to the Nehru Government if the Nagas re-

ceive military training with modern weapons and can smuggle arms from Pakistan and maintain contacts.

The Nagas have actually done so, which underlines the risk facing the north-eastern frontier of India. Before dealing with the Nagas, the Indian Government should concentrate on strengthening the defence of this area. In pre-Independence India, the British did not try to reform the turbulent Pathans of north-western India. Internally, the Pathans were more or less left to themselves. The British mainly took care of the defence of the frontier and kept communication lines safe. The Pathans were diplomatically isolated.

Policy of Isolation

The same policy can safely be adopted in Assam. Most of the hill tribes of Assam may be turbulent, violent and nearly savage; but they surely have their virtues too. It would be advantageous to them, to India, and to humanity to allow them to pursue their own way of life, and develop their own culture. Any eagerness to force on them the language and culture of the Assa-

mese people in the name of Indian unity would be morally unjustified and politically unwise. At the same time, the Central Government must see to it that communications in these areas are adequate and reliable, that the defence line is not broken and that no foreign power uses the hill tribes against India.

The Nehru Government has mainly three lines of action to follow. One is to strengthen the Indo-Pakistan frontier by improving the means of communication; the second is to prevent local Muslims, even through they are Indian, from contacting hostile Nagas; and the third is to watch and control Christian missionary activities among the hill tribes.

Funding of Treasury Bills Held by Reserve Bank

THE Government of India intends to fund gradually the growing volume of treasury bills held by the Reserve Bank into loans of appropriate maturity. Accordingly, it has made a further issue of 4% Loan 1973 for Rs 300 crores, which

will be wholly taken by the Reserve Bank against cancellation of ad hoc treasury bills of equivalent value held by them in the Issue Department.

The securities now issued will not be placed on the market.

World Bank Loan For Calcutta and Madras Ports

THE World Bank entered into formal agreements on June 25, to lend \$43 million for port improvements at Calcutta and Madras. One loan, of \$29 million, was made to the Commissioners for the Port of Calcutta; the other loan, of \$14 million, was made to the Trustees of the Port of Madras.

The Bank of America, The Chase Manhattan Bank and the Irving Trust Company are participating in the two loans, without the World Bank's guarantee, for a total amount of \$1,705,000.

Both loans are for a term of 20 years and bear interest of 5½%, including the 1% commission which is allocated to the Bank's Special reserve. Amortisation of the loans will begin in April 1963.

Live Issues in Indian Politics

Sisir Gupta

The lines dividing the political parties are thin. There is a uniformity of approach on broad, national issues, if not of emphasis, among them, which can be quite perplexing.

That, however, has not reduced the rivalry among the parties. Nor have the resulting political conflicts or election campaigns served to bring out the lines of division clearly. Indeed, elections have tended to be unreal in character, with national issues yielding place sooner or later to parochial considerations.

As a result, the hold of national parties on their territorial units has been weakening, and there is a definite tendency towards the emergence of local political movements.

THE lines that divide the major national parties in Indian politics are very thin, in fact, too thin to mark them out easily or clearly. Who, for example, is not a socialist? And who is openly against parliamentary democracy? True, to Comrade Dange the Congress Party's Socialism is a hoax and a vote-catching device just as to Shriman Narayan, the Communist Party's faith in a multi-party system is suspect until the party dissolves itself! But these differences excite only the 'political workers'; to the electorate they do not mean much. And, in the ultimate analysis, the tone for public life in India is going to be set by the electorate, which is the adult population of the country.

Measure of Uniformity

The agreement is, however, not on democracy and socialism alone. On all issues which are usually considered important in politics, there is a measure of uniformity of approach, if not of emphasis. The foreign policy of Pandit Nehru, for example, is accepted by almost all the parties as the only correct policy. Socialists criticised India's alleged equivocation on Hungary and Communists criticise the apparent indifference of the External Affairs Ministry to calling a second Bandung Conference as deviations from the spirit of India's foreign policy and its underlying principles. The difference is one of interpretation and not of fundamental attitude—again, so far as the people of India are concerned. Likewise, in regard to the Plan and planning, the area of disagreement, although wide and important, is not so apparent to the public mind as to become a vital political issue.

This, however, has not in any way minimised the rivalry between the political parties. Nor have the resulting political conflicts or elections served to bring out the subtle differences marking their policies. Indeed, Indian elections and Indian

politics in general have tended to be unreal in character. Election manifestoes and public statements by the parties have no relevance whatsoever to elections and electioneering. Issues of national policy almost invariably yield place, after the first few days, to the more sure and, perhaps, inevitable appeal to the regional, linguistic and caste loyalties of the overwhelming majority of voters to their sense of belonging to their respective caste, language group or region. This sense of belonging differs from area to area: in south India, particularly, and in large parts of central and north India, caste provides the traditional, and, perhaps, the only sense of belonging to the voters. Communalism also has its appeal, and in selecting candidates, communal considerations invariably come in and dominate, even when the selection is made by the highest committees of the political parties. The recent choice by the Congress Parliamentary Board of a former Jana Sangh member to fight a candidate put up or supported by this very party in the Gurgaon parliamentary constituency is an unmistakable indication of this tendency. It is not, as Pandit Nehru seems to think, a sign of communalism in the selectors themselves; it is only a reflection of the inclination of selectors to seek short-cuts to victory, which makes them take advantage of the inherent antipathy of one community to another.

In some other parts of the country, linguism and regionalism are important. In Maharashtra and Bengal, particularly, it is the sense of being exploited by another linguistic group which provides the strongest motive force in politics. It was not accidental perhaps that the climax to the long list of charges and accusations by Siddhartha Ray in his statement of resignation in the Bengal Assembly was that the Bengal Congress was a handmaid of a

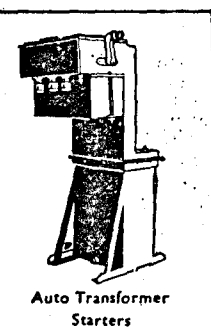
particular section of the business community who are non-Bengali. Likewise, it is not unoften that the Congress party in Bengal has appealed to Hindi-speaking voters on the same ground. Yet another reality of public life in Bengal, which few would forget at the time of elections is the traditional antipathy between 'Bangals' (migrants from East Bengal, both before and after partition) and 'Ghoti' which now threatens to take the form of a conflict between the haves and have nots.

Silent on Vital Issues

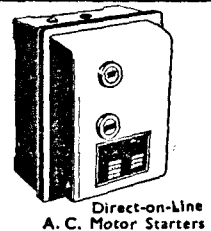
Again, although such issues as national language and the status of regional languages or federalism in the Indian Constitution and the multi-national character of the State still remain largely unresolved and are of vital importance to the people; party politicians have avoided them or left their public pronouncements conveniently vague, so that sufficient ground for manoeuvring is left to local political workers to exploit these issues without affecting the party's prospects in another area. The Communist Party workers in Bengal or Madras have been asked not to expose those who are agitating against Hindi. By emphasising the need for developing regional languages and for not accepting Hindi without sufficient preparation, the Communist Party has sought not to embarrass either its Bengali or its Banarasi volunteers. The Congress, likewise, has accepted all the State languages as national languages of India, and yet the position of Hindi has been stressed. The Praja Socialist Party, similarly, has not said anything on the language issue which would expose its provincial units to a hostile public—either in the north or in the south. With the solitary exception of Dr Lohia's Socialist Party none has squarely faced the issue; but the Socialist Party, however counts for little.

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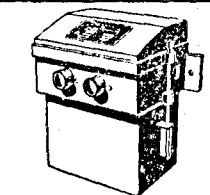
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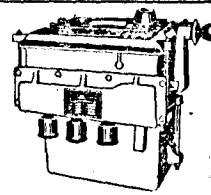
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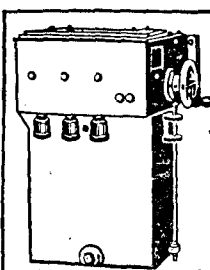
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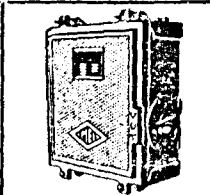
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- (b) the branches of the State Bank of India within the State of Bombay except at Bombay and Nagpur and at places mentioned in (c) below
- (c) the branches and treasury pay offices of the State Bank of Hyderabad within the State of Bombay
- (d) the Government treasuries and sub-treasuries in the State of Bombay at places where there is no branch or treasury pay office of the afore-said banks
- (e) Applications will also be collected by the State Bank of Saurashtra at Bhavnagar and its Branches within the Saurashtra area of Bombay State and forwarded to the nearest receiving office.

Full particulars can be obtained at any of the receiving offices mentioned above.

Another important and vital question on which there is a strange uniformity of approach is that of the Indian Constitution. The largely unitary character of the Indian Constitution does not satisfy the political aspirations of large sections of the people. The multi-racial, multi-lingual character of India makes it almost a multi-national State; and the Constitution, whose centralising tendencies have been strengthened by the recent extension in governmental activities like planning, is bound to appear inadequate to many. Yet, opposition to this trend is not ventilated in national politics at all; in all approaches to national integration, the issue of the present Centre-State relationship has been carefully avoided. Even those who at one time, in their anxiety to provide a theoretical basis for Pakistan, had discovered nationalities, whose domain broadly coincided with the boundaries of the Muslim majority areas, do not seem to be ready to state the facts or expose the fancies. There should be no two opinions in regard to the desirability of the unity of India; but there need hardly be only one as to the safest and the surest way of maintaining that unity.

Attitude to Pakistan

Again, that all political parties should accept the present political map of south-east Asia, and of the Indian sub-continent in particular, as final and unchangeable is amazing. If partition of India has solved some problems, it has created as many, and there is nothing sinister or blasphemous in questioning the basis on which India has been divided. It is significant that in Pakistan, doubts about the viability of the geographically separated units are now leading to various suggestions and ideas. The more energetic among Pakistani politicians like Dr Jehangir Parvez, conceive of a greater Pakistan, and Mr M H Chatha wants the whole of Bengal and Punjab for Pakistan. The Muslim League President, Sardar Quaiyum Khan, pleads for a federation with Iran and Turkey and Kasim Razvi has accused the U S A of financing Suhrawardy in order to bring about an Indo-Pakistan joint defence set-up. In India, however, all parties, at least the major ones, are supremely indifferent to this. Not that annulment of partition should be advocated in

the old 'Akhand Bharat' style; but the realities of the situation seem to be eluding public attention. The creation of Pakistan was not opposed by communal elements alone; Mahatma Gandhi himself, the socialists and a large number of far-sighted Muslims doubted the wisdom of the movement for a separate state in the larger interest of the sub-continent, as well as in the interest of the Muslims themselves. Those arguments did not cease to have any validity from the midnight of August 14, 1947.

Secondly, even those eager to achieve rapprochement between the two countries have not publicly indicated the surest way of doing so—bringing them closer through such ventures as 'payment unions' and 'common markets'. Here again there need be no uniformity of approach. If the plain truth is to be frankly stated, there is as much—if not more—vested interest in India today as there is in Pakistan for the perpetuation of the present division. And there is also opinion, on both sides, to be sure, for closer relationship. The State of Uttar Pradesh, for example, could hardly expect 50 per cent Cabinet membership in an undivided India! Reluctance to raise the issue of partition is, therefore, like reluctance to state clearly a policy for languages, a reflection of the desires of political parties to keep away from all controversial issues. The old tradition of the national struggle, which brought all sections of the people into its fold and blurred the areas of disagreement, seems to persist in our public life.

The resulting situation is definitely one of fostering the growth of local political movements—like the Ganatantra Parishad in Orissa or the D M K in Madras—and of loosening the hold of the Central functionaries at the State level inside the various parties. The Congress party cannot ask its Madras unit to select a Brahmin as its President; the P S P dare not censure either Thanu Pillai or S M Joshi for their local alliances; the Communist Party cannot effectively restrain the inclination of its Punjab branch to adopt the slogans and take the line of Master Tara Singh. The growing dichotomy between what the people are concerned about and what the parties can publicly demand may thus end either in damaging the integrity of India

or making the national political set-up unreal and insignificant. The consequences could be much more unpleasant than what a re-assessment of the issues in national politics would lead one to infer.

Rubber Production in India

THE total number of rubber estates registered upto the end of October, 1957, was 37293. They covered an area of 283,115.12 acres. This marks an increase of nearly 4,000 acres over the figure for 1956. During the 1957, production of raw rubber in India amounted to about 24,000 tons, as against 23,444 tons production in 1956.

Rubber, which used to be an important export commodity, is now largely consumed within the country. The consumption of natural rubber during 1957, amounted to about 31,500 tons. Part of this demand had to be met from imports.

To meet the growing internal demand for rubber, the Plantation Enquiry Commission, set up in 1954, urged bringing of new land under rubber plantation. The Commission suggested that 1.2 lakh acres of land should be brought under high yielding rubber by 1965.

The Government is studying a report on the Andaman and Nicobar Islands submitted by the Rubber Production Commissioner, who visited the Andamans in March, 1957, on an inspection tour for reporting on the possibilities of developing rubber cultivation in these Islands.

World Bank Borrows D Ms

THE World Bank has arranged with the Central Bank of West Germany to make its first borrowing of Deutsch marks. The amount to be borrowed is DM 200 million, (approximately \$48 million) at 3 per cent; the period of the loan is three years and the lender is the Deutsche Bundesbank.

The Deutsch marks will be fully convertible, but a substantial part of the proceeds of this loan is likely to be spent in West Germany.

Although this is the first borrowing of Deutsch marks, it is the fourth loan the Bank has received from the Bundesbank and brings the total borrowed to the equivalent of \$298 million, all in the past 12 months.

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'The Indian Ship'

Lokesh Ghatak

By proposing in the draft Merchant Shipping Bill an Indian register for Indian ships, a measure long overdue, Government has no doubt rendered a great service to Indian shipping.

But at the same time, it may also be asked whether this indigenous enterprise has not been given a rope to hang itself with—in the new definition of an 'Indian Ship' presented in the Bill?

THE wife of a seaman who recently died at sea had to wait for months before she could have her insurance claims adjusted. Her husband had worked on an Indian ship; yet the death certificate had to be obtained from Cardiff. Such is the law which applies to Indian shipping today, a decade after the country became a sovereign entity in its own rights. A register for Indian ships has been long overdue. Indian ships registered at Indian ports are still subject to Part I of the British Merchant Shipping Act, which requires them to carry a British certificate of registration. The Merchant Shipping Bill, now before the Select Committee of Parliament, aims at transferring this jurisdiction from British to Indian hands. Part III of the Bill replacing Part I of the British Act of 1894.

While this is a laudable attempt at promoting national interests, welcome to all sections of the maritime community, we are, however, confronted with a danger hitherto quite unsuspected. That such a move should have lain dormant in the minds of the authorities was least suspected by people engaged in the operation of our mercantile fleet. By proposing an Indian register for Indian ships, Government has offered to the ship-owner a new 'life'; promptly, on the other hand, it has also offered to Indian shipping a rope to hang itself with. I refer to the new definition of an 'Indian ship'.

Original Definition

The policy committee appointed by Government in 1947 had recommended that an Indian shipping company should be defined as follows: (a) at least 75 per cent of the shares and debentures of the company should be held by Indians in their own rights, (b) all the directors should be Indians and (c) the managing agents, if any, should be Indians.

Now, since this position was found quite satisfactory by ship-owners, the sub-title to the book under review* seems rather mislead-

ing. The opposition of Indian ship-owners is not exactly aimed at Indo-foreign combines as such, but at the new context given to the meaning of an 'Indian ship'. For, it will be observed that the principle of foreign participation to the extent of 25 per cent had already been conceded.

The new definition, as proposed in the Draft Merchant Shipping Bill, is an acrobatic feat in reverse somersault. By this definition, an Indian ship is one in which (a) 33 out of 64 shares are held by Indians or (b) which is owned by a company.

The implication of this is that a company financed, owned and managed by nationals of any country can register and operate a shipping company in India and enjoy the benefits of whatever reservations Indian shipping may secure from time to time in her coastal, adjacent and foreign trade.

There was a reason why Indian ship-owners had agreed to the original definition. It was made at a time when the Commonwealth of Nations was undergoing a phase of rapid re-organisation. Provisions had to be made to accommodate Pakistani, Burmese and Ceylonese share-holders in Indian shipping. But as these holders were fast selling out to Indian nationals, the proposition was quite acceptable to the ship-owners. The present provision, however, has been made with a view to inviting dollars and pounds.

'Open Door' Policy

At a recent gathering of Commerce graduates and the Democratic group, Shri A. Ramaswamy Mudaliar had an interesting experience to relate. Panama boasts of 404 million tons of shipping flying the Panamanian flag. It is now, of course, well known that these 'Flags of Convenience Countries'

*Indian Ship: Why Ship-owners Oppose Indo-Foreign Combine for Shipping. Published by Navin Khandwalla, Deputy Manager, Scindia S N Co Ltd. Pages 135.

('Panlibhonco' which is derived from the initials of Panama, Liberia, Honduras and Costa Rica), have an open door policy similar to that envisaged in the new Indian Merchant Shipping Bill. Any nationals of any land can register their ships there; and irrespective of national maritime economy in trade and commerce, these countries can show statistically impressive curves on the 'Drawing Board'.

On the strength of such impressive tonnage on the national register, the delegate of the Panama Government claimed a seat on the Executive Committee of the International Maritime Consultative Organisation under the auspices of the United Nations in Genoa in 1948. The majority rejected the claim of Panama; and the delegate, expressly invited to attend the conference by the United Nations, had to make an inglorious exit. The contention was that the shipping registered under the Panamanian flag was principally Greek and American in ownership.

We must not lose sight of one factor here, however. These 'Run Away Flag' countries without any export-import trade of their own register foreign shipping under their flags by offering concessions by way of tax, survey, safety requirements, manning, wage scales, and other facilities which no bona-fide maritime nation in the world would approve of. Such inducements do not obtain in India, which follows the British pattern, and like the proverbial student teaching the master, is, in fact, more rigid in enforcing the relevant regulations than Britain herself.

The question that arises is: what then will induce foreign owners to register in this country. Sometimes we miss the trees for the wood. The draft Merchant Shipping Bill proposes to vest enormous powers in the Central Government for directing shipping routes and determining the nature of cargoes to be lifted and the prin-

city of trade to each shipping company registered in India. There lies the nucleus of a control-factor which the Indian ship-owners seemingly overlook. The only foreign ship-owners who can at all benefit by seeking admission to the Indian register will be those who already have a majority holding in India's foreign trade such as the Peninsular and Oriental, British India, Asiatic Steam Navigation, the Moghul Line, Burmah-Shell and a handful of others. Indian shipping interests fear vindictive competition from these few houses, from whose hands the trade of this country was originally wrested for the benefit of indigenous Indian shipping.

Formidable Case

All the same, the case presented by Smt. Sumatibahen, Shri Master, Shri Mudaliar, Shri Khatau, Shri Bhabha and others in the volume of collected speeches and statements is a formidable one in defence of the vested interests in purely indigenous Indian shipping. We may perhaps give their main contentions in brief as follows.

Firstly, the Plan target of nine lakh G. R. T. by 1961 can be easily realised by Indian ship-owners themselves without any foreign capital participating in our shipping, provided (a) Government allows ship-owners to plough back at least a part of the foreign exchange earned by their ships for the acquisition of new tonnage, (b) facility already hinted at by the World Bank for dollar credit and the standing Yen credit from Japan are taken advantage of, (c) ship-owners are allowed to operate on the 'self-financing' principle.

I may add here that in a lucid analysis of the problem of foreign exchange, Shri M. A. Master, in the volume under review, has presented a case for the release of foreign exchange which Government will find hard to ignore. One hundred and fifty to sixty crores of rupees are drained out of our meagre foreign exchange resources every year by way of freight paid to foreign shipping for our exports and imports. If a portion of this should be released to Indian Shipping for the purpose of carrying our foreign sea-borne trade, there would be no need for going round the world with a begging bowl.

Secondly, there is the question of foreign nationals attending various international conferences in the garb of 'Indian nationals' by virtue of owning tonnage registered in India. So far, Indian ship-owners have been speaking with one voice at these and the Liners' conference whatever be the final outcome of their efforts. With divided control will come divided loyalty, and the united voice of India may never be heard again at international level.

Thirdly, a ship being a floating asset, cannot effectively be under legislative control in times of national emergency or any crisis. The problem of revising defence strategy to this extent will be a formidable one as will be appreciated by anyone conversant with affairs in the shipping world, following the 'Suez Crisis'.

Finally, with powerful financial and other resources at their command, British and other foreign owners will be in a position to dictate terms to indigenous Indian shipping, and prevent their healthy growth.

A Question

Actually, taking note of the fact that, apart from attempting a new definition of an 'Indian ship' the draft Merchant Shipping Bill pro-

poses to vest enormous arbitrary powers in the hands of the 'birds-of-passage' Directors-General of Shipping, envisaging compulsory arbitration in disputes between men and employers and generally setting a pattern of rigidity unknown in any other maritime nation of the world—taking note of this fact, one may well wonder whether the Bill has been really prepared by informed and intelligent people aware of the peculiar conditions prevailing in maritime trade.

The 'Indian Ship' helps to focus informed public opinion on an important issue inasmuch as it condenses in one volume considered views of practically all the persons who have an authoritative voice in the business of shipping. It also presents a careful analysis, prepared by Shri M. A. Master, of the growth of Indian shipping from September 1939 to May 1958, which will be of much interest to students of the subject. We hope this volume will prove a guiding factor in the deliberations of the Select Committee now examining the issue at Delhi.

The publication, however, could have been better edited and compiled.

INDIAN AGRICULTURE IN BRIEF

A useful handy and pocket size booklet has been recently brought out by the Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India, with a view to meeting primarily the need of those who wish to have a snap-shot picture of Indian Agricultural Economy as revealed by the current Agricultural Statistics. Certain essential data in allied spheres, e.g., population, national income, etc., needed for an understanding of the agricultural economy in its broader perspective have also been included in this booklet.

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Power Development and Incentives

R P Aiyer

'The Appraisal and Prospects of the Second Five-Year Plan' has rightly warned that the postponement of any part of the approved power programme is likely to create a difficult situation towards the end of the present Plan and the beginning of the next.

Provision of adequate power supply is the basic and essential requirement for industrial and economic development.

State policy should therefore be such as to match the regulatory climate with the needs of the electric supply industry, so that at least the problem of finding rupee resources may cease to plague the industry.

THAT sector of the electric supply industry, the expansion of which is sustained by public finance, has, in the main, to contend with procurement of plant and machinery, and bringing it into beneficial use. Licensed undertakings operated by corporate enterprise, however, have to bear the additional responsibility of raising the necessary finance, and servicing it within the limitations imposed by Government regulation.

Capital Intensive

Few other industries are as capital intensive as electric supply, and the cost per KW of plant has tended to go up with the passage of time. From Rs 845 per KW installed capacity (combining generation, transmission and distribution) in 1950, the cost per KW went up in 1954 to Rs 1,058. Plant and equipment since added to power systems must reflect greatly increased costs.

It is particularly in this context that the regulations affecting Licensed Electric Supply Undertakings should be examined and adjudged. When the Electricity (Supply) Act prescribed the pattern of regulation in 1948, the "capital base" (on which is based the return to the industry), the earnings of many of the undertakings bore a reasonable relation to their paid-up share capital because of their healthy practice in the past of ploughing back of profits. The undertakings could pay reasonable dividends to investors, even with the limit of 5 per cent which was the then ruling "standard rate". Fresh capital coming in at the limited "standard rate" has tended to bring down the level of dividend and in the case of undertakings which have had to carry out vast expansion, the impact has been more serious. This is because of the added complications such undertakings have to face, being loaded with deferred tax liability (incidental to the diversity in depreciation

provisions as between the regulating Electricity (Supply) Act and the more comprehensive Income Tax Act) and the loss of tax credits by shareholders receiving dividends which have borne no tax.

Stock Exchange Valuation

Share values in the stock markets are generally supported either by prospects of capital appreciation or of attractive yields. On both these counts, electric shares are not fancied by investors, in that with rates of dividends smaller than in other industries, values move within a narrow range. The denial of tax rebate to shareholders, referred to earlier, makes the net yield even less attractive, leading to share values continuing to be depressed.

May be the norms applied by the share market do not divine the strength of an industry, but how could a capital-hungry industry afford to ignore the pre-requisite essential for canvassing support in the money market?

Expansion Penalised

While large-sized undertakings having been penalised by erosion of dividend and by other factors discussed earlier, the small-sized undertakings have not been without their share of difficulties. These, mostly diesel operated, have had to face a continuous increase in price of fuel, and, as a result, they have been forced to charge electricity rates which are too high to be promotional. The prospects of these undertakings raising equity finance are even more bleak.

A question is very relevant here. Has not the liberalisation attempted by the changes made in the Electricity (Supply) Act in 1956 improved the climate for raising finance? The answer is that events have demonstrated that the overall impact of the amendments has not had the desired effect of improving the capacity of the industry to attract investment.

The framers of the Electricity (Supply) Act had evidently visualised the possibility of loans to undertakings by State Electricity Boards. Here, too, there has been no relief, either because State Governments continue to ignore the provisions of the Electricity (Supply) Act in not constituting the Electricity Boards, or such Boards as have been constituted are themselves without adequate financial resources, and are themselves debtors to the respective State Governments.

Any hope that appreciable relief to the dearth of finance in the industry might be forthcoming through capital being made available by institutions such as the Industrial Finance Corporation of India and/or the State Finance Corporations, founded on the restrictive provisions of the Indian Electricity Act, 1910, read with the Electricity (Supply) Act. These provisions resulted in these bodies applying standards other than the normal credit-worthiness of the applicants when considering loan applications from electric supply concerns. Even where loans have been given, the rate of interest charged is higher than what the Electricity (supply) Act has contemplated. An objection (fully valid from a creditor's point of view) which has especially influenced the Finance Corporations is the bare-bone return to the investor in the industry, which precludes the possibility of the management having recourse to amortisation of the loan—a normal procedure in Corporation financing.

Equity Capital Needed

It cannot be too strongly urged that it is investors' money that needs to be attracted, if healthy development is to take place. In other words, the investor (or shareholder) must be made to feel that his money is safe, that adequate reserves are left with the undertaking

against liabilities like deferred tax, and against emergencies. He must also feel that he is getting a return (or dividend) as good as he could get, if he put his money into other activities.

Borrowing of loan capital cannot be the basic solution of the industry's problem. In fact, after a certain point, it tends to complicate matters by further reducing the security of the genuine investor or shareholder, and thus scaring him away still more. As the borrowings increase in proportion to the total value of the undertaking, the lender, too, will become more reluctant, and will first raise his interest rates and eventually refuse to lend any more, until the undertaking improves its collateral by a further addition of owners' (or shareholders') capital. So a stalemate will develop.

Standard Rate Inadequate

Healthy growth demands that Government do not shut their eyes to the inescapable fact that you cannot force the public to invest, but must make investment sufficiently attractive. If this is not soon done in the case of the electric supply industry, the industrial development of the whole country is likely to suffer severely as a consequence.

A recent Brazilian law provides for electric supply undertakings in that country being permitted to adjust their tariffs so as to ensure a return of 12 per cent per annum on the "remunerable investment". It is this sort of competition that undertakings here must face when they look to lending institutions abroad for assistance.

What then is the remedy? The obvious solution is to revise the permissible "standard rate" so as to fix the limit at a rate which compares more favourably with the actual cost of attracting money, and this is certainly something beyond 6 per cent which the industry is permitted to earn with the Bank Rate at 4 per cent (the permitted return is 2 per cent over the Bank Rate). May be it is embarrassing to Government to re-open the subject so soon after the amendments to the law in 1956, but such procedural difficulty should not come in the way of ensuring that public utility services are maintained at levels which will cover all

costs, including taxation. The present situation under the law is tantamount to charging future consumers some portion of true costs (tax deferred) properly attributable to current consumers.

State policy should therefore be such as to match the regulatory climate with the needs of the electric supply industry, so that at least the problem of finding rupee resources will cease to plague the industry. Any weakening of a basic industry like electric supply

will vitiate the economy all round. If the salt have lost its savour, wherewith shall it be salted?

Bhakra Nangal

About 3.6 million acres of arid areas in Punjab and Rajasthan States will be provided with water supplies for irrigation by the Bhakra-Nangal project. The electric power generated by it will be approximately 400,000 kw at 100 per cent load factor.

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From the Chair

The Metal Box Company of India Limited

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

THE twentyfifth Annual General Meeting of The Metal Box Company of India Limited will be held on Thursday, 17th July, 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 improved by just under half a crore, to Rs. 612 lakhs compared with Rs. 567 lakhs last year. The increase is partly due to a rise in the price of tinsplate early in the year but principally to our ability to attract to the full extent permitted by raw material availability, the new demand growing within the country.

Particularly noteworthy, in view of the tinsplate situation, is our success in selling products not made from this scarce material, e.g. rigid and collapsible tubes for toilet and pharmaceutical packs, Roll Seal pilferproof and other closures for bottles, industrial components, Diathene bags, closing machinery and advertising media. Sales of these Products increased by 38% and now constitute a significant portion of our total output.

As tinsplate has been made freely available for export goods, it has been possible to continue our export promotion efforts. In this context we must comment on the valuable co-operation we have had from the Government of India and the Engineering Export Promotion Council. This should be reflected in our performance in the current year, albeit not spectacularly, since the high cost of tinsplate in India prices our products out of the more severely competitive markets of South-East and West Asia.

In the current year, under the stimulus of continuing national investment in development and the shortage of imported goods, consumer demand for indigenous products will increase. Whilst it is certain that raw material scarcity will prevent us meeting market requirements in full, we have been convinced, in the course of the many re-

presentations we have made in Delhi, that the Government of India appreciates the importance of maintaining steady supplies of packaging materials, which are a key factor in ensuring the ready supply of consumer goods, so essential for the achievement of price stability.

Raw Materials

The foreign exchange crisis adversely affected not only our principal material tinsplate, of which a substantial percentage has to be imported, but also many subsidiary but important materials which, while largely manufactured or processed here, have important basic constituents which are not produced indigenously.

Our stocks of tinsplate plus the limited import licences granted enabled us to meet all requirements up to the end of March. Since then there has been a deterioration in the indigenous supply position due to shortage of tinsplate bars. As a result our stocks are now well below normal levels and we are passing through a critical phase involving loss of operational efficiency at our factories and affecting our ability to supply all our customers' requirements on time.

We have asked for additional import licences to make good the shortfall in local supplies and we anticipate that the position will be less critical later in the year. So far as indigenous production is concerned it is expected that the tinsplate bar position will improve when Tata's expansion programme is completed.

Apart from the increase in the price of tinsplate already mentioned, the prices of many other raw materials have substantially increased.

Aluminium for the manufacture of Roll Seal pilferproof closures is now being produced in India and we should be able to secure adequate supplies to meet the growing demands for these closures. The price however is substantially higher than the material we have hitherto imported.

Developments

The Government of India have

approved the long term credit offered by our Consultants to cover the supply of plant and machinery required for plastics development and plant, machinery and spares for our metal container manufacturing equipment.

Licences have been granted by Government to cover our operations in the plastics field embracing injection moulding and polyethylene extrusion and printing. Additional plant has been ordered and will be installed this year.

The new offices for the Calcutta Branch have been completed and occupied and the new factory is nearing completion. We propose, subject to Government permission, to build a new factory at Faridabad to replace the present Delhi factory which is on a short term lease and has proved to be too small for our requirements.

Our range of machinery manufacture has been expanded to include Double Seaming Machines for the Canning Industry which have hitherto been imported.

Board Changes

Since 1942 I have held the combined office of Chairman and Managing Director. I have been feeling for sometime that the increasing complexities of business in a planned economy, the economic problems and the difficulty of raw material shortages demand more and more time and study. A responsibility of this character is incompatible with the day to day operations of the Company and, from the 1st April this year, I have resigned the office of Managing Director in order to concentrate my attention on the office of full-time Chairman.

The Board have appointed Mr. R. W. Westbrook as Managing Director and Mr. H. K. S. Lindsay as Deputy Managing Director. Both gentlemen have wide knowledge and experience of the Company's affairs having served the Indian Company for more than 20 years. Mr. Westbrook has been a Director since 1946 and Mr. Lindsay since 1951.

Mr. W. R. Davis, M.B.E., retired in April 1958 after 25 years service.

He served the Company from its inception with enthusiasm, great loyalty and remarkable engineering skill. We owe much to his outstanding work and he will be widely missed.

The Board has been greatly strengthened by two new Directors who have joined us since our last Meeting. Sardar H. S. Malik, C.I.E., O.B.E., has had an outstanding record in the Government, serving over a long period in many countries overseas and, lately, before his recent retirement, as Ambassador to France.

Mr. K. C. Mahindra joined the Board in January this year. As one of India's leading industrialists, he needs little introduction and we are fortunate indeed to have secured his services.

Their wide experience and mature judgment will be of the utmost value to the Board.

Employee Relations

Our joint consultation arrangements through our Works Committees have continued to develop most satisfactorily. We believe that this is of importance in the context of the currently much discussed question of employee participation in management. In certain publicised instances participation is apparently to be superimposed from the top downwards. We have been building, on a broad base, a real body of knowledge and experience which, it is increasingly evident, is making consideration of the Company's problem by our employees a meaningful instead of a superficial matter.

To help our employees to realise the extent of the progress made on the vast Government Projects initiated under the Second Five-Year Plan we arranged, as an experiment, a number of three day sight-seeing tours of Government Projects in Eastern and Western India. Those participating were drawn from all sections of our factories and offices and the tours have been most successful not only educationally but in providing the opportunity for executives, staff and workers to get better acquainted.

Staff

The problems involved in the successful operation of an industrial enterprise to-day are manifold and the task of officers and staff is made more difficult with shortages,

controls, the search for and development of substitute materials, the unremitting fight against rising costs and other factors of a frustrating nature. This has been an arduous year for them all and I thank each one most warmly for their loyal support and the contribution they have made to another successful year.

25th Year

This year marks our 25th anniversary and on such occasions it is customary to look back, although at the present time with India engaged in a breathtaking struggle to raise the living standards of her vast population, the future holds greater significance than the past.

Nevertheless, I think it is appropriate briefly to review our achievements and the policy which has inspired them since your Company's modest beginning in 1933. Then, such packers of consumer goods as existed, welcomed us warmly for hitherto their products had been at a heavy disadvantage vis-a-vis imported goods packed in superior containers. The availability of high class lithographed packages, equal to those available elsewhere in the world, enabled many Indian manufacturers' products to obtain proper recognition for the first time. Our enterprise did more than help the few existing packers, it greatly stimulated demand and made it possible for many new suppliers of consumer goods to compete successfully in a market previously dominated by imported goods. Subsequently many world famous manufacturers sent their products to India in bulk for repacking and later, under the stimulus of import restrictions, undertook local manufacture. We can, I feel, claim quite fairly that our enterprise was the instrument which made possible the creation and subsequent growth of a wide range of new industries. Today we serve more than 1,000 factories employing an estimated 80,000 people and marketing goods to the value of over Rs. 100 crores. Adequately to serve and service this great industry—in the development of which we have played a major part—our own activities have expanded from one small factory employing 35 people to five factories and six ancillary establishments employing over 5,000 people.

In the field of Industrial relations we have sought to provide the finest possible working conditions and

have developed a successful system of joint consultation. We have instituted Welfare and Benevolent schemes and have provided extensive recreational facilities. We are one of the few industrial establishments in India with a scale of pay for every occupation. All operatives participate in our Production Bonus Scheme and all employees share in our annual Prosperity Bonus.

Our personnel policy has been to promote from within the organisation and, through our training schemes in India and abroad, to provide every opportunity for advancement at all levels. We have, as a result, over the years been well served by a loyal and hard-working team of outstanding men, many of whom have risen from modest beginnings to positions of high responsibility.

Our sales policy has been to keep prices low and obtain a satisfactory return on our investment by a high volume of turnover. For the last decade we have kept constantly before us the need to combat rising costs by increased volume and improved production methods which we have financed principally by retained profits until high taxation rendered this well nigh impossible.

Thus we have not only provided facilities to meet growing demand but have played an active part in stimulating that demand. In all this we have been supremely well served by our Consultants, The Metal Box Company Limited, and through them, by our Associates in the container making industry throughout the world. We were very happy in February to receive a visit from Mr. D. Ducat, Managing Director of The Metal Box Company Limited, London, and following a tour of our factories, discuss with him plans for even more extensive collaboration in the future.

We have passed through many vicissitudes but at all times we have been sustained and encouraged by the appreciation shown by our customers for the service and help which it is our principal function to provide and also by the confidence shown by our staff and workers that their interests would be safeguarded.

India's problems are on a vast scale and she is facing grave economic difficulties but I am confident that she has the resources and

the will to overcome them and that the goal of industrial expansion and an improved standard of living for the masses will be attained. I believe, therefore, that the future will offer us increasing opportunities to

share in the development of a great and growing consumer goods industry.

I look back over this quarter of a century with a sense of real pride in our achievement which I believe

is the outcome of initiative, endeavour and integrity. We shall continue to work to these same principles which have served us so well in the past and will, I am confident, do so in the future.

Sen-Raleigh Industries of India Ltd Speech of the Chairman Mr S K Sen

ADDRESSING the 8th Annual General Meeting of Sen-Raleigh Industries of India Ltd., held in Calcutta on the 27th June, 1958, Mr. S K Sen, Chairman, said:

It gives me pleasure to welcome you to the Eighth Annual General Meeting of the Company. The Directors' Report and the Accounts of the Company for the period ending 30th September 1957 have been with you for sometime and with your approval I shall take these as read.

Expanding Sales

Sales for the year recorded a further expansion of approximately Rs. 30 lacs and the profit at Rs. 15,91,546/60 compares favourably with Rs. 14,36,292/23 earned in the previous year. This result has allowed your Directors to recommend payment of the same dividend on the Preference and Ordinary Shares of the Company as in the last years, as in the past your Company has followed a policy of strengthening reserves.

The improvement in turnover was achieved solely through an expansion in production in the component section of the factory. By the end of the year, this section was supplying components to most of the other bicycle manufacturers in the country thereby contributing largely in saving foreign exchange. Bicycle production however could not be raised as anticipated owing to the difficulties experienced on more than one occasion in the year in maintaining a continuous supply of imported materials.

Introduction of New Components — Some Difficulties

The introduction of a large number of new items into our manufacturing programme in order to reduce the imported components used in a cycle to a figure below Rs 5/- by 1958 also had repercussions to some degree on production. Introduction of new components

always requires some time for proving and testing, and whilst in earlier periods of easier licensing there had always been sufficient buffers to tide over the transition period, the position in 1957 was often a race between manufacture of new items ahead of schedule against stocks of imported components running out on a given date. The reaction of a section of workers to the rapid introduction of a large number of new components was not always as co-operative as could be expected in such a crisis, and some time was also lost on this account in developing full production of the new components. A power failure in the D V C System too was instrumental in affecting production for over a week in the year under review.

Import Licences

In my last report I had mentioned that the demand for our products justified the Company's undertaking a major expansion and had outlined the steps taken by the Company to double its turnover and bring the Company nearer self-sufficiency. This demand for our products still persists, and I am glad to be able to inform you, that the plant required for the expansion as well as for manufacturing all such components as had been planned to be made at Kanayapur, has now mostly arrived in India and is in the course of installation. No great progress however can be made in expanding production, until and unless the Government can afford to release foreign exchange for raw-materials which are not as yet manufactured within the country. Although it is realised that the situation facing the country and its Government in relation to foreign exchange is critical, with restricted licences, and diminishing buffers, a state of emergency dominates industry. Emergency measures are necessary to tackle such a situation and only a more dynamic approach on the

part of licensing authorities in dealing with the limited licence applications now reaching them, can keep the wheels of Industry turning without a break. With marginal stocks with which the light engineering industry is endeavouring to maintain production programmes, long delays in disposal of licence applications may well lead to disruption in production—so costly to the Company and the country.

Outside suppliers of components both in the large and the small scale sector have been affected in the same manner as we have by the foreign exchange shortages, and although it is still hoped that supplies from ancillary units mentioned in my last report would still be available within the year, so far it has not been possible for them to deliver any materials. In most cases, however we are covered for some time on imported components so our production would not be affected immediately.

"Period of Paradoxes"

Supplies of Indian made tubing have in most cases replaced imported tubing without much difficulty during the change over. In steel strip, a beginning has also been made in using Indian supplies, but with quotas in this material running to only 10% of requirements, we have still to go a long way before being independent of imports.

The last few months had been a period of paradoxes for the bicycle industry. On the one hand, at the highest level we have been exhorted to increase capacities to meet Plan targets and have even been asked to consider an upward revision of the targets on the other hand, we have noted with concern the various pronouncements on the dwindling foreign exchange which has made the difficulties previously experienced in obtaining import licences for components appear as nothing compared to the formidable ones now faced in obtaining

import licences for even raw materials at a level of production frozen to past performance.

From the various pronouncements at ministerial level, the future of the bicycle along with so many other industries in India would seem to be linked with the speed of progress in bringing the three steel mills in the public sector into production. Not only would it then be possible for us to obtain our own requirements of steel from within the country, but by exporting steel, the country would earn exchange that would then allow it to import such other materials as would still not be available within the country. Our future aspirations would therefore seem to depend on the success of these projects, to which we bid Godspeed.

Export Rights

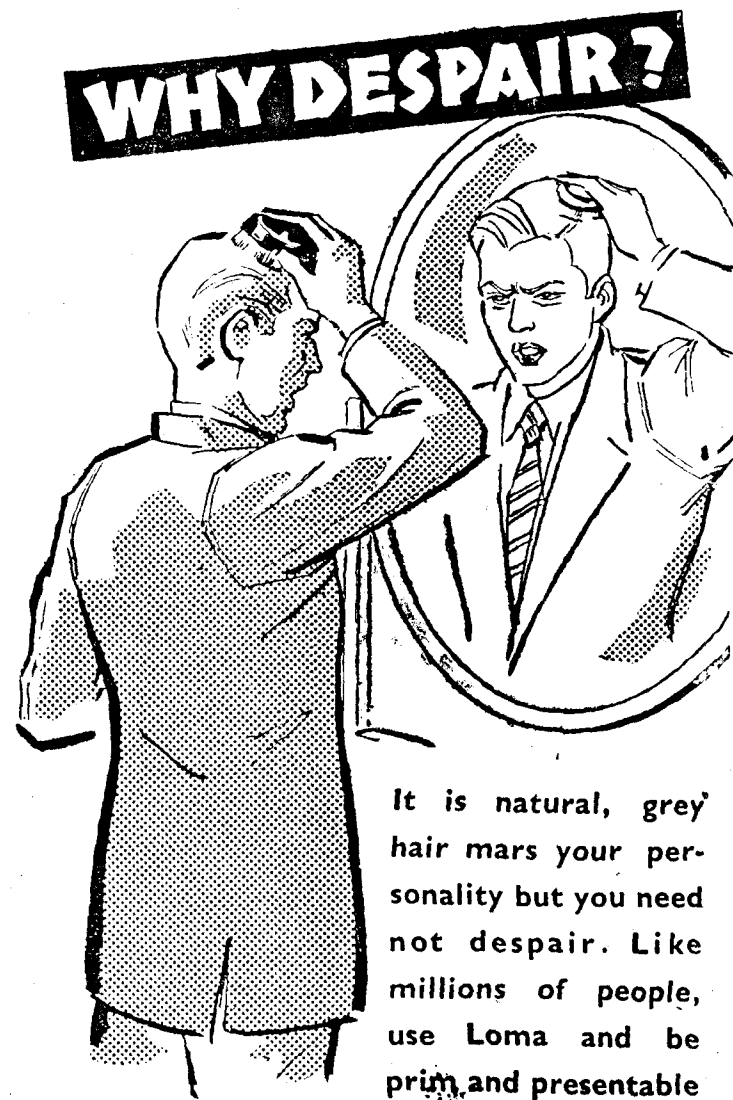
Some time back we were approached by the Government of India to explore the possibilities of developing export markets. I am pleased to inform you that our request to Raleigh Industries Limited in this connection was received in a spirit of accommodation and rights of export of Raleigh Products to The U S S R, Czechoslovakia, Poland, Rumania, Bulgaria, and The Peoples Republic of China, have been vested at present in the Indian Company. Steps have already been taken to explore the possibilities of sales in these markets.

Negotiations with the Company's recognised Union are now under way for implementing its Expansion Schemes. The negotiations are based on improved earnings and amenities for workers against higher productivity, and the approach of the Union so far to the schemes drawn up on this base would indicate greater realisation of the problems facing the Industry and a more logical approach to planned expansions than previously. It is hoped that these negotiations would be completed without a break-down of production so that transitions to higher productions wherever materials are available could take place immediately. This would re-affirm our faith in the possibilities of negotiated agreements and point towards a further advance in the Trade Union movements in the country.

Finally, before closing I would like to thank my colleagues, all staff and workers, our foreign associates and dealers without whose unfailing efforts these re-

sults could not have been achieved.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.



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MPS

Around the Markets

Favourable Reaction to Policy Changes

The stock exchange has started slowly recovering from the heavy blow administered by last year's Krishnamachari budget. Since the end of February, it has moved up consistently and has not once looked back. The reasons for it add up to the feeling that the Government's policy towards the private sector has definitely changed. Some of the earlier restrictions have been removed or relaxed and the market believes that more is to come.

Money market has eased, bank deposits have substantially increased and advances are lower. Money rates, however, do not reflect this easiness fully yet, for banks are still competing actively for deposits and offering high rates for them.

Commodities have been affected by the export drive and the immediate impact of removal or relaxation of export restrictions and export duties has been a distinct upward trend in commodity prices.

SINCE the end of February the stock exchange has moved up consistently, and has not looked back. The reason for the change is the feeling that Government has relaxed its earlier attitude towards the private sector. The relaxation began with the relief in cloth excise duties and abandonment of the compulsory deposit of company reserves. The installation of Shri Morarji Desai at the Finance Ministry, reports of substantial foreign assistance, greater export consciousness in official quarters and the appointment of an inquiry committee for the textile industry have all contributed to strengthening this sentiment.

The decline in security prices which started with the enhancement of excise duty on cloth in September 1956 and the introduction of the scheme of compulsory deposit of company reserves later in November, deepened into a severe slump in 1957, following the imposition of new taxes and higher impositions on companies in the Krishnamachari Budget of May. Rapid depletion of foreign assets added to the gloom, while stringency in the money market attained unprecedented levels. Food prices in the meanwhile were going up, and along with other factors, reduced the demand for cloth, bringing about a crisis in the textile industry. Between August 1956 and February 1958, the all-India index of equity priced had declined from 127.4 to 96.5.

Encouraging Factors

Following recent changes in Government policy, both stock and commodity markets have turned buoyant. A series of measures, announced largely since the budget, has given hope both to investors and speculators. Beginning with the reliefs mentioned above, there

have been a number of encouraging factors like reduction or removal of export duties, higher retention prices for cement, together with a revision of the fair return formula, import duty drawbacks and other export promotion measures. The labour situation caused uneasiness for some time but this feeling has by and large been overcome, and the market circles believe that the labour policy of Government has taken a turn in favour of industry.

Apart from the operation of these factors, there has been some capital appreciation also, following realignment of values with high yields which had ranged in many cases from 7 to 9 per cent for first class scrips. Easier money, with banks ready to lend after a long period of stringency, have also contributed to the recovery, and so has the enlargement of the forward list at Calcutta and the inauguration of a forward list in the Madras stock exchange.

Yields Going Down

The upward movement has been rather rapid. Compared to February this year, the all-India index is nearly 4 points higher. Barring Cotton, Woollen and Silk, Textiles, and Coal, every major group has shared in the rise. Even Electricity and Jute have done well. The rise has been impressive under the heads Banks, Iron and Steel, Paper, Cement, General Engineering, Chemicals, Mining and Oil. In Plantations, however, the appreciation has been small, on account of the continued difficulties of 'common' teas.

Expectations of higher earnings and bonus issues have played their part in attracting investment support and so have import cuts, which benefit developing industries like chemicals. By now, most shares

have hit what may be considered their ceilings from the yield point of view. Judged by this criterion, any further advance of the sort witnessed over the last quarter would be entirely speculative and is likely to repel rather than attract genuine investors.

The plight of preference shares, however, is still lamentable. The index for this group is more than a point lower than at the beginning of the calendar year and 7 points lower from what it was a year ago. Preference shares have not received much attention in the upsurge of values, though stray inquiries have been reported. Sellers are also reserved at existing prices and since most of them are strong holders, they can afford to wait. If yields on equities continue to decline, with bull fervour, investors may turn their attention to preference shares. The possibility of a speculative rise in preference shares, however, is rather remote, until buying in equities exhausts itself.

Easy Money

The money and credit situation has undergone a fundamental change in the last one year, acute stringency having given place to extreme easiness. The resources of the banking system have recorded a marked expansion while the pace of bank credit expansion has slowed down. In fact, the outstanding level of bank advances today is lower than that of a year ago. The growth of active money supply has been extremely modest, but there has been a very sharp rise in time deposits. The relevant statistics are set out in the accompanying table.

During the financial year 1957-58, the expansion of money supply at Rs 75 crores was only a little over half of that in 1956-57. The rise in active money supply was smaller

The dress of the people...



The pretty Rajasthani women are unsophisticated performers and their art has its roots in the myth and symbolism of India's ancient rural traditions. Their whirling skirts express the gay abandon of their elegant dance movements.

Costumes, whether they are for folk dances or for dainty wear, vary all over the world. Climatic conditions, natural materials available, religious demands and individual ingenuity are some of the factors that determine the dress of a people.

Many varied costumes are worn in India but different costumes need different qualities of cloth. The Mafatlal Group of Mills manufactures a wide range of cloth for everyday use in all parts of the country.

SHORROCK, Ahmedabad. NEW SHORROCK, Madras. STANDARD, Bombay. NEW CHINA, Bombay. SASSOON, Bombay. NEW UNION, Bombay. SURAT COTTON, Surat and Dombivli. MAFATLAL FINE, Navsari. GAGALBHAI JUTE, Calcutta.

MAFATLAL GROUP OF MILLS



CLOTH FOR THE NATION

Mafatlal's other interests include Sugar and Dyestuffs

MAFATLAL HOUSE, BACK BAY RECLAMATION, BOMBAY 1.

despite a substantial rise in budgetary deficit because of (i) a sharp increase in time deposits, (ii) a much smaller expansion of bank advances and (iii) somewhat larger deficit in balance of payments. During the first quarter of 1958-59, April to June, these trends have continued, with money supply recording a decline of Rs 5 crores as compared to a rise of Rs 39 crores in the first quarter of previous financial year. This was due to a smaller budgetary deficit as well as a substantial contraction of bank advances.

An analysis of the position of scheduled banks indicates a marked change in the banking situation. During 1957-58, deposits rose by Rs 276 crores or more than twice the rise of 1956-57. On the other hand, advances rose only by Rs 63 crores or less than half the rise in the preceding year. The banks repaid a substantial part of their borrowings from the Reserve Bank, bought Government securities to the tune of Rs 93 crores and augmented their cash reserves.

During the first three months of the current financial year, the growth of deposits has been smaller, but the liquidity of the banks has improved substantially because of a marked fall in bank advances of Rs 56 crores, in sharp contrast to the rise in advances in the first quarter of 1957-58 of Rs 21 crores. The improved liquidity of the banks is brought out by the much smaller ratio of advances to deposits, namely, 60.56 per cent as compared to 73.71 per cent a year ago.

Slacker Demand

The slackening in the demand for advances would appear to be due to the operation of the number of factors, namely, (i) drastic import cuts, (ii) a marked slowing down of the rate of growth of industrial production, (iii) declining trend of prices for the six months from August 1957 onwards, and (iv) the selective credit control still enforced by the Reserve Bank. After the record expansion of bank advances in the earlier years, some slowing down was inevitable. If the difficult import situation which is currently slowing down industrial production proves transitional, with the revival of industrial output, bank advances should record an increase, unless of course, in view of the rising trend of prices

noticed from early February this year, the monetary authorities step down on expansion.

With deposits around Rs 246 crores, higher than last year, banks have been compelled to raise their gilt-edged ratio from 28.64 per cent to 32.45 per cent. Severe import cuts and successive reductions of Bank Rate in London have eased the pressure of demand for funds from the exchange banks on and since this situation is likely to continue for at least six months, if not longer, the gilt-edged market should remain firm throughout the current financial year. There is no reason, therefore, to be pessimistic about the prospects for public borrowing. In fact, it would not be surprising if the current year's borrowing target is easily exceeded.

At the beginning of this month, the Central Government announced a new issue of Rs 300 crores repayable in 1973 to fund the outstanding floating debt to the Reserve Bank. No part of this issue, however, will come on the market.

Drain on Foreign Balances

The foreign exchange situation

remains as perplexing as ever. The drain on reserves continues at the rate of Rs 5 to 6 crores a week, and there is little hope that, barring substantial foreign aid, this rate could be brought down in the near future, in view of the large volume of import licences still outstanding.

Though export promotion has at last been taken up in earnest, it has still to show results.

Buoyancy in Commodities

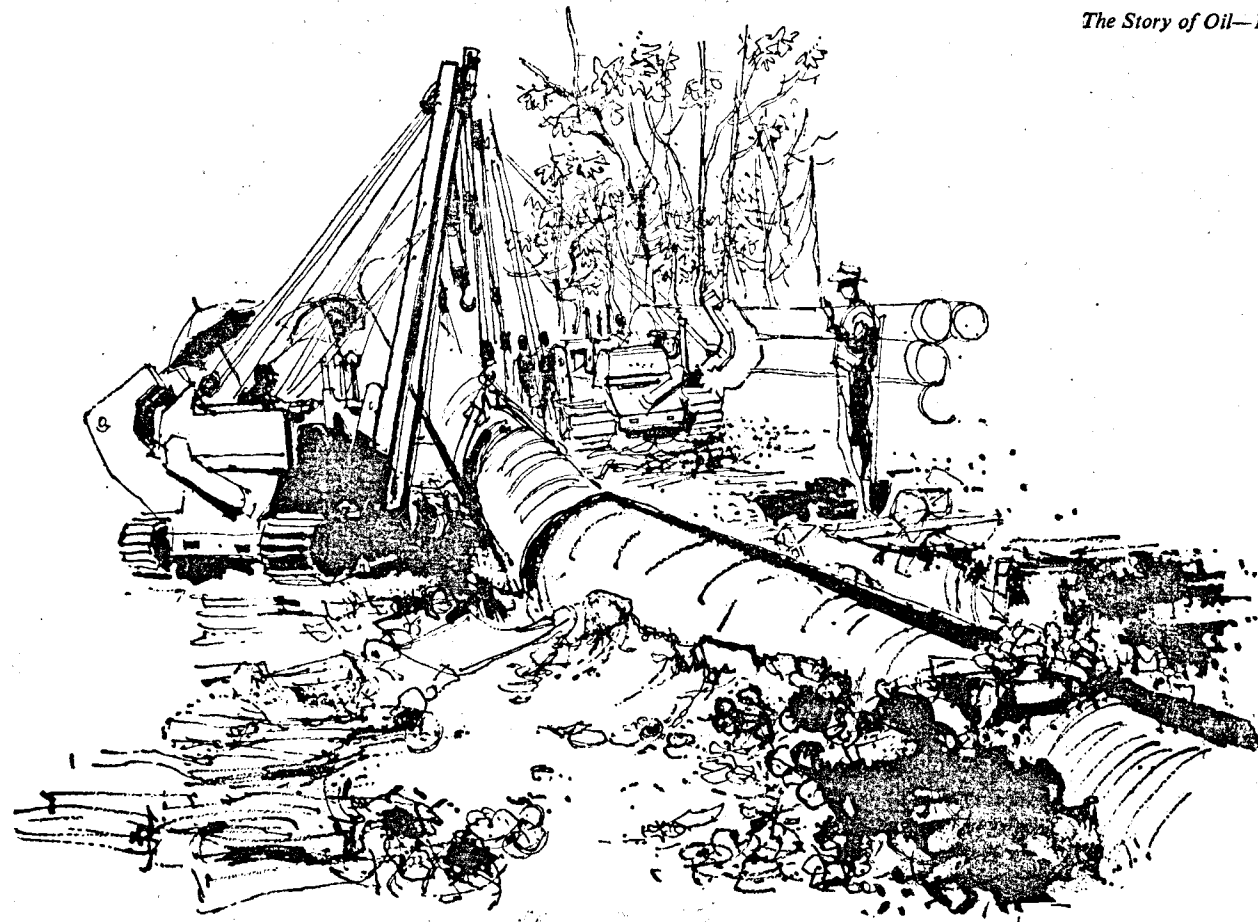
Commodity prices have shown an upward trend of late. The rise is partly seasonal but though a little less than last year in the initial stages, it has tended to be relatively faster during the last two months.

Buoyancy has been imparted to cotton by expectations of further tax relief for mills and hopes that, on exhaustion of the present export quota by the end of August, a further quota of 1-1½ lakh bales would be released. Mill buying is for the present confined to better varieties, largely because of the shift in production towards higher counts.

MONEY AND BANKING

(in crores of rupees)

	Variations during the financial year 1957-58	Variations during the financial year 1956-57	Outstanding as on June 30, 1956	Variations Over a year
I. Money Supply				
Currency with the public	+49.4	+51.4	1,613.4	+29.1
Demand liabilities of banks	+17.2	+77.5	751.6	+6.6
Other deposits with the R B I	+8.2	-0.4	14.4	-10.1
Money supply with the public (1 + 2 + 3)	+74.7	+128.6	2,379.4	+25.6
II. Reserve Bank				
Foreign assets	-259.8	-219.3	227.1	-237.3
Rupee investments	+403.4	+280.2	1,434.7	+307.4
Loans and advances to Governments	+13.6	+7.7	46.6	+22.6
Central Government's deposits	-16.2	-2.8	49.9	-3.6
State Governments' deposits	+22.9	-30.1	15.2	+12.9
Other Loans and Advances	-49.4	+47.9	56.1	-38.4
III. Scheduled Banks				
Demand deposits (net)	+27.1	+72.8	717.3	+15.8
Time deposits (net)	+248.8	+56.3	775.5	+229.6
Total deposits	+275.9	+132.1	1,492.8	+245.4
Borrowings from the Reserve Bank	-61.2	+38.1	12.7	-51.7
Advances, bills purchased and discounted	+62.6	+136.8	906.7	-12.5
Cash reserves	+16.8	+3.5	129.2	+20.2
Investments in Government Securities	+93.3	-12.7	484.8	+152.2



Pipe lines for oil

Pipe lines are the lifelines of every full-scale petroleum industry. Day and night, they carry the oil from where it is found and refined to the places where it is needed.

The work of laying a pipe line to move crude oil from the wells of an oilfield to the tanks, columns and towers of a refinery begins with the mapping of a suitable route by surveyors and engineers. Then right-of-way men travel the route securing permission to lay the line across the land, and close on their heels come bulldozers and trucks to clear the right-of-way of trees, rocks and other obstructions.

Now the ditchers work on the line, digging out a trench of the correct depth and width and dredging a channel in the beds of rivers. Trailers haul the pipe from the nearest rail head, and when the sections are strung out along the

ditch, welding crews move along the line to join them together.

Next a mechanical wrapper bandages the pipe from end to end with protective bitumen, glass fibre and felt, and when this is done tractors swing the line into the ditch. Bulldozers shovel the earth back into the ditch, and in a short time you would never have guessed the line was there.

The oil is pushed through the pipe line by powerful pumps in stations built at various points on the route. And once on the move (at a steady three miles per hour) the flow does not stop.

When the explorers and drilling crews find another oilfield, the bulldozers, ditchers and wrapping machines roll out again and a new line is added to the map.

Assam Oil

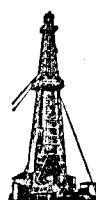
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Must Withdraw

EVENTS in West Asia have been moving with the speed of lightning in the past few days. In the space of less than a week Iraq has got itself a revolutionary Government, the Baghdad Pact has all but gone to pieces, the Arab Federation of Iraq and Jordan has broken up; American marines have landed in the Lebanon, British troops have been airlifted to Jordan and the Russians have started military manoeuvres on the border of Iran. Other events have followed in rapid succession. The new Iraq Government has been recognised by the United Arab Republic, Russia and China; and these Governments have been recognised by Iraq in return. Never have the cold war positions been more firmly held; and in the face of all that has happened since the Baghdad coup d'etat of last Monday, it is almost a ridiculous understatement to say that a very grave international situation has arisen. The plain fact is that the world has never been nearer a global war since the grim days of September 1939 than now.

The remarkable thing is that the starting point of all this electric tension—the military coup in Iraq—was not in itself responsible for the brink-of-war situation that has so rapidly followed it. The Iraqi revolution was a local affair. King Feisal's unpopular regime was simply unable any longer to withstand the pressure of the Iraqi people's aspirations, which were in their turn whipped up and brought to boiling point by the nationalism that has been sweeping across the Arab world. No one can say, of course, that it was expected quite at this time or with quite such abruptness. The plot against the monarchy was obviously well laid and well executed. But it is equally clear that the revolution has the backing of the country. One proof of this is the complete calm with which it has already been accepted by the people. Normalcy has returned to Baghdad's civilian population with remarkable speed; and today, five days after the coup, the shopping centres have re-opened and life is going on very much as before in Baghdad.

The international crisis is the result of Mr Eisenhower's decision to land the U S Marines in Beirut. A more unnecessary or thoughtless action could not have been taken. Indeed it is hard to think up a single justification for this armed intervention by America. The excuse is that President Eisenhower was answering a distress call from President Chamoun. Even if the Lebanese distress call was genuine, it is not surprising that it should have been made. A sinking regime always tries to withhold the pressure from below, and if a foreign power is eager for its own reasons to suppress that pressure, what can be more natural than that its intervention should be sought. But what may have been desirable from President Chamoun's standpoint is not necessarily desirable from the standpoint of the United States or, indeed, world peace. Even if President Eisenhower and his irrepressible Secretary of State did feel completely convinced that the repercussions of the Iraqi coup on the general West Asian situation were likely to be dangerous, it was an act of the greatest rashness to jump into this explosive area without explicit and prior approval of the United Nations. The Korean experience has evidently spoiled the United States. It now believes that any action it decides to take will be rubber-stamped by the United Nations as a matter of course. What is amazing is that this belief

should have been sustained in the circumstances which were peculiar to the West Asian situation until now. A U N Observation team was in Beirut. It had declared that it had found no evidence of outside interference in the Lebanese revolt. To insist, in the face of Mr Hammarskjöld's statement, that Colonel Nasser was actively behind the rebels is foolish in the extreme. This foolishness must already be dawning on Mr Eisenhower and his advisers; for it is proving anything but easy for the Americans to get a retrospective clearance from the Security Council. In fact America and the U N seem to be openly clashing for the first time, and it is certainly not Mr Hammarskjöld who is having the worse of the affray. The U N Chief is understandably disturbed and annoyed. For what the United States is trying to do is to blackmail (there is no other word) the United Nations into stationing an international police force in West Asia which could, in the circumstances, be only an Anglo-American force. What other interpretation could possibly be placed on Mr Eisenhower's announcement that the American marines would immediately be withdrawn when the U N force takes over? This means that the U N force must take over, or America will not withdraw.

If it was the American intention to bind the United Nations to West Asian intervention by this condition, then Mr Eisenhower has fallen into his own trap. For what has really happened now is that he has left no loop-hole for a graceful withdrawal from a situation that is becoming increasingly untenable. It is perhaps not surprising that the short-sighted Mr Dulles was unable in time to see the sort of world reaction that American intervention would evoke. It is clearly more unfavourable than his wildest fears had prepared him for. What will happen now? The inconclusive debates in the Security Council are destined to remain inconclusive. If nothing else does, the Soviet veto will see to that. In the circumstances an emergency meeting of the General Assembly seems inevitable; and unless something totally unexpected happens to change world opinion, at the eleventh hour, it will be astonishing indeed if the United States can muster a two-thirds majority to

back its action. What if the Assembly calls upon the United States to withdraw from the Lebanon? In such an event, it must either openly disobey the world body and make an outcaste of itself, or withdraw with an enormous loss of face.

While it may suit the book of the Soviet Union admirably to push the United States into such a corner, the task of the neutral countries like India will be to try and devise a formula which can enable Washington to re-trace its steps gracefully from Beirut. The uncommitted nations of the world, whose interest in peace is greater than their enmity of either power bloc, will have to help America to extricate itself from an unenviable position without much loss of prestige. And this is where the importance of the moves now being made behind the scenes by India and Yugoslavia comes in.

No less astonishing than the American military intervention in

the Lebanon is the folly of British intervention in Jordan. At the outset, it had appeared that, chastened by the Suez experience, Britain was sensibly hesitating to jump in West Asia behind the Americans. There were verbal expressions of support for the American actions, but no impatience to rush troops to the area. It had seemed that Britain was wisely waiting for a United Nations decision before taking any action. But now suddenly it has fallen completely in line with the Americans. This makes an already dangerous position infinitely more dangerous. It is brinkmanship with a vengeance. How precisely this action is going to affect the future developments in West Asia and the United Nations, no one can say with certainty. But for the moment it is sufficient to say that Britain does not seem to have learnt the elementary lesson of history that nationalism cannot be bombed out.

From Expediency to Morality?

IT has been remarked in these columns before that for some time past New Delhi has been showing unmistakable signs of confusion, if not of loss of nerves. The Plan targets have been cut and many of the policies which had been accepted as essential and the chosen instruments for securing rapid economic development, have been abandoned one by one. There have been more changes in economic policies in recent months perhaps than in any other comparable period in the record of present Government over the last 10 years. Now a certain measure of pragmatism is inevitable as also necessary in the formulation of policies and in the administration of economic affairs. After all, politics is an art of the possible. Political philosophers may deal with ideal forms, theoretical economists may play with their models; but practical politics has necessarily to be pragmatic, by and large, whatever the professions of political parties or politicians.

Do the recent changes, then, indicate necessary adjustments to a changed situation rather than a surrender or a return to the well-trodden path which may also mean falling into the same old rut out of which the present Government once promised the country and the people to lead them to a higher

destiny? What is the present foreign exchange situation? What are the causes and what is the magnitude of the crisis which has created such a paralysing sense of uncertainty and confusion? On these questions, no one responsible in the Government has yet given a clear answer. Exhortation is not information. One does not get any wiser by poring over published data. All that one can guess, watching the situation from the outside, is the difficulty of matching foreign exchange payments over foreign exchange receipts, a difficulty which must have been made very acute indeed by the decline in sterling balances which would have normally served as a cushion. That is to say that the only clear impression one can form is that of the problem of adjustments. Estimates are available of the foreign exchange situation over the Plan period. Of course, these estimates can tell us nothing about the possibility of synchronising receipts and payments over the next few weeks or months. The Planning Commission has appraised the situation only recently and adjusted the targets in the light of revised estimates of requirements and availabilities. Has anything gone seriously wrong since then, to precipitate a crisis and create this

most unsettling effect on the public mind?

Since export promotion is now being held up before the country as the only means of staving off the crisis, is it not necessary for the Government to take the public into confidence and explain why and how export earnings have suddenly become the bed-rock of its foreign exchange planning? There is much to be said for self-help and self-dependence. Some may even question the wisdom of basing development programmes on imported capital goods of which we can never be absolutely sure. But that was not the view taken by the Planning Commission or the Government. On the contrary, it was assumed, and for very good reasons too, that it would not be feasible to increase export earnings to any great extent until the basis of development had been laid firmly, so that both agricultural and industrial production could be stepped up substantially. Until then, it would be unwise to expect exports to perform a miracle. In the Plan estimates, even today, the average of exports for the five year period has been kept constant at a figure of Rs 593 crores! Export earnings in the first year of the present Plan were appreciably above this figure. What the export earnings were for the second year of the Plan which ended in March last, cannot be ascertained from published figures yet. True, only last week, the Department of Commercial Intelligence and Statistics did publish the provisional figures of foreign trade for March, but these monthly figures cannot be added up to get the total for the year. Why it should be so is a question that does not interest either the Cabinet or the Parliament. From such general indications as the decline in exports of cotton textiles, tea and ores in the first quarter of the year, it is a plausible guess that exports for the year might have fallen but even so, it would be surprising if they fell below the average for the Plan period assumed in the Plan.

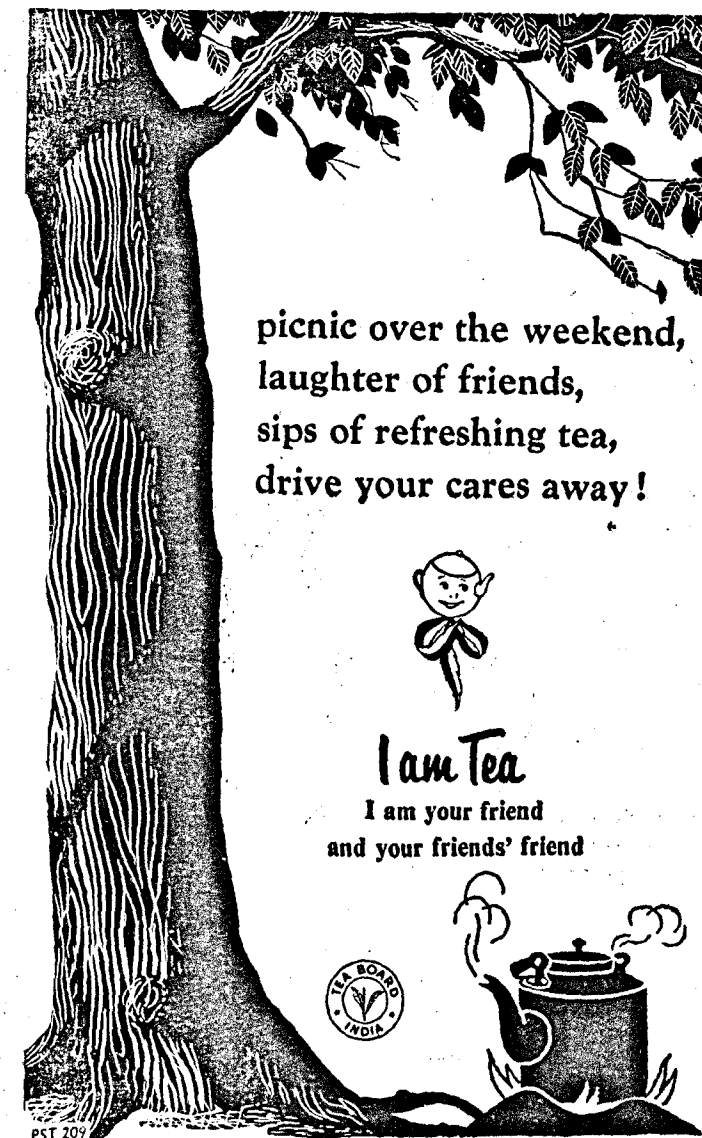
To repeat, such variations in export earnings as may occur from year to year belong to the second order of smallness in the calculus of planning. The latter may be all wrong and the Government may also have drastically revised its estimates and calculations. If so, it must take the public into its con-

fidence in order to win the intelligent and willing cooperation of the people.

True, even a continuing crisis, like a chronic disease, may have its ups and downs. Recent pronouncements from Delhi and a series of measures which answer more to the description of hit-and-miss tactics rather than adjustments to a changing situation may not add up to anything like a desperate remedy for a disease which has been diagnosed as very serious. There are other indications, however, not the actions taken, but those under contemplation or so believed 'in informed circles' which amount to hoisting a distress signal. Wires buzz, all sorts of rumours circulate and speculators are invited to help themselves.

'Export or perish' is still a feeble

note, though more frequently heard when it is not drowned under the din of 'ban on commercial imports' or 'devaluation'. The latter has supplied for some time past the background music to it all, and despite refutation of the rumour successively by the Governor of the Reserve Bank, the Finance Minister and Pandit Jawaharlal Nehru, it has not died down. Who knows that the present hit-and-miss tactics will not land the country in such a mess that Shri Morarji Desai will not try to rescue the country and put it back on the path of morality which is the path of de-control, as Gandhiji himself had once done? In the context of foreign exchange crisis, needless to say, de-control means devaluation. From expediency to morality the distance is not long.



Weekly Notes

Ceylon Premier's 4-Point Plan

SMEAR campaigns have been pretty common both in the north and south as motorists know to their cost. But they have usually been confined to blackening out road-signs in the language to which the local people or the dominant community is allergic. In the north, the campaign has been launched in the Himalayan foot ranges, both in the west and east, that is on the roads leading to Kashmir and to Darjeeling. In the south the smear campaign has been extended to sign-boards in English as well as Hindi. But, fortunately, the sign boards blackened with tar have not been used as signals for murderous raids on shops and homes, as in the traditionally Tamil areas in Ceylon. It all began with Tamils smearing the number plates of cars in Sinhalese letters appearing in their own areas.

Full account of the holocaust, the toll of lives and property in the language controversy in Ceylon have not yet come out because, fairly early on the out-break of the disturbances, among other emergency measures, a rigid censorship was imposed on the press and it has not yet been lifted. Now that Ceylon's Prime Minister has thought it fit to come out with a 4-point plan to solve the language problem, the struggle may at last be raised to a level where a political solution can be sought, even if it may not be attained immediately. Bandaranaike's proposals make the following concessions to Tamils:

1. Higher education in Tamil;
2. The right to answer questions at examinations for Public Services in Tamil;
3. The right to correspond with the Government in Tamil; and
4. The right to run local bodies in predominantly Tamil-speaking areas, viz, North and East Ceylon.

The programme, needless to say, does not add up to anything like conceding the same status to Tamil and Sinhalese. The coalition which Bandaranaike heads would not let him go that far. The mild-mannered and idealistic Ceylon Premier has a reputation for moderation and left sympathies. But it

should not be forgotten that his Government came to power with the distinct promise of making Sinhalese the only official language of the country, if not on the strength of it. There was, of course, a proviso attached to this promise, viz, that this would be done without prejudice to the reasonable use of other minority languages, but in the Bill which came before the new Parliament, the clause conferring minority safeguards was dropped. The Federal Party, which had threatened resistance to the imposition of Sinhalese on the Tamilians, still remains banned and its leaders under detention. At the back of the language issue, of course, there is genuine fear of the domination of one community by the other, of which anti-social elements took the fullest advantage, resulting in large-scale outbreak of violence.

Is it possible to probe deeper and find out the root cause of the antipathy between Ceylonese and Tamilians which threatens the future of the island? Explanations range from "subversion by the embassies of the Soviet Union and Communist China" suspected by the City of London, to D D T, which has created a terrific population pressure by cutting down the death rate drastically in less than a decade. Among the solutions suggested is the partition of the island into predominantly Tamil and Sinhalese areas. It is, however, deceptive to refer to the Tamil-speaking population as Tamilians for they are as much Ceylonese as the others. And though there has been a crazy movement in Tamilnad for separation, it should be noted that even Ramaswamy Naicker has not yet cast his eyes on the Tamil areas of the island. Nehru Government has given the utmost help to Bandaranaike by holding his hands so far.

A Question of Resources

A VALUED correspondent who contests the thesis offered in these columns that the Plan has gone awry because the private sector has collared a larger proportion of the resources than was envisaged in the Plan, points out that this might have been so in 1955 and 1956,

but not any longer. It is evident, he says, that there has been some slowing down in the rate of investment in the private sector. This was probably inevitable, he goes on to say, in view of the very sharp rise in the rate of investment in the years 1955 and 1956. The justification for it is that there was an urgent need for stepping up of outlay in the public sector, especially manufacturing sector, which had lagged behind. But he is fully in agreement that it is the inability to mobilise adequate internal resources that is slowing down the tempo of developmental effort. To quote him in full:

The impression that one gets is that the courage, determination and farsightedness which had been in evidence in Government circles and which found concrete expression in the budget proposals of T T K seem to be gradually slipping away. While not much can be done to alleviate the shortage of foreign exchange, it is a pity that sufficient effort is not being put forth to raise domestic resources for the Plan. The Central Government has virtually given an undertaking not to levy new taxes. The State Governments are doing precious little to raise resources. In these circumstances, the conclusion seems to be unavoidable that the tempo of development effort will be slowed down.

True, non-developmental expenditure, particularly defence, has diverted resources from the Plan. We are, to some extent, victims of external circumstances, but this very thing should inculcate in us a much greater sense of austerity. In fact, for a country which has a vast development programme before it, one might say that the sense of austerity is conspicuously lacking. An enormous amount of luxury investment in beautifying railway platforms, offices, hotels, pan and bidshops is no sign of austerity.

How to Meet It?

WE could do a lot more, the correspondent goes on to say, in the matter of raising resources. In this connection, the pricing policy of public bodies requires urgent review. Our railway and electricity charges are still low as compared

to the cost of running the services and the cost of reinvestment. Nor is our policy of rent control justified by economic circumstances. In cities like Bombay, where the bulk of the tenants are paying old rents, there is scope for raising resources through enhancement of rent. Part of this could finance new housing activity; part could go to better maintenance of houses. The recent step of the Bombay Housing Board in demanding deposits from prospective tenants for the houses that are being constructed by the Board is eminently a desirable one and requires to be adopted on a wide scale. There is also considerable scope for raising resources from the agricultural classes.

An important reason for not raising resources is, of course, political. The ruling party does not want to incur the displeasure of voters. This, of course, is a very short-sighted approach, for in the long run it is harmful to the interests of the party if promises of economic prosperity are not fulfilled.

Recent experience in regard to planning also raises a fundamental issue, viz, whether effective economic planning is possible without a large measure of compulsion. Planning is not merely the expression of pious hopes nor even the making of blueprints, though the latter is very vital. What is important is the successful implementation of the schemes. We have been saying that our approach is that of a democratic planning. This is, of course, a very desirable approach but then one should employ all the means open to a free market money economy to raise resources for the development. In the absence of either direct physical mobilisation of resources or their mobilisation through adequate financial measures, we cannot talk of achieving economic prosperity.

To this conclusion, few will demur.

Preserved Fruits and Metal Box

METAL BOX completes 25 years of its operations in India this year. It can look back on a proud record of expansion and achievement. From one small factory employing 35 people to five factories and six ancillary establishments, employing over 5000 people, is a big step forward. Today, the Company serves more than a

thousand factories employing 80,000 people and marketing goods to the value of over Rs 100 crores. One would think that the country has progressed and the progress of Metal Box has kept pace with the economic development of the country and the growth of its industries. But that's not it. The name 'Metal Box', suggesting, as it does a combination of tin smiths and box makers, is deceptive. For the products it turns out themselves initiate change, a change that is all-pervasive, embracing such things of daily use as tooth-paste and canned foods to complicated and highly technical industrial processes and products. Metal Box has initiated change and development in the most advanced of economies. In this country, it has found a worthy ally in the Ministry of Food and Agriculture.

The Food and Agriculture Ministry's scheme for helping the preserved food industry with a subsidy of Rs 500 per ton of tinplate used in the manufacture of open top sanitary cans came into operation last month. The scheme would, for the time being, be operated through Metal Box, the sole suppliers of such cans at the moment. But it is to be presumed that when some other units which have been licensed for the manufacture of these cans go into production, they would also be similarly entitled to the subsidy. The Ministry is interested in reducing the prices of tinned fruits and stimulating their sales both in domestic and export markets. As the cost of cans account for 20 to 33 per cent of the cost of the finished product, the subsidy should materially help the preserved food industry.

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Food Poisoning Inquiry Results

THE Commission of Inquiry which was set up to investigate the deaths of over 100 people from food poisoning in Kerala and Madras States have confirmed the findings of the Bombay police, viz, that the foodstuffs transported by ship to Cochin were contaminated by Follidol, a highly toxic insecticide, which was carried by the same ship. The Commission found that:

(a) there was faulty storage, the shippers had not packed this dangerous chemical properly or provided adequate labelling;

(b) there was a deliberate false description of the consignment;

(c) the shipping company and their agents did not take adequate precautions to ascertain whether the packages contained 'dangerous' goods;

(d) the crates marked 'poison' were stored on board the ship in places where they should not have been stored, in contravention of the provisions of the Indian Merchant Shipping Rules, 1954;

(e) the ship's officers made no attempt to prevent further contamination even after knowing that there had been leakage; and

(f) the contamination took place not only at the shipping stage but also in the godowns where the goods were indiscriminately stored.

To prevent the repetition of similar occurrences, the Commission has made a wide range of recommendations covering the manufacture, storage, transport, distribution and use of poisonous insecticides. True, the particular tragedy which the Commission investigated was caused by contamination of foodstuffs by a certain insecticide, but it is difficult to appreciate why the Commission picked solely on the latter, instead of recommending adequate safeguard from contamination of foodstuffs in general. The tragedy brought out in a poignant form what is common knowledge, viz, the complete absence of any kind of effective regulation in this country covering articles of food or medicine. In this respect, the land of free-enterprise may well envy India which has otherwise gone astray in the direction of planning and state regulation of industry. What makes the situation so very hopeless is, even more than the absence of adequate regulations, the apparent impossibility of enforcing them. In the case of this parti-

cular death-dealing consignment, how did the existing provisions of the Indian Merchant Shipping Act and the Indian Merchant Shipping (Carriage of Dangerous Goods) Rules, 1954 help? One may be pardoned, with due respect to the Commission, for being sceptical of further tightening-up of the Act and Rules, until the public is satisfied that the Acts already on the Statute Book, are being substantially enforced.

Export Prospects for Sen-Raleigh

IT is cited as one of the paradoxes of under-development that demand for shoes in India, for example, should be rising only at the rate of 4 per cent per annum, while the market for bicycles has been booming at the rate of 30 per cent a year. Explained a bicycle salesman, according to a Patna contemporary, "The villagers are getting lazy; they do not want to walk any more, they want bicycles". This explanation, one may or may not accept, for bicycles are the cheapest, if not the only means of transport within the reach of the common people to-day. It is not

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surprising, therefore, that the demand for bicycles should prove insatiable in this country. The manufacturers of bicycles, particularly, of quality bicycles have many problems, but selling is not one of them.

Sen-Raleigh Industries of India have expanded their sales by Rs 30 lakhs and increased their profits by Rs 1.5 lakhs to Rs 15.9 lakhs in the year ending September 1957. The section manufacturing components was largely responsible for the improvement in turnover and also for helping the company to save some foreign exchange. From the long-term point of view, however, this was not the most important development of the year for Sen-Raleigh. Foreign collaboration, which our industrialists are able to arrange, usually carries a clause prohibiting exports to areas in which the product in question has been well-established by the foreign firm concerned. This is almost universal when the firm happens to be British. The case of Hindustan Motors is notorious in this respect.

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That Sen-Raleigh have succeeded in persuading Raleigh Industries of Britain to allow them to export their products to the Iron-curtain countries, including China, must, therefore, be hailed as a minor triumph. It may turn into a major triumph for Sen-Raleigh, depending on the extent to which they are able to exploit these export opportunities in the coming years; for the market that is open to them is extensive and it is a market from which Raleigh bicycles of British make, or for that matter, British-branded products, have, practically, been completely excluded, at least, for the past so many years. These countries, in other words, are not established markets for British products any longer. On a short-term view, exports to South East Asia and Africa would have held out much better prospects, but one

Our Delhi Letter

THE austere and simple man that he is, Shri Shriman Narayan will nevertheless find his well-appointed, air-conditioned office in the highly modernistic-looking Udyog Bhavan agreeably plush and comfortable compared to the one on not-far-off Jantar Mantar Road that he occupied till Tuesday for six years almost to the day as General Secretary of the Congress Party. And there you have the crux of the matter: one inevitably thinks of Shri Shriman Narayan as the ex-General Secretary of the Congress rather than as the economist-academician who wrote 'The Gandhian Plan for Economic Development' way back in 1944 when he styled himself as Shriman Narayan Aggarwal. And that, obviously, makes a lot of difference.

In a way, of course, his experience in the Congress psychologically qualifies Shriman Narayan to tackle difficult jobs. As the organisational chief of the Party for half-a-dozen years he has had to continuously face up to election losses, bye-election reverses, ministerial instability in the States, indiscipline, apathy and frustration among the ranks and dissensions and group rivalries among the 'bosses'. The prevalent economic crisisophobia will not, therefore, find in Shri Shriman Narayan an easy victim. But when you have

does not know. In view of the present emphasis on consumer goods in the Communist countries and our own trade agreements with them, which have so far worked largely one way only, Sen-Raleigh may do very well indeed in the long run.

While reviewing the working of the Company, Shri S K Sen, Chairman of Sen-Raleigh, referred to the present period as a year of "paradoxes" for the bicycle industry. Though Government was urging manufacturers to fulfil, if not surpass, the Five Year Plan targets, the foreign exchange position made it almost impossible to allow imports even of the raw materials needed to maintain production at existing levels. Sen-Raleigh has a special reason to complain since the plant it needed to expand capacity has already

Planning Personnel

said that, you have said practically all that there is to be said. For, during these same half-a-dozen years Shri Shriman Narayan has acquired habits of thought and formed prejudices, personal and ideological, which are now as much a part of his mental make-up as the small cabinet-sized photograph of Mahatma Gandhi is a part of the paraphernalia of his office-desk. And, as even his best friends will admit, an excessive degree of open-mindedness and flexibility is certainly not among the most important of his virtues.

Planning is a matter, which touches all sections of the community, many of whom have divergent and competing economic interests. Hence if the Plan is to arouse the enthusiasm of the people, it must meet with the general approval of all these various sections. This it can, do only if the planning authority enjoys a certain status and prestige. In the ultimate analysis this is ensured not so much by the principles governing the status and activities of the planning body as by the ability and public standing of its personnel.

The Planning Commission, having no constitutional status or responsibility, can at no time aspire to be anything very much more

arrived but it cannot be commissioned unless raw materials, not yet manufactured in the country, are allowed to be imported. This instance throws some light on the anomalies that abound in Government's import policy.

Despite the avowals of the Ministry of Commerce and Industry that raw materials will be given priority over capital goods, a proper system of import priorities has not yet been worked out. The Sen-Raleigh plant was imported under a licence granted in an earlier period when the foreign exchange position was not so tight. The present situation makes it impossible to feed the plant. In any event, the waste—both in terms of foreign exchange and idle capacity—is colossal and deplorable. It was also, perhaps, avoidable!

than an advisory body. At the same time, however, a purely advisory body with little authority and less guarantee that its recommendations will be accepted by the Central and State Governments might easily degenerate into a superfluous ornament. (The classic example is, of course, that of the National Planning Committee set up in 1938 whose twenty nine subcommittees produced twenty seven voluminous reports which now adorn the shelves of the National Archives.) This was the dilemma which faced the Government at the time of the appointment of the Planning Commission in 1950. Great interest therefore then attached to the selection of the personnel of the Commission. It was felt that the future of planning in the country depended largely on the appointment of suitable persons with experience of public affairs and knowledge of the working of industry, agriculture, trade and other branches of the country's economy. When the personnel of the Commission was finally made known, it was generally acknowledged that it was about the best possible selection under the circumstances. It was felt that if the vast and varied experience of Shri V T Krishnamachari, the well-known financial acumen of Shri Chintaman Deshmukh, the intimate

July 19, 1958

Letters to the Editor

Over-stepping? — A Protest

PLEASE allow me to offer a few remarks on the 22nd Report of the Second Lok Sabha Estimates Committee on the Planning Commission on which you commented in your editorial 'Over-stepping?' in your issue of June 14. The Estimates Committee has provoked some disturbing questions in its 22nd report, reviewing the set-up of the Planning Commission and its authority. One cannot help noticing a certain link between publication of the Committee's harsh comments and the Prime Minister's overnight change of mind just after his arrival at the capital from Cannanore.

It is very difficult to agree with the observations of the Committee on the organisation of the Planning Commission. I think the Committee failed to understand the very nature of socialist planning and Indian planning. Like Dr Matthai, it has disputed the position of primacy given to the Commission. The nation and the Congress in accepting Socialism are for full and comprehensive planning. The Union Government constituted a separate Planning Commission as 'an organisation free from the burden of day-to-day administration but in constant touch with Government at the highest policy level.' (Cabinet Secretariat Resolution, dated March 15, 1950) To maintain constant touch at the highest level, it is but natural that some Ministers should be in the Commission. In questioning the propriety of including Ministers and the Prime Minister's intimate association with the Commission, the Committee does not seem to take into account either the character of the Indian realpolitik or Indian Planning.

Though the Estimates Committee finds some advantages in the present set-up, it disfavours the arrangement. The Committee thinks that the Planning Commission should be an advisory body of experts both in the technical and administrative fields, who would make an independent survey of problems and formulate plans, without being influenced by day-to-day expedients. The Commission should be nothing more than an advisory body; and yet a decision to which

it is a party is nearly a final decision, not advice. The Committee finds it anomalous. But Socialist intelligentsia cannot accept this view.

A planning body is not expected merely to prepare statistical forecasts; it has to formulate and mobilise policy-programmes. Prognosis and command go together, though planning work has to avoid the 'fetishism of precise calculations'. The question of co-ordination with the Executive here comes in. If the function of a planning body is passive, not active, and if it is merely to study the economic factors around it and arrange for programme evaluation, it would be preparing and submitting plans which Government could treat as scraps of paper and go its own way. An economic plan must have political content also, and it is not exhausted in statements. If the Estimates Committee cared to find formal support for its view from foreign examples, it could have taken into account Soviet experience, which is the first and foremost in planning. Khrushchev's reorganisation of the Gosplan and the Economic Ministries can only justify the opposite view. True, there has to be demarcation between economic planning and economic administration, but at all times, it would be better if theory and practice were closely interlinked; and that is what the planning set-up in India ensures.

Look at our neighbours—Pakistan, Iraq etc. Pakistan's Planning Commission (Board) is an independent advisory organisation to formulate its economic plans. In the last few years, both its constitution and terms of reference have been altered several times. And so we are raising the question of 'realpolitik' in reference to the planning organisation. Naturally, such a planning organisation in Pakistan, without any political authority or association, has failed to formulate a real plan, and inspire the country's leaders or make them plan-minded. In Iraq, the Development Board, mostly independent of the Royal Court, is entrusted with planning activity—both formulation and execution through the building

of dams, schools, roads etc. And so it is nothing but a Department of Government. Take another example from Pakistan. Some months ago, Pakistan's (official) Industrial Development Corporation, under advisory leadership, issued a brief which meant a total challenge to the Pakistan Cabinet's foreign policy (keeping an eye on Soviet aid). An independent advisory planning body here, too, is bound to lead us to such a tragic clash.

The Committee has betrayed its remarkable knowledge of the Indian Constitution by suggesting that the full-time Chairman or Vice-Chairman of the Commission should be its spokesman in the Parliament. How can a permanent official address the House? Or how 'may' a non-Minister M P be associated with the Commission?

The Committee's objection to the position of the de facto member, is really an objection, I am afraid, more to the person of the learned Professor concerned than to the position. The present role of the Cabinet Secretary as ex-officio Secretary of the Commission is really helpful to co-ordination. The heavy pressure on the Cabinet Secretary may, however, be reduced by the appointment of one or two additional Secretaries to work in the Commission with his delegated powers, and not by the appointment of a separate, independent Secretary.

Referring to the appointment of part-time officers and advisory experts, the Committee points to unnecessary duplication of work. But for the sake of efficiency, supervision and perspective planning, some amount of duplication is necessary. Additional experts in the Cabinet Secretariat and in the Commission can check the views of experts in the Ministries and thus furnish an all-comprehensive report to the policy formulators.

It is fortunate for us that in recent years the Planning Commission has developed itself into a super-Cabinet, the vanguard of Indian progress. The Prime Minister's close association gives it an effective and imaginative leadership and lends prestige to the

knowledge of trade and industry acquired by Shri G L Mehta as Chairman of the Indian Tariff Board, the lifelong service to labour of Shri Gulzarilal Nanda, and the thorough experience of public affairs of Pandit Nehru and his position as our public personality number one cannot deliver the goods, we might as well give up hopes of any other Commission being able to do anything at all. Subsequent events have shown that this confidence in the Planning Commission was not entirely misplaced. In spite of the inevitable stresses and strains attending the initial phase of planned development, heightened by grave difficulties on the foreign exchange front and the poor performance of the agricultural sector, the Commission has always commanded the respect of all sections of the people.

The Government, for its part, continued to exercise the greatest care in appointments to the Commission whenever they became necessary subsequently. The first member to resign from the Commission was Shri G L Mehta who relinquished charge in the middle of 1952 on his appointment as our Ambassador to the United States. The next to go was Shri R K Patil who resigned in November 1952 to contest election to the Madhya Pradesh Assembly. In their places were appointed Shrimati Durgabai Deshmukh in 1952 and Shri K C Neogy in 1953. Smt Deshmukh left in 1954 to take over as Chairman of the Central Social Welfare Board. Dr J C Ghosh was appointed to the Commission in 1955 and in the same year Prof P C Mahalanobis was associated with the working of the Commission as a de facto member. In 1956 Shri Deshmukh relinquished charge after his resignation as Finance Minister and made way for Shri T T Krishnamachari, his successor in the Cabinet. In 1956 also Shri V K Krishna Menon, Defence Minister, joined the Commission. In October last year Shri C M Trivedi was appointed to the Commission. Early this year Shri T T Krishnamachari resigned as Finance Minister and simultaneously gave up his membership of the Commission, and Shri Morarji Desai who took over as Finance Minister was made a member in his place.

Shri Shriraman Narayan, who comes in the place of Shri K C Neogy,

is thus the fourteenth member to be associated with the working of the Planning Commission since its inception. His is, however, the first major political appointment to the Commission. It is this aspect of his choice which is most disquieting. While one can understand the Government's desire to ensure that the Planning Commission works within the broad frame-work of the economic and political policies of the Congress, it will be doing a great disservice to the cause of economic planning in the country if it contravenes the established practice of appointing only men of outstanding ability and experience and unquestioned public standing and creates a precedent making

membership of the Planning Commission a political prize for services rendered to the ruling party.

The Planning Commission met for the first time after Shri Shriraman Narayan's appointment on Tuesday to reallocate the various portfolios among the members. It is expected that Shri Shriraman Narayan will be in charge of Food and Agriculture while Industry and Trade, hitherto Shri K C Neogy's responsibility, will be temporarily taken care of by Shri V T Krishnamachari. There are, however, strong rumours that Shri G L Mehta might be recalled to the Planning Commission.

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Commission in carrying out its decisions.

Note: The present report was presented to Parliament on April 24, 1958, while the Prime Minister was in Kerala. A brief summary of the report was first published in the national press on April 28. Newspapers on that day also carried Panditji's address at Cannanore (Kerala-Tamilnad border), indicating that he would not retire or resign in the near future. And on that very day, in New Delhi, he told the Congress Parliamentary Party about his firm decision to retire. Political speculators and lobbyists in the Central Secretariat thought of an overnight change of mind, following the Estimates Committee Report.

Dipak Basu Ray Chaudhury

Pradesh Congress Library &
R R Dept, Calcutta 20. June 17.

Basic Fallacy?

—A Reply

I REFER to the letters of Shri Naqvi and A. M. in the issue of June 21. Shri Naqvi says that while calculating the total volume of deficit-financing, local expenditure as a counterpart of the expenditure on foreign equipment is always included. I accept wholeheartedly this point which can be put in the form of a simple equation:

Total amount of deficit financing
= Expenditure on goods & services abroad + Expenditure on goods & services at home.

Since we are talking in the context of planned development, the emphasis will be laid on the expenditure on investment goods. To the extent this expenditure is incurred abroad, this will result in import surplus. In calculating what should be the size of this import surplus, or the investment expenditure abroad, the planning authority will take into account the availability of foreign exchange resources, i.e. sterling balances and foreign loans and grants. The availability of these resources, prospective and realised, thus determines the size of the investment expenditure to be incurred locally and abroad.

Shri Naqvi will agree with me that no amount of credit creation by the Reserve Bank for the Government could have resulted in the

augmentation of the foreign exchange resources. If these foreign resources were not available for financing investment, the question of incurring complementary investment expenditure would not have arisen. Since the complementary investment is sought to be financed by resort to borrowing from the Reserve Bank, the process itself would lead to inflationary pressure. Here the effect of import surplus on money supply had already been taken into account by the planning authority as soon as it decided on the size of investment expenditure.

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Kalpna

Bombay, June 28.

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*From Economics,
To Eco-comics;
From Prosey-lines
To ruthless rhymes;
Beloved Weekly goes
Down the drain.
This Thorn has no rose,
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Regular Reader

Bombay, July 15.



Britain Faces Downswing

(From a London Correspondent)

A FEATURE of the British economic scene today is the steady upward creep in the cost of living, notwithstanding the fall in international commodity prices—which has now continued for more than a year—and the recent cut-backs in the purchase tax. The failure of the fall in commodity prices to bring down wholesale prices—though some wholesale prices have, indeed, declined—can, of course, be explained in terms of increasing wage costs. In fact, it was with a view to stem the ever increasing wage demands that the purchase tax cuts were announced; the Government had hoped that retail prices would come down as a result of the reduction in the purchase tax. How misplaced that hope was is now indicated by the official index of retail prices which registered a small, but noticeable, increase in April—the latest month for which data are available.

This has an inevitably grim sequel. As long as the cost of living keeps rising, demands for wage increases will continue. And though the recent failure of the London busmen to force a substantial increase in their pay packet will no doubt deter the Trade Unions from asking for substantial wage increases, it will be difficult to hold the Unions back for long. The resulting rising costs of British industry, especially at a time of a fairly general recession in most parts of the world, cannot fail to affect adversely U K's exports, even with the advantage of low import costs.

Creeping Inflation

There has, of course, been in evidence a creeping inflation all the world over, since the end of the Second World War, and the failure of commodity prices to decline after the end of the Korean War boom in 1952 was symptomatic of this world wide trend. But whereas rising prices in countries like the USA and West Germany had been associated with a much faster rise in the national product, in the U K, increases in labour productivity and wages were more or less at par; and in consequence, the Trade Unions frequently found after every round of negotiations on wage increases

that their gains had been wiped out through increase in the cost of living. Not unnaturally, the Trade Unions have of late been trying to safeguard the interests of the working class by demanding a pay-packet which would protect them against possible future increases in the cost of living.

There has been an increasing feeling—among one group of economists—that the remedy for all this has to be sought in drastic measures, and not in the policy of "tinkering" with marginal rates of taxes that the Treasury has done in the past. It is recognised by many that there has been too little new investment in the U K, and there is now growing up a militant group of economists urging a set of policies, with rather far reaching consequences on Britain's position in international circles. The most vocal of this group of economists has been urging through newspaper columns, through the radio and on the TV, and lately in a courageous new book—Andrew Shonfield: 'British Economic Policy Since the War', Penguin, 1958—that Britain cannot afford the luxury of international obligations—both in the form of overseas investments and in the form of London as an international banking centre—when investment at home is not adequate enough to keep Britain in the race against West Germany and the USA. A lot could, of course, be said both for and against some of the drastic policy prescriptions of Shonfield; but that would take us far out of the present context.

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That context is the meeting of Commonwealth officials which was recently concluded in an atmosphere of hush hush and secrecy. One merely heard that the "brains" of all Commonwealth countries had gathered in London; and one occasionally chanced across some of them in embassy buildings, or in Whitehall rushing to their meetings with fat brief cases. The possible attitude of most countries is, however, not difficult to guess. It is significant that while the Commonwealth officials were conferring on important business, Mr Macmillan

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The strength of sterling depends, of course, very largely on the U K surplus in the balance of payments, while South Africa's gold is always a helpful factor. But the strength of sterling depends also on the over-

Commission in carrying out its decisions.

Note: The present report was presented to Parliament on April 24, 1958, while the Prime Minister was in Kerala. A brief summary of the report was first published in the national press on April 28. News-papers on that day also carried Panditji's address at Cannanore (Kerala-Tamilnad border), indicating that he would not retire or resign in the near future. And on that very day, in New Delhi, he told the Congress Parliamentary Party about his firm decision to retire. Political speculators and lobbyists in the Central Secretariat thought of an overnight change of mind, following the Estimates Committee Report.

Dipak Basu Ray Chaudhury

Pradhan Congress Library &
R R Dept, Calcutta 20. June 17.

Basic Fallacy?

—A Reply

I REFER to the letters of Shri Naqvi and A. M. in the issue of June 21. Shri Naqvi says that while calculating the total volume of deficit-financing, local expenditure as a counterpart of the expenditure on foreign equipment is always included. I accept wholeheartedly this point which can be put in the form of a simple equation:

Total amount of deficit financing
= Expenditure on goods & services abroad + Expenditure on goods & services at home.

Since we are talking in the context of planned development, the emphasis will be laid on the expenditure on investment goods. To the extent this expenditure is incurred abroad, this will result in import surplus. In calculating what should be the size of this import surplus, or the investment expenditure abroad, the planning authority will take into account the availability of foreign exchange resources, i.e. sterling balances and foreign loans and grants. The availability of these resources, prospective and realised, thus determines the size of the investment expenditure to be incurred locally and abroad.

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Employers Please!

Provident Funds no longer entirely meet modern needs. In western countries particularly a more effective provision has been found in Group Insurance Schemes. With little cost to the employer, these schemes can work wonders in safeguarding thousands of homes and augmenting old age pensions.

In the United States, by the end of 1956 3.5 crores of certificates had been granted under Group Schemes with a total value in Life Insurance cover of Rs.55,000 crores. This is truly impressive when one considers that the total extent of Life Insurance written in India, individual and Group, stands at about Rs.1,200 crores only.

An attempt was made three years ago to introduce Staff Insurance Schemes in India. It was greeted with enthusiasm by employer and employee alike. But certain defects in the implementation of these schemes demanded their withdrawal. The Life Insurance Corporation has now introduced new Group Schemes which do away with the shortcomings of previous attempts.

These Group Schemes are now available to employees of industrial concerns, business houses, commercial establishments and other similar institutions. They apply to a homogeneous group of individuals and are available at lower rates of premium. Ordinarily, no individual medical examination is required. The Group Insurance Schemes broadly afford two distinct benefits:

BENEFITS ON RETIREMENT

This category includes the Superannuation Schemes. These provide for pensions on retirement. Experience has shown that the lump sum Provident Fund is soon frittered away. The employee has often to

depend on relatives and others for financial assistance or to seek work. The superannuation Scheme is designed to solve this predicament.

BENEFITS DURING SERVICE

The plans under this category are called Group Insurance Schemes. They provide the employee with an Insurance umbrella during his working years. Provident Funds, so popular in this country, are inadequate in the event of early death. This contingency is covered with the Group Insurance Schemes; but one can also take these Schemes under the Endowment Plan thus serving a two-in-one purpose of security during AND after service.

Both these schemes may be instituted in replacement of or in addition to an existing Provident Fund.

There are two ways of looking at these Group Schemes. To the employer they mean greater staff loyalty and an attraction to the best in new personnel. To the employee they are an inducement to stay with the organization and give of his best.

Line

seas sterling area; and though India, Pakistan and Ceylon have now more or less exhausted their sterling balances—and there is, therefore, a limit to their future deficit with the non-sterling world—there are many other countries with sizeable balances, and now hungry for development, which may still create a crisis for the sterling area as a whole. On the other hand, to the extent Britain takes over the financing of the plans of development of these countries, Britain—at the cost of investment at home—can avoid the emergence of a deficit for sterling area as a whole. This is a common meeting ground, and one where Commonwealth countries have a good deal to hope for.

Europe or Commonwealth?

Public opinion in the U K, for the last year or so, has been steadily and systematically fed on the desirability of Britain coming to terms with the European countries. And there is no doubt that it is a cold necessity for Britain to join the Free Trade Area. Britain has, of course, hopes of being able to ride both horses at the same time, i.e. join the Free Trade Area, and continue with the system of Commonwealth preferences. But the facts of the situation are that on purely economic terms, Europe today is nearer Britain than the Commonwealth. One does not of course know how all the Commonwealth countries react to this; for them, there is little choice except in so far as they can come to terms directly with the SIX European countries, and it is doubtful to what extent the Europeans are interested in extending their area of "cooperation".

The crucial question is: would Britain, given the choice between Europe and the Commonwealth, choose the former or the latter? One group of economists would unhesitatingly choose Europe; and perhaps in today's context, they are the far sighted lot. But would Britain do it? Faced with the question in this form, it is doubtful if any Conservative Government in Britain can afford this extreme line of policy; it is surely going to bring the Government down, and pave the way for a Labour hegemony.

But the question may never arise in this form. Britain is known to

have a unique capacity of somehow slipping and striding into a position of compromise and advantage. And the compromise would no doubt suit the Commonwealth countries also. One wonders whether Commonwealth officials, hurrying between their respective embassies and Whitehall, have been talking of such compromises, and if so, what is the nature of the compromise.

Emergence of De Gaulle

There is, of course, the European side of the question to consider: the emergence of General De Gaulle in France. Opinions on the General have been diverse. One group has concluded, from the past utterances of the General, that European unity is now a fast receding dream, and that with De Gaulle, an emotional approach to the position of France in the world is far more important than French economic interests in the European context. But the General has so far been extremely wary in his utterances on European integration; perhaps the hitch, if any, would now arise from the German and Italian suspicions of the General rather than from any militant intransigence of the latter.

Recession Crossing Atlantic

Britain and Europe thus far; what chances of the American recession being washed ashore to this side of the Atlantic? At best, there have been "pauses" in the recession—one is grateful to the Americans for coining the new word, in a quite different context though—but they are indeed temporary; and the causes of the recession more deep-seated. There has been no revival in investment; and the danger is that temporary pauses in the recession will persuade the Administration to postpone taking early and effective action with its public works programme. All signs—the pause in the decline in commodity prices; the fall in the percentage of unemployed—which point to a recovery are just not there. There can be no sustained recovery without increased investment outlay, and as some prominent economists have forecast, the real burst of investment will begin only in 1960 or thereafter. It is unlikely, of course, that there would be a repetition of the panic of the type one saw in 1929, but one should not be sur-

prised if 1959 drags on in the same manner as 1958.

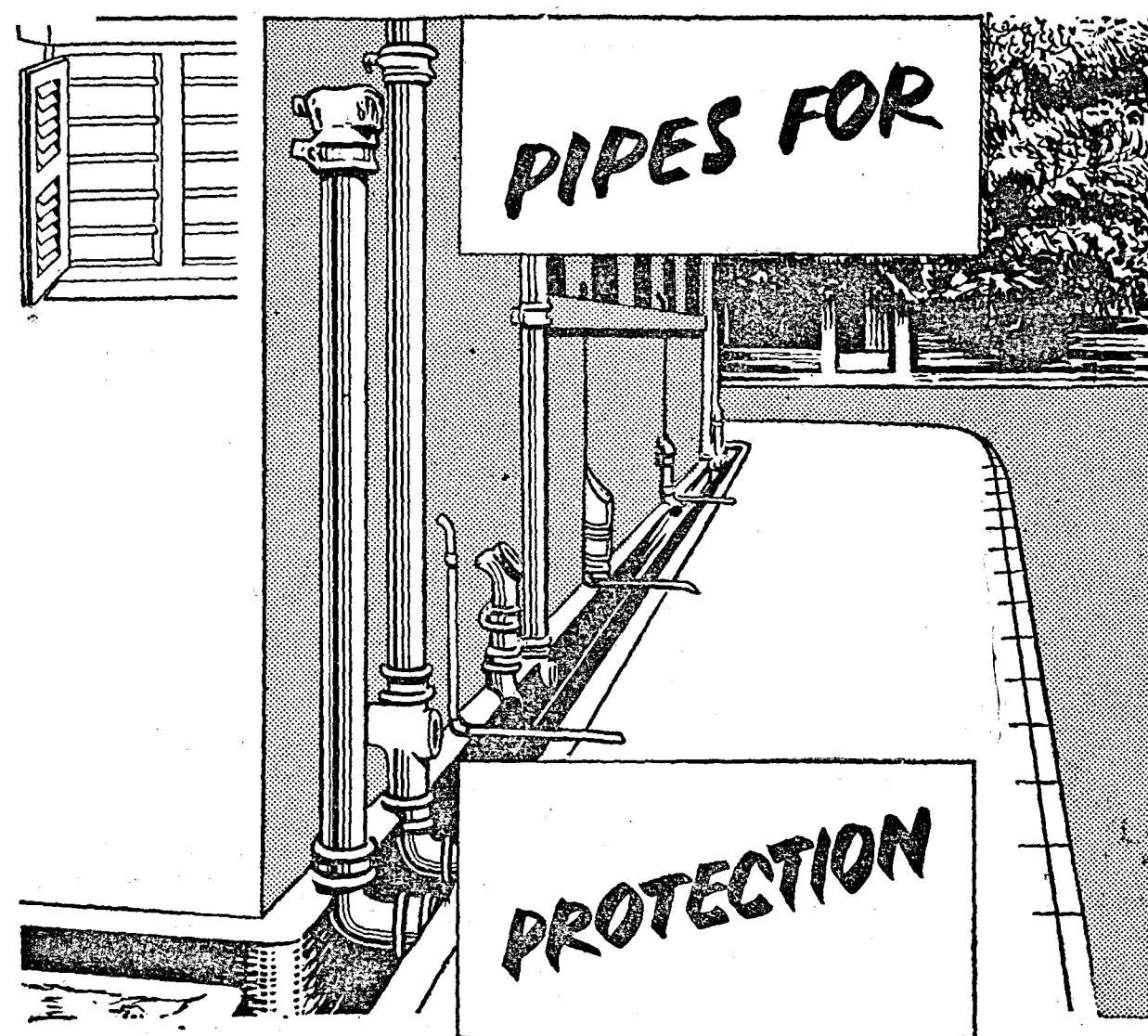
The consequences to the free world of this prolonged malaise are likely to be quite serious. It is said that when the USA sneezes, the rest of the free world has a bad cold. Somehow, the cold has not yet laid up the European countries; but all primary producers are now down. And now, with the US wheat crop promising to be a record one, not only the US Department of Agriculture but also the Australians and the Canadians must start worrying as to what is likely to happen if, as is likely, the PL 480 goes into a real offensive.

Inventory Decumulation Continues

And now, back to the domestic scene in the UK. The Bank Rate has been cut down to 5 per cent. This may favourably affect investment, but only marginally. When the Bank Rate was raised to 7 per cent, the effect on inventories was indeed felt, but was not as forceful as one might expect. A marginal adjustment in the rate of interest can have no effect on stockholding as long as price expectations more than offset the interest rate changes. And there is evidence that some really big long term issues went through smoothly soon after the Bank Rate had been raised to 7 per cent. Much more than the Bank Rate, the decline in commodity prices started the chain of inventory decumulation in the latter part of 1957. There is no change in that situation yet; and stocks have continued to go down, even after the reduction of the Bank Rate. With the present state of expectations, long term investment on a really generous scale cannot be manoeuvred by tinkering with the Bank Rate—desirable as the change has been.

On the import side, Commonwealth countries may, I think, forget that the reduction in the Bank Rate is likely to lead to a really big revival in demand for upstocking; and UK's imports are not likely to show any suddenly increased offtake from either India or other Commonwealth countries.

The moral of the story is: the recession in the US and the decline in commodity prices, with their chain effects, are likely to continue for some time.



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African Economy Falling Commodity Prices

THE increased attention that is being given to African affairs at the United Nations is to be noticed in the reports that are now available on the economic development of Africa. The latest report*—issued as a supplement to World Economic Survey—examines the repercussions on the economies of tropical African countries of changes in commodity markets. Africa, as defined in the report, however, excludes the United Arab Republic, but includes outlying islands in the Atlantic and Indian oceans. But the Sudan, which is included in the present report, interestingly enough, is also covered in another one dealing with the Middle East. Whether North Africa, which includes Morocco, Tunisia and Libya should not really be discussed separately as falling under the Mediterranean region is a matter that will have to be thrashed out elsewhere. There is no great pressure to cut off North Africa from the rest of the continent south of the Sahara, but it should not surprise any one if the issue becomes alive at the first conference of the Economic Commission for Africa that is scheduled to meet at Addis Ababa, the capital of Ethiopia, on December 29.

At the Crossroads of the World

It is becoming increasingly evident that the choice of Addis Ababa as the site for the headquarters of the Economic Commission for Africa is a wise one. Addis Ababa has one of the finest climates and a long tradition of fierce independence, and the Ethiopian Government has shown great earnestness in welcoming the Commission in its midst. The interest shown by Ethiopia in the economic progress of Africa as a whole merits appreciation and it is acknowledged here that the Ethiopian Government will extend every possible

assistance to the Commission in its work.

In a sense, Addis Ababa is at the crossroads of the world, for next to Cairo, which is properly deemed part of the Middle East, it is probably the one big African city that is equidistant to the capitals of America, Europe and Asia. Under an enlightened administration, Addis Ababa has been making quiet but steady progress and it is this which gives the choice of the city, as the headquarters of E C A, additional weight. The Economic Commission for Africa, of course, will not solve the ills that Africa is heir to nor can it through some abracadabra help large parts of underdeveloped areas over their economic stile. The E C A is not a panacea for a continent's economic ills: it is more of a guidepost to action.

Falling Commodity Prices

Urgent action undoubtedly is called for now as the effects of the American recession are being gradually felt on the African economy. The gradual weakening of primary commodity prices which had been noticeable since 1954 continued into the early months of 1956. Temporarily interrupted by the Suez crisis with its accompanying wave of inventory buying and freight increase, the downward trend was resumed early in 1957 and by the beginning of 1958 the price index of primary commodities in international trade had declined to a low level—possibly the lowest since the outbreak of hostilities in Korea.

Of course, not all primary commodities showed the same downward trend in 1957: nevertheless, as the U N report made it abundantly clear, the price index of manufactures in international trade continued to rise and necessarily, the terms of exchange between primary commodities and manufactured goods became progressively less favourable to primary producers. This, it may be pointed out, is an old story and is true of other regions as well. In fact, wherever nations exist largely on primary commodities for their export, their lot has been a hard one.

The withdrawal of the United States strategic stockpile from the market has been one of the immediate, and more apparent, causes of the present raw material recession. Among primary commodities, metals, as a group, and copper in particular suffered the greatest decline in 1957. This again, has been practically universal and led, in the United States itself, to Governmental action to stabilise prices.

Large Stocks of Copper

By the end of 1957 world copper stocks in the hands of producers—owing largely to a contraction of consumption in the United States—rose by over 100,000 short tons or about one third. As yet, the U N report says, no formal agreement has been reached with a view to countering the fall in prices, although leading producers in the United States, Canada, Chile, Rhodesia and Nyasaland and the Belgian Congo recently arranged to cut back 1958 production by 10 per cent.

In Africa, the countries most affected by the fall in copper prices are the Federation of Rhodesia and Nyasaland and the Belgian Congo. In both these countries the decline in the copper price has imposed severe strains on the economy, with inevitable repercussions in the Union of South Africa which is the largest exporter of manufactured goods to Rhodesia.

Blow for Belgian Congo

So much for copper. Then there are lead, tin and zinc. The African territories most affected by the fall in the price of lead are Morocco, Algeria, Northern Rhodesia and South West Africa. The Belgian Congo, Morocco, Algeria, Northern Rhodesia and South West Africa are the largest zinc producers in Africa, while the Belgian Congo and Nigeria are the principal tin producers. Most of these countries have been severely affected, but none as badly as the Federation of Rhodesia and Nyasaland and the Belgian Congo.

The Belgian Congo has been hit in another way and perhaps in a harsher manner. When the Gene-

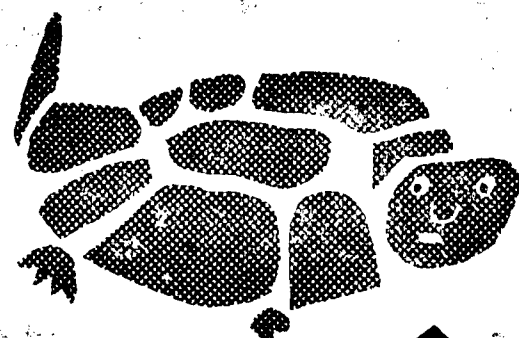
*Economic Developments in the Middle East 1956-57. Supplement to World Economic Survey 1957. United Nations Department of Economic and Social Affairs, New York, 1958. Pages 115 (Tables pp 116-163). Price \$1.75.

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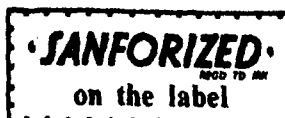
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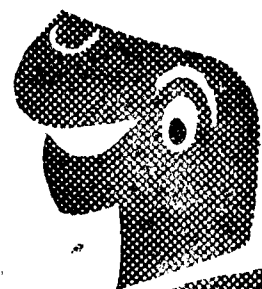
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WON'T SHRINK



ral Electric Company of America announced that it was working on the production of synthetic diamonds, it was a matter of time when the blow would be struck. Now that General Electric have announced the solution of the technical problems involved in producing synthetic diamonds, Belgian Congo, which manufactures about two thirds of all industrial diamonds is literally out on a limb. The effect of the G E announcement, coupled with the fact that diamond deposits have been found in the Urals and the slowing down of drilling activities in the United States have brought the sales of gems and diamonds to the lowest level since 1954. The Central Selling Organisation, which handles just over four fifths of the world's diamonds, is rightly worried over this trend.

Depressed Coffee, Buoyant Cocoa

Then there is the matter of coffee. In October 1957, with a view to raising the price of coffee, the seven principal Latin American producers led by Brazil, agreed to withhold at least 10 per cent of their current crop and to ration exports during the main selling season. This was followed by a conference of all producing countries including African countries in Rio de Janeiro, in January 1958. The conference can hardly be called a success for while African countries were willing to cooperate in promoting sales—who would not, in the face of a recession?—the others refused to restrict exports. This, of course, is not without reason. The demand for African robusta coffee has been on the increase, mainly because the United States uses it to manufacture 'instant' coffee. Brazil and Colombia produce different varieties and do not enjoy the same market as African robusta does, a clear instance of one man's meat being another man's poison.

Happily, cocoa has been the exception to the general downward trend and doubled in price in 1957, owing paradoxically enough, to a low West African crop. The Ghana main crop of the 1957-58 season, around 195,000 long tons is described as the lowest since 1946-47, while the 1957-58 Nigerian crop of 90,000 long tons does not compare with 135,000 long tons of the pre-

vious season. This has been true of other countries and areas such as the French Cameroons and the Ivory Coast. What worries some of the producers is whether one should deliberately keep down production or return to a 'normal' crop. Normalcy, as they know, inevitably means low prices.

Gezira Board Stumbles

In regard to cotton—another primary commodity—the story is entirely different. The cotton crop is of great importance to Uganda and the Sudan, both of which have been in varying degrees affected by the uncertainty about the United States export policy for cotton. Uganda was able to dispose of its cotton crop albeit at slightly lower prices but the Sudan's low cotton sales is apparently a special case.

Here the stagnation is reported to be due not to a deterioration of the market for Sudanese cotton, but to the relatively high reserve prices which the Gezira Board, the cotton marketing organisation of the Sudan, was trying to maintain for 1957. The Gezira Board ought to have known better. It could hardly have expected the windfall of 1956, when its closest competitor, Egyptian cotton, could not sell as a result of the Suez crisis and the resultant disturbances.

Development Plans Hampered

The economic situation, of course, is not uniformly distressing in all African countries. There is something ironic in the fact that while the Sudan is hurt by Egypt's bouncing back into the cotton market, Libya, that vast country ten times the size of Liberia and a hundred times the size of Lebanon, is experiencing boom conditions, owing to the presence of foreign military and civilian personnel and the large-scale spending by numerous foreign companies and agencies. Libya's population is 1,105,000 which is approximately 1.8 persons for one square kilometer. Labour here used to be cheap, but foreign aid and spending by foreigners, it is said, has not only wiped out unemployment, but has actually raised wages and created a labour scarcity in agriculture. A warning, no doubt, of what an economically underdeveloped country should look out for, when it accepts foreign military personnel.

For undoubtedly, when the foreigners walk out, there will be a vacuum that can never be easily filled. 'Services' do not come under the category of 'industry' and those who get rich through service ought to know to ask for better.

The general effect of the financial setbacks on economic development in Africa is certainly considerable. The people most affected, naturally, are the working class—the men and women working in the mines and on plantations. Not only is there large-scale unemployment among them, but some of the development projects that might have given them additional jobs have been held up too, for invariably, territories affected by the commodity recession have had to cut expenditure or to postpone development plans. In the Federation of Rhodesia and Nyasaland, for instance, the authorities had to postpone certain railway projects; in French Guinea, owing to the heavy reduction in iron ores exports in the first months of 1958, the principal mining companies called a halt on plans for expansion. In Ghana, it is said, the future of the much-discussed and much-publicised Volta river scheme may become even more uncertain in view of the present aluminium glut and large production capacity throughout the world. It would be a mistake to think that the direct cause of all this is the American recession. True, America, buys some valuable strategic materials from Africa. But the share of the United States as a buyer of African commodities has been on an average less than 10 per cent, as compared with over 70 per cent for European countries. In fact, says the U N Report, the relative importance of American imports from Africa has tended to decline somewhat since 1952 while the relative importance of European imports has increased. Only if the American recession hurts the European economy will America have to share the blame for Africa's woes. But this is stretching the point.

Dominant Factor—Political

The U N report correctly admits that in so far as North Africa is concerned, apart from climatic vicissitudes, the dominant factors affecting the present economic situation are political in nature

rather than purely economic, which is so self-evident that it need hardly be stressed. No Economic Commission for Africa can possibly mend political problems. Algeria will continue to be an economic desert, with no prospects of attracting foreign investment, whatever may be the wealth already sunk by French oil prospectors in the remoter areas of that battle-wracked country. No sensible foreign investor will willingly put in his money without being sure of the political future of Algeria.

This and other factors will no doubt be discussed by the Economic Commission for Africa when it meets in Addis Ababa. There should be more data available by December 1958. While all independent states of Africa will attend it, it is a pity that trust territories like British and French Cameroons will not be represented at the conference by their own men. In their stead there will be representatives of the colonial powers which administer the trust territories. Happily, the United Nations Secretariat is making an earnest effort to train African Economists to take over the affairs of the Economic Commission. It would be a political farce to run an African commission with Europeans, however sympathetic they may be toward the African peoples.

Indeed, young African economists, especially recruited, will undergo concentrated training at the U N Secretariat in the course of the next few months to enable them take up their responsibilities. On the understanding and capacity of these men will, to a large extent, depend the future course of economic activity in Africa, for on them devolves the responsibility of as-saying, collating and interpreting the economic facts of a continent that for years has been the source of raw material and men. It is no exaggeration to say that the United States economy was built on the sweat and labour of Africans who were sold as slaves to the southern plantation owners. And some of the slave money undoubtedly went into British coffers and the British economy. The time, undoubtedly, has come for a reversal of the process and for the free flow of money and technology, not for the exploitation of Africa but for its growth.

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A Neglected Aspect of Deficit Financing

K A Naqvi

RARELY has any heresy so quickly transformed itself into an established doctrine as we find in the case of deficit financing. Orthodox opinion not only approves alternating boom-checking budget surplus and recession-arresting budget deficit (thus paying homage to the almost puritanic theory of budget balances), continuous budget deficits are sanctioned for economies suffering from capital-saturation and the consequent secular stagnation.

We have gone one better. The level of deficit financing one is willing to support has become the criterion for determining the boldness of the plan. If one believed that there should be only non-inflationary financing of economic development, one would be regarded as a conservative and a reactionary. Thus, a method of financing development which was considered dangerous and least desirable a few years ago by international agencies and Indian economists, has gradually acquired the position of a progressive dogma.

Fashionable Doctrine

There are various reasons why deficit financing has become a fashionable doctrine of the progressives. One of these is the impatience with the slow rate of growth of the economy due to low rate of investment. Another, and perhaps more important, reason is that deficit financing provides resources to the public sector and increases the weight of this sector in relation to the private sector. Yet one may be permitted to doubt that a high rate of growth and increasing importance of public sector necessarily involves acceptance of deficit financing.

It would be useful to get one problem out of the way, namely, non-inflationary deficit financing. The following discussion would refer only to inflationary deficit financing and not to that level of deficit financing which is compensated by

- (a) fall in reserves,
- (b) increase in real national income,
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sectors), and
(d) currency hoarding.
With respect to non-inflationary deficit financing, the only point we can make here is that such financing is really a means of increasing the scope of public sector. Else, elasticity in money supply could come through the credit system (as indeed was envisaged in the First Plan).

Inflationary Deficit Financing

We are, then, concerned with inflationary deficit financing. What is its *raison d'être*? It is the inability of the government to raise sufficient resources through taxes and loans from genuine investors. If we take the foreign gifts and loans as given, the real difficulty is that a given distribution of wealth and incomes produces a low level of voluntary savings and tax revenue is inadequate. For the inadequacy of tax revenue, part of the responsibility is on the underdeveloped tax and accounting system and inadequacy (coupled with corruption) of the administrative machinery. The inability to raise a sufficient level of tax revenue is, however, largely the result of political difficulties. The government is unable to persuade the people to pay higher taxes to make a higher level of public investment possible. Budget deficits are then used to force the people to contribute what they are unwilling to do consciously (by agreeing to pay higher taxes). Deficit financing is the admission of a political defeat.

Pushing the level of investment beyond the point warranted by voluntary savings and tax revenue means that the government must be able to get a part of the flow of consumption goods to feed and clothe and house the newly employed. People already employed or enjoying a given income must consume less than they would have done in the absence of this increased investment. The crucial question is: who should give up a little of foodgrains, cloth, sugar in favour of the newly employed? From which section will be snatched the extra coal and cement and iron and steel needed for investment?

The answer provided by the technique of deficit financing to

this question should be much more disconcerting to the "progressives" than it apparently is. For, deficit financing implies that the blind forces of the market should decide who is to pay for higher public investments. As prices increase, owners of goods gain at the expense of non-owners. In fact, in Latin American countries the main argument in favour of this technique is that it transfers income from poorer sections of the population (with a high propensity to consume) to richer sections (with a lower propensity to consume) and thus increasing voluntary savings. Do we accept the theory and practice of undemocratic and dictatorial Latin America?

Undemocratic and Unjust

It is difficult to over-emphasise that conscious forced savings through increased taxation is better than the supposedly painless method of deficit financing. The latter is a most vicious system of indirect taxation and its support by those who generally favour direct taxation is apparently based on a misunderstanding of the nature of this method. For, in adopting this method of financing investment, the government (and Parliament) surrender the right to decide who should pay for achieving a higher rate of growth.

It is undeniable that per capita consumption of workers would decline as more and more newly-employed have to be provided for. But this reduction in per capita consumption of the workers can be made palatable to them only if it can be ensured that

- (a) the working class as a whole is consuming more than it was consuming earlier, through a transfer of a part of the consumption fund of property-owners, and
- (b) in future, as productivity increases, their consumption standards would be raised.

Political Difficulty

This, then, is the root of the political difficulty to which attention was drawn earlier. It is a well-known fact that deficit financing succeeds in mobilising real resources only in so far as money wages can be kept constant as prices increase,

thus reducing real wages. If the workers resist this fall in their real income through strike action and other means and get increases in money wage to compensate for price increases, the whole purpose of deficit financing would be frustrated. If, on the other hand, the workers agree to this lowering of their standard of living, the better method of achieving it is through taxation. They would agree only if they are sure that they are not the only ones who are called upon to sacrifice in the national interest.

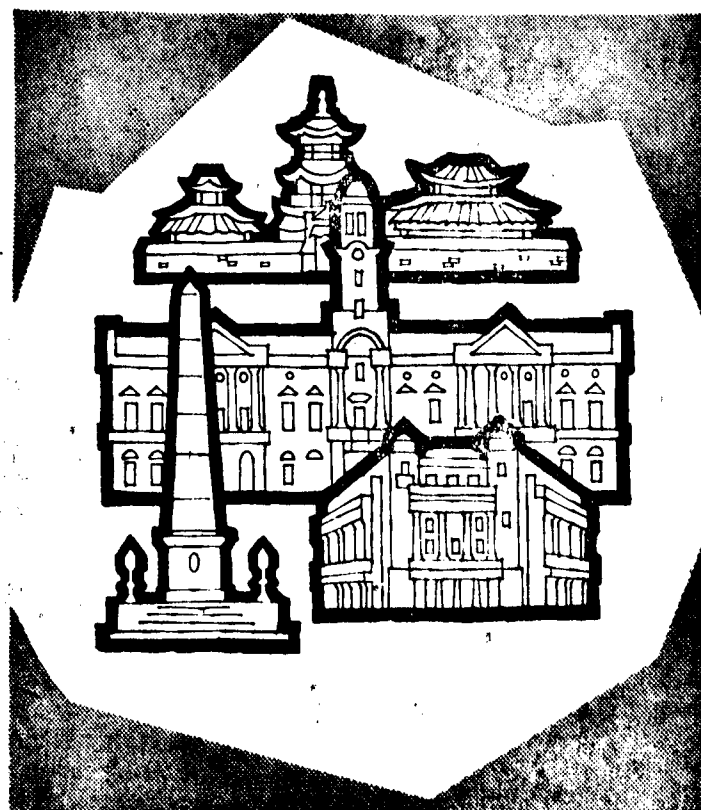
In spite of the Estate Duty and Wealth and Expenditure taxes, the poorer sections feel that they are paying relatively more than they should for higher level of public expenditure. The government and the planning authorities instead of facing this problem, are trying to side-step it. Instead of taking measures which would convince the people that even the low-paid sections should sacrifice because higher-income people have not been spared, the authorities are attempting to dazzle them with grand objectives. In a democracy, attempting to be clever with the people might result in a boomerang.

Synthetic Diamonds to be Mass Produced

MAN-MADE diamonds, identical to natural stones, will be in mass production for industrial users before the end of 1958, the General Electric Company in the United States reports. The diamonds are produced by subjecting carbon to high pressure and high temperature in a duplication of the natural process by which diamonds are made.

General Electric has already produced more than 100,000 carats of man-made diamonds. These have been shown to be identical to natural diamonds on the basis of optical, X-ray and chemical examinations and hardness tests. The largest of these diamonds are about the size of coarse grains of sand, and most of them are about the size of fine particles of sand.

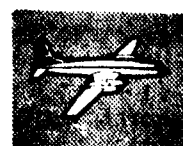
The General Electric Company's synthetic diamonds will be used in cutting tools, grinding wheels, and other industrial equipment. At present, Belgium Congo provides two-thirds of the world's supply of industrial diamonds. The General Electric venture will therefore badly hit the economy of this African country.



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Budget Deficit and Plan Target

I S Gulati

IN the controversy between the 'Bombay' and 'Delhi' economists in these columns*, the real defaulter seems to have escaped unscathed. I am referring here to the Planning Commission whose recent Report on the 'Appraisal and Prospects of the Second Five Year Plan' is quite misleading on the subject of resources. It is difficult to make out from this Report whether the decision to cut the size of the Plan from Rs 4,800 crores to Rs 4,260 crores derives from the realization that external resources will not be forthcoming in adequate quantity or that internally it would not be practicable to raise the required amount of resources. In order to fulfil the original target of Rs 4,800 crores, it is estimated that a deficit of Rs 540 crores (i.e., Rs 2,344 crores minus Rs 1,804 crores) in available resources, including external assistance, is likely to accrue. But it has not been indicated in what form the deficit is likely to express itself. Is it that foreign exchange content of the schemes in the original Plan could be fully met out of the external resources assumed to be available and that the anticipated gap is entirely one of internal availabilities or that some part of this gap can be ascribed to the non-availability of adequate external resources? It is difficult to believe that the sole reason for cutting down the Plan is the shortage of the domestic part of the resources required to reach the original target. It is common knowledge that most of the sectoral and sub-sectoral targets have been revised downwards because of the non-availability of the foreign exchange complement of the costs involved.

Governmental Imports

Instead of giving or even attempting straight answers to the above questions, the Report indulges in positively misleading statements like the one which says that 'the inflationary impact of the heavy deficit financing in the first two years of the Plan was largely

offset by the balance of payments deficit financed out of foreign exchange resources" and that "since the level of these resources is near the minimum required for operational purposes, deficit financing hereafter must be reduced drastically". The first statement gives one the erroneous impression that in the first two years of the Plan the balance of payments deficits were utilised to offset the inflationary impact of domestic deficit financing. Actually, what has happened is that a large part of the so-called deficit financing represented Government purchases from abroad and were directly reflected in the balance of payments. So, there is no question of this part of deficit financing being directly inflationary in its impact or the corresponding balance of payments deficit being disinflationary in its impact.

Inflationary deficit financing can be said to be one which leads directly to the creation of additional money. I am not clear about the part of the Rs 250 crore increase in money supply during the first two years of the Plan which can be attributed to Government's deficit financing. Assuming, however, that, for some reason or the other, the economy is in the grip of inflationary pressures, it is generally true that import surpluses exercise a disinflationary influence. But a distinction has to be drawn between various types of import surpluses. Here I am perhaps nearer to 'Savya Sachi's' disaggregative view than to the view of the 'Delhi' economists. (I submit that this partisanship on my part has nothing to do with the proximity of Baroda to Bombay.) Import of machinery, for instance, on deferred payment basis, will figure in the balance of payments deficit but its immediate disinflationary impact will be negligible because it does not add immediately to the supply of consumer goods so as to counteract the inflationary forces operating within the economy. Imports of this type will not, to quote 'A M' from his letter of the 31st May, succeed "in steering away an overflow of purchasing power from competing for goods in short supply in the domestic mar-

ket" so as to strike "a blow against inflation".

'Domestic' Deficit Financing

Reverting now to my criticism of the Planning Commission, the point on which the Commission ought to have thrown more light is with regard to the order of domestic deficit financing which it considered safe to resort to during the remaining years of the Plan. I am deliberately using the term 'domestic deficit financing'. The purpose is to exclude that part of deficit financing which is financed out of foreign resources. Of the Rs 283 crores provided for as 'deficit financing' for the last two years of the Plan, one could perhaps assume, after taking account of the fact that the foreign reserves have already reached a fairly low level of Rs 233 crores, (this figure is for the week ending 13th June, 1958) that domestic deficit financing will be in the region of Rs 200-250 crores. (The foreign reserves could be drawn down still further and deficit financing reduced because the revised statutory limit allows the reserves plus gold holdings to be reduced to Rs 200 crores.) I am assuming here that the target to be reached is Rs 4,260 crores. The deficit would be larger if the original target is adhered to.

The question to which one does not find an adequate answer in the Planning Commission's Report is: What is the basis on which this target of Rs 200-250 crores for domestic deficit financing has been arrived at? It is a very pertinent question and 'Savya Sachi' was quite justified in raising it. Especially so, because the experience of the past two years does not make us very much wiser in this respect. It has not yet been convincingly established that the price-rise experienced in the recent past was due to domestic deficit financing on the part of the Government. The phenomenon of recent price-rise could more reasonably be traced to shortage of foodgrains both because of the poor crops and because of the cornering of available food stocks by profiteers. The more recent revival of price-rise again is almost entirely accounted for by the rise in the prices of food

* 'A Basic Fallacy in Planning Commission's Appraisal' by 'Savya Sachi', issue of May 17, and Letters to the Editor, issues of May 31, June 7 and June 21.

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Political Difficulty

This, then, is the root of the political difficulty to which attention was drawn earlier. It is a well-known fact that deficit financing succeeds in mobilising real resources only in so far as money wages can be kept constant as prices increase,

articles. And again one hears of poor harvests and cornering of food stocks, although it is hoped that with the help of the food reserves the Government would be in a better position this year to keep prices in check than last year.

My own feeling with regard to the feasible order of deficit financ-

ing in the coming two years of the Plan is that, given the normal round of crops, it should be possible for the economy to absorb a much higher amount of domestic deficit financing than is provided for by the Planning Commission. Given the additional resource effort which the Commission considers necessary to reach the target of Rs

4,500 crores, a larger dose of deficit financing might still enable the Government to fulfil the original target. Of course, the maximum that we can expect in the present circumstances is that the Government sticks to the original target in terms of current prices only. In real terms a much greater effort would be called for.

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Income Elasticity of Demand

— A Note

Deb Kumar Bose

SOME important questions were raised by Dr K N Raj in his article 'Income Elasticity of Demand' in the Annual Number 1958 on the use of family budget data for analytical purposes like determination of income elasticity of demand. Though he was primarily interested in the National Sample Survey data and their particular use by the Foodgrains Enquiry Committee, some of the comments appear to have certain general implications. It might be necessary to clarify a few issues before we proceed to discuss them.

The demand for a commodity is, in general, regarded as a function of its price, the prices of other commodities, and income. Family budget studies provide materials for an analysis of changes in demand with respect to change in income (in the absence of data on income we consider total consumption expenditure) given the price structure in the particular period under consideration. The irregularities observed in the data are inherent in

sampling method. The concept of elasticity of demand or that of demand function from which elasticities are computed are based on abstraction from observed data. Unless the observed data are corrected to some extent for their irregularities, one cannot expect to find any definite relationship between income and elasticity which is necessarily a derived magnitude.

It has, therefore, been an accepted practice in statistical methodology to smooth the data before any derived concepts like elasticity are meaningfully analysed. The extent to which such smoothing is practicable can generally be determined by the measure of explained variance of the observed data with respect to the smoothed curve.

One would, therefore, fit a suitable curve to the data and derive elasticity from it algebraically or even graphically. Commonly logarithmic straight lines are fitted to consumer data for ease of computation and interpretation.

Let $e_r = 10^{a + b \log e_r}$... (1)
describe the relationship between total consumer expenditure e and expenditure on the r th commodity e_r

i.e., $e = \sum e_r$ ($r = 1, 2, 3, \dots, n$)

$\log e_r = a + b \log e$... (2)

Differentiating both sides

$\frac{1}{e_r} \frac{de_r}{de} = \frac{b}{e}$

marginal expenditure = $\frac{de_r}{de} = \frac{b}{e} \frac{e_r}{e}$... (3)

elasticity of demand = $\frac{de}{de_r} \cdot \frac{e_r}{e} = b$... (4)

Equation (3) shows that marginal expenditure will be decreasing systematically with increase in income (or for that matter, total consumer expenditure), when elasticity is less than unity, which is found to be true for food articles. While the systematic change is evident in the formula it may not be so evident in the observed data. One would

U S A : Income & Expenditure of Working Class Families

income classification				total families	expenditure per family for food	total of all	percentage change of expenditure over previous income class of food	total exp.	ratio of col (5) to col (6)
(1)				(2)	(3)	(4)	(5)	(6)	(7)
under 200				32	99.59	195.85	—	—	—
200	or	under	300	115	147.84	312.35	48.45	59.48	0.81
300	"	"	400	545	186.85	388.51	26.39	24.38	1.08
400	"	"	500	1676	218.46	466.04	16.92	19.96	0.85
500	"	"	600	2264	249.28	540.02	14.11	15.87	0.89
600	"	"	700	2336	265.93	611.58	6.68	13.25	0.50
700	"	"	800	2094	287.03	692.65	7.93	13.26	0.60
800	"	"	900	806	318.80	770.58	11.07	11.25	0.98
900	"	"	1000	684	325.66	816.26	2.15	5.93	0.36
1000	"	"	1100	340	349.00	899.74	7.17	10.23	0.70
1100	"	"	1200	96	366.66	973.09	5.06	8.15	0.82
1200	"	over		168	383.64	1052.46	4.63	8.16	0.57
all				11156	266.47	617.80			

Source : H G Lewis and P H Douglas, Studies in Consumer Expenditure, 1901

never expect that the rate and direction of change between all the two successive observed points would be the same as those for two corresponding points on the fitted line. The difference between the two series will depend entirely on the distribution of the scatter around the fitted curve. Dr Raj seems to have missed this consideration in his examination of the NSS data. One wonders if his remark in this context that no conclusion can really be drawn on the basis of these data was warranted.

It can, on the other hand, be shown that even when the measure of explained variance suggests a good fit the observed data fail to conform to Dr Raj's expectation. An illustration is cited here from the experiences in the United States where the concept of elasticity of demand has undergone some scrutiny on the basis of large scale survey. The table (on p 979) is taken from H G Lewis and P H Douglas's 'Studies in Consumer Expenditure'.

The relative rate of change on food items to that of total expenditure as calculated from observed data, following Dr Raj, is shown under col (7) of the table. No consistency in pattern is evident. The value of elasticity by logarithmic straight line was 0.80 in this instance. The value for explained variance was 0.99 suggesting quite a good fit. Similar results were checked from several other series of data of recent origin from different countries.

The problem of comparing elasticity of demand over time is however fraught with some difficulties. It can be easily shown from a general demand function that income (or expenditure) elasticity of demand for any commodity is likely to be a function of prices. In a family budget study, the expenditure elasticity is associated with the price structure prevailing in the period under consideration. One of the plausible explanations of variation of elasticities in different rounds may be attributed to changes in relative prices. The effect of change in prices on elasticities (expenditure) may be assessed by means of a more comprehensive study based on a combination of time series and family budget data. Comparison of values of elasticities over time should therefore be treated with caution.

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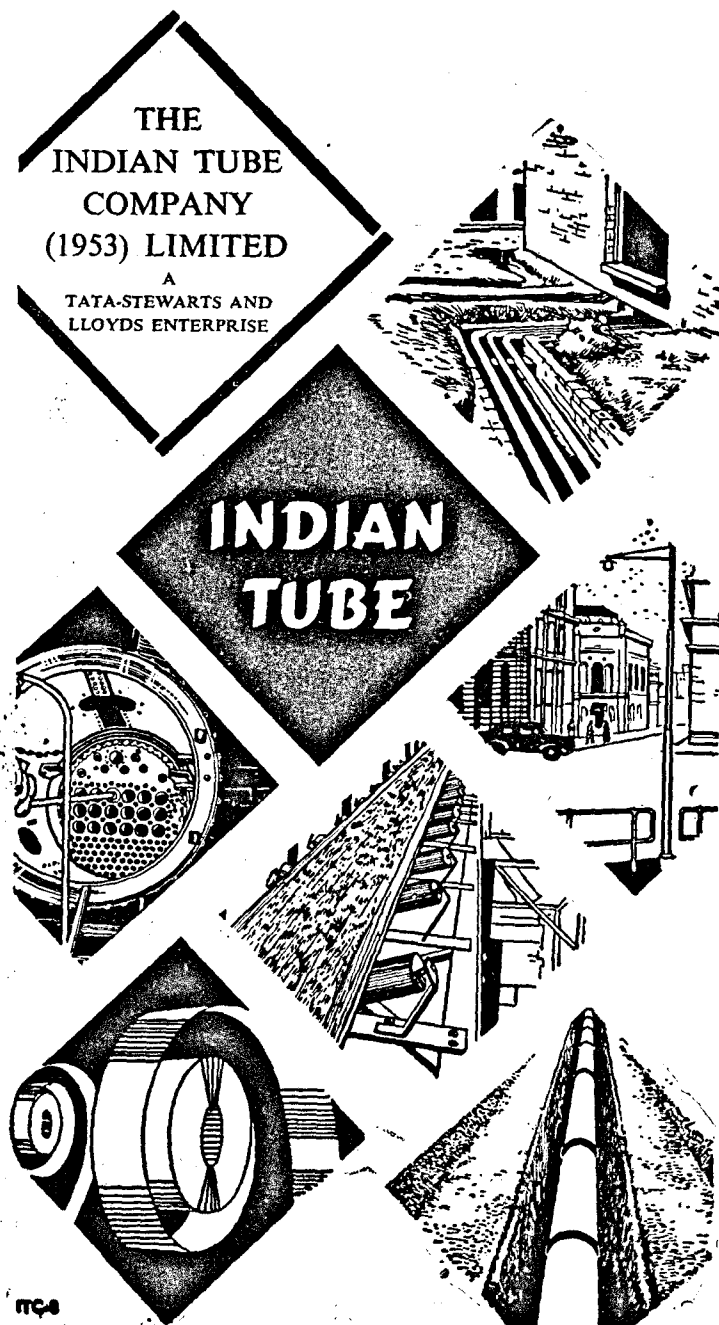
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Agriculture in N E S Blocks

H K Singh

THE crops which have registered a decline in production, as mentioned at the end of the first part of the article, (issue of June 21) can be put into two categories; first, barley, sugarcane and maize, etc., in which the fall in production is smaller than the fall in area under these crops, and second, arhar, jowar and bajra, in which the fall in production is greater than the fall in area sown. (See Table IV, p 825) In the case of barley, the percentage decrease in area and production in different farm-size groups is almost uniform. But, here also, we find that farmers of group 3 have been able to release a larger area from barley with a smaller reduction in production; the reduced area was well prepared, and resulted in a marked increase in per acre production in this group.

Higher Yield for Small Farms

In the case of sugarcane, the percentage decline in area and production is almost the same in groups 1 and 3, while in group 4 the decline in production is equal to the decline in area. This is because the large size farmer, with the introduction of other cash crops like mustard and cotton which are easy to grow, did not care so much for sugarcane, because of the scarcity of labour. In the case of other crops also, e.g. maize and fodder taking the percentage decrease in area and pro-

duction into consideration, we find that the decline is maximum in group 4 and minimum in group 1, the reason being that the farmers in group 4 have more land than the small and medium farmers and they do not care much for these kharif crops. Moreover, some of them have purchased tractors and so do not feel any necessity for growing fodder in large areas. Excessive rains for the last four years have also contributed to some extent for this decline.

In the second category, arhar, jowar and bajra, production has fallen much more than the area sown. The decrease in production is 71.5 49.4 and 46.4 per cent respectively, while the corresponding decrease in area is 64.6, 33.2 and 15.0 per cent only. This marked decline in production in the case of arhar, jowar and bajra, which also indicates a decline in per acre of yield of these crops, is because of the weather conditions. During the last three years there have been excessive rains in this locality which caused considerable damage to these crops.

Among different farm size groups the percentage decrease in area and production in case of arhar is almost uniform. But in the case of jowar and bajra, production has decreased in all the four groups while the area has increased in groups 1 and 3. The

decline in the total production of these crops can hardly be correlated to the increase or decrease in sown area in different farm size groups, as it was, to a very large extent, due to unfavourable weather conditions.

Neglect of Kharif Crops

The introduction of new crops, viz, mustard, potato, petha and cotton, is due to the availability of additional area either from an increase in the extent of double cropping or shifting of the area from other crops except wheat and pea. These new crops are mostly taken as cash crops by farmers and the area under these crops, particularly mustard, potato and cotton, has been increasing year after year after the starting of the N E S block.

From the above, it will be seen that in the case of irrigated rabi crops, there is a marked increase in the yield per acre, while the yield of kharif crops viz, arhar, jowar and bajra, shows a marked decline. This goes to show that the development effort has been concentrated on rabi cereals and cash crops, and the kharif crops, whose yields are most uncertain, still remain very much neglected. It is very important that cultivation of jowar and bajra should be improved, since they are dual purpose crops for feeding both men and animals and in the millet

Table V—Yield of important crops in different farm size groups before and after the N E S (Per acre, in maunds)
Farm Size Groups

Crops	Below 10 acres			10 to 20 acres			20 to 30 acres			above 30 acres			Total average		
	Present (1958)	Past (1954)	% change + or -	Present (1958)	Past (1954)	% change + or -	Present (1958)	Past (1954)	% change + or -	Present (1958)	Past (1954)	% change + or -	Present (1958)	Past (1954)	% change + or -
1 Wheat	13.2	8.8	+50.0	13.9	9.6	+44.8	17.7	10.6	+66.9	13.4	8.8	+52.3	14.6	9.5	+53.7
2 Gram	11.4	9.8	+21.3	12.6	10.3	+22.3	13.4	10.3	+30.1	13.7	9.2	+50.0	12.2	9.7	+25.8
3 Barley	11.2	8.8	+27.3	9.7	8.5	+2.4	12.8	8.9	+43.8	12.8	9.3	+37.6	11.8	8.9	+32.6
4 Jowar	5.1	11.4	-55.3	5.6	8.0	-30.0	4.5	7.6	-40.8	4.8	10.8	-55.6	5.4	9.3	-41.9
5 Bajra	4.3	8.3	-48.2	6.2	8.0	-22.5	5.3	8.5	-37.6	4.8	10.6	-54.7	5.3	8.5	-27.6
Total	5.8	5.8	0.0	6.9	5.7	+21.2	8.1	5.9	+37.3	7.8	5.7	+36.8	7.1	5.8	+22.5

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zones, they are native crops and staple food. Moreover, this area cannot be used for other crops to any appreciable extent except cotton, for which also, prospects are not very promising for the same reason. Due to excessive rains, the yield of cotton has been rather poor during these years.

We are inclined to feel that it is desirable to continue the cultivation of jowar and bajra and also arhar, which has a high nutritive value and is a soil improving crop.

With the availability of irrigation and other facilities, farmers have concentrated more on rabi crops, specially cash crops. Taking per acre production, it is desirable that these crops may be maintained in the same proportion in the cropping pattern, except sugarcane and petha, which have no promising future in this locality.

Group 3 Shows Best Results

Another very important fact which stands out is that taking the relationship between the total agricultural production and the total sown area under various crops, group 3—farms between 20 to 30 acres—achieved the best results. This is further substantiated by the changes in the yield of important crops in different farm size groups, as shown in Table V. (p 981)

The table shows that the per acre yield of wheat, gram and barley has increased by 53.7, 28.8 and 32.6 per cent respectively, while that of jowar and bajra has gone down by 41.9 and 37.6 per cent respectively. The main reason for the increase in yield of the former group of crops is the availability of plentiful irrigation along with better seeds, fertilizers and partly improved agricultural practices. The reason for the

decline in yield of jowar and bajra is the constant damage to the crops from excessive rain. On the whole one can say that there is an increase in per acre yield of all rabi crops, and a general decline in that of kharif crops. The percentage increase in per acre yield is maximum in the case of wheat, followed by barley and gram, and the farmers in group 3 having between 20 and 30 acres of land have shown the maximum increase in per acre yield in wheat and barley and also in the percentage increase of total crops. This increase in group 3 is because of the better proportionate resource availability in relation to farm size, which makes cultivation more efficient. Or in other words, farms having 20 to 30 acres combine the advantages of both the larger and the smaller size farms.

Availability of Irrigation

It should be apparent from the above discussion that the effect of developmental activities on agricultural production has been marked. But one fact should be noted in appreciating this situation. All the changes in cropping pattern, with growing emphasis on finer grains and cash crops, and the marked increase in the volume of agricultural production have been possible mostly due to one single factor—availability of more canal water, which is not a direct outcome of N E S activities.

The main reason for the sudden increase in the irrigation facilities is as follows: The Agra Canal which is the main source of irrigation in the village draws its water from Okhla Canal, Delhi. Till 2 or 3 years back, Okhla was supplying water to Punjab also, and therefore very little water was available for this canal for this

area. After the construction of Bharkha Canal, Punjab does not require water from Okhla, and therefore, water has been diverted to Agra Canal. With the increase in the water supply, the Canal Department has widened the canal, opened new minors and increased the outposts. It is just by chance that the water supply in the canal increased at a time when the Block was started.

In fact loans for sinking and constructing more wells were given only to a few farmers. These wells, after construction, could not have brought more area under cultivation. Moreover, we find that proposed wells have not been actually constructed so far. In other words one is inclined to believe that in the extension of irrigation facilities, which has brought about so significant a change in agricultural production in the village under study, not much has been done through project developmental activities.

Achievements of N E S

However, the efforts of the N E S in initiating innovations, e.g., improved seeds, use of fertilizers, introduction of new crops and changes in farm practices have to be acknowledged and appreciated. The achievements in this village have been very encouraging.

This leads us to conclude that what is achieved here can be achieved elsewhere also. In Community Development and N E S blocks, minor irrigation works should be given top priority for improving agricultural production, and it should be ensured that farmers who get loans for this purpose utilise them for the same as early as possible. They should also be helped in procuring the materials for construction and sinking of wells.

(Concluded)



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In the Grip of Uncertainty

Thursday, Morning

THE market has turned hesitant after a fairly long spell of bullish fervour which had carried most equity values to what could be considered their ceilings, judging from the point of view of yield and the then-existing situation. With no further concessions from Government in the offing, apart from a possible export subsidy for cotton piecegoods, the market had already sobered down when the news of happenings in Iraq and the Lebanon hit it. While commodities have reacted in a pronouncedly bullish manner, Dalal Street has been gripped by uncertainty, which was topped yesterday by an inspired canard about Jawaharlal Nehru resulting in panicky selling. Tata Steel shed Rs 6 at Rs 161 before it recovered and closed at Rs 164. That the market should fall a prey to such rumours is itself an eloquent commentary on the kind of uncertainty which gripped it.

The optimists hope that U S military 'aid' to the Lebanon will not precipitate armed intervention by Soviet Russia and that the issue will be resolved by mere diplomatic pressure alone. Operators, however, have not failed to note the belligerent tone of the pronouncements by Khrushchev and few of them are, in consequence, wholeheartedly optimistic. Should the situation in the Middle East deteriorate further, it is likely to curtail the aid now being received from various countries of both blocs, and will also reduce the imports of foodgrains, essential raw materials and machinery. This will not merely endanger what is left of the Second Plan and impede the expansion of industries but also accentuate the food problem, which is causing renewed concern owing to deficient rainfall in many areas and the rise in the index of food prices from 105.7 at the end of April to 116.5 at the end of June, against 105.4 and 109.6, respectively last year. The general index at 113.5 (1952-53=100) for the week ended June 28 is nearly three points higher than a year ago and higher than even the peak level of 112.0 for August 1957.

The divergent behaviour of shares and commodities in the face of this

uncertainty is thus explainable in terms of expectations regarding the price situation, though the latter, too, has reacted downwards on second thoughts regarding export possibilities.

The outlook is not improved by the anticipation that a worsening of the international situation would lead to heavier deficit financing by Government and greater scarcity of imported as well as home-produced commodities, thereby raising costs of production still further, without necessarily increasing consumer demand which would be further attenuated by rise in food prices. Never before in its history has the country been so dependent on imports and external aid as it is today. While the economy is resilient enough to be able to pull through difficult times, the problems of transition are bound to prove acute. Even the completion of steel plants may be hindered, and the 'hard core' of the Plan may be in jeopardy. Events in the next few days will determine the market's behaviour.

Money Market

Higher Bank Investments

OVER the four weeks ended July 4, total net deposits of scheduled banks have increased by Rs 1 crore only, while Rs 6 crores have been transferred from demand to time deposits. Since April 25, when the lack season began, total deposits have fallen by Rs 13.25 crores. Actually time deposits have risen by Rs 22.72 crores while demand deposits have fallen by Rs 35.97 crores.

The State Bank's share in the decline of total deposits is Rs 2.09 crores only, indicating that most of the depletion has been suffered by other scheduled banks.

Borrowings from the Reserve Bank and State Bank have declined during these four weeks by nearly Rs 6 crores, bringing the total decline since April 25 to Rs 9.18 crores. Credit has declined by a further Rs 19 crores, bringing the seasonal contraction so far to Rs 54.32 crores, of which the State Bank is responsible for Rs 22.47 crores.

The result of these changes is reflected in bank liquidity. Though cash balances have risen over these four weeks by Rs 17 crores, they are lower by Rs 1.61 crores compared to the week ended April 25. Idle funds have found their way into gilt-edged investments, which are higher by Rs 16 crores, raising expansion under this head since April 25 to Rs 54.67 crores, of which the State Bank has contributed Rs 23.13 crores. Call and short loans have risen by Rs 5 crores and balances with other banks have gone up by Rs 2.78 crores since April 25. The expansion of the gilt-edged portfolio is particularly significant since it has taken place almost on the eve of further subscriptions to State loans, aggregating Rs 47.5 crores.

List for five States, Bombay, Mysore, Madras, Madhya Pradesh and Rajasthan, closed on the opening day (Monday) itself and the remaining five, with the exception of Orissa, were fully subscribed by yesterday evening. Despite these subscriptions, the money market is quite easy, with the inter-bank call rate down to 2½ per cent and term rates also lower in sympathy.

Reserve Bank Profits

The rise of Rs 29.62 crores in 'other deposits' at the Reserve Bank during the week ended July 4 represents, probably in its entirety, profits due to be transferred to the Central Government. This figure is nearly the same as last year. Among the other major changes on the liabilities side are the addition of Rs 5 crores to the National Agricultural Credit (Long-term Operations) Fund and of Rs 1 crore to the National Agricultural Credit (Stabilisation) Fund, raising them to Rs 25 crores and 3 crores, respectively. These Funds were set up in implementation of the recommendations of the Rural Credit Survey Report to provide more finance to the cooperative movement. These annual allocations are a statutory charge on the profits of the Reserve Bank. The Reserve Fund remains constant at Rs 80 crores against the paid up capital of Rs 5 crores.

Over the three weeks ended July 4, foreign assets of the Reserve

Bank have declined by Rs 22.59 crores, of which Rs 10 crores is accounted for by foreign securities in the Issue Department, which now stand at a little below Rs 200 crores. The first fourteen weeks of the current financial year have, therefore, witnessed a decline of Rs 57 crores in foreign assets. Active notes have contracted by Rs 21 crores, increasing the total contraction since the peak level of April 11 to Rs 50 crores. It has, therefore, not been necessary to increase Rupee Securities in the Issue Department by more than Rs 2 crores; their level now is Rs 1 crore lower than at the end of March. Investments in the Banking Department have, however, gone up by Rs 31 crores over these three weeks, raising the total for the current financial year to Rs 55 crores.

Cotton

Contract Nears Maturity

IF August-Jarilla contract is showing definite signs of improvement, it has nothing to do with the war scare in the Middle-East. Nor is it indicative of any substantial improvement in the textile situation. The major factor in favour of long buyers is the scarcity of tenderable cotton and the willingness of the parties who have not liquidated their holdings, to wait for the cotton which may be tendered in the docket.

The picture that the textile industry presents is still very dismal. Exports are falling very rapidly—the figure for June (22.81 mn yards) being the lowest on record this year. Though this drop is partially explained by the dock labour strike, demand in foreign markets is showing no signs of revival. Fears that political unrest in Iraq might hamper exports, are, however, based on misinformation. Our exports to Iraq during 1957 hardly exceeded 7 mn yards and this quantity is assuredly not likely to make much of a difference to our total exports, though it might affect certain varieties adversely.

Internal offtake has also been very poor, though, with further reduction in excise, it is expected to improve with the entry of customers who have been holding off in expectation of such a relief. Meanwhile, stocks of yarn and cloth with mills continue to accumulate in spite of reduced production. Thus,

stocks of yarn with mills at the end of June amounted to 106 thousand bales against 89 thousand bales at the end of January. The corresponding figures of cloth stocks are 583 thousand bales and 565 thousand bales, respectively.

The reduction in excise duties has not enthused market operators overmuch. Practically everybody is convinced now that the burden of excise duties was not the only nor even the chief cause of the crisis. Unless costs of production are brought down in a sizable manner, such crises are bound to recur. Operators, therefore, believe that Government is considering the possibility of affording some other relief to the industry. This may take the shape of an export subsidy.

Meanwhile, scarcity of imported cottons is adversely affecting mills engaged in the production of finer varieties to such an extent that some of them are understood to have approached the Commerce Ministry with a proposal to levy a voluntary charge on imported cottons. The revenue from this levy could be utilised for subsidising textile exports. This and other

proposals will be discussed during the forthcoming visit of the Commerce & Industry Minister over the week-end.

Trade circles are also awaiting an export quota for lower staplings. The quotas released so far have all been exhausted and of late the demand from the U S A and Japan has been picking up. Exports of raw cotton this season have so far amounted to 185,000 bales against 258,000 bales last year.

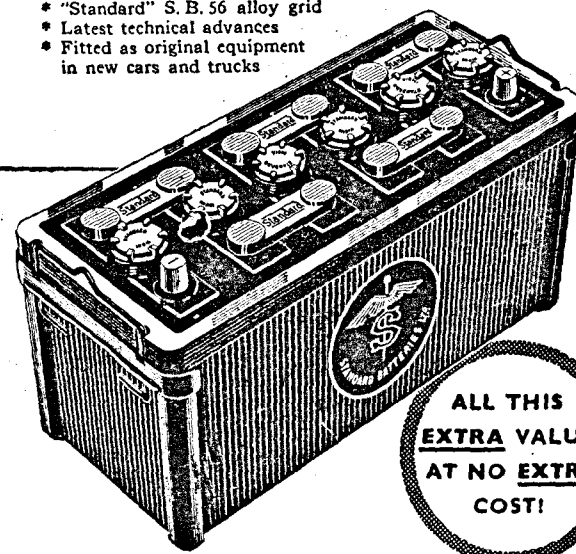
But Government's policy in this respect was clarified by the Finance Minister at the Annual Meeting of the Bengal Chamber of Commerce in Calcutta. He stated that Government was not very willing to grant export quotas when speculation tended to raise the prices of the commodities which got such quotas. This argument, however, applies more to oilseeds than to cotton and trade circles have not abandoned the hope of export quota for cotton.

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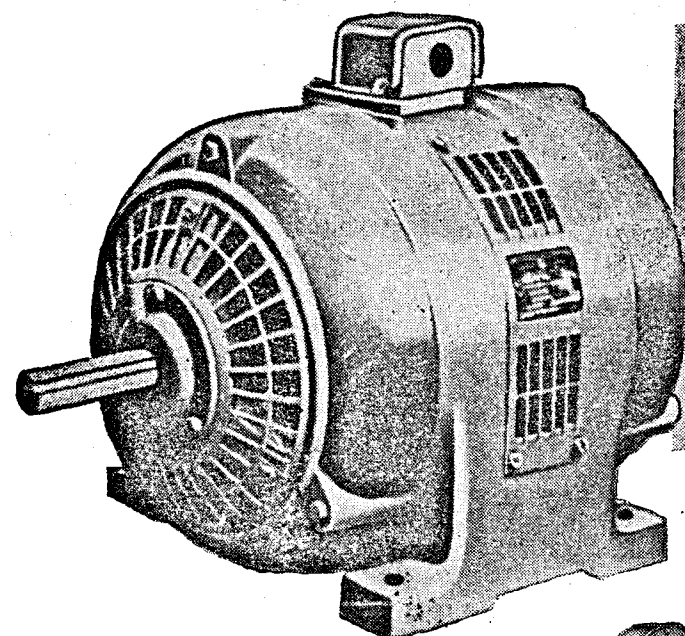


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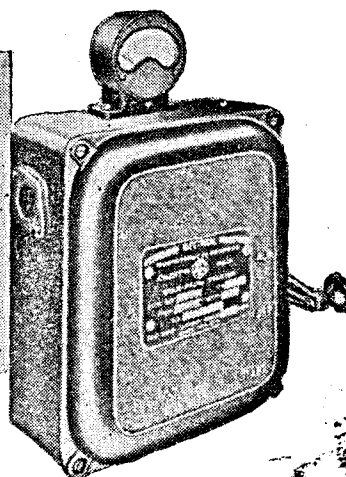


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Summit Conference

SOME of the international gloom of last week has lifted as we go to press. None of the actual landmarks of the West Asian crisis have vanished, but the climate surrounding them has undergone a positive change for the better. The United States marines are still in Lebanon; and Britain's massive airlift to Jordan has not been reversed. But throughout the last fateful week, the emphasis of the Western powers has been on withdrawal rather than on continuing the occupation. Indeed, had the Japanese resolution in the Security Council been carried, the withdrawal might already have begun. At the very least, the way for it would have been paved; for it combined just those ingredients of Western face-saving and military evacuation of the two Arab States which the situation demanded. In effect, Mr. Hammarskjöld is still doing what the Japanese resolution had proposed—i.e., attempting to strengthen the United Nations team in Beirut—but the Russian veto has effectively ensured that the move does not reap the benefit of Western withdrawal. As far as that goes, therefore, the situation is not free from a certain irony: the Soviet Union has no objection to the strengthening of the U. N. team, and to all appearances what it does want above all else is a withdrawal of the Anglo-American forces from Jordan and Lebanon; and yet it has actively helped to precipitate a situation in which the former step is taken, but without leading to the latter and passionately desired result. This is, of course, in the classic tradition of the cold war rivalry: the objectives always get lost in a battle of tactics.

All the hopes now centre on the summit meeting which the British Prime Minister proposes within the Security Council, and to which Mr. Khrushchev has expressed agreement in principle. Indeed Russia seems to have taken up the proposal with an embarrassing enthusiasm. Mr. Khrushchev's insistence that the meeting should, if possible, be summoned for Monday is exactly what Mr. Macmillan has said it is—"unrealistic". The Soviet Prime Minister himself must know this; for there are obvious, practical difficulties which must be overcome before the heads of the States in question can converge on New York. It will have to be settled, for instance, as to who should represent Iraq, which is at present a member of the Security Council. The Western countries have not so far recognised the revolutionary regime in Baghdad, and the present U. N. representative of a Government that has ceased to exist, and of a King who is not even alive (let alone functioning) can have little contribution of any use to make to the important deliberations on the agenda. Nor can Western recognition of Iraq be arranged in a rush. It is tied up with the whole question of the West's Arab policy, which the current situation has tossed into the melting pot.

The position of India, too, will have to be sorted out. Up to now Russia has insisted that Pandit Nehru should participate in this summit conference; but India is not a member of the Security Council, and it can be invited to be present only in connection with an issue in which its interests are "directly involved". It so happens, of course, that none of the Western countries is anxious to exclude India from the talks; a way out may therefore be unanimously found by stretching a point somewhere. But, still, it is hardly realistic to assume that this can be

done in time for Pandit Nehru to be actually present in New York by Monday.

There is, again, the question of the Russian insistence that the "Arab nations" should be invited to be present at the Summit talks. No specific country has been mentioned; but if it is President Nasser whom Mr. Khrushchev has in mind, how is Britain going to sit at the same table as a country whom it does not recognise? To this question, too, there is no doubt an answer; and Mr. Macmillan must already have thought it out, or he would not have proposed a Security Council meeting of this type to begin with. But the point will all the same have to be straightened out; and it is doubtful if that could have been done in the few days before Monday.

It would be erroneous in the extreme to assume that all of Mr. Khrushchev's impatience is propagandist and all of the West's "realism" honest. It is true that the threat of a bigger conflagration has receded in West Asia but it is also true that as long as the Anglo-American troops continue to remain in that region, the threat will in some measure exist, and could, with some further development,

worsen. One such development could be the result of the efforts of the American marines to seal off the frontier of Lebanon. Since nearly three-fourths of the frontier is in the hands of the rebels (a fact which the Lebanese Government acknowledges, and the United Nations team confirms) this could easily lead to an armed clash between them and the marines.

Another potential source of danger is the movement of British troops to Kuwait. The ruler of this richest of all oil-producing Sheikdoms is known to have been in recent communication with President Nasser. There are also rumours that he resents the landing of the British troops on his soil, and that he has aspirations of joining hands with Iraq. The fact that the British have rushed troops from Kenya to Kuwait proves in itself that the rumours are substantial enough to be taken seriously by Mr. Macmillan. What if the Sheikh were to demand the withdrawal of the British troops? An entirely unpredictable situation could arise.

The West has its own reasons for wanting to delay the summit conference; and there is indeed a substantial danger that unless Lon-

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don and Washington are kept constantly on their toes by Moscow, the present "realistic" attitude of the West may lapse into a series of delaying tactics. A bad portent in this connection is this week's abrupt postponement of the presidential election in Lebanon. No reason for it has been given; but one is not far to seek. It is obvious that Mr. Chamoun's successor cannot be nominated (unless the situation is to be still worsened) except with the agreement of the Opposition. What if the new President were to declare that American intervention was no longer necessary in Lebanon? The United States would then have no excuse left to stay on. In addition, there is an obvious lack of cohesion in Western counsels on the details of the summit talk. Washington is clearly not as eager to have them as London; and General de Gaulle cannot be accused of simplifying the consultations. It would seem entirely optimistic, therefore, to expect the conference to be held (if it is held at all) before at least another two weeks are out. Till then the world will have to keep its fingers crossed and hope that nothing will happen to drag it back to the dreadful brink of last week.

The Last Laugh

POLITICAL analysts have been able to throw some interesting light of late on the development of the party system in this country. The study of party politics has led one of them to the discovery of certain fictions which have developed in the process of reconciling the purely local or sectional interests about which the people feel strongly, and on which, naturally, elections are fought, with the formal adherence to national issues which are incumbent upon all the all-India parties. It is these fictions which explain what is otherwise a paradox, viz. the very local, caste or communal affiliation of the parties and their secular, reformist or progressive stand on the all-India platform. Some political observers sought to trace Pandit Nehru's much-publicised desire for temporary retirement on the last occasion to some unfortunate local orientations in the Congress Party and its practice in Punjab and U. P. In an organisation such as the Congress, it is not to be expected that every decision or every action would

conform to the standards which Pandit Nehru has in mind. What puzzled the outsider on the occasion was that for the nomination of a wrong candidate in an election or backsliding in the implementation on the language policy in some State, he should have thought of so drastic a shock treatment for what appeared to others as a common and readily remediable malady.

While local orientations of all-India parties have attracted attention and the absence of effective opposition has continued to remain the principal concern of so many political analysts, neither the political analyst nor the student of the Parliamentary system in this country have tried to trace or delineate the modifications which the latter has undergone within the short period of a decade of its working. All these years, the absence of an effective opposition has been a major premise that had to be taken for granted. With a permanent majority for the Congress, call it a brute majority if you like, the

only means of securing a popular government was to make the Congress more responsive to popular opinion and to the clearly expressed wishes of the people. It would take us too far out to elaborate in detail how public opinion or rather the expressions more effective of it took the form, not of by-elections or agitation within the legislatures but of demonstrations and launching of movements. It was by this means that the Government could be swayed—not by parliamentary methods of constitutional opposition, or even opposition from the back-benchers of the party.

Of late, however, there has been a change. This is exemplified by the changes in the composition of the Cabinet at the Centre and changes in policy which have already taken place and others that may be in the offing. The first Cabinet which we had immediately after Independence was a Cabinet of the best available talents and not of the leaders of the Congress party. Subsequent Cabinets, how-

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ever, had less and less of non-party men; even so, it was not until Shri Morarjee Desai took over this important portfolio, that the Congress was able to find a Finance Minister from its own ranks or at least from Congressmen who had a prominent position in the party in their own rights. The lack of collective responsibility in the Cabinet has often been commented upon but it has been usual to describe it as resulting from inexperience and the absence of conventions which take time to grow and to be firmly established.

The question has now been posed in a highly provocative manner whether the successive changes of Finance Ministers do not indicate changes in the basic economic policies of the Government also. The Forum of Free Enterprise thinks that it does. Speaking at the Second General Body Meeting of the Forum, Mr. A. D. Shroff welcomed the evidence of what he called the 'dawn of a little realism' in New Delhi. "That evidence," he said, "is real and consistent from what we hear from the last three or four months." In support of this interpretation, Mr. Shroff mentioned the removal of compulsory deposits and growing realization of the "over-ambitious nature of the Second Five Year Plan" which, he

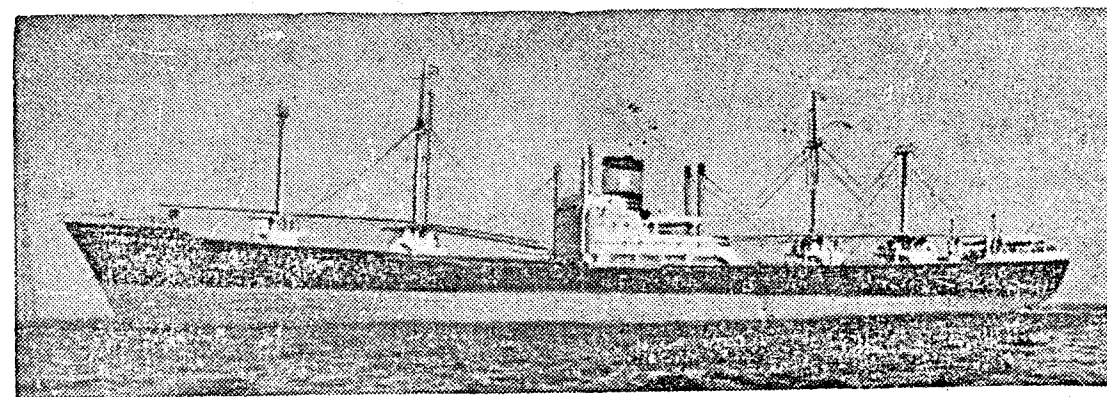
said, had brought the country to the verge of international insolvency.

Whether Government policy has changed, or the change has clearly been in the direction of what has been advocated by the Free Enterprise Forum or not, may still be a debatable point. But from the point of view of the working of Parliamentary Government in this country and the modifications that the Cabinet system has undergone, much more pertinent is Mr. Shroff's contention that a strong case exists for impeaching the previous Finance Ministers of the Government who, according to him, had led the country astray, saddled it with an over-ambitious plan and brought it to the verge of insolvency. So, the responsibility for these misdoings does not rest with the Cabinet or with the Prime Minister but with the incumbents of the Finance Ministry on whom the blame is put. Implied in this accusation is a theory of Cabinet responsibility.

This interpretation presupposes that like the King, the Head of the Government of India can do no wrong. It is the individual Ministers, impliedly acting in defiance of the Cabinet and the Prime Minister, who have to bear the responsibility for their actions and face impeachment. If this interpretation is cor-

rect, then the Cabinet system in India, or rather Pandit Nehru, has achieved what had so long been the despair of dictators as also of parliamentary democracy. It is no longer conceded that dictatorships can really get things done in a big way or in an enduring manner—for that a willing cooperation of the people, their spontaneous responses are necessary as also the unfettered development of their individual personalities.

Granted all that, it will be conceded, nevertheless, that dictatorships can achieve certain short-term objectives with daemonic efficiency and despatch. They lack, however, elasticity and cannot adjust their policies to changing situations, for the strength of a dictator depends on his rigid and inflexible pursuit of some limited, given ends. For him to bend or yield would be fatal; a parliamentary democracy can achieve both, by a change of Government. If Mr. Shroff is right, it would be Pandit Nehru's privilege and a contribution to the working of Cabinet Governments to secure basic changes of policy without changing the Government or the Cabinet, or in other words, to combine change with continuity, for which so far credit has been given only to constitutional monarchy.



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Weekly Notes

General Strike

IF the one day general strike in Bombay turns out to be a success as it appears to be, at the time of writing, more than focussing attention on the stoppage of work at Premier Automobile Factory which has continued since April 11 last, it will have registered a protest against one aspect of the labour policy of the Government which has always been a matter of dispute, viz, predominance of Congress wing of the trade union movement. The left unity among the trade unions which comes into evidence is because the strike has been made an occasion for a contest between all the other trade unions against those affiliated to Indian National Trade Union Congress.

True, Ministers have often publicly disavowed any partiality or favoured treatment to unions affiliated to the INTUC as against others. Bombay's Labour Minister had categorically stated on the floor of the Legislative Assembly when the labour dispute at the Premier Automobile Factory was under discussion that the allegation made by the Opposition that the Government was favouring unions affiliated to the INTUC was baseless. Needless to say, the union representing the workers in this factory is of different affiliation. But public suspicion naturally feeds on some such things as the Labour Minister's attitude to this particular dispute. Only the other day he had said in the Assembly that the union's contention was that the declaration of lock-out was illegal as one of the disputes was being adjudicated. "If that were the case, the workers' action (in going on strike) was equally illegal". This was in the Assembly on April 24. And yet, addressing a convention of trade unions affiliated to the INTUC, to stop the one day general strike planned by the Leftist unions, Shri Shantilal Shah, Labour Minister, said that "in the Government's view, the strike of the workers of the Premier Automobile factory was illegal". Mark the categorical statement; it is no longer a conditional one that if the lock-out was illegal,

so was the strike, which he had made in the Assembly earlier.

The general strike was called not merely as a demonstration of the solidarity of the working class of Bombay in support of the demands of the Premier Automobile workers but also "as an emphatic protest against the anti-labour policy of the Government that has thrown to the winds the decisions of the tripartite conference at Naini Tal." Of course, the primary motivation in all general strikes is political. But that the call for it should arouse the response that it did in Bombay gives room for thought, and a great deal of thought, for the Government for so closely identifying itself with a section of the labour movement and thereby storing up troubles for the future. The so-called neutrality of the Government which is an essential condition for collective bargaining to grow is also essential for the successful operation of the machinery for arbitration and adjudication of labour disputes which this Government has so patiently built up over the years.

It is not possible to go into the merits of the dispute that led to the complete stoppage of work in a very important key industry for such a long time and kept a labour force of 5000 idle for so long. But if labour has been recalcitrant, the employers on this particular occasion do not appear to be perturbed over-much over loss of production. This is something very surprising indeed. Apart from the enforcement of its labour policy, whatever it may be, the Government cannot be indifferent to the development of the automobile industry, which it has planned so meticulously.

The Metric System

FOLLOWING the change-over from the old coinage to naya paisa effected last year, the next step towards the adoption of the metric system is to be taken this year by extending it to the measurement of weight, volume and length. This is in conformity with provisions of the Central Standards Act, 1956, which envisaged a switch-over to the metric system of weights and measures, to be achieved in gradual

stages and completed by 1966. The first step in this direction is to be taken in Delhi and other principal cities and towns from October 1, this year.

The Bombay Ordinance has been passed with a view to taking some preliminary steps well in advance of the enforcement of standard weights and measures. It provides for the preparation and maintenance of secondary working standards. The latter are meant to facilitate verification of commercial weights and measures and weighing and measuring instruments. Working standards are to be verified by secondary standards. The Ordinance empowers Government to prohibit the use of any other system of weights and measures after October 1, 1958. Any agreement, going against this rule, would be void. Inspectors are to be appointed to look into this and also to license manufacturers, repairers and traders of weights and measures or weighing and measuring instruments. The Ordinance prescribes penalties for breach of the conditions stipulated.

Under the new system, when implemented fully, the metre is to replace the yard. Roads are to be measured in terms of kilometre and land by hectares, and the pound is to be replaced by the kilogram as the unit for measuring weight. An exception has, however, been made in the case of foodstuffs in States like Kerala and Madras, where they are sold by measure and not by weight.

The Railways, however, have expressed their inability to effect a gradual change. They feel that it would be better to bring about the change at one stroke inasmuch as otherwise a host of problems are bound to arise because of the diversity of the system being followed now.

Meanwhile, to facilitate the change-over, the Government of India has become a member of the International Bureau of Weights and Measures which is custodian of the International Kilogram. Approved manufacturers have been licensed to recalibrate weighing machines to metric units,

Payments Perspective

THE public has now become sensitive to the weekly changes in our foreign exchange holdings. Knowledge and vigilance are undoubtedly necessary; however, if short-term events are not judged in a long-term perspective, demoralising panic is generated, vitiating the general psychological climate in an economy. About our balance of payments prospects, a panicking mentality is already generated and Ministers as well as officials instead of putting things in a proper perspective, seem themselves to be swept off their feet by the short-term events.

According to the Planning Commission's Appraisal, foreign exchange required for fulfilling the Plan of Rs 4,800 crores in the public sector and of Rs 2,400 crores in the private sector in financial terms, was estimated at Rs 1700 crores, of which Rs 1200 crores have already become available. Thus the foreign exchange gap is only Rs 500 crores. In view of past trends and the present climate of foreign exchange assistance from the World Bank, the United States, the Colombo Plan Countries, Western Germany, etc, the Planning Commission is quite justified in assuming that this gap would be easily filled and that the external resources would not prove a bottleneck in carrying out the Plan.

Such, then, is the long-term perspective. In the short run, however, the payments position appears to be worsening, judging from the changes in our foreign exchange balances. Imports have been drastically cut and in the April-June quarter may be less than in corresponding quarter of 1957 by about Rs 50-70 crores. There are, however, two factors, which are causing anxiety at the moment: the U S assistance of \$225 million, for which agreement is already made, is probably still not available for financing imports. Secondly, our exports, largely because of the United States recession, the slackening of activity in the other industrial countries and the fall in commodity prices, declined rather substantially by about Rs 40 crores during January-March quarter. The impact of these factors on our payments position has been extremely unfavourable on our foreign exchange reserves, which continue to decline at a fast rate.

Both these factors, however, are of only short-term importance. Against some of the imports at present financed through reserves, we would soon get reimbursement from the United States assistance. The first and significant impact of the recession abroad on our exports has already taken place and the exports are bound to improve now that there are signs of a flattening out of the U S recession and a possible upturn. Further, the decline in exports, which was on account of measures other than the U S recession, will, judging from past trends, soon reverse itself and there might be a substantial gain of about Rs 20-25 crores mainly on tea exports. It is also worth mentioning that in spite of a substantial decline in exports during January-March 1958, the level of exports during the year 1957-58 was a little higher than the level expected by the Planning Commission.

Further, the drastic reduction in imports seems to have affected adversely the imports of raw materials, necessary for certain industries, particularly the engineering industries. Thus imports will now have to be allowed to enable these industries to function. Moreover, there would be the usual time lag, in future, between the promise of assistance from abroad and its actual receipt.

Under the circumstances, it is quite proper to use our reserves immediately and then replenish them when actual assistance materialises. And our sterling balances, still, are at a fairly comfortable level of Rs 200 crores. Nevertheless, since people are sensitive to any decline in reserves and the Government too looks panicky, it would be desirable if some camouflage could be adopted by means of which the reserves may not appear to decline. Moreover, it may be easier to secure assistance from the World Bank and other sources if one of the indicators of our creditworthiness, namely the reserves, stand at a fairly comfortable level.

For these reasons, the recent negotiations for an overdraft from the U K on the basis of our sterling balance should be welcome. As reported, we are likely to get a short term loan of Rs 100 crores from the U K for about two years.

Since our long term prospects of regular exports and foreign assistance are reasonably bright, we should be able to repay this overdraft and meanwhile, there would be no decline in reserves.

Subsidy on Preserved Fruits

REGARDING the Food and Agriculture Ministry's scheme for helping the preserved fruit industry with a subsidy of Rs 500 per ton of tin plate used in the manufacture of open top cans, to which reference was made in these columns last week, a correspondent has drawn our attention to the observations of the Tariff Commission on this subject. The scheme was not exactly referred to the Tariff Commission during the latter's examination of the case for continuation of protection to the preserved fruit industry, but the Tariff Commission was informed by the Ministry that this scheme had been finalised and that it would, for the time being, be operated through the Metal Box Company. It was also disclosed during the inquiry that when the subsidy came into operation, Metal Box would make a price reduction averaging Rs 100 per ton of tin plate, on its total delivered cost of cans to the preserved fruit industry.

The Tariff Commission did not express any opinion on the merits of the scheme. It held, however, that there was considerable scope for the Metal Box Company to reduce the price of open top cans used for preserved fruits. The Company, it said, manufactured 600 different types of containers for 80 different trades and open top sanitary cans represented only an insignificant part of its total production. The sales and profits of the Company showed that it was in a very strong trading position, the Company had lately reduced the price of paint cans and it was the Commission's considered opinion that it should reduce the prices of open top cans for the fruit preservation industry also. To quote from the report:

"We see little justification for the Company which increased during the last three years its sales and profits by more than 50 per cent and 100 per cent respectively and dividends by more than 50 per cent, to have raised, with effect from the 1st February, 1957, the price of open top cans by more than Rs 15 per 1000 in spite of the recommen-

dation on this subject in our last report (1954). In the case of the preserved fruits industry, the price of open top sanitary cans accounts, on an average, for 20 to 33 per cent of the ex-works cost of the finished product. This is very onerous for the industry and it should be helped in securing cheaper supplies of cans. We are convinced that it should be possible for Metal Box Co. without undue sacrifice of its profits to reduce the prices of cans used by the preserved fruits industry substantially and we repeat our earlier recommendation that the Company should be requested once again to reduce the price of such cans to the maximum extent possible."

As a matter of fact, Metal Box has initiated development in such fields in other countries in order to create a market for its products. Its reason for not reducing price of can supplied to the preserved fruit industry, it was explained by the Company's representatives at the Tariff inquiry, was that any sacrifice on its part from the manufacturing costs would not materially reduce the prices (of preserved fruits?), and that the Company had, therefore, assisted the industry in other ways. It had donated Rs 25,000 to the Central Food Technological Research Institute for the purchase of a mobile van and canning equipment to demonstrate in educational institutions and Universities the technique of canning, so as to increase the popularity of preserved fruits. It had also brought out a canning expert from England to impart to Indian canners, at no expense to them, the latest technical know-how of fruit preservation and also to assist them in solving any other problems connected with production.

Apart from the Tariff Commission, however, some other industries like the Cotton Textile Industry, for example, may have a grouse against the subsidy given to the preserved fruit industry, since it has not been made conditional on or limited to exports. In the case of textiles, licences for automatic looms had been given on the express understanding that cloth produced from such looms would be earmarked for export and that in the event of such cloth being sold in the internal market, the mills would have to pay a penal rate of tax. Besides, there is the wider question whether

preserved fruits are such an article of daily necessity for the mass of the people as to entitle them to this favourable treatment; the subsidy would not be open to dispute, if it were for exports only.

Resumption of Treasury Bills

THE Reserve Bank has announced that sales of treasury bills, which had been suspended more than two years ago, would be resumed from next month. This is hardly surprising, for the gilt-edged market has been exceptionally buoyant of late and a striking evidence of the volume of idle funds seeking investment came only last week when the subscription was opened for the State Government loans. The applications amounted to Rs 62.67 crores against Rs 47.50 crores offered.

For some time past, evidence has been accumulating not only of the money market regaining its liquidity, but of progressively easier conditions in which banks have been finding it difficult to put out their funds profitably. Even the last busy season was a very tame one. The continued competition for deposits on the part of the banks at a time when demand for advances was slack or worse and the volume of deposits was steadily expanding, created a situation which was paradoxical in the extreme. The subsequent developments, however, have made it clear that the competition among banks for deposits was a hang-over from old times, if not a senseless pursuit of prestige in defiance of hard facts. Banks are behaving more sensibly now and the stragglers will soon have to fall in line with the others who are already reducing their advance rates in order to attract more business.

With advances down to 60 per cent of their deposit liabilities, in sharp contrast to a ratio of 73 per cent prevailing about this time last year and banks still eager to increase their investments, treasury bills may be just the thing to help them to adjust their assets structure to a situation of increasing liquidity. There is no question, therefore, that the banks will welcome the resumption of treasury bills. But, is there more to it than meets the eye? True, the money market situation has undergone a sea change. The circumstances under which the issue of treasury bills

was suspended are now a thing of the past. At that time banks were loaned up to their ears. The ratio of advances to deposits had shot up to 73 per cent and banks were liquidating their investments in order to meet the insistent demand for accommodation.

Despite the return of easy money conditions and signs of increasing liquidity, however, there is still an appreciable upward pressure on prices. But whether the situation should be regarded as inflationary or not, is a different question. There is, on the one hand, a resumption of the rising trend of prices since February, after a down trend of six months, but, on the other, the rate of growth of industrial output has slowed down and for the first time since their breakdown has been available, time deposits of the scheduled banks have exceeded their demand deposits, while the total of deposits has been going up and up. While banks have substantially increased their investments portfolio, some of them have obviously been finding a wider outlet for their liquid funds in the call market, but this also seems to be reaching a saturation point for inter-bank call rates are now coming down. Treasury bills, therefore, will offer a timely opportunity to banks to utilise their idle resources and partially restore the profitability of their assets which have to carry the burden of expensive time deposits.

Past experience did not suggest that treasury bills could become an instrument for imparting greater flexibility to monetary operations. The market for it was found to be too narrow for the purpose. Any way, text-book precepts notwithstanding, open market operations have never been an instrument of monetary control in this country, and, in view of the narrow market for it, treasury bills could not be used to any great extent to impart the necessary flexibility.

The resumption of treasury bills, however, could be more than just a measure for taking advantage of the present glut of funds in the market. It could also be a deliberate move for mopping up funds to counter the pressure which would have otherwise led to expansion of advances and stimulated an expansionary phase which, in view of rising prices, among other reasons, the Reserve Bank may not be willing to countenance.

Our Delhi Letter

No Exports Without Tears

WITH the reported drop in export earnings in the first quarter of the year, New Delhi has become rather acutely export-conscious. It is now the vogue, I am told, among Government officials of any standing in the Secretariat to 'own' 'personal' export promotion schemes. Under Secretaries and Deputy Secretaries, not to talk of Economic Advisers and Deputy Advisers, vie with one another in airing schemes to export oil-cakes to the United States in exchange for chemical fertilisers, to cash in on the resurgent nationalism in the Middle East to sell large quantities of handloom lungis to the Arabs, and so on.

Among the proposals which are being more seriously bandied about among the planners and Government officials is one to try and invite the more developed countries in need of industrial raw materials to undertake capital investment in the country towards augmenting their production and facilitating their transport in return for an assured supply of these raw materials in agreed quantities. Such cooperation, it is pointed out, apart from assuring a stable and growing export trade, will greatly aid us in exploiting our mineral resources and in developing our railways and ports. A beginning has already been made along these lines with the agreement with the Japanese Government in respect of iron ore. It is believed that it may be possible to enlist French cooperation on similar lines in respect of manganese ore. Also, there is considerable scope for entering into similar agreements with some of the other C E E C countries like West Germany, Switzerland, Sweden and Italy.

The imbalance in our trade relations is most pronounced in the case of the O E E C countries. Thus in 1956-57 while these countries accounted for as much as 24.5 per cent of our imports, only 9.9 per cent of our exports were directed to them. In view of the progressive depletion of our "free" foreign exchange reserves, a continuation of the present magnitude of imports from these

countries will no longer be possible unless on the one hand we step up our exports to them and on the other, explore all possible avenues of acquiring capital aid from them. It is, however, believed that there are excellent prospects for our exports in the European markets for commodities like manganese, mica, tobacco, pepper, coffee, cashew kernels, handlooms and handicrafts. It is, therefore, suggested that we should take advantage of our position as a large importer from these countries to negotiate some sort of "binding agreements" with their governments, making it obligatory for them to accept payment for our imports at least partly in terms of our commodities. In the case of metropolitan countries with colonial possessions, like Belgium and France, the scope of these agreements could with mutual benefit be extended to include the colonies as well. At the moment our commercial relations with these colonies are more or less negligible. Nevertheless, they constitute a considerable potential market for some of our consumer goods like cotton textiles, handloom

and handicraft products, light engineering goods.

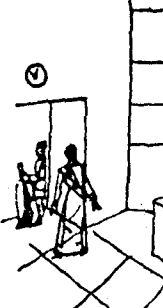
The magnitude of the imbalance in our trade with the O E E C countries also makes it necessary to draw pointed attention to the fact that at present these countries receive a considerable proportion of their supplies of Indian goods through other countries. Thus, for instance, in 1955 only 45 per cent of the West German imports of Indian goods reached the Federal Republic directly. The remaining 55 per cent came through other countries, principally the United Kingdom and Netherlands. The extension of direct trading contacts with the European countries will not only go a long way towards bridging our trade gap with them but will also make it possible to eliminate the middleman's profits and thereby to secure better terms for ourselves.

Our trade with neighbouring Asian and African countries, with the exception of Japan, has so far been limited. Nevertheless, in most of these countries, which are at a lower level of industrialisation than ourselves, there is a con-

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siderable market for a wide variety of consumer goods and light engineering products which we are in a position to supply. The chief difficulty so far in developing our trade in these commodities has been that most of these countries do not have the necessary purchasing power. It is now being considered whether this difficulty might not be overcome by initiating tripartite agreements along the following lines. Most of the Afro-Asian countries are exporters of primary commodities which find their markets mostly in the countries of Western Europe and America. In return they now import their consumer and capital goods requirements from these countries. It is, however, estimated that we have a cost advantage in most of these goods, especially since in view of our situational advantage, the transport costs involved would be much less in our case. In return the Afro-Asian countries could make over to us their dollar and other foreign currency earnings. Such an arrangement, it is pointed out, will work to the mutual advantage of both the Afro-Asian countries and ourselves since these countries will be receiving the goods at a cheaper cost while we will be able to lay our hands on much-needed dollars and other European currencies. It must, however, be pointed out that since most of the commodities that we propose to export to these countries are articles of household consumption, our price advantage, even where it exists, may not be sufficient to overcome the strong consumer preferences for foreign makes and brands, particularly British, which are already well established in the markets of these countries. Nevertheless, it would be eminently worthwhile to initiate negotiations on the above lines wherever possible.

The various schemes mentioned above doubtless merit consideration and call for suitable action along the required lines. It would, however, be naive to expect any immediate or spectacular results. In view of the current state of the international market for some of our major export goods and our internal conditions of production, no "painless" export promotion programme seems possible. To begin with, the Government, for its part, can no longer look upon imports and exports primarily as

a main source of revenue for the exchequer. Export policies will have to exhibit a degree of dynamism and boldness which our present foreign exchange situation calls for. Similarly, domestic producers and distributors will have to restrain themselves from exploiting to the maximum the tight supply situation which may ensue in the internal markets for some of the commodities when their exports are stepped up. And finally, the domestic consumer cannot any more expect high export prices of some of the commodities that he consumes to subsidise the price that he has to pay for them. Rather, one suspects, the subsidy will now have to be the other way round. Coffee is a case in point. The internal pricing system of coffee has so far been based on a surplus from export earnings. The premium earned from exports has been partly diverted to subsidise the Indian consumer. However, in recent years, with the world production of coffee continuously rising, the price of coffee on the international market has tended to decline steeply. With this fall in prices overseas it is now virtually certain that the subsidy to the domestic consumer will have to be withdrawn even if we are merely to maintain our coffee exports, not to talk of adding to them.



INDIAN AIRLINES

THE Indian Airlines Corporation has reduced its loss during the Financial year 1957-58. As against a loss of Rs 109 lakhs in 1956-57, the Corporation incurred a loss of Rs 103 lakhs during 1957-58, despite increased expenditure by way of enhanced excise duty on aviation fuel and heavy depreciation on Viscount aircraft now operating on most trunk routes amounting to Rs 50 lakhs.

The Corporation had originally budgeted for a loss of Rs 170 lakhs during this period.

PUNJAB NATIONAL BANK

The working of the Punjab National Bank Ltd. for the half year ended June 30 1958 shows that the bank has made satisfactory progress. Deposits as on June 30, 1958 exceed Rs 131 crores as against Rs 124 crores on 31.12.1957.

Subject to audit, the net profit for the half year ended 30th June, 1958 after providing a sum of Rs 5.35 lakhs for payment to the Gratuity Fund Trust and making necessary provision for contingencies, amounts to Rs 46.19 lakhs including Rs 4.52 lakhs brought forward from the previous year's account.

The Directors have declared an ad interim dividend of Rs 2.50 per share, free of income-tax.

From the London End

Britain in the Middle East

THE almost hourly developments in the Middle East towards what can appear to be a major conflagration makes any commentary at this stage and time a somewhat hazardous matter. But some analysis from London is clearly warranted. There is a new anxiety that the Anglo-American landings in the Lebanon and Jordan are a long step towards war. There is equally a widespread belief that the British and the Americans have already completed plans for an active intervention in the Republic of Iraq. More than that, the ever increasing concentration of Western forces in the Eastern Mediterranean and alerts being sounded at United States bases in North Africa, Spain, France and Western Germany are watched in London with the knowledge that something large and deadly is about to happen. The British Government itself, with its miserable misreading of the forces swaying Arab opinion has in one sense prompted those warlike actions and in another, has been pushed into the position of the proverbial monkey which has just been garlanded.

Labour's Attitude

The present situation is, however, very different to that of the Suez adventure. Then the United States was not involved and clearly the illegality of the Anglo-French action was sufficient to limit its extension. More important, Britain herself was deeply divided—indeed the division was so deep that it provoked a major public reassessment of Britain's whole international status. Now the British feel, and this feeling strongly infects even the ranks of Labour, that they are not alone in a mission that in some important sense restores Britain's right to protect her vital interests. It is true that Labour actually opposed the Jordan landings, but the opposition was by no means a full-hearted one. Mr Gaitskell was not a convincing opponent and the main attack was only to come from the controversial Mr Bevan. This situation makes the Middle East venture all the more serious, for there is now the impression that a greater proportion of public opinion is supporting

the Macmillan Government. It may very well be that as the crisis unfolds itself in the direction of war and as the Soviet Union makes more demonstrations of its concern, the Labour Party will shake off its indecision and so mould a sufficient volume of British opinion against the patent lunacy of the Western action in the Middle East. But this has yet to be.

The British case for intervention has been described by Mr Macmillan in terms of law and morals though it is to be noted that in one of his wry references to the Suez crisis he said that "it is better to be wrong together than right alone." The sudden resort to law and to morals is, of course, interesting. In the Commons debate Mr Gaitskell maintained that the law on intervention was by no means clear. The Government in contrast declared that a sovereign

government like that of Jordan faced by what was described as "well founded evidence" of foreign aggression (even if it was "indirect") had the right to invite the assistance of a foreign power. It was left to Mr Bevan to describe the true nature of Hussein's regime. Hussein has always been a "kept monarch"—he is incapable of maintaining his throne for a day without some foreign support. As the 'Manchester Guardian' put it:

"King Hussein sought to gain popularity by throwing our forces out 18 months ago, and now he had to call us back. Unless we remain almost indefinitely to underpin his regime, it can have little hope of lasting."

The whole history of Jordan over the years since 1954 has been a history of autocratic government financed from abroad, forever faced with "plots" and "coups" and

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"arrests". The Parliament elected in 1956 has hardly functioned, for over half of its members are in prison. The regime of King Hussein has certainly been a tottering one and as Mr Bevan was to declare to the Commons, "the argument that we sent troops in because we were requested to do so by a friendly power is really too thin." Indeed there is every reason to believe that the so-called "evidence of indirect aggression" is a piece of open fraud—a type not uncommon in Middle Eastern politics—and that the British intervention, like that of the Americans, is designed to maintain a status quo which each of the people of the Arab countries themselves have long rejected.

Encirclement of Iraq

While on balance the Anglo-American argumentation has a particularly discreditable flavour, it is well to dwell on the implications of their actions. The fact that both the U S and Britain have not publicly defined the objectives of their intervention is itself of the gravest import. Mr Cabot Lodge, the U S representative of the Security Council was (at the time of writing) sponsoring a resolution for a U S police force in the Lebanon. In contrast, the U S military authorities have been steadily adding to the number of their troops and there are today more American Marines in the Lebanon than there are soldiers in the whole Lebanese army. At the same time, the size of the U S force in the Turkish base of Adana has been doubled. In spite of the fact that there is public knowledge that the American-sponsored resolution will be vetoed in the Security Council and can only be next discussed in the General Assembly of the U N, the Americans have let it be known that they

oppose the Yugoslav request for the convening of a special session of the General Assembly. Finally, the American resolution makes no mention of the British forces in Jordan. What does all this mean? May be by the time this despatch

May be by the time this despatch ties in the American position will have been revealed for their true purpose. At this stage and time, the Anglo-American action cannot be properly conceived as anything more than a holding operation. In fact the strengthening of British positions along the whole of the Persian gulf, the presence of British troops in Jordan, the military alerts in Turkey and Persia and the presence of the U S A in the region gives the impression of a major military encirclement around the new-born Republic of Iraq. This may very well provoke the Soviet Union to invoke the 1921 Treaty with Persia and to occupy the northern provinces of Iran. Pandit Nehru's warning that other powers too may now intervene in the Middle East is well understood in London though its implications for international tension is not as yet sufficiently appreciated.

Fear of Nationalisation

In the Commons' debate last week, the Labour opposition were particularly anxious that nothing should be done which may lead to a collision with the Soviet Union and here Mr Gaitskell enquired whether the Prime Minister would seriously consider approaching the Soviet Union for an early Summit Conference. Mr Macmillan almost treated this enquiry as a god-sent opportunity to protest his convictions for Summit talks. Indeed any one conversant with the considerations that enter into Soviet foreign policy knows well that when

the Western powers adopt war-like attitudes and actions then the Soviet Union matches them with similar attitudes and actions. In fact, it would be almost impossible to believe that Summit Talks can now take place—the holding of such talks can only mean the acceptance of the Anglo-American actions in the Middle East and this the Soviet Union will certainly not do.

Fundamentally it is oil that dominates the calculations which have made Britain and America to take the Middle East actions. But it is not the supply of oil that is so important. Britain knows that the Middle Eastern countries, even where they are sovereign and fully independent, will always wish the Western world to remain a market for their oil. What is at stake and what is feared, is that in the course of time, the new-born Iraqi Republic will nationalise the oil installations belonging to the Iraqi Petroleum Company. Just under a quarter of this company's assets are held by British Petroleum. I have had occasion in the past to mention in these columns the substantial profits which the British oil companies earn from the Middle East operations. These profits have averaged some £300 million a year and at least £100 million of this comes from Iraq. Against this, the B P assets in Iraq (through the Iraqi Petroleum Company) amount to no more than £200 million. In other words, Britain's profit incomes have long paid many times over the asset value of their holdings in Iraq. For America and France, similar considerations hold and insofar as the Anglo-American action is founded on considerations of profit, that action becomes an imperialist one and as such unlikely to obtain even the sympathy of a civilized world.

Race and Racism in East Africa

David Pocock

I THE sociologist in East Africa however much he may privately resolve that nothing exacerbates racial conflicts so much as the discussion of them, finds that the situation in that multi-racial society has already been exacerbated sufficiently for it to be impossible for him not to take account of race as a moral quality. He is obliged to do this as the people he has to deal with daily do so and if he is to establish himself in that society as an individual he has to come to terms with the category of race.

Ruth Benedict in her popular study 'Race and Racism' makes the point that the study of race conflicts must lay its emphasis on the conflicts and not on the race. It is an extension of this to say that since there cannot be conflict without contact and hence relationship, the study of relations between races in strictly sociological terms is prior to all polemical discussion of physical race difference and imagined moral characteristics.

Moral Category

From the sociological point of view the fact that race has become in certain societies a moral category as opposed to a strictly physical one, is the central fact. The behaviour resulting from this is secondary. From this point of view the term 'racist' comes to embrace not merely those people who are so described by liberals but to themselves also to the extent that race is a moral category for them calling for some positive reaction in behaviour. This definition of racialism appears justified when we look at the extremes of racialistic behaviour. One kind of racist ascribes inherent weaknesses of a moral or physical nature to a particular race while the other kind of racist will ascribe inherent moral superiorities to the same race. "The average Englishman is haughty . . . he considers himself to be a superior being . . . I have respect for Englishmen, because I recognize their bravery . . . their cohesion and their powers of vast organization . . . Englishmen are sportsmen. They have ample sense of humour. They can hit hard and take a beating also in good grace."

These are the remarks of Mahatma Gandhi collected from 'Young India' and from 'Harijan'. For the sociologist there is no difference between them and the well known rebuff of Kruger to the Indian delegation in 1881: 'You are the descendants of Ishmael and therefore from your very birth bound to slave for the descendants of Esau . . . You must rest content with what rights we grant to you'.

Racialism of the kind that I find in Gandhi's statements is of course by far the most widespread and it demonstrates the frequent duality of this behaviour. The ascription of vices to certain races frequently goes with the ascription of virtues even at the expense of the speaker's race. Thus we hear in South Africa that while the African is forever incapable of governing himself or even being honest without supervision he has nevertheless a wonderful sense of colour, humour or rhythm. Again the western devotee of what he thinks is vedanta informs us that India has a monopoly of spiritual insight and mysticism. Not this alone, for he will find this superiority reflected in the wisdom of her ancient law, her dances, songs, family organization and diet.

Cuts Across Class

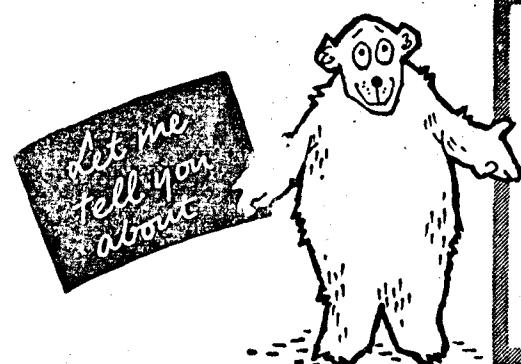
East Africa is a racist society since race is there regarded as a moral category with the refinements and duality that I have suggested. Relations between people of different races tend to be based upon fundamental assumptions of inherent characteristics even if these assumptions are not explicit in the minds of the people involved. Thus the English and by extension all Europeans tend to be considered by Indians and Africans to combine false pride with unbelievable stupidity in certain matters. The Indians are regarded as users and exploiters, and untrustworthy by English and Africans in different contexts. The Africans are considered to be dirty, dishonest, lazy and so on. But each of the ascriptions can be made and is made by each race about another regardless of the broad ascriptions outlined. The point is that judgements are made, and are made in terms of race, whether for praise or for

blame; whether on some imagined statistical average, true or not, is irrelevant.

An interesting way in which to approach the grounds on which racist judgements are made is to consider the manner in which they cut across the frontiers of economic class, including within one moral, social category economic grades that otherwise might be supposed to be discrete. I take Tanganyika as my example since it is the area with which I am best acquainted. In 1948 the total population was 8,067,328 of whom 8,000,000 were Africans engaged largely in agriculture and employed as unskilled labour in commercial and administrative activities. Of the 10,000 odd Europeans, mostly English, 1,380 only were employed in or by the government, 1,132 were engaged in agriculture, 1,244 were engaged in one kind of missionary activity or another, 4,074 retired people, housewives and children while the remaining 2,000 (the largest active section) were engaged in mining, building, wholesale and retail trade and such public services as do not come under government. Out of the total Indian population of 46,254 only 13,677 were gainfully employed, of these only a half were engaged in wholesale or retail trade, some 6 per cent were in government service while the remainder were represented in almost every occupation that Tanganyika has to offer.

All-in-one Economic Grade

While there seem to be grounds for characterizing the African population as the labouring class of Tanganyika, it becomes less easy, though still possible, to relate the Indian population to the commercial middle class. The attempt to find economic grounds for the claim that the Europeans constitute the ruling upper class breaks down completely. Nevertheless it is a fact that the Europeans see themselves and are seen as forming an upper class and the fact rests precisely upon the inclusive qualities of race as a moral category. It is not insignificant that the phrase "to out-caste" has been taken from Indian society and expresses the accomplished fact of repudiation from European society in East Africa. The Englishman there



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FACTS vs PREJUDICE:

Because there is no rapid conclusive, home-made 'test' for nourishment, two things happen: people take DALDA's excellence happily for granted, or they become a prey to the first breath of prejudice against it.

But there is a way of being sure about this most popular brand of vanaspati. First, you find out what it contains; then you inquire about how it is produced. These facts are the surest test.

WHAT IS DALDA MADE FROM?

DALDA is made wholly from pure refined vegetable oils—groundnut oil, for instance, and sesame oil (both of which, by the way, are used for cooking in many parts of India). So DALDA is invested with all the energy content of these natural, vegetable oils. Their fat content makes DALDA an energy food perhaps better than butter because it contains no water. DALDA provides, in fact, more than twice the energy that wheat or rice can give.

That's not all. To every ounce of DALDA, 700 International Units of Vitamin A are added—which is as much as good ghee contains. Vitamin A, a much neglected Vitamin in Indian diets, protects the eyes and keeps the skin clear. Fifty-six I. U. of Vitamin D, the 'Sunshine' Vitamin which builds firm, strong bones and teeth, also go into DALDA.

Fats for energy, vitamins for health: clearly, DALDA is a wholesome food. The wholesomeness of vanaspati has been proved by the work of the Government of India's Vanaspati Research Advisory Committee and the Vanaspati Research Planning Committee.

HOW IS DALDA MADE?

DALDA Vanaspati is manufactured according to strict Government specifications and at no stage is it touched by hand. The most rigid precautions are taken to preserve it from contamination. A visit to the Hindustan Lever factories would demonstrate this.

Finally, DALDA comes to you in sealed tins—an assurance that it is kept safe and fresh during transportation from factory to kitchen.

So DALDA starts off with the most carefully chosen ingredients; then these are put together in the safest, most hygienic way.

BUT IS DALDA DIGESTIBLE?

Langworthy (USA) has shown that it is. He has shown that fats like DALDA are as digestible as butter fat and liquid vegetable oils. In the Journal of Nutrition (October 1957), such fats are described as 'safe, fully digestible and with full nutritional value'.

Did we say there is no home-made 'test' for DALDA's wholesomeness? There is, of course. It's a test that has been made by millions of Indian housewives for over 30 years—the test of actual use. Thousands of restaurants, schools and colleges use it, too.

Perhaps being taken for granted is a compliment. But it is good for DALDA's numerous users to know just why they are prudent to choose nothing else. With such knowledge comes belief—and a confidence that when DALDA goes into the cooking pan it's a food that's being used to cook food.

who imagines that he can conduct his life as he has done at home rapidly discovers that membership of his community depends upon his learning new patterns of behaviour. Together with this caste-like inclusiveness goes the refusal to recognize social mobility which has been the strength of English society in England and which is frequently a source of pride to those who have experience of it. I remember an African clerk in Zanzibar who asked me whether we had in England, as they had in Africa, 'small huts and big houses'. On being told that we had he replied that they could tell who had been born in a small hut in England since they spoke too much of the big house in East Africa.

This inclusion of all economic grades in one is found in other races as well. Whether an Indian or an African is in fact a merchant or an unskilled labourer is not primarily considered when he is classified by others, nor, to a certain extent, when he classifies himself; in all cases the association is with the claimed or ascribed standing of his race in the society.

Policy Conflict

The economic situation being what it is it would be ripe for conflict even were the country racially homogenous. If the fact of class-race is put temporarily on one side we have still the classical situation of underdeveloped countries everywhere. The major concerns of the country—factories, cotton ginneries and sisal plantations—have to be developed. These demand a rational source of labour which can only come from the African race. This on the one hand and on the other the formal policy of the government which involves the development of local agriculture, and the social education of the African within the framework of his traditional society and indirect government. The one policy would demand the rapid creation of an urban proletariat while the other lays its emphasis precisely upon the prevention of urbanization and the breakdown of local society. It comes about that at the legislative level government gives unstinted praise to the establishment of large new industrial concerns and calls for further development while the executive or administrative branches are concerned with the much slower

development of small farms and petty industries. For the former Indian capital is an immediate need while for the latter it appears as a menace, and the presence of Indian traders in a district is a source of alarm. An element of 'paternalism' enters here the existence of which cannot be denied even though it is not always easy to define. The District Officer who entertains notions of fatherly protection and elder-brotherly guidance of 'his people' regards the entry into his district of Indian traders, who will create the demands that their shops satisfy, with the greatest suspicion, however much in the long run this will encourage the economic development of the local Africans.

This conflict between legislative and administrative policy (which is another form of the conflict in political policy between 'Africa for the Africans' and 'Africa the multi-racial state') may be seen more concretely in the field of agriculture. Without the Indian trader who acts as the channel for African produce from the district to the town or coast, the wider economy of the country would break down. In order to buy the produce the trader must create the need for surplus crops which can be converted into cash for the various goods which he sells. So far his interests and those of the administrator are in accord. The problem emerges when, as so often, the economic pattern does not work so neatly. The idea of surplus crops is often alien to the local African population and in such cases what happens is that the crop which is sold is the basic subsistence crop and which government has to protect by its intervention.

Caste-Class Pattern

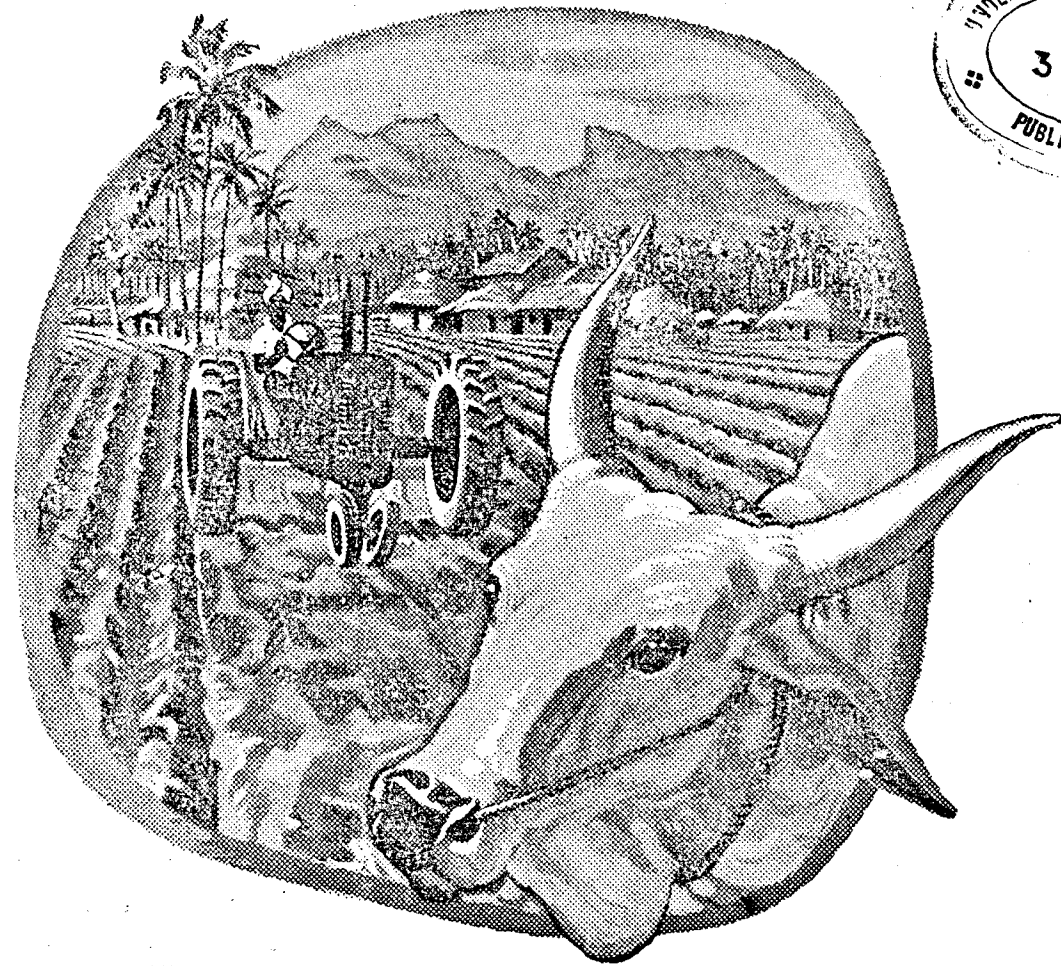
It is not however to be supposed that the present race-class structure remains static but the current changes are not in the direction of western class society. The pattern is much more that of the caste-class society in India where it would seem that large castes are developing their full complement of economic classes which, nevertheless, continue to be isolated from their 'class-fellows' by the barriers of caste. For caste read race in East Africa. The present tendency of the African race to strive for economic independence of Indian

middlemen which is encouraged where possible by local administration in combination with more general government encouragement of African education etc means that instead of economic interdependence the future will see the African race developing a complete range of economic classes similar to that found in any western society. In the Asian community as a whole, as I shall suggest in a later paper, this process is already in train. The present castes and sects specializing in trade will provide not merely their own professional class but also, with increasing numbers, be forced to compete with Africans at the lower levels of the economy. The relative smallness of the European population (and the fact that European land-owners in any numbers are limited to Kenya) makes any view of future development obscure. The development of any lower class or 'poor white' population is to a certain extent held in check by government policy. It is however not possible to prevent the gradual development over a long period of more marked economic stratification amongst the Europeans.

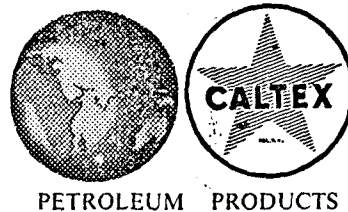
So long as race loyalties are prior to those of class, such classes as do develop are unlikely to establish over and above very basic economic interests, any 'class consciousness' cutting across race. The possibility then emerges of a state composed of at least two and possibly three exclusive and endogamous nations replacing the present stratification into three race-classes. The society will no longer be faced with the problem of race in class but of class in race.

In the discussion of race relations the most important facts are at the same time the most difficult to establish, they are those of feeling and attitude, difference of culture and mutual misunderstanding.

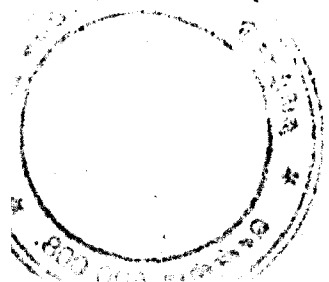
Because of their large population in townships in East Africa and their higher standard of living (in relation to the Africans) the Indians and the Europeans are in greater contact with each other than either is with the African. Although their residential areas tend to be separate no day passes without constant contact in shops, offices and streets. But this does not result in increased mutual knowledge for the Indians



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are far more knowledgeable about European affairs and customs than are the Europeans about them. The Indians are also, by and large, self-conscious to a remarkable degree about almost every aspect of their social life and even in those matters in which they regard themselves as culturally superior to the European they seem to feel it necessary to offer rationalizations for their conduct in accordance with western notions.

The very fact of self-consciousness is a fertile field for misjudgements which are commonly presented in racial terms. The observation and even the conscious study of European etiquette teaches, for example, that English women are more formally deferred to in company, enjoy a certain precedence and are, at least apparently, conversed with on terms of equality. However if there is one aspect of non-European life in which Europeans are versed it is precisely in what they believe to be this difference in the status of women. The result is that when the races mix on certain formal occasions the European may imagine that his attempt to draw an Indian lady into conversation will cause deathless offence. But some Indians may well accuse him of not extending to their women-folk the courtesy which he renders to his own.

On the other hand I have known it happens frequently that an Englishman on some such occasion may make repeated attempts to draw what he imagines to be a shy Indian lady into conversation, may allow her precedence and so on. The reaction has been that the English do not understand or try to understand Indian custom in these matters and cannot understand that such attentions can be embarrassing to Indian women. This latter observation is in fact true in this society where only the present youngest generation of Indian girls was born in East Africa and has any experience of relativity in codes of manners. It seems unavoidable that inter-racial entertainments are followed by a whole crop of misunderstandings to be added to those already accumulated. If a dance is given Indian men who have learned to dance at the local Goanese dancing school like naturally to join in. But the charge is made that they have not brought their wives. Even if they do bring their

wives and daughters these ladies cannot bring themselves to participate in the dance. Soon the word goes round: 'These Indians like to dance with our women but they won't let us dance with theirs'. The implication behind this is obvious.

Cultural Differences

But contact at this level is rare and need not concern us. The opinion of an entirely detached and reasonable senior official in one of the East African secretariats gives us the clue to this rarity and tells us, by its very matter-of-factness, a great deal about the difficulties caused by cultural differences in this society. 'After working in the office all day' he said 'except for the odd occasion one prefers to spend one's leisure where one can take things a bit for granted. The few times I've been to N's house (a prominent Indian government servant) I didn't know how, when or what to eat, whether to talk to Mrs N or not. She was obviously embarrassed when N tried to make her chat and as she didn't speak much English there wasn't much to chat about. And heavens, N would have been hurt if I'd spoken to her in Swahili.'

The fact that two societies can be so different in their manners and interests, that they bore each other outside a limited range is seldom perceived by the ardent advocates of East-West clubs. But in the case I have cited where there was no predisposition either to despise nor to extravagantly admire (and I think this is the attitude of the majority) the fact emerges that neither side feels a real need or desire for this kind of frequent and intimate relationship. But two points remain to be considered. Without more intimate relationships than at present obtain (not to speak of inter-marriage) nothing can prevent the development suggested earlier. Second, the rapid and self-conscious westernization of the East African Indian society while increasing the range of strictly business relationships also provides a further basis for racial judgements.

Common Object, Different Meaning

Perhaps the most fundamental difficulty is that which arises when two groups have one object in common but attach different meanings to it; that is to say, put it to different purposes. The sharing of the

object involves conflict and hostile judgements which would not occur if the object were not shared. The Indian shop-keeper imports incense sticks from India. These are bought by African women who powder them with a little water and use the resulting paste as a perfume. To the Indian trader this is a sign not of African enterprise but of ignorance. The use of European domestic china by Africans for unintended purposes has provided enough anecdotes and further details are unnecessary. On the other side the habit of European tourists (especially women) using African straw food-covers as hats causes considerable ridicule and bawdy comment. The point is simply that the society which invents or produces an article cannot conceive that it fulfills or should fulfil any other purpose than that for which it was produced or invented.

As between Indian and European in East Africa the sharing of the object produces more subtle effects than those I have mentioned. Indian knowledge of western society is too developed to allow of any such total difference in application and it is difference within the field of similarity that produces misunderstandings and adverse judgements. The greater degree of similarity between the two communities brings all the more violently to the fore the slight difference which the process of borrowing involves. When a man sits on the floor and eats with his fingers, the man who sits at a table and uses cutlery is in no position to make any judgement since the standards of etiquette are entirely different. But when either takes to the habits of the other judgement becomes possible and the party imitated seldom recollects that what is habitual to him is being learned with a greater or lesser degree of success by the other. It was an Indian who first drew my attention to the difficulty of remembering when eating in a European restaurant with others, not to make a small nest of condiments round his own plate. He pointed out that in Gujarat each man's salt etc was provided for him. I might point out here that the difference in eating manners is a source of racialist judgement not merely between Europeans and Indians but between Indians and Arabs and again amongst Indians themselves. The Indian habit of allow-

ing even the tips of the fingers to enter the mouth while eating rice is disgusting to the Arab or to the Arab influenced African. I need not stress how, even in the most sophisticated circles amongst Hindus, the Muslim practice of eating out of the same dish or of the host breaking food for his guests with his hand, offends deeply rooted susceptibilities.

Racial Judgements

In East Africa the European judgement tends to be that Indians are ostentatious in the matter of dress. Here evidently the lack of any tradition of extreme sobriety in clothing combined with the emphasis (perhaps peculiar to Gujerat) upon the quality of the cloth accounts for the misunderstanding. On the other hand the European adult male wearing shorts and European adult female in many particulars of dress is often singled out by Indian youths as ridiculous at best and at worst indecent. An example comes to mind of the most unfortunate blend of East and West seen more commonly at the level of the lower trading class and lower non-trading class Indians.

The introduction of European striped pyjama material has led to its adoption at this level of society for day wear. Once again the similarity with a difference makes for ridicule of the one by the other. Again the adaptation of the European collarless shirt to play the role of the *paheran* produces for the unreflecting European an impression which he refers immediately to the habits and standards of his own society. He does not see a man wearing a *paheran* but rather a man wearing a shirt without a collar and not tucked into his trousers.

One could go on at tedious length to show how point by point, in diet, musical tastes, architecture, hair-oil, habits of conversation etc racial judgements are daily made and reinforced in East Africa but I want to conclude with another aspect of the matter. While the Indian population is acutely conscious of the differences between it and other communities, the most bitter and acute critics of Indian failures in Indian adaptation are invariably Indians. This is most particularly so where the behaviour of their own lower-class, which they

know other races include them with, is in question.

The features criticized in this connection are of the same kind and origin as those discussed by J L and Barbara Hammond in 'The Bleak Age' (particularly p 57 et seq of the Pelican edition). The movement of a traditionally agricultural people into the new industrial towns of England in the first half of the 19th century produced various problems of sanitation. In East Africa the hygienic habits which lower class Indians have brought from the open country side are inappropriate to urban life. There is no need to dwell on the matter except to note another feature of the psychology of racism. Indians are the most acute critics of Indians because they know that other races do not discriminate within the Indian community. It seems true however of all inter-racial judgements of an adverse nature that they are based upon the most obtrusive behaviour and so by an ironic twist those who least accord to the norms (by definition unobtrusive) come to represent their race in the eyes of others.

'The Good Europeans'

It may well seem that I have in the main presented a one sided picture of race relationships in East Africa being concerned primarily with Indians and more often with European judgements of Indians rather than the reverse. First of all perhaps European standards are more pervasive in East Africa than they are even in India. It is for example a rare thing to see a dhoti during the day time in even a small African township. But also the views which Indians have of Europeans have been very well aired by other and perhaps more liberal minded writers in the past years. I suppose that it is a regular feature of multi-racial societies where Europeans are represented that a small number of Europeans detaches itself from the company of its own race almost completely. While retaining in the main what it considers to be the advantages of European life it assumes from the outside various culture elements of the particular race it has decided to patronize. The individual who feels the need to criticize certain or all aspects of his own society is obviously able

to do so with greater detail than the most hostile outsider and such individuals make this desire and ability to criticize precisely the difference between themselves and the rest of their society. The knowledge and criticism thus imparted can only exacerbate any conflict which may exist already although they are offered in the name of racial harmony. Whatever they may imagine, such individuals are not, in racial societies, accepted as individuals but continue to be associated with their race to the extent that they are regarded as 'good Europeans'. The idea of what relationships should be is thus keyed up to a level which only a few have, for their very various motives, been able to achieve and the behaviour of the generality of their race is judged accordingly.

Since racially different societies must live together, it is obviously desirable that they should live as harmoniously as possible. But it would seem that the recognition, perhaps even the emphasizing, of the areas of difference is the first step towards such harmony. To emphasize similarities produces an ideal or illusion of 'likeness' which is not justified by the facts and makes difference a daily irritation. The more utterly different we suppose our neighbours to be the more gratifying will be our surprise at occasional points of similarity.

Ban on Forward Trading

FORWARD contracts as well as non-transferable specific delivery contracts for the sale or purchase of the following coarse grains and pulses have been banned with effect from July 17: Jowar, Bajra, Maize, Ragi, Small Millets, Tur (Arhar), Urad or Mash, Mung, Moth, Masur, Kulthi, Peas, and Lakh or Khesari.

Forward trading in Khandsari sugar and guar has also been banned with effect from July 18 and 19, respectively.

In all these cases, existing contracts will be cleared at the close of business on the day on which the notification comes into force.

The present action has been taken by the Government as forward trading has been responsible for speculative rise in prices.

Small Savings

The Case for Prize Bonds

V M Dandekar

IN view of the failure of the various small savings schemes and drives to attract sufficient small savings, it is worthwhile examining the case for prize bonds as an additional scheme for promoting small savings. It is presumed that the objections to prize bonds are mainly on moral grounds. The purpose of this article is to examine them.

To begin with, let us examine the handicaps of the existing schemes of savings which may be partly responsible for the failure to attract small savings. We shall examine two schemes, namely, the National Savings Certificates and the life insurance as two different types. Let us first consider the National Saving Certificates.

Not Enough Incentive

The principal handicap of a scheme like the National Savings Certificates whose sole attraction is the interest it offers on investment, is that for the small man with only a small amount to invest, interest is not and cannot be a major consideration. Consider, for instance, a man who has Rs 100 to invest and suppose that the rate of interest is 4 per cent. Then the man wanting to invest Rs 100 may hope to get an additional amount of Rs 4 by way of interest at the end of one year. Now a sum of Rs 4 at the end of one year is not attractive enough, even for a small man, for him to take all the trouble of investing his amount in a saving scheme. He might prefer to just keep the amount with himself.

In order to make the interest part of it look more attractive, the savings schemes propose to lock up the amount of the investor, under mild compulsion, for a period of years. The total interest that may then accrue to him appears attractive enough. For instance, the maturity period of the National Savings Certificates is 12 years and at the end of this period a person investing Rs 100 earns an additional Rs 65 by way of interest. In such a scheme, the amount of the interest is of course attractive,

but the long period for which the amount remains locked up proves a major deterrent. What a small man with only a small amount to spare wants is that he should be able to call up his spare money at short notice or at frequent intervals. Of course, the National Savings Certificates can be cashed prematurely, but, in that case, the investor is penalised by cutting down the interest. It is argued that the mild compulsion involved in locking up his money for a period works in his own interest and enforces thrift. It seems that the resources of the small man are too lean to stand even such beneficent compulsion.

Fuller Information Needed

It is difficult to judge the success or failure of the National Savings Certificates to attract really small savings without fuller information. It would be useful for instance if data were available on the size of individual holdings in National Savings Certificates. Statistics of premature withdrawal, if possible by size of individual holdings, would also be useful in judging the period over which the small holder can afford to keep his money locked.

Life Insurance

Another form of investment proposed for the small man is life insurance. Since the nationalization of life insurance business, there have been proposals to make special efforts so that life insurance may reach the small man. It is too early to judge them. Nevertheless it may be useful to point out the strong and weak points of life insurance as a scheme to attract small savings.

If we take the normal period of a policy to be 20 years, life insurance suffers from the same handicap, and in a greater measure, that it locks up the investor's money over too long a period. Also, in cases of premature withdrawals such as by surrendering the policy, the investor is penalised even more severely than in the case of Savings Certificates. Another defect of the life insurance policy is that it is not a once for all act of in-

vestment. It requires regular payment of premiums over a number of years. This is its greatest deterrent. The small man knows his future least, and is naturally unwilling to make future long term commitments. The amount of premiums may be small but the premium notices are nevertheless a nuisance. Statistics, particularly for the small policy holders, of overdues in payments of premiums and also of making the policies 'paid up' or surrendering them may show that his hesitation is not without reasons.

Protection Inadequate

The chief attraction of life insurance is not that it offers much of an interest on the investment but that it utilises instead a major part of the interest that would accrue in order to offer an important benefit, namely, protection in the event of death. The small man usually understands very little of the complexities of compound interest and does not realize how much he pays for the protection. For instance, a man of age 30, taking out an endowment policy of Rs 1000 with the endowment term of 20 years, pays annual premium of about Rs 47 over 20 years. Thus he makes a total investment of Rs 940. At the end of the term, he receives Rs 1000 and feels happy that not only he got back all his money but in fact a little more. He does not usually realize that at 4 per cent interest, his investment in fact amounts to nearly Rs 1400 and that in fact he has paid Rs 400 for the protection that the policy offered to him in case of his death. Now, because he does not know how much he pays for it, and, in fact, often thinks that the amount is either nil or negligible, he considers this important benefit as additional to the security of his capital. This is the chief attraction of an insurance policy for the small man.

Life insurance has nevertheless two weak points even in respect of this principal attraction. Its operations and principles are not easily understood and there is a traditional reluctance to contemplate

death and its consequences. With education, this should go but it may take some time. Another shortcoming is the smallness of the amount that the family is entitled to in the event of the death of the policyholder. A small man, obviously, can have only a small policy. There are proposals to issue specially small policies of even under Rs 500, presumably for the benefit of the small man. But if the contingency sought to be provided for is the death of the principal earner, Rs 500 is too small an amount to enable even the family of a small man to pull through for more than a year. It is true that nothing more is possible. But then it may not be worth his while for the small man to be continually reminded about his own death and receiving premium notices!

Prize Bonds

Such are the handicaps of the National Savings Certificates and life insurance to attract small savings. We have mentioned them to illustrate two types. Let us now examine and compare a scheme of prize bonds. Prize bonds work on the principle of utilizing the interest accruing on capital to award prizes by the draw of the lottery. Thus, in its basic principle it is allied to life insurance. Consider, for instance, a simple scheme of prize bonds. A man who puts his Rs 100 in prize bonds gets it back at the end of one year. Ordinarily he would have earned an additional Rs 4 by way of interest. Here he does not receive any interest. This happens to all the investors. That is to say, all get their money back at the end of the year and none gets any interest. Instead, the interest that the investors would have earned is pooled together, and is given to one of them as a prize. For instance, a group of 25 investors with amounts of Rs 100 each would earn an interest amounting to Rs 100 at the end of the year. Instead of distributing this amount between the 25 investors at Rs 4 to each, the whole of it is given to one of them as a prize. Who gets the prize is decided by drawing lots.

Bigger prizes can be given if fewer of them are given. For instance, if interest accruing to 250 investors with amounts of Rs 100 each is pooled and a prize is

given to only one of them, the prize can amount to Rs 1,000. In the same way, if a prize is given to only one person out of 2,500, it can amount to Rs 10,000; or if it is given to only one out of 25,000 persons, the prize can amount to Rs 100,000.

Chief Attraction

Now it is a fact that the chance of winning a big prize is better understood than the computations of compound interest and because, as we have earlier explained, the small investor does not understand so very clearly the amount of interest he loses or does not care for it, he is inclined to regard the prospect of winning a prize as an additional benefit. That is the chief attraction of the prize bond.

Also it does not suffer from the handicaps from which the other two schemes suffer. It does not lock up the capital over long periods. It is a once-for-all operation and involves no commitment of future regular payments. The prospect it invites the investor to consider is happier than the one offered by life insurance. And finally, the prize money can in fact be large enough to make a real difference to the family. Thus, there does appear a *prima facie* case for examining the possibilities of prize bonds to attract small savings.

Not Gambling

The main objection to prize bonds seems to be that they foster and encourage the instinct of gambling which is inherent in man. We shall not discuss the rights and wrongs of gambling. Instead we shall presume that it is undesirable and that it would be wrong to foster it. We shall, however, argue that it is not correct to equate prize bonds with gambling as it is practised on the race course, cotton futures or the crossword and allied puzzles. Gambling in these forms has an attraction partly because of the fascination that the gambler feels regarding the element of chance in it, but mainly because he believes that it is not all chance and that he could develop a system of betting by means of which he could earn large money.

It is this belief in the existence of a system of gambling, the hope of discovering its key and the hours of maddening labour that

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the gambler puts in for the purpose which are the principal undesirable features of gambling. Another undesirable feature is that the gambler usually pays an unduly high price for the prospect he buys, so that even in the long run the prizes do not compensate the stakes. Finally, the most disastrous element in gambling is that when the gambler bids unsuccessfully and loses his stakes, he harbours a feeling of being cheated or outwitted. He loses his capital and it is with a desperate vengeance that he tries to recover it by further gambling until he is ruined.

Capital Intact

Prize bonds do not and need not have any of these features in common with gambling. The investor in prize bonds never loses his capital. It is safe and with continued and regular contributions may actually grow. The price that the investor pays for the prospect of winning a prize is just and fair, so that the investors as a group do not lose and individual investors, when they do not earn the prize, lose nothing but the interest. Finally, if the investors are clearly told what the scheme is, that besides keeping their savings safe and secure they buy for a just and fair price a prospect of winning the prize, and that the winner is decided by the draw of lots and hence there is nothing that they can do to improve their prospects of winning the prize, if these are clearly and repeatedly explained, prize bonds will have nothing in common with gambling as it is practised on the race course, cotton futures or crossword puzzles.

In fact, gambling itself would be less fascinating if the gambler knew or were told that he was gambling. Hence, if the principles of prize bonds are clearly explained and it is made known that there could be no system of buying prize bonds by means of which one would improve his prospects of winning the prize, it is possible that prize bonds will not be as popular as gambling. But if gambling is undesirable, we should not regret it if prize bonds do not become as popular as gambling because they do not have in them the essential elements of gambling.

Let us now examine the positive aspect of prize bonds. On closer

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examination, they will be seen to have a social purpose. A small man desires, as much as a big man, to succeed in life, to better his own prospects and the prospects of his children. But there are distinct limits to how far he can go in this direction by sheer hard work, thrift and prudence. Consider a person who with great thrift can save every year no more than Rs 100. If he does it year after year and puts his money into any investment yielding 4 per cent, say National Saving Certificates, it will take him 40 years to collect a sum of Rs 10,000. It needs extraordinary patience and perseverance to do this and even then this man cannot hope to see a tidy sum of Rs 10,000 within his working life.

If, therefore, he desires something which needs anything like Rs 10,000, he must keep it out of his mind. For instance, it will be futile for such a person to contemplate giving higher medical or technical education even to one of his children. A whole class of persons stands in this relation with the sum of Rs 10,000 and therefore with all those desires which require that amount. Consequently, a whole class of persons, every one of the class, is denied the opportunity to ever fulfil these desires.

Prize Bonds vs Savings

Now consider what prize bonds can do to this class of persons. Consider a group of 2,500 such persons. Imagine as before that each one of them can save every year a sum of Rs 100. But now instead of putting these amounts in National Savings they put them all in prize bonds. Here they do not earn any interest and hence the holding of each one will increase only by Rs 100 every year. Each one will have Rs 100 worth of prize bonds in the first year, Rs 200 worth in the second year and so forth until at the end of 40 years, everyone will have Rs 4,000. This is very much less than Rs 10,000 which every one of them would get at the end of 40 years, if they had kept all their money in National Savings.

Let us see what do they gain in the bargain. One of them will earn a prize of Rs 10,000 in the first year; two more will earn the prize in the second year, three more will earn it in the third year and so forth. In the 40th year, 40

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persons will earn the prize. Thus in all a total of 820 persons out of the group of 2500, which is approximately one-third of the group, will earn a prize of Rs 10,000. This is in addition to the Rs 4000 which every one of them, including the prize winners, will have collected at the end of the 40 years. What is more important, many of the prize winners will have won the prize early enough in life for them to be profited either to improve their own prospects or the prospects of their children. For instance, 120 of the group of 2,500, which is 5 per cent of the total, will win the prize of Rs 10,000 within 15 years of their deciding to invest in prize bonds. Another 5 per cent will earn it within next 7 years that is within 22 years of the starting of the scheme. All these persons, and some of the others, who will win the prize a little later, can profit immensely from the prize and may in fact be able to lift themselves out of the poverty to which otherwise they seem permanently condemned.

In the above, we have assumed a class of persons who can save Rs 100 every year. Let us consider the case of those who are even poorer, those who cannot lay aside anything regularly. They are innumerable. Nevertheless, even these poor people do sometimes come by a small amount of money, say Rs 100, by way of extra earnings, or a gift or a dowry or by one of those happy accidents that can happen even to a poor man. Suppose he decides to set this sum aside and to almost forget about it. He may then put it in National Savings Certificates to be reinvested all the time. If he decides to call up this amount only after it grows into Rs 1,000, he must wait for 60 years. Therefore, if there is anything he can do with Rs 1,000 and lift himself out of the class, he must give up the hope. And this must happen to every member of the class. There is no hope for any of them of taking a jump which requires a solid jumping ground worth Rs 1,000.

Consider now what happens if these same persons decide to put their Rs 100 in prize bonds year after year. Consider a group of 250 such persons. One of them will earn a prize of Rs 1,000 every year so that in 60 years, 60 of them which is nearly one-fourth of

the total will earn the prize and many of them will have earned it early enough in life to be truly profited by it. There are many things that a man from this class can do with Rs 1,000. He can buy a capital equipment and increase his productivity and earnings; or he can send his son to a high school.

Opportunity to the Poor

A scheme of prize bonds alone can offer to persons belonging to poorer classes opportunities which are otherwise beyond their means and which when given can indeed help these men to lift themselves out of their poverty. Note that this is not equalisation of opportunities. We can wait for the day when opportunity will be indeed equal in the sense that all classes of persons will get their share of all opportunities in proportion to their number. What the prize bonds offer to do is to distribute opportunity between several classes of people, not in proportion to their number, but in proportion to their collective holding of wealth. And all this can be done without any cost to the society. The persons to be profited help themselves.

When one cannot have a thing because it is beyond one's means and because the thing is indivisible one cannot also have it partly, the only method to satisfy the desire partially is to buy a hope at a fair price. There is nothing wrong or immoral, in such circumstances, to calculate the rational chance

and buy it for its price as one does when one takes out an insurance policy. To the individual, the prize bonds offer a hope which can be renewed year after year and so long as hope can be bought, disappointment and temptation of unfair means need not endure.

The Really Small Investor

Prize bonds may not succeed as well as gambling, but that is because they are different from gambling. As a savings scheme, they may not also succeed as well as, say, National Savings or life insurance; but that is because they are truly small savings. National Savings Certificates or life insurance are not in fact small savings schemes. An analysis by size of holdings in certificates or in policies will make this clear. In prize bonds, a big man has no special advantage. If he has for instance Rs 25,000 there is no point in his buying 250 bonds of Rs 100 and earning a prize of Rs 1,000 on one of them. He can earn that amount straight, as interest on Rs 25,000.

It is only to the small investor, who cannot hope to earn Rs 1,000 by way of interest, that prize bonds can have special attraction over ordinary forms of investment. Therefore though in terms of total contributions prize bonds may not compare well with either the National Savings Certificates or life insurance, on closer examination, it will be found contribution to them will come to a greater extent from the small savings than in the case of either of the above.

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An Experiment in African Development

THE Colonial Development Corporation and the Government of Nigeria jointly established a project at Mokwa (Niger Agricultural Project, Ltd) in 1949 with two main objects: production of food, and settlement of peasant farmers on hitherto empty lands in Northern Nigeria. The project encountered failure after failure and had to be wound up in 1954, as it was found to be a costly misadventure. Mr Baldwin has made a critical analysis of the history of the project*. His study was not confined to the records and files of the Colonial Development Corporation and the Nigerian Government. In the words of Prof Frankel, who has written a foreword to the book, the author has attempted "to clothe the official skeleton with the flesh and blood of the fears and hopes, the desires and aversions and the difficulties and achievements of the governed". The author has succinctly and commendably dealt with the motivations in an African peasant society, the preconditions for successful settlement, the fallacy of large-scale mechanised agricultural operations and the dangers of insecurity and regimentation, and drawn lessons for other underdeveloped countries venturing into similar projects.

The Mokwa project was born in the immediate postwar period of acute shortage of food and fats, and had as its main aim the production of groundnuts for export and of guinea corn (sorghum) for local consumption. This was to be achieved by reclamation of new areas and settlement of peasant families in new village communities, rather than through methods of plantation agriculture. Better methods of farming demanding a very high degree of mechanization, were to be employed and combined with the agricultural skill of the settler inhabitants. It was expected that this would result in an increase of agricultural productivity per head and per acre, while maintaining soil fertility, preventing erosion and relating the structure of

*The Niger Agricultural Project by K D S Baldwin. Basil Blackwell, Oxford, 1957. Pp XVI + 221. Price 27 s/6d.

the scheme to the local requirements of land tenure.

The project did not attain any of these results and far from combining modern methods with the traditional system, it was shown that they cut right across it.

The following general conclusions should be of interest in the context of the problems of resettlement, e.g. those of East Pakistan refugees:

"In an area where there is no surplus of persons seeking employment any scheme involving the employment of much labour must inevitably disorganise the whole economic life of the district. Either labour must be directed by administrative action to the scheme or it must be attracted by higher wages from other occupations.... The first of these alternatives was relied on to a very considerable extent.

"If an alternative occupation offers a higher income at the cost of greater work, a transfer to it becomes doubtful. This is especially so if it is likely to take the worker out of his social setting, away from his friends and relatives, the complex of rights and duties, and the general social and political environment to which he is accustomed.

"The labour force was likely to exploit its monopolistic position arising from its indispensability and to try to obtain more favourable terms and conditions of employment. It was not surprising, therefore, that constant difficulties occurred over labour, frequently upsetting the whole time-table of work.

"The Project was trying to carry out a scheme without any information about the size of the farms previously operated by local farmers and the amount of labour time put in on these farms. It was, therefore, unable even to guess how much extra time would have to be spent on 24 acres and how much of this would be secured by mechanical operation".

Mr Baldwin's analysis and conclusions regarding mechanized farming are very interesting:

"Large scale mechanized farming involves the preparation of a strict time-table after much detailed plan-

ning. It must in fact be run in the same way as a factory and be rigid in operation, if the machines are to complete their tasks at the right places at the right time.

"The experts do not seem to regard fully mechanized clearing as an economic proposition at present. Hand labour must be employed but much further attention should now be paid to possible cheap means of making this labour more effective. In particular, chemical and biological methods of killing and rotting down tree stumps and roots should be fully explored, so that the heavy efforts and high cost of digging them out should be avoided. It is not so necessary that these methods should be quick as that they should be cheap and effective".

This analysis supports Prof Frankel's conclusion based on the East African groundnut scheme that "agriculture is generally the least likely form of economic enterprise to yield considerable large-scale economies; its factors of production cannot be readily centred and supervised, nor in general are they sufficiently homogeneous to allow easily organized repetitive processes of production".

The lesson which Mr Baldwin draws from his critical study of the Mokwa Project is that successful economic development depends on adequate knowledge regarding fundamental questions relating to particular projects. Such knowledge and experience can only be accumulated and not bought. All this increases the urgency of scientific and technical research and experiment. There is no quick method of economic development. We must hasten slowly.

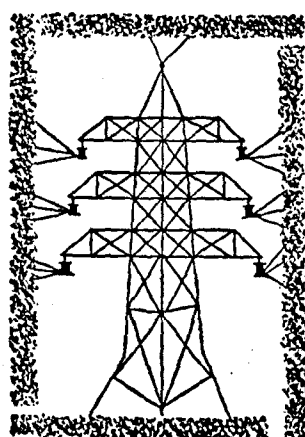
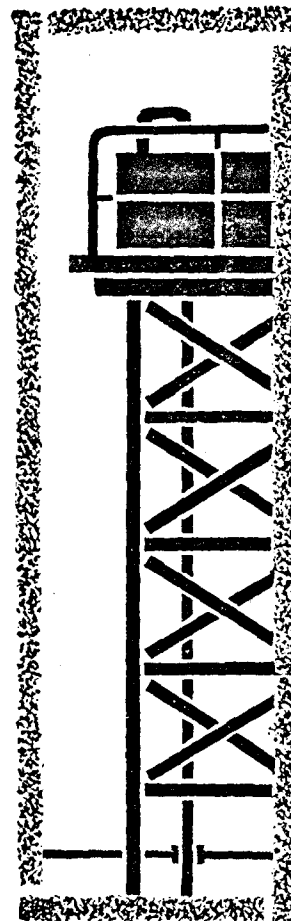
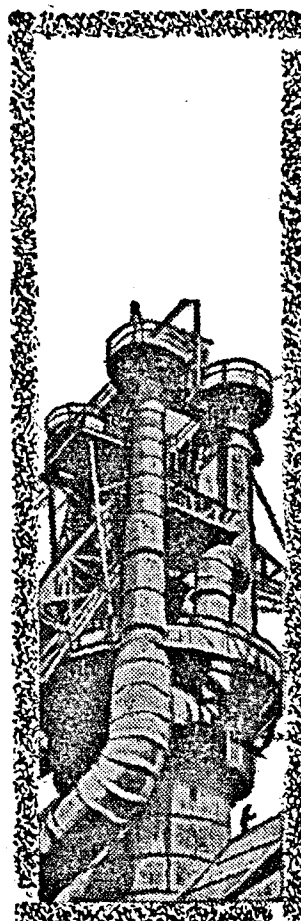
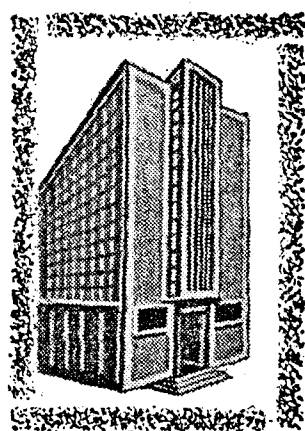
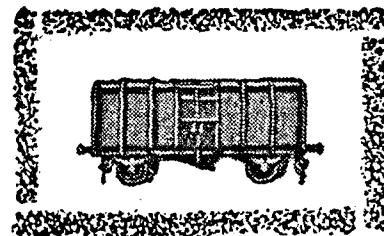
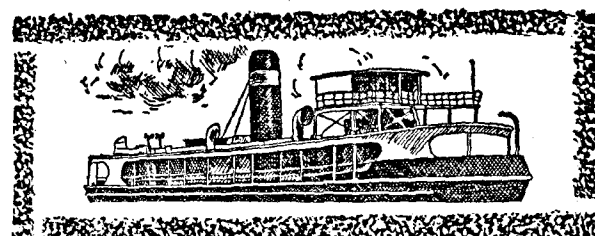
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Sugar Production and Despatches

PRODUCTION and despatches from sugar factories of indigenous sugar amounted to 19.67 and 13.50 lakh tons respectively, up to June 30, 1958 in the current season, as against 20.14 and 14.27 lakh tons respectively in the corresponding period of last year.

The stocks with the factories on June 30, 1958 stood at 10.40 lakh tons,

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Uncertainty Continues

Thursday, Morning

THOUGH the market has recovered from war jitters, the fluid situation in West Asia continues to cause anxiety. Even if intervention in Jordan and the Lebanon does not cause an immediate explosion, the changing political disposition of oil-producing countries, it is feared, will bring no relief to the frayed nerves of international investors and the Governments they influence. In case Kuwait and Iran join the United Arab Republic, Saudi Arabia and many Persian Gulf sheikhdoms cannot remain out for long, particularly since public sentiment there is known to be pronouncedly pro-Nasser. Cairo will then be in a position to dictate terms to the oil-hungry West. While this would be a welcome development in so far as the so-called power vacuum in West Asia would be filled by Arabs themselves, it is not likely to be accepted tamely by the U. S. and the U. K. The tensions generated thereby are bound to have some repercussions and till it is possible to assess them, operators will not be eager to anticipate prematurely.

Despite this uncertainty, however, the market is steady and last week's losses have been made up, though Shippings are still hesitant. There is an underlying belief that the impasse Western foreign policy has got into may facilitate greater aid to India and thus relieve the foreign exchange position to some extent. Reports of a proposed overdraft on London are taken as pointers in that direction. Money is, in any event, easy and owing to restrictions on advances against commodities, banks are eager to lend against shares and securities. Heavy private investment over the last two years is expected to increase earnings and dividends over the coming year while the climate for new issues is favourable. Off-take of cotton piecegoods is reported to have improved of late and Textiles have, therefore, picked up. Grant of import licences as part of export promotion schemes is expected to relieve the shortage of essential raw materials in several industries. In the absence of any further concessions from Government, however, bulls are unwilling to resume vigorous buying.

The latest company to offer a rights issue is Mahindra and Mahindra. It proposes to expand its capital from Rs 80 lakhs to Rs 187 lakhs. The equity capital will then rise from Rs 55 lakhs to Rs 132 lakhs and preference capital from Rs 25 lakhs to Rs 55 lakhs. The terms of the new issue have not been announced yet, but it is expected to be at par. The current quotation of the ordinary share of Rs 10 is around Rs 19.30, yielding 9.7 per cent on the basis of the last dividend of Rs 1.75, while the 6 per cent cumulative preference share of Rs 100 is quoted at Rs 95, yielding 6.31 per cent. The new preference shares will carry a fixed dividend of 6½ per cent; the existing preference shares can be redeemed on or after 1st November 1965 at a premium of 5 per cent. During the year ended March 31, 1957, the net earning per ordinary share, after deducting preference dividend, amounted to Rs 3.76. The maintenance of equity dividend on the expanded capital, therefore, appears difficult, unless a substantial saving under interest charges, which amounted to Rs 49.39 lakhs last year, is effected. That, however, is not likely to impede the success of the offer.

Money Market

Bank Investments Rise Again

DURING the week ended July 11, scheduled bank deposits have risen by Rs 2 crores to cross Rs 1,500 crores again. Time deposits are now 52 per cent of the total. Borrowings from the Reserve Bank are down by Rs 2 crores, mostly against usance bills. Credit has declined by Rs 8 crores, bringing total seasonal contraction so far to Rs 62 crores, of which the State Bank accounts for Rs 24 crores. Of the funds thus released, Rs 4 crores has gone into cash balances, Rs 3 crores into call and short loans and Rs 4 crores into investments. The gilt-edged portfolio has, thus, expanded since April 25 by Rs 59 crores, the State Bank contributing Rs 23 crores. The extent of bank subscriptions to State loans should be known next week.

During the same week, foreign assets of the Reserve Bank declined by Rs 7 crores to Rs 204 crores, raising the payments deficit for the 15 weeks of the current financial year to Rs 64 crores. Over the last four weeks, the external drain has proceeded at a weekly rate of more than Rs 7 crores. Note circulation has gone down by Rs 7 crores, offsetting the previous week's beginning-of-the-month expansion of the same order. There is no change in Rupee securities but Investments in the Banking Department are lower by Rs 1 crore. Central Government deposits are higher by Rs 3 crores but State Government deposits have gone down steeply by Rs 8 crores. Bankers' deposits have expanded by Rs 8 crores.

Cotton

Foreign Cotton Scarce

CLOTH production which had been steadily going upwards from February to May, recorded a decline in June. Total production in the first half of 1958 amounted to 2,452 million yards against 2,709 yards, last year. While this factor, together with favourable weather reports from growing areas, led to some easiness at Kalbadevi, persistent rumours of a further export quota for 1 lakh bales and some improvement in offtake of piecegoods brought about a rally toward the end. The fresh quota is expected to consist of 50,000 bales of Bengal Deshi, 30,000 bales of 23/32" and 20,000 bales of 3/4". Carry-over stocks of domestic cotton at the end of the season are expected to be about 3 lakh bales higher than last year.

The spot market has been very firm of late with mills as active purchasers of superior varieties, on account of the shortage of foreign growths. The carry-over stock of foreign cotton is expected to be 1.25 lakh bales lower at the end of this season compared to last year, following lower imports and slightly higher consumption. Mills have been buying foreign varieties at prices much above replacement costs.

Traders expect the announcement of a further import quota for

60,000 bales of U. S. cotton under PL 480.

Oilseeds

Hectic Rise

OILSEED futures continue to boom. Groundnut has received the greatest attention from speculators in the wake of lower arrivals and firm spot demand, and diversion of interest from commodities in which forward trading has been banned. Over the past week, the August contract has gained Rs 13 and the spread between the two deliveries has widened from Rs 15 to Rs 22. Foreign buyers have yet to indicate their offers but that apparently has not bothered operators.

The contagion has spread to castor as well. Rumours of some sales negotiated with Russia and the USA together with reports of damage to the Brazilian crop led to frantic bear covering, raising the September contract by Rs 14.

In castor oil, as well as linseed which too has experienced speculative fever, prices have already

spurred about £3 per ton higher than UK offers.

Bullion

Subdued Tone

THE stalemate in West Asia has deflated bullish fervour in bullion and prices have fallen back to pre-Lebanon levels. With the passing of the wedding and harvest seasons, the market has little genuine support while inflow of both metals continues at a steady pace.

Company Note

LARSEN & TOUBRO

THE Thirteenth Annual Report of Larsen & Toubro for the year ended March 31, 1958 has become available within a commendably short period of 4 months. Sales have risen from Rs 3.27 crores to Rs 3.93 crores, and the gross profit margin on turnover has also increased slightly from 5.2 per cent to 5.4 per cent. Net block has expanded from Rs 16.15 lakhs to Rs 26.38 lakhs and provision for depreciation has been increased from

Rs 2.58 lakhs to Rs 4.41 lakhs. Taxation absorbs Rs 12 lakhs (including Rs 40,000 for wealth tax) against Rs 9.40 lakhs. Despite much larger provision for taxation, however, net profit is higher at Rs 9.14 lakhs against Rs 7.64 lakhs. After deduction of preference dividend and making allowance for increase in paid-up capital in the last quarter of the accounting year, net earning per ordinary share of Rs 10 comes to Rs 1.8 against Rs 1.5. Distribution is recommended at Rs 1.25 per share against Rs 1.00, after provision for increasing reserves from Rs 13.50 lakhs to Rs 15.27 lakhs. Paid-up capital during the year was raised by Rs 5 lakhs to Rs 65 lakhs.

Secured loans declined steeply from Rs 45 lakhs to Rs 28 lakhs but unsecured loans increased to Rs 18.6 lakhs from Rs 14 lakhs. The reduction in liability under the former head is presumably due to contraction of stock-in-trade from Rs 1.92 crores to Rs 1.13 crores, consequent, probably, on curtailment of imports.

State Development Plans Review by Planning Commission

IT was made quite clear in the Planning Commission's "Appraisal and Prospects of the Plan" that the States were lagging far behind in their efforts to mobilise resources and therefore, in attaining the financial targets of the Plan. Now, as a sequel to their earlier Memorandum, the Planning Commission has brought out a review of the State Development Plans with particular reference to State Plan outlays during 1956-59, progress in different sectors and more especially in agriculture, irrigation and power, and the steps taken by the States to obtain financial resources for their Plans.

The review points out that in eight of the fourteen States, the expenditure incurred on plan projects during the first three years exceeded 50 per cent of the total planned outlay. Yet, only in the case of four States, viz, Bombay, Orissa, Punjab and Rajasthan has the Commission seen it fit to remark rather cryptically that "depending on the availability of resources and the momentum gathered in the later part of the Plan", the financial targets may be achieved. On the other hand, in the case of Andhra, Bihar, Kerala, M P, Mysore and Jammu & Kashmir, the Commission feels that it would not be possible in any event to expend the Second Plan outlay in full. Madhya Pradesh and Mysore, with only 40 per cent of the total outlay being actually spent in the first three years, stand at the bottom of the list, according to performance. The Commission has not made any such specific assessment in the case of Assam, Madras, U P and West Bengal but from the statistics given about their progress—in all these States the expenditure in the first three years was very much above 50 per cent—these States would appear to belong to the first rather than to the second category.

Apart from non-availability or scarcity of resources which is mainly due to the poor performance of States in their taxation efforts, many other reasons are given for this slow progress of the Plan. The chief among them are diversion of resources to non-plan activities and

administrative difficulties. The target for additional taxation over the Plan period was originally set at Rs 225 crores. To this is to be added an unspecified amount as required to fill in the gap of Rs 400 crores as mentioned in the earlier memorandum of the Planning Commission. Measures taken so far are expected to yield about Rs 175 crores. In Andhra, Kerala, Madras, Mysore, Orissa and Rajasthan, however, measures already taken are expected to yield revenues slightly in excess of the original targets for these States and to that extent their efforts to raise resources can be said to be praiseworthy.

If States are reluctant to raise resources through fresh taxation, they seem to be even more so to raise public loans. Against the five year target of Rs 300 crores, loans raised during the first three years amount to Rs 100 crores only. Here of course, States' interests clash with those of Centre, since both are competing for the same resources. But given the current easy money position, this effort could no doubt be stepped up. It is to be noted that though its performance up to date does not justify it, Bombay has revised its target of public loans upwards.

Naturally, with this scale of the resources raised by States, Centre has to step in to assist them and the amount of loans and grants given by the latter reach the fantas-

tic proportion of 46 per cent of States' total expenditure in the Plan projects during the first three years. In Jammu and Kashmir Central assistance was of the order of 80 per cent; in Mysore 64.5 per cent. In W Bengal and U P, on the other hand, it came to only about 34 per cent.

In any event, all these facts and figures about the financial resources of States and their expenditures hardly throw any new light on the subject. More important than the financial targets is the progress made towards the fulfilment of physical production targets. Here the prospects appear to be even more bleak. As against the Plan target of 15 million tons of additional food production, the output during 1957-58 exceeded that in 1955-56 by slightly more than 2 million tons. This was obviously because of the failure by State Governments to take steps that would provide adequate incentives to the farmers—such as land reforms—or to provide farmers with facilities that would help them overcome the natural difficulties. But on these, the review throws no light.

Minor irrigation facilities provided during the first 3 years of the Plan period at 26 lakh acres, for instance, compared very unfavourably with the overall target of 79 lakh acres. And the tragedy is that even these meagre facilities that were created were not adequately utilised. The review has not attempted to examine the reasons for this non-utilisation. Or for that matter, for the non-fulfilment of Plan targets in physical terms.

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CURRENT STATISTICS

BANKING RETURNS					COTTON STATISTICS					
Rs Crores					MILL CONSUMPTION					
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago	(in '000 bales of 392 lbs each)					
1. Note circulation	1557.66	1577.44	1586.91	1517.90	Description:					
2. Rupee Coin	133.36	131.47	130.42	128.06	May	Apr	Mar	Feb	Sept 57—	May 58
3. Deposits					Indian	360.9	348.7	354.3	350.5	3,360.6
a) Central					Foreign	46.4	42.9	47.6	45.9	430.2
Government's	51.07	53.26	49.90	54.02	of which					
b) Banks'	94.46	98.99	93.68	87.82	American*	23.1	21.1	18.3	18.5	194.5
c) Other					Egyptian	4.6	4.0	5.8	5.3	51.2
Government's	41.79	12.84	15.25	3.09	E. African	9.9	7.3	14.3	12.5	110.4
d) Others'	147.29	142.13	112.06	149.48	Sudan†	9.5	8.4	7.4	6.5	63.4
4. Foreign Securities	189.67	189.67	209.67	400.52	TOTAL	407.3	391.6	401.9	394.4	3790.8
5. Balances held					Consumption in corresponding					
abroad	10.51	14.21	17.42	31.19	periods a year ago:					
6. Rupee Securities	1144.58	1169.58	1167.56	906.81	Indian	401.8	410.0	399.6	383.1	3535.8
7. Investments	363.15	291.51	267.15	246.37	Foreign	45.5	44.6	46.4	43.7	423.9
8. Loans and advances					TOTAL	447.3	454.6	446.0	426.8	3964.7
to Governments	19.25	30.12	46.63	27.79	* Includes United States and Mexican Cotton.					
9. Other loans and					† Includes both Sudan Egyptian and Sudan American.					
advances	61.68	57.14	55.13	69.98	MILL STOCKS OF COTTON					
Scheduled Banks					(in '000 bales of 400 lbs each)					
1. Demand liabilities	754.47	749.27	750.86	715.51	Indian:					
(net)					May	Apr	Mar	Feb	Jan	
2. Time liabilities	814.93	812.59	794.80	560.01	1957-58	1329.4	1324.8	1298.2	1195.8	1020.0
3. Cash on hand	39.52	42.70	38.80	41.43	1956-57	1421.4	1329.9	1221.8	1151.9	1126.5
4. Borrowings from					Foreign:					
Reserve Bank	11.64	13.41	15.44	51.30	1957-58	149.8	139.8	147.1	162.0	161.2
of which against					1956-57	216.4	206.0	200.0	182.3	171.4
Usance Bills	10.86	12.28	14.46	45.30	COTTON IMPORTS					
5. Advances and Bills					(in bales of 392 lbs each)					
discounted	893.96	901.94	912.81	903.93	From Sept 1 to July 10					
of which State					Description	1957-58	1956-57	1955-56		
Bank's	182.00	183.93	189.99	177.19	Americans	122,165	303,742	8,269		
6. Invest. in Govt. Sec.	503.05	499.68	484.85	332.21	Sudans	61,522	45,632	103,136		
of which State					Egyptians	33,342	34,056	180,670		
Bank's	214.12	214.12	206.77	105.63	East Africans	102,560	95,517	188,651		
Cheque Clearance	170.11	144.17	149.95	140.59	Pakistani	—	—	117		
† For Reserve Bank, Scheduled Banks and Cheque					Other varieties	415	4,485	8,830		
Clearance Week ended 11-7-58.					Total	321,004	483,432	429,673		
Bombay Money Rates					COTTON EXPORTS †					
Call Money	11-7-58	4-7-58	13-6-58	12-7-57	(in bales of 392 lbs each)					
From banks	2½-4½	2½-4	3½-4½	3½-4½	From Sept 1 to July 10					
From public	3½-4½	3½-4½	3½-4½	3½-4½	Destination	1957-58	1956-57	1955-56		
Three Months	2½-4½	2½-4½	2½-4½	2½-4½	U K	9,299	24,063	61,430		
Six Months	2-4½	2-4½	2-4½	2-4½	Continent	19,716	23,787	86,094		
Bombay Bullion					Hong Kong	11,032	37,061	36,142		
(In Rupees and nP)					China	—	3,437	52,862		
24-7-58	Week Ago	Month Ago	Year Ago		Japan	135,691	165,947	317,267		
Gold (per fine tola)					U S A	8,093	2,374	3,770		
Spot	106.19	108.31	108.25	107.31	Other Countries	926	1,079	3,786		
Forward	106.16	108.00	107.62	107.25	TOTAL	184,757	257,748	561,354		
Silver (per 100 tolas)					† Excluding Zoda and yellow pickings.					
Spot	182.56	182.00	185.00	182.50	Source: East India Cotton Association					
Forward	182.75	183.75	185.31	183.25						

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

FOREIGN TRADE OF INDIA

Group and Sub-Group	Week Ended				Year/Month	(Rs lakhs)		
	5-7-58	28-6-58	7-6-58	6-7-57		Imports	Exports	Balance
Food Articles	116.1	116.1	110.1	111.1	1952-53	669.95	577.37	— 92.58
Cereals	108.0	106.8	103.4	104.4	1953-54	572.01	530.62	— 41.39
Pulses	94.4	93.9	89.2	86.4	1954-55	656.32	593.57	— 62.75
Fruits & Veg.	116.7	114.7	108.1	119.9	1955-56	704.91	609.41	— 95.50
Milk and Ghee	111.6	111.5	111.7	109.9	1956-57	841.58	600.51	— 241.07
Edible Oils	124.1	124.6	120.8	130.9	1957-58	932.44	638.81	— 293.63
Fish, Eggs & Meat	107.9	106.1	107.3	95.8	1956: April	59.86	39.69	— 20.17
Sugar & Gur	128.8	125.7	122.5	109.7	May	67.70	45.06	— 22.65
Others	156.2	164.9	131.1	143.4	June	64.17	46.81	— 17.35
Liquor and Tobacco	92.4	92.6	91.8	94.3	July	59.40	42.21	— 17.19
Tobacco	90.6	90.8	90.0	92.6	Aug	66.55	50.04	— 16.51
Fuel, Power, Light					Sept	84.19	50.05	— 34.14
& Lubricants	115.6	115.5	115.6	112.0	Oct	70.89	53.49	— 17.40
Industrial Raw					Nov	69.95	56.07	— 13.88
Materials	116.1	116.2	114.3	121.6	Dec	69.28	56.25	— 13.03
Fibres	110.8	110.3	109.9	125.0	1957: Jan	78.76	55.28	— 23.49
Oilseeds	126.0	125.9	121.0	126.7	Feb	71.32	54.55	— 16.77
Minerals	101.0	107.3	107.3	111.4	Mar	79.51	51.01	— 28.50
Others	109.7	109.8	110.7	106.2	April	90.35	47.85	— 42.52
Manufactures	108.5	108.2	107.7	108.6	May	85.41	52.80	— 32.64
Intermediate					June	85.60	48.29	— 37.32
Products	111.0	110.9	108.6	108.1	July	81.04	55.79	— 25.27
Finished Products	108.1	107.8	107.5	108.7	Aug	80.98	60.25	— 20.76
Textiles	104.0	103.6	104.2	108.5	Sept	83.42	61.54	— 21.91
Cotton	112.9	112.6	113.7	116.6	Oct	73.08	53.64	— 19.53
Jute	86.5	86.8	86.6	98.8	Nov	78.17	59.01	— 19.16
Woollen	104.6	104.6	104.6	103.0	Dec	68.55	55.70	— 12.82
Silk & Rayon	93.9	91.1	90.3	85.0	1958: Jan	69.72	55.24	— 10.68
Metal Products	143.0	143.0	143.0	141.5	Feb	66.56	41.96	— 24.60
Chemicals	104.4	104.6	101.3	98.0	Mar	70.56	46.74	— 23.87
Oilcakes	132.3	131.4	124.3	114.0	Apr	60.00	41.73	— 18.31
Machinery and	103.5	102.9	103.0	101.8				
Trans Equipment	113.5	113.5	113.4	109.7				
Others	113.4	113.3	109.8	111.7				
All Commodities	113.4	113.3	109.8	111.7				

Source: DCIS, Calcutta

WORKING CLASS COST OF LIVING INDEX

(Monthly Average or Calendar Months)

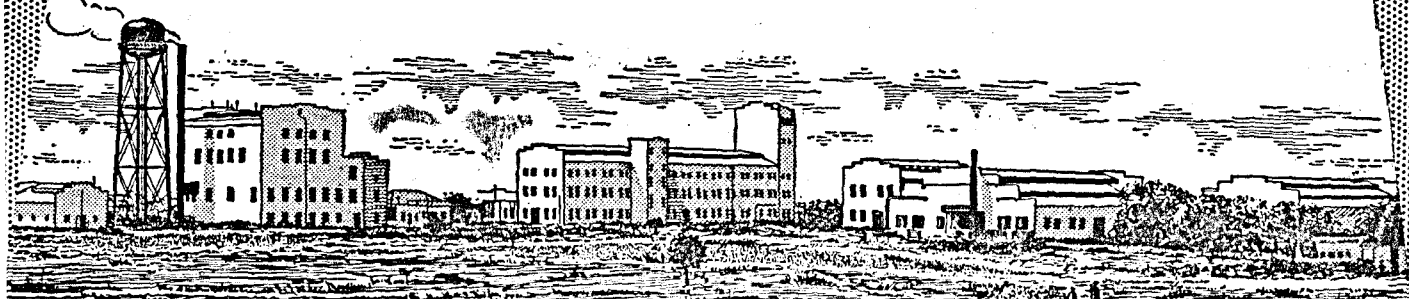
(Base: 1949 = 100)

	Bombay	Madras	Calcutta	Kanpur	Delhi	Ahmedabad	Kharagpur	Ludhiana	Cuttack	Jharia
1955	110	99	92	78	99	87	92	84	99	77
1956	115	111	99	89	109	97	102	92	106	87
1957										
1956: Apr	117	110	97	86	106	96	101	92	105	86
May	116	110	98	85	106	95	102	91	110	87
June	117	113	99	88	107	97	104	92	112	86
July	115	114	100	91	109	98	105	93	114	89
Aug	118	115	101	93	111	102	106	94	116	91
Sept	115	114	101	93	112	103	107	92	112	92
Oct	117	112	101	94	116	105	107	93	103	92
Nov	116	114	101	93	117	105	107	96	104	93
Dec	116	115	102	91	115	98	105	93	114	89
1957: Jan	116	115	101	91	113	102	104	96	103	89
Feb	116	114	101	92	114	102	104	96	105	93
Mar	116	114	101	91	114	102	104	95	108	90
Apr	116	114	101	89	112	103	107	98	105	91
May	118	114	102	91	114	104	108	96	109	96
June	121	115	105	93	115	104	110	97	115	98
July	122	116	106	96	115	106	112	97	115	100
Aug	123	115	108	98	118	107	116	96	113	103
Sept	122	115	109	97	113	106	114	95	115	104
Oct	122	116	108	96	113	105	110	94	113	107
Nov	125	121	109	96	112	107	111	95	110	108
Dec	125	121	107	93	110	104	106	94	111	106
1958: Jan	124	120	105	91	109	102	101	92	110	105
Feb	124	120	104	89	108	100	101	91	109	104
Mar	124	119	105	89	108	102	103	92	109	104
Apr	127	119	105	91	107	—	—	—	—	—
May	127	120	106	93	108	—	—	—	—	—
— Not available										

Source: Labour Bureau, Delhi.

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Kerala in Turmoil

AS in other States, the Communist Government in Kerala is committed to work within the framework of the Constitution. In the matter of economic development, limits are set by the Plan prepared by the Centre, in the framing of which Kerala, or at least its present Government has had no voice. So what the people expected of the Communist experiment in Kerala was a clean and stable government, which was denied to quite a few States, particularly this one, owing to internal dissensions and group rivalries in the Congress party. The more charitable view which one can take of the events of the last few weeks, culminating in police firing on the unarmed workers of a cashew-nut factory at Chandanathope near Quilon, is that E M S and his comrades slid into the trap laid by their rivals. No dialectics can save them from the situation. Facts have to be admitted.

The Communists in Kerala under-rated the strength and character of the Opposition. No doubt, the Opposition derives its strength from vested interests, and it is led by humiliated and frustrated politicians. The Amritsar thesis of the Communist Party has cut no ice with the people, and its own antecedents and the nature of Communist regime elsewhere continue to be talking points with the Opposition parties. Besides, the once very strong influence of the Congress on the administration is being replaced by that of the Communists. This change-over of influence is a delicate matter which cuts both ways; without influence the ruling party would become ineffective while with an injudicious exercise of influence it would appear to be domineering, which is good ammunition to Opposition parties.

Devicolam was the last hope of the Congress. The Congress had no answer to the convincing defeat there. It had to save face, at least before the Congress High Command. The only means open to it was to create lawlessness, a theme of propaganda which the vested interests had been developing from the beginning. But they could not muster mass support to create such a situation. What a desperate stage they had reached could be seen from the fact that they had to fall on immature school children to create the situation needed. The cause of the whole trouble was simple. When the Water Transport Corporation was set up to run boat services, it rationalised the fares, and students were allowed half-fares as in the case of other means of transport like bus and railway. Students going to two Christian schools at that time were paying a fare of only an anna, irrespective of the distance. This was a concession arranged by the management of the school with one or two private boat-owners. The Commission could not abide by that agreement as it would have had to extend the same concession to students going to other schools as well; nor could Government interfere in the matter. If the principle of an anna boat fare for students were forced on the Corporation, it would have been difficult to resist similar concessions to students travelling by bus.

To that extent Government was justified in its action. But students were made to picket and boycott boats. It appears that in the first instance, Government left it to the Party to tackle this situation. That was a mistake. Pretty soon, Section 144 had to be invoked, followed by cane and lathi charges. This gave the Opposition parties

the chance to kindle the flame elsewhere, and students were seen in streets everywhere, shouting slogans, obstructing traffic and destroying public property. Government failed to gauge the seriousness of the situation. Party men set about explaining the position to the public and students and trying to check the tide of agitation. Meanwhile some minor labour trouble, which was on the verge of collapse, also took a new turn. Everything went wrong with authority. The much-advertised "police policy" of Government now stands challenged.

Namboodiripad's policy statement on the role of the police was unexceptionable. In a democracy, the police are not expected to intervene in normal political and labour activities. The people's right to any 'non-violent' agitation has to be recognised. Unfortunately, other political parties were not in a mood

to accept the policy at its face value. They interpreted it only as a ruse to help the Communists to coerce people into submission. Some stray incidents precipitated in plantation areas only strengthened doubts and encouraged other political parties to resort to dubious methods. By and large, it is alleged, that the policy gave Communists an edge over others. It was plain from the beginning that the Opposition's main plank of attack would be the failure of Government to maintain law and order. Opposition parties appeared bent upon creating unpleasant situations. This shows that the line taken by Government in other matters was more in keeping with popular aspirations and that any challenge to Government policies in other spheres would make Opposition parties unpopular. Government, it appears, depended entirely

on its party strength to meet such eventualities, and when that failed, Section 144, prohibiting the assembly of more than five persons, lathi charges and police firing followed in quick succession.

What has happened in the past four weeks is most unfortunate, and no Government can allow such things to recur. How Government is going to tackle the situation will be watched with great interest. In these circumstances, Namboodiripad's readiness to place before an impartial enquiry the whole case in all its aspects, from the genesis to developments at various stages, embracing also the parties and persons responsible for the untoward happenings, should be welcome to all parties, and it is to be hoped that a calm atmosphere will be established to make the proposed inquiry complete and useful.

Equalization of What?

TOWARDS the end of the Report on the 'Revision of Fair Prices Payable to Producers of Cement', the Tariff Commission has put in a word for the consumers. Before the State Trading Corporation came on the scene, says the report, consumers of cement who got their supplies from standard cost units, were paying about Rs 88 per ton excluding sales tax or distribution charges. The comparable consumers' price when the Tariff Commission reported, was about Rs 116, excluding sales tax. The increase, according to the Commission, was due partly to increase in excise duty of Rs 15 and partly to the addition of a sum of about Rs 13, being the element for equalising the price of domestically produced and imported cement. A tidy sum of Rs 5 crores had been collected by the State Trading Corporation by June 30, 1957 on this account. The Equalization Fund must have increased substantially since that date, for import of cement has been virtually suspended from the beginning of the year. The accumulation of funds must arise from one or two causes, according to the Tariff Commission, either from the excess in the estimates that was required as equalization price ('import surcharge') or reduction in the volume of imports from what had been originally planned. Now this

is a matter which has considerably exercised the imagination of the public, since consumers naturally resent paying more than they should, as also that of the producers and distributors of cement who never liked the State Trading Corporation to cut in.

Since the public sector has taken up mostly non-paying enterprises and yet needs money, it should not be difficult to make out a case for extension of the State Trading into fields where surplus money can be easily mopped up. On the ground of exigency, the Government has not hesitated to lean more on indirect than on direct taxes for raising resources for development. A plausible argument for indirect taxes may also be found to the extent that the proceeds of such otherwise regressive taxation are passed on to the public through development which they help to finance. In the case of cement, a case could honestly be made out for restricting consumption through higher prices, since housing, particularly middle and upper class housing, is not entitled to a high priority in planned development. But is honesty the best policy only for the private sector? Need planned development, however desirable in itself, necessarily have to resort to such fraudulent measures as charging 'an element for equalization'

when there are no imports and therefore nothing to equalise? The Government has done well in issuing a press note, following the Tariff Commission report, to explain that in the prices now charged to consumers of cement, there is no such fictitious element.

The fiction of an 'equalization fund', however, is being continued for steel which has now been incorporated in the Consolidated Funds, but has not thereby lost its questionable character. The internal producers of steel get only the retention price allowed to them which is based on Tariff Commission's cost estimates but the consumers of steel pay for it a price which is based on the fiction of an average between this retention price and the higher cost of imported steel. Those users who have been allowed to import steel had to pay the actual landed cost, and enjoy no benefit of subsidy from the equalization fund. For whose benefit, then, is the equalization fund maintained? Since it is maintained for financing expansion of internal production, why not call it by a more appropriate name?

As in steel, so in cement, the higher duty may have its justification, but surcharge that purports to equalise prices, but does nothing of the sort in fact, is not even a permissible legal fiction.

Inflation, Deflation

WHEN prices show an upward trend and the rise looks persistent, there are anxious enquiries, is it inflation again? But when unsold stocks accumulate, factories close down, unemployment increases markedly above what has come to be accepted as 'normal', there are equally anxious questions: are these deflationary symptoms going to gather strength, and, if they do, what is being done about it? These are the things which bother everyone. The more sophisticated want to know how can rising prices and the supposed presence of the inflationary pressures be reconciled with the glut prevailing in the money market and the marked increase of the time deposits over demand deposits? Those who turn to the Report on Currency and Finance for 1957-58, which was released during the week, for an answer to these questions will not find them. Reading between the lines, they may suspect the same perplexity which they themselves feel, but it does not come out openly anywhere.

The year covered by the Report witnessed a violent change in the money market conditions from extreme stringency, keen demand for credit and tight, loaned up position of the banks to one of extreme easiness in which the banks, do not seem to have any use for money nor do the depositors for that matter, since they have been putting out their money on time deposits which, by the way, still earn handsome returns in interest rates and which banks, paradoxically enough, still go on paying. What brought about this change? If the Report is to be believed, it is the sound monetary and credit policies followed by the Reserve Bank which "continued to be governed by the twin objectives of restraining inflationary pressures and of assisting a balanced growth".

What about the outlook for the future? Are the inflationary pressures going to gather strength? Or is the country in for a period of stagnation, if not worse? It is the inflationary pressures which, according to the Report, "would still have to be guarded against". This is because the budget deficit this year, and its expansionary effect on money supply may be smaller, but it would no longer be neutralised by balance of payments deficit,

since foreign reserves have already been run down to near minimum. But whatever happens, fiscal and monetary policies would still have "to be geared to the twin objectives of restraining inflationary forces and maintaining a climate for a continued high rate of savings and investment."

If it be a warrantable deduction from this statement of policy that a high rate of investment in the economy will be maintained, that would be something to be thankful for. Does it dispel the legitimate apprehension that a curtailment of investment in the Private Sector—and that is the Sector which the Reserve Bank has to deal with and in which monetary policy is likely to tell most—might be on the cards, in order that the heavy investments in the Public Sector may materialise?

But whether the rate of investment is maintained or not, does not appear to depend at the moment on the monetary policy, but on the operations of import control. For some time past, import policy appears to have usurped the Reserve Bank's role and has been setting the pace for economic activity, just as food supply, or rather the supplies coming on the market, has become the most important single factor determining the trend of prices. Since food imports are at the moment the only effective check to food shortage or rising food prices, import control, broadly

speaking, may be said to have come to occupy the centre of the stage. On these questions one would not find much light in the Report, which studiously avoids any analysis but is chokeful of facts.

Some gleanings from the latter might be pieced together, as the Report has sought to do, to erect a structure of monetary policy made up of selective credit control and moral 'suasion' in addition, of course, to the usual instruments like the bank rate and Reserve Bank lending against usance bills. The policy of persuasion applied through a directive to the banks to bring down their total lending during the previous slack season was an interesting experiment. The Report does not speculate how the banks would have behaved in the absence of such suasion. Surely, the extreme tameness of the following busy season did not result from it. There are some interesting sidelights, however, on the operation of selective credit control. One such is its application to bank advances against stocks of sugar. Experience showed that it was not to be applied against sugar factories since it might interfere with manufacturing and the regulated release of sugar by Government. The experience of credit control on stocks of foodgrains was much more revealing and the fund of experience gained should be useful in future.

The Indian Iron & Steel Company Ltd.

12 Mission Row, Calcutta

29th July, 1958

NOTICE

At a meeting of the Board of Directors held to-day, it was decided that the Ordinary Share Register and Transfer Books of the Company will remain closed from the 18th August, 1958, to 27th August, 1958, both days inclusive, for the purpose of payment in due course of dividend on the Ordinary Shares for the year ended 31st March, 1958. The dividend when declared will be paid to those shareholders whose names appear on the Company's Register of Members for Ordinary Shares on the 27th August, 1958, or to their mandatees.

Announcement of the Directors' recommendation of the dividend for the year ended 31st March, 1958, and the date of the Annual General Meeting will be made later.

By Order of the Board,
MARTIN BURN LIMITED,
F. G. Liversedge
Managing Director,
Managing Agents.

Weekly Notes

Lebanon Turns the Corner?

WITH the election of General Shahab, the Commander-in-Chief of the Army, to the presidency of Lebanon, one of the main original causes of the Lebanese revolt has disappeared; for it will be recalled that the Opposition had launched its armed insurrection in protest against President Camille Chamoun's plans to seek another term of office. About three weeks ago, President Chamoun announced, under pressure from various quarters, that he had abandoned his ambition of a second term in office. Now a successor to him has been elected. The way should, therefore, be clear now for the revolt to be called off. But in fact it is not. There are still two snags; and both of these were made the specific conditions of the support which the Opposition gave to the new President on Thursday.

The first condition is that President Chamoun should resign at once and let General Shahab take over; the second, that the American troops should be immediately withdrawn from Lebanese soil. As far as the first condition is concerned, Mr Chamoun has still another seven weeks in office, and at no time so far has he given the slightest indication of stepping down until his full term has run out. If he persists in his attitude, therefore, the new presidential election will not automatically mean the end of the revolt.

Nevertheless, General Shahab's election is a welcome step towards the liquidation of the crisis in Beirut. The General is a widely respected man throughout the country, and this is the second time in six years that he has been called upon to intervene in a political crisis. In a not dissimilar situation in 1952, he became Prime Minister and Defence Minister for a short time. General Shahab's popularity is the direct result of his refusal to involve the army in the political quarrels of the country. This may seem deplorable to outsiders, who may think, with good reason, that it is the army's business to give full support to the Government in power. But in a Middle Eastern country like Lebanon, where the religious loyalties of the population project

themselves right into the armed forces, military intervention could lead to a full-scale civil war.

But there is also the second condition to consider. Will the new President call for the immediate withdrawal of the United States troops? Obviously, if the object of his election is to be served, he must; though precisely how he intends to go about satisfying this condition is not at the moment clear. The most likely course would seem to be that he should ask the United Nations Observer Group to be strengthened, particularly with additional aircraft, so that frontier patrols against possible infiltration from Syria can be made effective enough to enable the Marines to go back.

It thus appears that though General Shahab's election will not in itself resolve the Lebanese crisis (as it would have done three or four weeks earlier), it can certainly pave the way for an early solution.

Exchange Dealers' Association

FOREIGN exchange business, hitherto regulated by the Exchange Bank's Association, of which no Indian Banks were members, will henceforth be looked after by a new Association which has been formed for the purpose with the joint participation of the Indian Banks as well as the Exchange Banks operating in India.

From now on, there will, therefore, be three different associations in the banking field—the Indian Bank's Association, looking after the interest of the Indian Banks, the Exchange Bank's Association which will no longer deal with foreign exchange business, and the Foreign Exchange Dealer's Association which will be charged with the responsibility of regulating foreign exchange business.

The formation of the new Association certainly inaugurates a new era in the banking history of the country. But does it also mark equally clearly the passing away of the era during which foreign exchange business was closed to Indian Banks? The temptation to think so be better resisted, for, ever since the late Sir Pochkhanawalla butted into this field, Indian Banks have been slowly getting into exchange business and since the last war, they have been doing so pretty

actively, though they may not yet have gained the share of this business which they consider to be fair and legitimate.

A legend had grown in the old days of the esoteric mystery of foreign exchange business and, worse still, of this field being completely forbidden to the Indian bankers. The extreme reluctance of the Exchange Banks themselves to testify before Commissions and Committees, or to give out adequate information was responsible not a little in maintaining this aura of mystery around their activities, resulting in exaggerated charges that were levelled against them of keeping out intruders. The very fact that the transfer of authority for regulating foreign exchange business from the Exchange Banks' Association to the new Association of Foreign Exchange Dealers has taken place smoothly clearly indicates that things could not be that bad. The Exchange Banks have displayed a reasonable attitude towards the rightful aspirations of the Indian Banks in coming together in forming this new Association.

Unfair Discrimination

NEW INDIA, shorn of its life business, still remains India's leading general insurance company, and it expanded its operation last year though its profits declined. At the annual general meeting of the company, Shri A D Shroff, the Chairman, criticised the Government for favouring companies which have come under its ownership after the nationalisation of life insurance and discriminating against the others, in the field of general insurance. Of course, Shroff was not the first to ask for a more equitable distribution of the 'pool business', but that he has still to ask for it after so many years of nationalisation, goes to show how unsatisfactory the situation continues to be for the general insurance companies.

Not only did Shroff criticise the distribution of 'pool' business as arbitrary, he also complained that pressure was exerted by Government on institutions under its control to patronise Government-owned companies. He welcomed, however, the strengthening of the 'code of

conduct' for general insurance and said that it would have salutary and far-reaching effects though the present administrative machinery was inadequate.

Shri Shroff put up a proposal at this meeting for setting up an International Guarantee Insurance Fund on the lines of IMF and IBRD, to eliminate the political risks in lending to under-developed countries. The sort of political risk which inhibits the foreign investor does not lend itself readily to actuarial valuation. Moreover some countries, at least the US, has been developing insurance arrangements on these lines with a series of countries. These arrangements have so far been bilateral. Those who still pin their faith on free flow of foreign private investment should be interested in the proposal for putting it on a multi-lateral basis.

Cornered in Amman

IN the drama of Western intervention in the Middle East, the centre of the stage has somehow been largely dominated by the landing of the American Marines in Beirut. The air-lifting of the British paratroopers to Amman has seemed a comparatively lesser affair and has not had quite the same attention of world opinion as the American landings. This error of perspective is likely to be more than corrected in the next few days.

The reason for this is simple. When the Americans landed in Beirut, they did keep a loophole for their withdrawal, though admittedly a rather clumsy one. President Eisenhower made it clear that his Marines would withdraw from Lebanon when the United Nations took adequate measures to safeguard the security of that country. But Mr Macmillan made no such, and no other, stipulation. He simply went ahead and landed the paratroopers on the plea that King Hussein's throne was in danger. Evidently, then, the British troops will have to stay on until the danger is past; but it is as certain as anything can be in the world that King Hussein will again start facing the threat of a nationalist upsurge as soon as the British have withdrawn. The choice before Britain will, therefore, be that of either staying on permanently in Amman (which is physically and financially impossible) or withdrawing ignominiously without fulfilling the avowed object of its intervention—which was to

make the throne safe for King Hussein.

This dilemma of the British has been brought into focus this week by American statements to the effect that the US Government is in no way committed or involved in the British action in Jordan. In other words, if the Marines can get out unscathed, they will not be dissuaded from doing so because of any British difficulties in Amman. Mr Macmillan will have to make his own escape out of an awkward spot as best as he can.

Danger of Civil War

FOLLOWING fresh outbreaks of violence in Nicosia, the British Government has made another appeal for peace in Cyprus. A similar appeal was made a few days ago by the British Governor of the island, Sir Hugh Foot, and was supported by the local Greek and Turkish leaders. But, due mainly to Sir Hugh's refusal to accept Greek recommendations for restoring calm, the appeal was not heeded; and indeed the first three weeks after the appeal saw the death roll in Cyprus rise to an unprecedented height. The particularly deplorable feature of the new wave of violence was its communal character. The casualties were not the result of British-Cypriot antagonism but of the Greek and Turkish Cypriots fighting each other. It has become rapidly clear in the last few days that unless something can be done to restore peace immediately in Nicosia, a civil war may break out.

The new British appeal may have a greater chance of success than the previous one; for on this occasion it is publicly backed up by an appeal from Athens; and Ankara, too, is expected to join in. Since both Turkey and Greece have powerful following in Cyprus, quiet will probably return to the streets of Nicosia after all. But how long will it last? Only as long as there is still hope in Cyprus that Britain will revise its present plan and work out a more acceptable solution, on a political level, of Cypriot independence demand. Peace may temporarily be restored by influential appeals; but it cannot be guaranteed by them.

More Thermal Power for DVC

THE question of non-utilisation or inadequate utilisation of irrigation facilities constructed at a heavy cost, often comes up for sharp com-

ment, especially when food shortage happens to be under discussion. The methods of irrigation vary a great deal and so do the soil and climate of the area served, the manner of the use of irrigation water, the knowledge, experience of the cultivators, the conditions of cultivation and so on. Among these many factors, the charge levied for the use of irrigation water is only one, and perhaps not the most important factor. Nevertheless, the question of irrigation rates has been raised in a provocative manner by the Bill which has lately been introduced in the West Bengal Legislative Assembly to enable the Government of West Bengal to levy water rates in the area within the State which is to be served by the D V C canal system.

The long neglect of the irrigation potential of the Damodar Valley Multi-purpose Project, it is to be hoped, is not representative. That way this project itself is unique in several ways, among other reasons because though a river-valley project, its most outstanding achievement so far has been power generation and supply, not from hydro-electric but from thermal power stations. It is for further additions to thermal stations that the D V C has received its third World Bank Loan which was announced only last week.

This loan amounting to \$25 million is expected to meet the foreign exchange costs of adding another and a bigger unit to Bokaro, bringing up its total capacity to 225 thousand kilowatts, and for setting up a new thermal station in Durgapur with a capacity of 150 thousand kilowatts which will utilise as fuel the waste gases from the Durgapur steel plant. Expansion of power generation, will, of course, need substantial addition to transmission and distribution facilities, the foreign exchange cost of which will also be covered by the loan. That power development should make such headway is not surprising, considering the rapidly growing and extending industrial area that the D V C has to serve. Even so, D V C is hardly able to keep pace with the rapidly increasing demand for power and plans for more thermal installations are being drawn up.

Flood control, another of the multi-purposes for which the pro-

ject was conceived, planned and is being executed, has also made progress, but how considerable this progress is, will not be known for certain until—God forbid—a severe flood visits the valley; but as regards irrigation, the situation has not been too comfortable.

Long Neglect of Irrigation

IN the Reports of the Public Accounts Committees and the Estimates Committees, criticism of non-utilization of the project's irrigation potential has been a hardy perennial. To quote from the last Report of the Public Accounts Committee 1957-58:

"The Committee regret their inability to share the satisfaction of the D V C in this matter. Taking irrigation first, they would point out that although the Tilaiya dam was completed in December, 1952, it has not been found possible to utilise the waters for irrigation purposes even now. All that has been achieved during the last five years is that a High Level Irrigation Scheme costing about Rs 35 lakhs has been worked out with the concurrence of the Government of Bihar and it is under the consideration of the Government of India.

"As regards irrigation in the Lower Valley, though the Durgapur barrage itself was completed in April, 1955, the progress in utilisation of its water is held up because of certain legal difficulties encountered by the Government of West Bengal in levying water rates."

To remove the legal difficulties which had been holding up irrigation in the Lower Valley, the West Bengal Government has made a move at long last by introducing a Bill which was bound to raise and has raised a storm of controversy. The Bill seeks to impose a compulsory levy of water tax on "areas benefiting or likely to benefit" by the irrigation canals of the D V C Project. The rate of tax, which would be realised from the owners of land whether they utilised the D V C water or not, would not exceed Rs 12½ per acre during the 'kharif' season and Rs 15 per acre during the 'rabi' season.

While moving the Bill, the Irrigation Minister said that the D V C had assured the State Government that the water supply this year would be sufficient to irrigate over 4½ lakh acres of land. Now, at first sight, the Bill seems to go

against the commonsense of irrigation rates. The area which will be irrigated by the D V C in West Bengal would be largely, if not wholly, a border area in which irrigation water is likely to be really needed only in years of draught. Does it not look rather absurd to compel landowners to pay for water which they may not need. Secondly, irrigated water could probably be utilised to the best advantage in these areas for growing a second crop—the 'rabi' crop. But this would need a long period of education during which intensive propaganda would be necessary to initiate what would be largely a revolutionary change in the techniques of cultivation prevalent in these parts. Needless to say, the educative effort would be wholly unavailing without the supply of materials and services needed for bringing about this very desirable transformation, such as improved seeds, manures, etc. To charge a price, and a heavy price, for benefits which are yet to be realised does appear like putting the cart before the horse. It will unnecessarily create resistance against utilisation of irrigation, instead of facilitating it. But legal

Off the Record

... In the Crow's Nest?

AN attack on the Plan in the very journal that is being published by the Publications Division for popularising the Plan? It was a bit thick—the excerpts from Yojana, which a contemporary, not too friendly to nationalisation, had reproduced in its columns, constituted not only an attack, but one of the most scathing attacks, on nationalisation, keystone to the structure of development contemplated in the Second Plan which professes to change the balance of our economy in favour of the public sector or rather lay the foundation for such a change in the structure of the economy. Could it be constructive criticism to improve the working of nationalised undertakings? Or was it socialist self-criticism, newly inaugurated by Delhi to infuse life into the Plan which has not been shaping too well of late? That was the immediate reaction at least in the mind of one unwary reader, but subsequent research brought out that Yojana, of late, had gone indepen-

powers to impose a levy may not be the same thing as imposing and actually collecting water charges. Such powers have often been reduced to a legal fiction either by determined opposition on the part of the people concerned or the timidity or hesitation of popular governments to court unpopularity. Surely, West Bengal has no dearth of local leaders to start an agitation against unjust water rates!

Apart from the educative efforts which seem to be an essential preliminary for popularising cultivation with irrigated water and thus exploiting adequately the facilities which have been made available at such a heavy cost, there is another obvious consideration which makes the Bill look even more indefensible. That is the experience of the cultivators in the district of Burdwan who have for many, many years habitually used irrigation water under conditions which are far less onerous. True, the cost of new irrigation projects are incomparably higher but this argument will not impress the cultivator, until he has learnt to value the benefits of irrigation from his own experience.

dent and constituted itself into an open forum for the free discussion of different points of view, in proof of which could be cited the series of articles contributed to it by Shri Asoka Mehta. Even then, the explanation was not quite satisfying, for Asoka had taken, more or less, the line of responsive co-operation rather than that of the outright condemnation so far as the Plan was concerned, and so has the Communist Party, for that matter. True, the articles appeared under a pen name, and, therefore, the views expressed in them could not be foisted on the editorial policy of the paper. The tone, however, was not that of constructive criticism or self-criticism, though the attack on the State Bank for not diverting its resources to nation-building activities could be construed in that light—as also the point that the change of ownership had not made much difference except that 'the bank's clients had to deal with an indifferent bureaucracy instead of keen business men.'

A further probe down the columns brought to light what was wrong. Condemnation of the nationalisation of life insurance was even more violent, not because of the Mundra affair—a single act of unsound investment, the writer generally conceded, would not have warranted it—but because nationalisation, so it was argued, had led to a drastic fall in new business.

The contemporary who had reproduced the article on LIC had swallowed the bait, hook, line and sinker, and had not cared to note that in insurance, new business done in a year cannot be arrived at by doubling the figure of business done in the first half of the year. This is a matter for the LIC to take up with Yojana, and that they have done. As new business in 1957 was something on which they could preen themselves, they have not failed to do so.

But how could the economist, who went at the LIC, miss all this publicity? It is not perhaps difficult to explain. Blinkers are not the best aid for seeing things clearly.

IN this American Century, it is the Americans who have to lead. They have succeeded to the great heritage of Britain of the days of Pax Britannica. So, America squashed the Anglo-French aggression on Egypt; it was not good form for others to take the lead in these matters. If Arab nationalism had to be curbed, it was again the Americans who had to take the initiative. Landing of U S Marines in the Lebanon was, therefore, right and proper, and so was the landing of British troops in Jordan which followed—in a proper order of precedence. But, even the smartest Press correspondents who covered these developments have failed to observe due decorum and devise the appropriate nomenclature. It could no longer be described as Anglo-American action, intervention or aggression, or what you will. The nature of the action could be variously described, depending on one's political predilections. But the order... the appropriate terminology... What should it be? Anglo-American landing in the Middle East, Yanko-British, Americo-Anglo or simply USUK landing? American newsmen, normally so inventive and prompt in coining the telling

phrase or the pointed, picturesque speech, seem to have gone out of action. Will Dulles please help them out—at his next press conference

IT is surprising that a leader writer in a Bombay daily should think that Shri A D Gorwalla can, 'by no means, be described as anti-big-business.' One newspaper after another has closed its columns to him, solely because he is just that. It is not surprising, however, since not many newspapers are any longer 'free', in the sense of making newspaper publishing their sole business. Chain newspapers have usually extensive interests in lots of other things. An attack on Nehru, Krishna Menon or Communism does not seem to bother them very much, but sugar, textiles or anything else, in which newspaper owners have a stake—well, that is a matter of bread and butter; and what might have misled the paper in question in making such a big mistake about this lone fighter against big business (and not only its misdoing) is his great love for the U S which still claims to be, though it no longer is, the home of Free Enterprise. In the rank of fighters for 'democratic and cultural freedom', Gorwalla is one of the few who do not equate democracy with free enterprise. He has paid the price for it, cheerfully. It is his bitterness against Communism which has put him in the anti-Nehru camp, and when he was billed to speak for the 'Forum of Free Enterprise', one almost felt that here was an angel fallen among the mortals.

But Gorwalla is a man of conviction and he is, above all, bold and fearless, as the Forum must have found to its cost. On the same day that the moving spirit of free enterprise staked the claim for a Government at the Centre, made up of progressive elements, drawn from different political parties (including the Communists?) Gorwalla burst a bomb in the Forum of Free Enterprise by protesting vehemently that the present stranglehold of big business over Government should be broken. The 'ends', to quote from a newspaper report, of economic and social justice envisaged by the Constitution of India, he said, had not been achieved because Government 'as a whole' was 'corrupted by big business.'

Now, the Forum which assiduously educates the public by broadcasting all the speeches delivered under its auspices, first in cyclo-styled sheets, and then in printed booklets, has been fumbling at the full text of Gorwalla's stimulating, provocative and forthright address. It is no use asking Gorwalla how he reconciles his faith in an ordered, non-acquisitive society run by efficient and enlightened bureaucrats with his great admiration for the American economic system or rather the image of that system in the public mind. For, one would find no satisfying answer to that question. He would have no truck or barter with Communist countries, and neither would the United States of America, if they could help it. It follows, as night follows day, that America must also stand for the faith which he holds so dear, and so steadfastly!

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Alienation Unending

A SOUTHERNER cannot help feeling that Pandit Nehru is really dense when it comes to things Southern. What else can he infer from his ungracious and even callous remark which he made towards the end of his recent press conference? He dismissed the statements of all Tamilians about the horrible Ceylon riots by saying (I quote from memory) "Some people in the South are very silly." Is this all that he has got to say about the riots? British and American papers have described the brutality with which the Singalese rioters had treated their victims. Did not an American journal report that in some cases kerosene was poured on Indians before setting fire to them?

The far-sighted Southerner—and there are some farsighted men among them even though they do not share Pandit Nehru's views—is aware that our relations with Ceylon are delicate, and that we should do everything in our power to avoid action or speech that smacks of the big bully trying to frighten a small neighbour. This does not mean that a word of sympathy should not be uttered for the unfortunate Indians and Ceylon-Tamils who had to endure hell while the riots lasted. One would like to know if our High Commissioner did convey to the Ceylon Government our concern for the safety of the Indians there.

If Pandit Nehru fails in his duty of protecting the interests of Indians outside India, he naturally gives a handle to irresponsible elements in the South—or anywhere else in India for that matter. Pandit Nehru should realise that his remarks are alienating him from the Southerners. They cannot help contrasting his callous indifference to the feelings of the Southerners with his concern, for instance, for Urdu-speakers.

That brings me to my next point. To a Southerner the oft-repeated statement of Hindiwallahs that English is foreign makes no sense at all. Isn't Sanskrit a 'foreign' language ultimately? Isn't Urdu 'foreign' again? If Sanskrit could be the devabhasha of the Hindus and if Urdu can be an Indian language, why not English? English has con-

tributed far more to the development of Indian thought, culture and life than either Urdu or even Sanskrit, in the comparatively brief period of 150 years.

The entire argument about foreign and indigenous language is absurd. Isn't even Tamil alien to India? Even the Mundari dialects used by the central and east Indian tribes are foreign to the soil. Those who really do not want to use a foreign language must think out one of their own—the equivalent of the Ambar Charkha in language.

It is to be hoped that the University Education Integration Committee appointed by the Mysore Government under the Chairmanship of Dr A Lakshmanaswamy Mudaliar, will do something to stop the rot that has set in in the Mysore Government. The Committee has certainly begun well by proposing that in selecting teachers, there should be Selection Committees consisting of experts, the Vice-Chancellor, and the head of the concerned department. Over the last thirty years, the selection of teachers has been made more or less by the politicians inside as well as outside the universities. The politicians' main job was to see to the caste of the applicant concerned. As between two candidates, one with a first class and another with a third, the latter was frequently chosen as he satisfied the 'minimum' qualifications—the 'minimum' having been defined by the same or some other politicians sitting in some other meeting or council. Things are so bad nowadays that if a teacher or student is not a Lingayat or Okkaliga, he is doomed. Even after selection, promotion depends entirely on caste. There are dozens of teachers who have been superseded for fifteen to twenty years because they do not belong to the right caste.

As I said, this has been happening for some time, and the University today is a sanctuary for mediocre men belonging to the right castes. Once a man is appointed on irrelevant grounds, his main aim in life becomes politics, as without intrigue he can neither retain his position nor improve it. The story

is told that in Mysore University you cannot lecture because of the noise from the grinding of so many axes! Shri K V Puttappa, the Vice-Chancellor of Mysore University, who is undoubtedly one of the two best-known poets in the Kannada language, is anything but an administrator. He has no interest in the University, and he is guided by those who know the rules and the Acts. He is really King Log but he cannot be removed as any attempt to unseat him will lead to a big Lingayat-Okkaliga tussle in State politics. Meanwhile the University continues to deteriorate and people wonder at the new 'lows' which are hit in standards and intrigue. In their anger and frustration many people say that what Mysore needs is not a Coordination Committee but an Inquiry Committee. They think that such a Committee will land even bigger and juicier fish than those which the sacred Ganges in Benares yielded.

Incidental Intelligence: Extract from the Government of Mysore Desk Diary for 1958.

LIST OF PERIODICAL ARTICLES SUPPLIED TO OFFICERS

	Replaceable only when the articles have served the period and the articles are certified to be unserviceable once in four years to all Gazetted Officers. In the case of Amildars once in six years.
48. Green baize	Once for all, one for each Gazetted Officer, and glass ink bottles once in five years.
49. Pen-knife	One for each Gazetted Officer annually.
50. Scissors	
51. Officer's Ink-stand	
52. Blotting pad	

Tailpiece

Ramaswamy Naicker,
Wants his shirts blacker,
As he can't bear the sight,
Of Rajaji in white.

— Agastya

Sugar Production and Despatches.

THE production and despatches of indigenous sugar amounted to 19.67 and 14.25 lakh tons upto July 15, 1958, in the current season as against 20.18 and 14.93 lakh tons respectively in the corresponding period of the last year.

The stocks with the factories on July 15, 1958, stood at 9.66 lakh tons.

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REPORT ON DALDA-3

*Is it truly more than
a cooking medium?*

It is easy enough to make claims—to insist, for instance, that Toothpaste X has a grand ice-cream flavour, or Soap Y has a fragrance that makes the red rose blush. It is also simple enough to test such statements. You merely use the toothpaste or soap... and there you are.

But some claims are not verified so readily. What about a product like DALDA Vanaspati which says it is a nourishing food—not just a cooking medium? How can you tell that it is 'nourishing'? You use DALDA to cook a meal. All right. The meal is wholesome. But may be this is because you cooked with the best vegetables or fish or meat. Has DALDA contributed anything at all?

FACTS vs PREJUDICE:

Because there is no rapid conclusive, home-made 'test' for nourishment, two things happen: people take DALDA's excellence happily for granted, or they become a prey to the first breath of prejudice against it.

But there is a way of being sure about this most popular brand of vanaspati. First, you find out what it contains; then you inquire about how it is produced. These facts are the surest test.

WHAT IS DALDA MADE FROM?

DALDA is made wholly from pure refined vegetable oils—groundnut oil, for instance, and sesame oil (both of which, by the way, are used for cooking in many parts of India). So DALDA is invested with all the energy content of these natural, vegetable oils. Their fat content makes DALDA an energy food perhaps better than butter because it contains no water. DALDA provides, in fact, more than twice the energy that wheat or rice can give.

That's not all. To every ounce of DALDA, 700 International Units of Vitamin A are added—which is as much as good ghee contains. Vitamin A, a much neglected Vitamin in Indian diets, protects the eyes and keeps the skin clear. Fifty-six I. U. of Vitamin D, the 'Sunshine' Vitamin which builds firm, strong bones and teeth, also go into DALDA.

Fats for energy, vitamins for health: clearly, DALDA is a wholesome food. The wholesomeness of vanaspati has been proved by the work of the Government of India's Vanaspati Research Advisory Committee and the Vanaspati Research Planning Committee.

HOW IS DALDA MADE?

DALDA Vanaspati is manufactured according to strict Government specifications and at no stage is it touched by hand. The most rigid precautions are taken to preserve it from contamination. A visit to the Hindustan Lever factories would demonstrate this.

Finally, DALDA comes to you in sealed tins—an assurance that it is kept safe and fresh during transportation from factory to kitchen.

So DALDA starts off with the most carefully chosen ingredients; then these are put together in the safest, most hygienic way.

BUT IS DALDA DIGESTIBLE?

Langworthy (USA) has shown that it is. He has shown that fats like DALDA are as digestible as butter fat and liquid vegetable oils. In the Journal of Nutrition (October 1957), such fats are described as 'safe, fully digestible and with full nutritional value'.

Did we say there is no home-made 'test' for DALDA's wholesomeness? There is, of course. It's a test that has been made by millions of Indian housewives for over 30 years—the test of actual use. Thousands of restaurants, schools and colleges use it, too.

Perhaps being taken for granted is a compliment. But it is good for DALDA's numerous users to know just why they are prudent to choose nothing else. With such knowledge comes belief—and a confidence that when DALDA goes into the cooking pan it's a food that's being used to cook food.

From the London End

Western Policies in the Arab World

FROM London, the situation in the Middle East looks patently less ugly and menacing than it did last week. Instead, Western policy is seen to be in chaos and confusion under the impact of the readily conceded brilliance of the Soviet Union's diplomatic moves. In Britain, a gathering public pressure flanked by an increasingly active parliamentary opposition has forced upon Mr Macmillan the realisation that anything less than a positive response to the Soviet proposals for immediate talks on the Middle East may lead to war and to an end to his government. The announcement that the Security Council was, in the Anglo-American view, a more favourable framework for such talks was immediately supported by the Labour Opposition. This support was largely given in the belief that the British Government had become converts to the view that the Soviet Union could not be excluded from any consideration of the Middle East situation. The reports emanating from Washington tended to discount this belief. State Department officials were noted to have made equivocal statements about the Western counter proposals on a Summit, and it was becoming increasingly clear that the United States at least had expected Mr Khrushchev to turn down the Western proposals.

Embarrassing 'Yes'

When the Soviet acceptance—virtually unconditional—came through, London, Washington and Paris were sent scurrying into consultations and very quickly conflicts in policy became evident. France, possibly hurt at not having been consulted or asked to contribute to the Middle East landings and at the same time inwardly pleased at being excluded from their adventures at a time when General de Gaulle is poised in taking some allegedly new position in Algeria, was found to be at some variance with the British position. In London, as 'The Times' put it, Mr Khrushchev's "acceptance was as embarrassing as a blank refusal". It now appears that the idea of a U N organised Summit version of the Security

Council was conceived in London and that both France and the United States had strong doubts about this British plan all along. The Americans were finally persuaded to accept the plan on the advice that this alone would avoid the Macmillan government from getting involved in a serious parliamentary crisis. In fact, to quote from 'The Times' again, "even the British Government, for all their pleasure, seem a little taken aback by Moscow's speedy and eager 'yes'."

The momentum of the diplomatic pressure from Moscow, Delhi and Ottawa, has, however, no doubt been crucial to the arrival of the present stage in the negotiations for a Middle Eastern Summit. At the time of writing, President Eisenhower's acceptance of a Security Council meeting of heads of state has been announced. The acceptance is most welcome though the conditions attached may possess implications of delay and the condition that the Security Council itself (or its permanent members) are to decide on the date of the talks may have a time-consuming consequence in which the Formosan representative may have a role to play. The other American condition is plainly designed to avoid granting the Russians the opportunity of confining world attention to the Anglo-American landings and to categorise these landings as possessing an aggressive intent.

Bevan's Four Point Plan

It is, however, in the field of Western policy towards the Arab world that the gravest crisis exists. There is no doubt that the Western Governments, in spite of President Eisenhower's condition that the Summit concern itself with wider issues of the Middle East, are most reluctant to abandon the foundations of their policies and attitudes. The Western powers are clearly unable to reconcile themselves to the new conditions in the Arab world, to the recognition of independence and non-intervention. Their hatred and abuse of President Nasser is only equalled by their hatred and abuse of communism. They regard and openly proclaim the continuance

of their effective domination and military occupation of the Middle East as of "vital interest" to the West, that is, as essential for the strategic and economic interests of the principal Western powers.

It is in this context that the four-point plan submitted by Mr Bevan for the opposition assumes special importance. This plan involves an agreement between the West and Russia not to create rival military groupings among the Arab countries, the guaranteeing of Israel's frontiers, assisting Arab countries wishing to unite to do so and finally to create an economic commission to finance the development of the whole area. In these ways, according to Mr Bevan, "the pacification of the whole area" will have been achieved. The plan certainly knocks the bottom out of the Baghdad Pact but, as everyone in their right minds now recognize, this Pact has been valueless all along.

Oil Supply Rights

In a sense, the plan is sufficiently far-reaching to alter diametrically the whole scope and course of Western policy in the Arab world. It can mean a policy which presumes the settlement of all questions on the basis of the recognition of national independence, the withdrawal of all bases and foreign military occupation, the non-supply of arms and non-intervention. But there naturally, almost inevitably, follows from all this the passage of the supply rights to oil to the Arabs themselves—a consequence not contemplated by the Bevan plan.

It is true that Mr Bevan has often vaguely spoken of the "merits of the commercial buying of oil" by the West, but the ownership and control of oil supply and distribution has been at the core of the Western policy. Mr Bevan nowhere states that it is proper for Britain to give up this ownership and control. There can be no doubts that once this has been accepted, the West will have removed the stigma of "imperialism" which is freely attributed to their actions in this region. There is, however, no evi-

dence that either Britain or America is willing to take this revolutionary step.

In fact all evidence points to the opposite direction. And here at least two developments are pertinent. In the first place the British Government is beginning to express new anxieties over the future of Kuwait ever since the Sultan spent his holiday in Syria (instead of the Lebanon) and soon after had met President Nasser. This anxiety is being matched with the rapid flow of British troops and arms. Kuwait is supposedly vital to Britain—it produces some 50 per cent of Britain's crude oil imports.

But this is by no means a considerable argument for, even if the British Protectorate was brought to an end and Kuwait joined the United Arab Republic, she would still wish to sell oil to Britain. What is crucial is the fact that half of the oil interests of the Kuwait Oil Company is owned by British Petroleum, and Kuwait being part of the sterling area, the profits from Kuwait oil to Britain are of a fabulous order. The Company's profits are in the region of £200 mn a year, of which a half goes to the autocratic Sultan. To this share of profits goes the additional profits of distribution. And so to Kuwait goes the whole policy of imperial occupation—a policy which is gradually subverting Britain's position and giving new impetus to Arab nationalism.

Fishing Nations at Sea

SOMETHING of an undeclared war exists between Iceland and Britain. Towards the end of June Iceland passed a decree, to be effective from September 1st, extending its territorial waters and consequently its fishing rights to twelve miles. The Government of the Faroe Islands has now stated that it too may have to follow suit if it is to protect its own fishing industry; if Faroese trawlers are forced out of Icelandic waters, then Icelandic and other trawlers can have no rights in Faroese waters. The Faroe Islands are, of course, governed, at least in their foreign affairs, by Denmark and the Danes have supported the Faroe move. Denmark in turn is bound by a convention with Britain in which the rights of British deep-sea trawler men are clearly defined. Norway, under the stimulus of a favour-

able verdict from the International Court of Justice in 1951, is known to have plans to extend its territorial waters to 12 miles and supports the Icelandic move for wider rights. And so a complex situation has come to characterise not only the law of the sea but the fishing industry of North Western Europe.

For the maritime countries, like Britain, there is a certain prospect of a loss of valuable fishing grounds in the North Sea. Britain has fished in Icelandic waters for some seventy years. The British deep-sea trawler fleet comprises some 250 large and modern trawlers and fetches an annual income of about £10 mn. The catch in Icelandic waters represents about a quarter of the fish consumed in Britain. The extension of Icelandic waters to 12 miles can therefore mean a serious loss. New fishing grounds have to be found but this is going to be difficult. Fish are found not in the middle of oceans but in the warm waters alongside coastlines and here many nations are likely to do what Iceland has done.

The central problem, which the Geneva Conference failed to solve, is the international law of the sea. Every nation has different ideas as to what should be the width of territorial waters over which the coastal states have complete sovereignty including the right to exclude foreign fishing vessels. A general tendency towards an extension of territorial waters to twelve miles can possess important implications. The whole character of the Gulf of Aqaba, the Straits of Gibraltar and similar places will be changed. It is quite true that the right of innocent passage will not be touched in territorial waters, but to the maritime nations 12 miles is an extremely serious limitation to their traditional activities. Traditionally, 3 miles has been the accepted law on the width of territorial waters; but by and large this law was the making of Britain and Holland, the 17th century maritime powers.

At the Geneva Conference Britain was unable to convince the 86 nations that the 3 mile limit should be retained. Britain's subsequent compromise supported by the United States, of a qualified 6 mile limit, also failed to find the necessary two-thirds majority. The American position, as was shown at the Geneva Conference, was by and

large governed by a pre-occupation with possible oil deposits in the continental shelf off the American eastern seaboard—a pre-occupation which was sufficient in time to convince Britain that similar interests in the Persian Gulf may require 6 miles to be acceptable. In 1956 the International Law Commission of the United Nations published a draft proposal to the effect that territorial waters should not have a width greater than 12 miles. This is regarded in Britain as most unfortunate as it has encouraged many nation states to plumb for the whole 12 miles. On the other hand it certainly makes illegal some of the extravagant claims of states like Peru and Ecuador for a 200 mile right.

There is a feeling in Britain that the plea of Iceland is political in character. It is claimed that Iceland possesses more than sufficient supplies of fish for her own people and that any additional catch trawlermen can bring in can be sold on the world market. The Soviet Union, however, has been purchasing Iceland's surplus fish supplies at prices above that in world markets and, therefore, the Icelanders wish to develop the trade with the Soviet Union. Similarly, it is argued that the Soviet Union's actions are inspired by the aim to attract Iceland out of the Nato alliance in view of the fact that America possesses an extremely powerful missile base on Icelandic territory. Further, it is claimed, the Icelandic Ministry of Fisheries is Communist and, therefore, is anti-West. It is difficult to accept these claims having regard to the almost general tendency for the 12 mile limit to be accepted. Norway supports Iceland and Norway, too, is a member of Nato. At the Geneva Conference Canada voted against the 6 mile proposal and appeared to be favourably disposed to a 12 mile limit.

Foodgrains Storage

TO minimise losses from storage of foodgrains Government has constituted a standing committee known as the Foodgrains Storage Advisory Committee. Besides co-ordinating work on storage problems in the country, the Committee will recommend proper methods of grain storage and preservation and look after storage problems that might arise from time to time.

Mobilising Hoarded Gold

(Contributed)

THE present shortage of foreign resources which the Indian economy is facing has generated a number of plans which aim at mobilising the gold and silver holdings of the people. From ancient times gold and silver have served as "store of value" in India and in a recent study made by the Reserve Bank of India, the net imports of gold and silver into India since 1493 are estimated at 130 million ozs and 5,400 million ozs respectively. If it were feasible to acquire all these holdings for the country's currency reserves, the foreign exchange gap would be easily filled but the holding is so widely dispersed and there is such attachment to these precious metals among the people that mobilising even a fraction of these holdings by any democratic method is likely to meet with very limited success. And yet in the past the people of India who hold both gold and silver as "store of value" are known to have parted with their holdings when they found that these precious metals were over valued in real terms.

If this hypothesis is correct, and it is based on past experience about the behaviour of the people, it should be possible to induce holders of gold and silver to sell their holdings at a price. Once again, if we base our calculation on previous observations about peoples' behaviour, it is not unlikely that they would be induced to sell if the value of the precious metals reaches a price which in real terms is in parity with the prices ruling in 1934/36. In the case of gold, taking the 1934/36 price at Rs 34.5 per

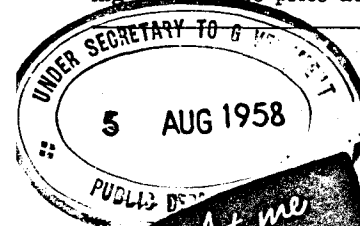
tola, after making allowances for the rise in the general level of prices of other commodities, particularly of agricultural produce, we arrive at a price of Rs 138.00 per tola of gold. Similarly, the adjusted price of silver works out at Rs 236.00 per 100 tolas, and there is a fair chance that around these prices, sizable quantities of gold and silver would be released from private hoards.

The proposed method for utilising the precious metals so released to finance imports is as follows: The authorities should permit trade to purchase the precious metals at open market prices and export them for sale in the free markets of the world. The export proceeds must be utilised for importing certain specified commodities which are essential for the country's economy but which cannot be imported at all or cannot be imported in required quantities because of today's foreign exchange shortage. There would be a loss to trade in exporting the precious metals, particularly gold, because of the lower prices in outside markets but this loss can easily be made up by the profit on the imported commodities. To take an example, if 1,000 tolas of gold are exported, the loss on the export would be of the order of Rs 43,000 being the difference between today's domestic price of Rs 105.5 and the world price of £ 12 = 10.0 per oz. If, however, the trader is permitted to import, for instance, caustic soda worth Rs 62,500 (being the export proceeds of 1,000 tolas of gold) he can realise at today's market price for the chemical a profit of Rs 86,000

for the imported article which would more than off-set his loss on the export of gold.

By permitting such compensating transactions, the country can utilise the buried resources in the form of precious metals for obtaining from abroad things that are urgently required for keeping the wheels of industry turning and for providing certain necessities of life. These compensating transactions are not of an inflationary character because the purchasing power liberated by the conversion of precious metals into cash would be mopped up by selling the imported commodity. On the contrary, since the compensatory transactions would permit imports in addition to those permissible within the normally available foreign exchange resources, they would increase the supply of essential commodities within the country and to that extent, have an anti-inflationary effect.

So long as care is taken in drawing up the list of items that can be imported on the compensatory basis and the mechanics for operating compensation accounts are carefully worked out, there is little danger of the experiment being abused. This is particularly true in the case of gold where almost unlimited quantities can be sold abroad at prices which are officially pegged by various Central Banks. If allowed to operate freely in the hands of trade, the compensatory transactions would automatically strike a point of equilibrium between the internal price of gold and the prices of imported goods. The price of gold would move up to



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the point where the profit on the compensatory imports allow a deal to be put through and on the other side, the local price of imported goods would fall because of increased supplies. Even if only 10 per cent of the estimated gold stock (say 13 million ozs) can be utilised by the above method, we can finance imports to the tune of Rs 218 crores. The utilisation of silver, however, may present some difficulties because of the problem of finding a ready market abroad for our silver exports.

Before such an experiment can be tried out, however, active and perhaps unorthodox steps must be taken to make certain that smuggling of the precious metals into the country is effectively checked. One such effective method would be to offer a substantial sum as prize money for the detection of smuggling activity. The prize must be large enough to out-bid the smuggler and it is the writer's suggestion that the authorities should offer to pay as prize money the difference between the internal free market price of the metal and the price abroad. If this is done, the carrier of the metal will himself be tempted to surrender the metal at the customs frontier and collect his share of the prize money which would be much more than his employer can afford to pay.

Another reform which is long overdue is the stoppage of purchase of rupee notes by the authorities against sterling payments. These purchases today considerably assist the smugglers who are able to convert the rupee proceeds of the goods they smuggle into the country into sterling and then into other currencies by first smuggling out the rupee notes and then tendering them back to the Indian authorities through official channels for re-imbusement in sterling.

When I suggest allowing of imports against gold exports I have industrial raw materials primarily in mind. Today the authorities are not in a position to meet more than 60 to 70 per cent of the requirements of most industries and the resultant slow down in production is bound to result in accelerated price inflation within the country and some unemployment. The kind of imports to be allowed would, therefore, only be those that come under the purview of the Import Control Scheme. Just as special

licences are given to exporters to import raw materials required to make the exported articles, so also special licences can be given to exporters whether they export a local product or gold.

In India the gold in the hands of the people has always been recognised by the International Monetary Fund as a commodity and therefore, so long as the Government itself does not, in any way, subsidise the export of gold, the Fund cannot object to it any more than it can to our export promotion schemes which induce manufacturers to sell abroad at a loss or

smaller profit by offering to give additional licences for raw materials against such exports. I believe that any legitimate effort by India at this juncture to marshal its own internal resources will be welcomed by the I. M. F.

The one advantage of financing imports by exporting bullion is that bullion exports leave no room for any fiddling similar to what goes on in the export of art silk fabrics, for instance. Moreover, buried stocks of bullion have no real utility value to the economy of the country so long as they remain buried in the country.

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Irrigation Problems

P R Rao

INDIA today has the largest irrigated area in the world. About 65 million acres, or one sixth of the total cultivated area of the country is irrigated. Prior to the commencement of the First Plan, the net irrigated area was about 50 million acres. Since agriculture was in a precarious state, the First Plan concentrated more on agriculture, and a target of 20 million acres of additional irrigation was set for the Plan. The achievement during the period was 16 million acres, i.e., 6 million acres by major and 10 million acres by minor irrigation projects.

Unfortunately, the country has not been able to benefit from this fully. While facilities for irrigating 6.5 million acres were created by major irrigation works, no more than 4 million additional acres were actually irrigated. The question arises: Why this unutilised capacity of 2.5 million acres? Several explanations have been offered, but for a correct appraisal, it is necessary to understand the problems facing the utilisation of irrigation water.

Tax on Water

New irrigation is always followed by some additional tax known as irrigation cess or irrigation levy. This is necessary because the State has to incur expenditure on the construction, maintenance and administration of irrigation works. Since use of irrigation facilities means more production from the same land, and therefore increased income for the farmers, the State is justified in taking its due share of this increased income.

There are many different systems of levying irrigation charges. Of these, the following are widely prevalent:

- (i) volume system;
- (ii) uniform rate system;
- (iii) system based on different rates for different crops; and
- (iv) lease system.

(i) Under the volume system, tariff is charged on the basis of actual intake or consumption of water. This ensures economy in the intake of water and its optimum use. But

the system suffers from serious administrative and organisational drawbacks. The cost of collection under it, for one thing, is too high. It is therefore suitable only where water is dear or scarce and the area of operation is restricted, as under tube-well or pump lift irrigation.

(ii) As the name indicates, under this system, the water rate charged is the same, e.g., on the basis of the area irrigated, irrespective of the actual use made of the water and its profitability. Thus an acre of land under sugarcane or potato is charged the same rate under this system as an acre under gram or barley, though the returns from these crops may differ widely. A considerable part of the irrigated area, unfortunately, is under this system.

(iii) When different rates are charged for different crops, the tariff is discriminatory, depending, e.g., upon the average water utilisation of the crops. In this case, an acre under sugarcane is charged more than an acre under gram or barley. This is undoubtedly the better system, provided the charges are calculated for different crops on some scientific basis.

(iv) Under the lease system, rates are fixed by mutual agreement between the irrigation department and the farmers, the period of lease depending upon the period for which supply of water is assured. This system again is defective because it is the bargaining power of the irrigation authorities or the farmers which determines the rate. The farmers are very many and are not generally united. It is usually the influential farmers, sometimes even the village bullies, who take up this matter with the authorities and decide, without giving a chance to all the farmers to bargain jointly. Another defect is that the rate cannot be revised till the expiry of the lease period.

Except under the volume system, water rates are not fixed on any scientific principle and have been arbitrarily fixed by engineers or officials of the revenue department. To quote Shri Kanwar Sain, Chair-

man of Central Water Power Commission,

"Water rates, unlike land revenue, had never any scientific basis of assessment. They have been determined by the rule of the thumb by what seemed to men of common sense possible and expedient to take. The value of the crops raised and the volume of water required to bring them to maturity serve as rough guides"—Finances and Economics of Irrigation Projects, Minutes of Proceedings of the Punjab Engineering Congress, Lahore, 1929 Vol 27.

Net and Gross Income per Acre

In the new irrigation undertakings, the rates are fixed variously. But they have all one thing in common: in none of the projects are the rates worked out on a scientific basis. For example, in the Tungabhadra Project, water levies are computed on the basis of net income per acre and the volume of water necessary to bring the crop to maturity. (Reddy, G V N "A Note on Pricing Irrigation Projects". 'The Indian Economic Review', August 1957.) If this is really so, the rate should vary from taluk to taluk, and even from village to village, for net incomes vary on account of variations in soil and fertility and a host of other factors. Since water rates are generally uniform in a project area, the net income criterion is nothing but a misnomer.

Again, to compute net income, it is necessary to have accurate data on cost of cultivation and crop yields, both on irrigated and unirrigated land, as well as other related data for entire regions. Further, net income varies also with the size of holdings and it may be even negative, if full values for family labour are computed in the uneconomic small holdings. So it will be seen that the estimation of net income is based on assumptions and generalisations which rob the system of whatever merit it may have in theory. The situation is not much improved if gross income per acre is substituted for net income as has been done in the Hirakud Project. There is prac-

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tically no difference between this and the net income approach.

Link with Land Revenue

To fix water rates on the basis of existing occupiers' rates, as has been done in Bhakra Nangal, is equally unsatisfactory. The present assessment of land revenue is faulty and naturally irrigation rates based on it are bound to be faulty, too. The D V C is indeed very frank in admitting that due to lack of statistical data on cost of cultivation, it has fixed the rate of water levy arbitrarily, but one is at a loss to understand why the D V C could not collect the necessary data, since it knew that the projects under it would take a long time to complete.

The fixation of water levy in India being very defective and devoid of all scientific basis, it is only to be expected that the potential users of irrigation water are not enthusiastic about the new irrigation facilities. There are, however, other reasons also why irrigation facilities are not fully utilised and some of them are of great importance.

Insurance Against Drought

It has already been mentioned that about one-sixth of the total cultivated area in the country is irrigated and that the remaining four-fifths depends on rainfall. Of the latter, about 30 to 40 million acres, in the coastal plains and the lower Ganga basin and Assam, get about 50 inches of more or less assured rainfall in a year and do not therefore require any irrigation. The question of irrigation is therefore restricted to about two-thirds of the cultivated area. But even in the areas of assured rainfall, rains may and do fail at times. Moreover, the success or failure of crops depends not only on the extent of rainfall but also on its timeliness. It has been found from past records that the probability of drought occurring is one in every five years. So the probability is that for four years, rainfall will be more or less certain, though of varying intensity, and the real and effective need of irrigation will be felt only in one year out of five.

Farmers know this from experience and do not think it worthwhile to pay every year for what they will really need once in five years, though a single year of

drought, occurring even once in ten years, may cripple the economy of the affected region for a number of years. Even if option is given to them to have irrigation water according to needs, farmers in these areas would tend to wait for the rains for an unduly long time, and take to irrigation only as a last resort, perhaps after much damage had already been done because of late sowing, or starvation of the standing crops. While fixing the water tax in a wet area, the rate should therefore be kept at a minimum, for the new irrigation facilities, serve only as insurance against unfavourable years.

Old and New

It is not always true that the entire area commanded by an irrigation scheme or project is altogether without irrigation. A considerable part of the area newly brought under the irrigation project may already be irrigated by wells, tanks, lift irrigation from rivers, tributaries and streams. Such lands can also be termed as irrigated areas, and it is natural that their owners would not like to draw water from the new irrigation works by paying additional tax, because in real terms, the land does not benefit to a great extent, though in the case of flow irrigation, it might mean some saving of labour. But labour saving is of little consequence because of uneconomic size of holdings and acute underemployment even of family labour. So utilization of irrigation water on equal terms by the owners of these categories of land would not be voluntary. Only specially reduced rates would induce them to accept the new irrigational facilities.

Irrigation, particularly canal irrigation, is fraught with many dangers, such as (i) water logging and (ii) deposition in the upper soil layers of salt concentration due to movement of salts from sub-soil brought up by the rise in water level. Adequate fore-thought is given to this aspect of irrigation in the present day projects, but this has to be made known to the farmers who have to be convinced that their lands will not deteriorate as a result of irrigation.

Other Reasons for Non-utilisation

The area benefiting from irrigation projects or schemes is generally overestimated. This may be partly due to lack of adequate

technical data. But in most cases this over-estimation is deliberate and is done with a view to get the project accepted for Central aid (which is so necessary, because States have so little funds), by exaggerating the benefits of the project concerned. No wonder, then, that the actual irrigated area should fall short of the estimated area.

The failure of irrigation systems to supply adequate water and frequent break-downs in their working also account for their unpopularity. This is more a rule than an exception in the tube-well irrigation system, where the water supply is generally erratic and inadequate. But what surprises farmers is that they are charged the levy in full, irrespective of whether or not they have drawn any water. Once the levy is paid, it is not easy to recover the excess payment for it is difficult to prove that water had not been drawn and even when it is proved, it may take a long time to get the refund. Farmers, therefore, do not respond readily and spontaneously to inducements and promises.

Underutilization of irrigation facilities created at such heavy cost is no doubt a matter for serious concern, particularly when the country faces a critical food problem. But it must be remembered that there is usually a time lag between the completion of irrigation facilities and their full utilization. Similar difficulties have been experienced in almost every irrigation project and irrigation facilities have remained unutilized for a number of years. It is only by offering special inducements in the form of reduced water charges or even by waiving the levy for some years that it has been possible to attain anything like full utilization of irrigation water.

How to Remove Them

In order to achieve full utilization, however, the primary requisite is the fixation of water rates on a rational and scientific basis. To fix the rates on such basis, it is necessary to carry out an agroeconomic and agro-economic survey to ascertain the additional income generated by irrigation over different areas covered by each project, taking into account the additional cost of production involved. The next step would be to decide what

percentage of the additional net income attributable to irrigation should be collected by the State or the project authorities. It has generally been considered that water charges should be within the range of 20 to 30 per cent of the additional income generated. But, this is a very crude and arbitrary measure at best, since it does not take into consideration the size of the holding and similar other factors which go to determine the profits which actually arise from the use of irrigation water.

But even after water rates have been fixed on the lines suggested above, there is bound to be a considerable time lag before irrigation water is fully utilized. It is desirable, however, that this time lag should be reduced as much as possible, even though it may not be possible to eliminate it altogether. Educational effort, in the form of demonstration and propaganda, supplemented by intensive measures of agricultural extension, supply of co-operant factors like draught animals, seeds, manure and credit,

etc will hasten the pace. But, it is, above all, necessary to create conditions under which the response of the farmers will be spontaneous and enthusiastic. The ideal way to achieve this would be to waive irrigation cess, for, say, the first three or four years and thereafter impose the cess by stages so that the cultivator can actually realise the benefits before he is called upon to pay and is also able to realise sufficient net gains so that the levy may not appear to be a burden to him. This would serve as the greatest inducement to cultivators and also train him up and give him the necessary experience so that he may confidently go ahead to take advantage of irrigation water and make the best use of it.

Tenders For Treasury Bills

TENDERS for rupees one crore of ninetyone days Government of India Treasury Bills were opened on July 29, 1958. Total amount offered was Rs. 1.60 crores. Tenders at Rs 99.484 and above were

THE ECONOMIC WEEKLY

accepted in full and those at Rs 99.275 allotted approximately 80 per cent. Lower tenders were rejected. Total amount accepted was Rs 1,00,00,000—the average rate of accepted tenders being Rs 2.726 per cent per annum.

Tenders for Rs two crores of ninetyone days' Government of India Treasury Bills will be received at all centres (Bangalore, Bombay, Calcutta, Kanpur, Madras, Nagpur and New Delhi) upto the close of business on Monday, August 4, 1958. Successful tenderers should make payment on Friday, August 8, 1958. In view of the introduction of decimal coinage, the price offered for Treasury Bills should be expressed on the basis of 100, with not more than three decimals, e.g. 99.477. Other conditions will be as usual.

During the week ending on July 25, 1958, Government of India Treasury Bills for Rs 1,29,53,50,000 were sold in favour of the Reserve Bank of India.

THE ECONOMIC WEEKLY

From the Chair

The Bharat Line Limited

Speech of the Chairman Shri C R Srinivasan

THE following is the speech of the Chairman, Shri C R Srinivasan, delivered at the Twelfth Ordinary General Meeting of the shareholders of The Bharat Line Limited held on July 26, 1958:—

Gentlemen,

I have great pleasure in extending to you a cordial welcome to the Twelfth Ordinary General Meeting of the Company. The Directors' Report and the audited Balance Sheet and Profit & Loss Account have been in your hands for some time now. I trust I have your permission to take them as read.

The results achieved during the year under report reflect great credit on the management; not merely have they achieved economy without sacrifice of efficiency, but, with a smaller tonnage afloat, the freight earnings have been larger; in part no doubt this is due to the remunerative rates conceded by Government after a long spell of sustained agitation. It cannot be claimed yet that economic rates are now prevailing; but still they are better than what they were previously and we may be thankful for small mercies.

Fall in Freight Rates

There has been a catastrophic fall in freight rates, the world over, brought about by mounting slump in trade. I am not sure we have passed the peak of this depression yet; the American recession has now begun to fan out and its impact is registering in different degrees in different parts of the world. But, luckily for the Company, with its emphasis on coastal trade, this new force has found no play in a protected market and the needs of our expanding economy have given us strength and stamina to withstand its back wash.

Indeed, our problem today is how to reach the tonnage target we have set for the Second Five Year Plan. Now is the time to pick up bargains in the secondhand market and your Company, which kept itself free of any commitments when costs were high, is now well placed to take advantage of the tide. Frankly, we are on the look out for

good pickings and I believe we shall get them. Government have been ready and willing to help us over finance and in the past we have availed ourselves of the offer as and when need or occasion arose. But, obviously, there is a limit to borrowing and a hard core of equity capital must be maintained to stagger our expansion programme.

Climate of Confidence Missing

It is here, I regret to say, a climate of confidence is still missing in the investment market. You are aware that taxation was stepped up on a wide front last year and its results have not been of a heartening character. Indeed, I would go so far as to say that such short term gain, as might have accrued, is on a long view difficult to justify if one takes note of the continued depressing and disturbing conditions in the money market. The success of the Second Five Year Plan can only be assured if it carries the willing and wholehearted cooperation of the people. I wonder if people are not tried too high and their patience giving out.

Shareholders are aware that this Company has throughout pursued a cautious and conservative policy in the distribution of dividends from profits earned. A modest dividend is all that has been vouchsafed so far to the shareholder, in the hope that his interests are better served by the built-up of sizable reserves. In due course he would have had the advantage of these reserves transmitted to him in terms of bonus issue which, incidentally, would have reinforced the capital structure of the Company.

Tax on Bonus Issues

Unfortunately, we found ourselves seriously handicapped, when we took up this matter for examination, by the levy of penal taxes on bonus issues which it is difficult to justify on any rational grounds. Surely, a thirty per cent tax on bonus issues from accumulated reserves already subjected to tax, is not the best way to induce companies to add to their reserves, nor resist the pressure from shareholders for higher dividends. A dividend tax

has also been levied on rates beyond prescribed levels; surely, this would not have been necessary if companies were allowed freedom to function in their enlightened self-interest.

Your Directors, after giving anxious thought to all implications, have now come to the conclusion that it is necessary and urgent to recover the goodwill and confidence of the shareholders, especially in the present context, when we are setting our hands to more ambitious programmes of expansion. To this end, it has been decided to step up the dividend from last year's level of six per cent and give not merely the same six per cent, but also add to the dividend a further six per cent by way of bonus. The Company can afford to pay this on current earnings and maintain it also on our present assessment of future profits. The transfer of 15 lakhs to the Dividend Equalisation Reserve is a measure of abundant caution to serve the same purpose.

Shipping Bill

I believe this step should relieve the anxiety of our shareholders and protect the mobile value of their investments. To this end again, as you will see from the notice and agenda of the General Meeting, shares are being sub-divided into ten rupee shares and Articles of Association amended to conform to the regulations prescribed by the Bombay Stock Exchange. Both these steps are being taken entirely in the interests of shareholders and I hope will meet with their ready approval.

There is one other matter that I should like to refer to before I close. An Indian Shipping Bill has been introduced in Parliament which naturally has provoked interest in shipping circles at the moment, and will in due course engage the attention of the public also as its implications are understood. No doubt, a consolidation measure in respect of shipping was necessary and desirable to ensure future progress; but the Bill that has been tabled goes counter to the policy Government had deliberately set out ten

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years back—a policy which had public sanction not merely on sentimental grounds but national interest also.

In a country with its own and adjacent coastline of nearly 4000 miles, the merchant navy has an important role to play in times of emergency and it is not merely a question of tonnage, but trained personnel. Difficulties of foreign exchange are perhaps sought to be covered by broadening the definition of an Indian ship. I am afraid this is really asking for trouble both in times of peace and war, and in the result we shall probably lose more than we gain. If there is shortage of funds at the moment, this is not the way to cover it. Better go slow and build firm, than move fast and repent at leisure.

It is not as though Indian Ship-owners are allergic to suggestions

of expansion. They have shown themselves ready and willing to do their best within the limits of their opportunities and resources. If Government want them to cover by forced marches the neglect of centuries, it is for the Government to find ways and means to stimulate and sustain them. I am free to confess that Government have done much, and in the matter of depreciation allowances and exemption from particular taxes shown themselves alive to their responsibilities; but, I maintain that they can do much more. It is not as though we are suggesting something Governments in other countries have hesitated to do either.

A Special Committee of the Indian National Steamship Owners' Association has submitted a memorandum on the new Bill covering many points of interest and importance

which I hope and trust will register in the right quarters. As a vital issue of fundamental and far-reaching importance is involved, I hope shipping interests will continue to take suitable and sufficient steps to educate the public also in this matter.

And now I shall conclude with recording my appreciation of the cooperation I have received from my colleagues on the Board as well as from the Management. May I also 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 31st December 1957, already duly sent to the shareholders, be and are hereby adopted.

Company Meeting

New India Assurance Company Ltd, Bombay

Summary of Speech of the Chairman, Mr A D Shroff

ADDRESSING the Shareholders at the Thirty-ninth Annual General Meeting of the New India Assurance Company Limited, held at Bombay on 31st July, 1958, Mr. A. D. Shroff, Chairman, deprecated the treatment of world peace by major powers as if it were a commodity on the bargaining counter and exhorted world statesmanship to cut itself adrift from the cult of violence and destruction.

In an analysis of world economic trends, Mr. Shroff advocated the setting up of an International guarantee Insurance Fund on the lines of the I.M.F. or the World Bank to eliminate major political risks in lending to underdeveloped countries.

Tax Structure Needs Revision

While reviewing the trends in the economy, Mr. Shroff opined that the economic crisis we are faced with was indeed a serious one but under courageous and realistic leadership, it was not yet too late to meet it in an effective manner. According to him, the immediate and urgent problem was to arrange for adequate foreign aid on a long-term basis to enable India to maintain its fine record of honouring all its international obligations on due dates.

For this, Mr. Shroff called for the abandonment of doctrinaire or ideological approach to the economic problems, scaling down of unrealistic planned targets and pruning down of immediate requirements to the minimum. He further added that the so-called pattern of integrated taxation had resulted in disintegrating the healthy forces which induced savings and capital formation and expressed the fear that unless our structure of taxation was radically revised, private initiative and enterprise would be severely discouraged and sources of new savings and capital formation would dry up.

Discrimination by Government

Turning to General Insurance, 1957 had been a difficult year for most insurance companies, the world over. He welcomed the strengthening of the Code of Conduct for General Insurers in India and remarked that it would have salutary and far-reaching effects on the Indian market. According to him, the present administrative machinery was, however, inadequate.

After a brief review of the problems facing the industry, Mr. Shroff referred to the reported directives of the Central and State

Governments to institutions under their control to patronise Government-owned insurance units and the pressure said to be exercised in this regard by Government institutions or corporations as and when financial assistance was provided. He stated that Government charged as they are with the responsibility of promoting the progress and strength of all Insurance units, should not discriminate against units in the private sector. Mr. Shroff cited as a case in point the arbitrary distribution of the insurances of Government handled by the Pool of Indian Insurance Companies and said it would be more appropriate for Government to define on a long-term basis certain equitable standards for the distribution of "Pool" business.

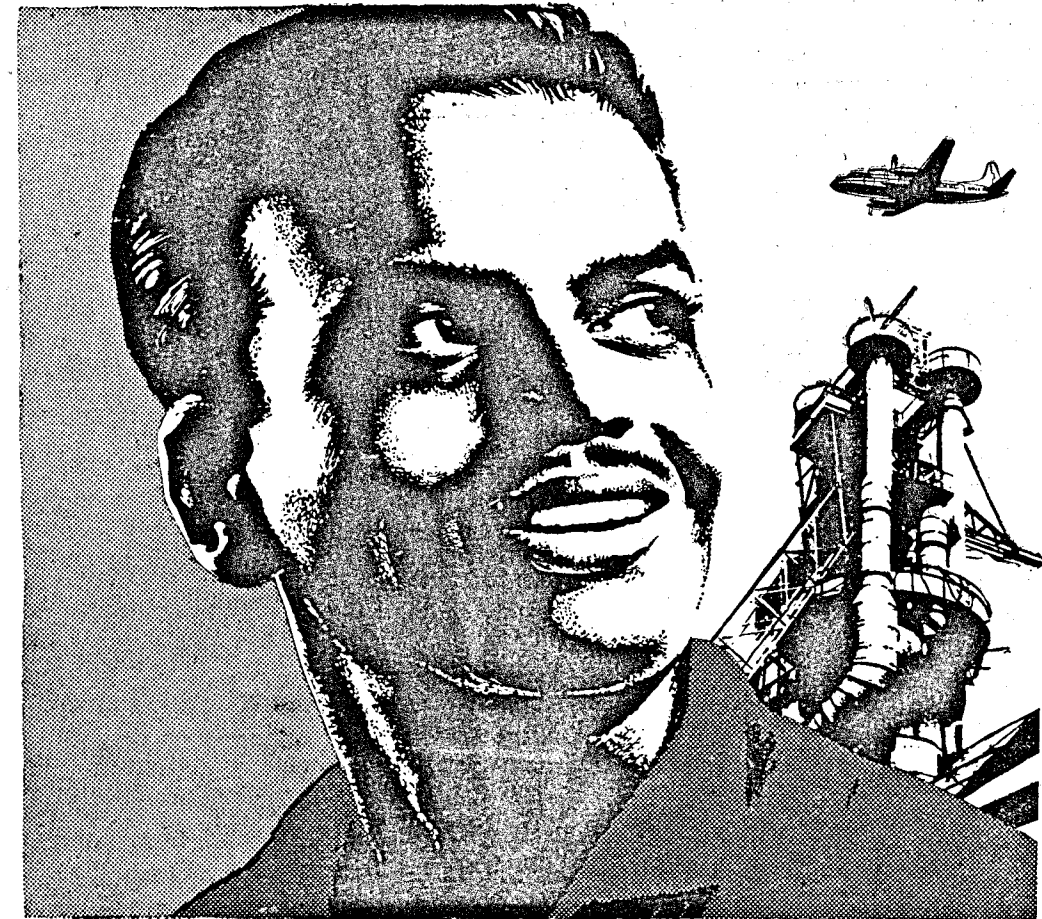
Higher Premium Income

Reviewing the results of the New India's operations during 1957, Mr. Shroff revealed that the total premium income for the year amounted to Rs. 6.30 crores as against Rs. 5.64 crores in 1956. He stated that profits transferred to the Profit & Loss Account had declined from Rs. 44.8 lacs in 1956 to Rs 32.7 lacs in 1957 due mostly to the reasons beyond the control of the Company.

He expressed the hope that by the end of 1958 the extra-ordinary difficulties faced by the Company after the nationalisation of life business would be surmounted and that the Company's working would be fully

integrated and stabilised. Mr. Shroff added that as a result of the year's operations, the Company's total funds increased by Rs. 89.6 lakhs to Rs. 8.49 crores which included Rs. 51.6 lakhs received by way of

compensation for the loss of life business and right of management. Note: This does not purport to be a record of the proceedings of the Annual General Meeting.



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Prospects for Assistance

THE current mood in official circles with regard to the prospects of obtaining adequate foreign assistance to enable us to tide over our balance of payments difficulties during the Second Plan period appears to be one of subdued optimism. Saying that, however, is saying a lot: for, our foreign exchange requirements even for the rest of the current financial year are estimated at about Rs 200-250 crores. The conclusion that one draws, therefore, is that Shri B K Nehru's 'feeler' mission abroad has been a success, though, of course, the quantum of aid that may be forthcoming will not be definitely known till after the Finance Minister's visit overseas. It is only during the Finance Minister's trip that the present endeavour to secure foreign assistance for our Plan will enter its decisive phase.

Among the most encouraging results of Shri B K Nehru's visit to London, Washington and Bonn is the increasing awareness on the part of the respective governments of the nature, extent and urgency of our foreign exchange needs. This is reflected in the decision to call a meeting of the representatives of the World Bank, the I M F and the Governments of the United States, Britain and West Germany at Washington some time towards the end of August, presumably with a view to working out a scheme of collective assistance for India. Such an arrangement, if it materialises, will probably establish a new pattern of economic assistance to under-developed countries. Its significance lies in this that it will facilitate the enactment of special legislation by the U S Congress by enabling the Administration to point out that the United States is not the only country to participate in the programme of assistance. Further, collective assistance on these lines will provide a working arrangement for channeling the European Recovery Programme repayments, amounting to about \$350 million a year, for economic development.

Another useful outcome of Shri B K Nehru's negotiations abroad is that our creditors are now reported to be willing to receive the instal-

ments of loan repayments due immediately in rupees instead of in the respective foreign currencies. Now, while the repayments scheduled to be made in the current financial year amount to no more than Rs 23 crores, even this amount might prove to be a considerable burden in our present foreign exchange situation.

Yet another encouraging outcome of the mission is the reported willingness of the U K to consider extending to us overdraft facilities to the tune of £ 75 million. If an agreement is reached to this effect during Shri Morarji Desai's visit to London, it will go a long way in helping us to meet our immediate foreign exchange requirements. According to the latest banking returns our sterling reserves stood at just over Rs 200 crores on July 18. Thus our need for uncommitted foreign exchange resources to finance commitments already entered into, especially with the Western European countries, is as great as our need for funds to finance new projects.

A reference was made in these columns last week to the growing imbalance in our foreign trade relations with the O E E C countries. It was pointed out that in view of the rapid depletion of our 'free' foreign exchange reserves, continu-

ed imports of the present magnitudes from these countries can be possible only if substantial assistance is forthcoming from them in the form of capital aid and deferred payment facilities. Among the O E E C countries our balance of payments problem is most critical with West Germany. However, in spite of thumping balance of payments surpluses, West Germany has not hitherto shown itself very eager to extend credit facilities to its buyers. The plea, as summed up by a German banker, has been that "Germany has a strong cash position, but is poor in capital. Germany's economy is under-capitalized." There are, however, indications now of a slackening in the demand for the country's export goods. Thus the German Industries Federation has recently confessed that "we shall be able to call it a triumph if this year we are able to obtain the 1957 level of exports." At a time when orders from home markets and some major export markets are tending to drop, the West German interest in the Indian market should increase correspondingly. It should, therefore, be in the interest of the German economy to find ways and means of importing its trade relations with the country's biggest market in the East. It will not, therefore, be a surprise if the Germans mellow in

INDIAN AGRICULTURE IN BRIEF

A useful handy and pocket size booklet has been recently brought out by the Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India, with a view to meeting primarily the need of those who wish to have a snap-shot picture of Indian Agricultural Economy as revealed by the current Agricultural Statistics. Certain essential data in allied spheres, e.g., population, national income, etc., needed for an understanding of the agricultural economy in its broader perspective have also been included in this booklet.

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their attitude towards extending us capital assistance and credit facilities.

It must, however, be pointed out that the overseas territories of the European Common Market Area are going to provide abundant investment opportunities to West Germany so that once these outlets are thrown open there is very little chance for other under-developed countries outside this orbit to hope for any substantial inflow of German capital. The time factor is therefore of particular significance in this respect and it is extremely important that we should make the most of Professor Ludwig Erhard's presence here for the annual meet-

Calcutta Letter

Nehru's Visit

TO be judiciously equivocal is the hallmark of an able Nehru's flying visit to Calcutta is an example in point. For some time past there has been dissatisfaction among some Congressmen with the leadership of the Provincial Congress. Both the President and the Secretary have held their respective offices for nearly a decade. It was time, the disgruntled members felt, that this state of affairs was changed. On the other hand, the staunch supporters of the present regime retallated that this was the best of all possible worlds. On being asked whether the purpose of his visit was to deal with this situation, the Prime Minister replied like the Delphic oracle. As far back as he could remember, he said, disputes had existed within the Bengal Congress. The wisest course was to leave well alone. He asserted that he had full confidence in the present President Atulya Ghosh, but he felt that a system of rotation of office bearers was very desirable. The felicity of the PM's comment has pleased both factions—but a solution has yet to be found.

Thousands of people had awaited this visit of Nehru with eager anticipation. A vast "pandal" had been erected on the Maidan to accommodate the masses anxious to get a glimpse, a 'darshan' of Panditji. But for some unaccountable reason the meeting was cancelled, the Prime Minister addressed a select body of Congressmen on the tasks before the organisation. He spoke of the need

ing of the World Bank and the International Monetary Fund.

While there is wide appreciation of our difficulties with West Germany, there appears to be little evidence of adequate awareness of our imbalance with some of the other O E E C countries like Switzerland, Italy, France and Sweden. With the possible exception of France, we have made practically no efforts to enlist the cooperation of these countries in the form of credit facilities to finance our considerable imports from them. It is a fact that we are handicapped in our ad hoc overtures to obtain economic assistance from some of these countries by the absence of close

and constant diplomatic and political contacts. The need for permanent high-level economic liaison with foreign governments and financial agencies extending economic aid has, therefore, been particularly indicated in the case of these countries for a long time. The appointment of Shri B K Nehru as our economic envoy abroad must therefore be regarded as a very important step in our efforts to attract large-scale technical aid and capital assistance from friendly countries the world over. While Shri Nehru will necessarily have his headquarters at Washington, it is expected that his chief assistant will have his headquarters in Europe, most probably at Bonn.

refuse to face the really vital needs of the City?

There has been a marked rise in the price of many essential commodities, particularly food, in the last few weeks. It was alleged that events in the Middle East were responsible for this. But the connection seems a trifle obscure. Speaking at Calcutta not long ago, the Union Food Minister flatly repudiated this story. The fact is that speculators at home have taken advantage of the present atmosphere of uncertainty and are trying to exploit it for what it is worth. There are rumours that the government is going to arrest some of the culprits, under the powers conferred by the Preventive Detention Act, if prices are not restored to normal. But so far this has proved to be a mere empty threat.

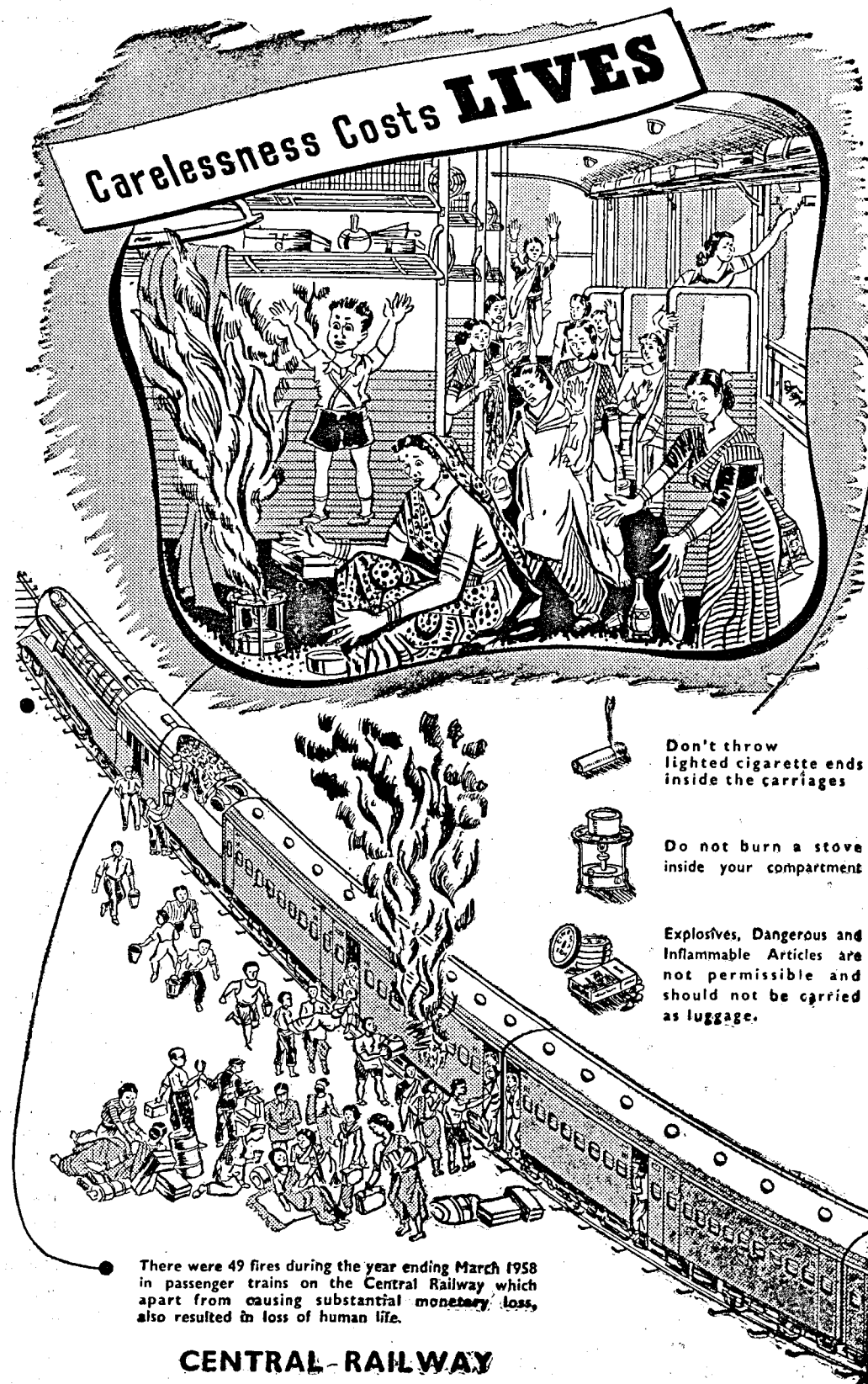
The administration of the Food Department itself, has been under censure for some time. The former judicial Minister of Bengal made serious charges of inefficiency and corruption against it, at the time of his resignation from the government a few months ago. A committee was subsequently set up to investigate these allegations but no report has yet been made. This sterile silence provoked the Leader of the Opposition to declare that no successful food policy could be implemented unless the Hon'ble Food Minister of Bengal was first put behind bars. Though few share this extreme view, there is general agreement that the present situation requires drastic remedies.

— Dipankar

Around Bombay Markets

Sustained Buying

Thursday, Morning



THOUGH prospects of summit talks have become more uncertain than ever, operators have come round to the view that the threat of war has receded into the future. Dalal street therefore sees no reason why it should not thrive so long as the international situation does not deteriorate any further. Buying interest has been sustained in contrast to the uncertainty of the previous fortnight. The other factors that have helped are the Report of the Textile Inquiry Committee, higher offtake of piecegoods, prospects of greater external assistance and the current easy money conditions. Despite scattered liquidation towards the end, the market has turned distinctly bullish again, without being unduly disturbed by Shri Dange's threat that the general strike in Bombay last week indicated "the shape of things to come". Unconditional withdrawal of the strike at Premier Automobiles was considered an adequate reply to this challenge.

Textiles, Chemicals and Shipping have benefited most from this return of confidence. Century has shot up on interested buying and issue of rights shares. Unlike last year, when any rights issue tended to darken the market's horizon, fresh offers this year are greeted with enthusiasm. Like Century, Mahindras have also reacted firmly to the recent announcement of rights offer of Rs 102 lakhs. India United has brightened upon the reconstitution of its Board of Directors. Chemicals are in demand following import restrictions while Shippings are no longer hesitant. The piecegoods market has, in the meanwhile, turned active in spite of the unfavourable season. Though demand for coarse and grey goods is still sluggish, prices of superfine varieties have spurted up and hoarding of finer dhori is reported to be under way.

The present phase of the market derives inspiration not only from prospects of higher earnings and capital appreciation but also from the change in psychology which has followed Shri Morarji Desai's installation at the Finance Ministry. It is now believed more firmly than

ever that Government's attitude towards the private sector has definitely changed for the better and there are no more shocks in store.

Money Market

Treasury Bill Tenders

SALES of Treasury Bills were resumed this week after a lull of more than two years. Tenders aggregated Rs 1.60 crores against the offer of Rs 1 crore. The average rate amounted to a little more than 2.7 per cent which is slightly higher than the inter-bank call rate of 2.5 per cent. The value of tenders was lower than expected and it appears that most banks, other than the Big Seven and the Exchange Banks, held back in order to get an indication of the average rate yielded by treasury bills before sending in their tenders. The Reserve Bank has invited tenders for Rs 2 crores next week, when it is expected that about Rs 3 to 4 crores will be offered. With banks eagerly looking for an outlet for their idle funds, it would not be surprising if treasuries are over-subscribed every week. Whether that would reduce the pressure of funds in the call market, however, is problematic. While some reduction in call loans is bound to occur, a substantial reduction is unlikely unless the Reserve Bank raises the amount offered.

During the fortnight ended July 25, foreign assets of the Reserve Bank declined by Rs 7 crores, bringing them down to Rs 197.21 crores. There was thus a reduction of Rs 67 crores during the 17 weeks of the current fiscal year and of Rs 549 crores for the Second Plan period so far. Active notes have contracted further by Rs 35 crores, bringing the total seasonal contraction to Rs 85 crores. This has enabled cancellation of Rupee securities in Issue Department to the extent of Rs 40 crores. Central Government deposits are up by Rs 17 crores and those of State Governments by Rs 16 crores. Ways and means advances are lower by Rs 15 crores. On the eve of resumption of Treasury Bill sales, bankers' deposits rose by Rs 9 crores over the fortnight and advances to

banks declined by Rs 2 crores, all of which occurred against usance bills.

Bank Investments Increase

The investment portfolio of scheduled banks expanded by nearly Rs 11.5 crores during the week ended July 18. It is difficult to say whether this represents the extent of their contribution to State loans, lists for most of which closed two days earlier, for some portion of it might have been accounted for by investment in Central Government securities. The State Bank's portfolio has, however, expanded by Rs 40 lakhs only, while its 'other assets' are down by Rs 4 crores, but it is yet to be seen whether that is the end of its interest in recent State issues.

The cash balances of scheduled banks have shrunk, apparently as a result of the subscriptions, by Rs 13 crores despite a rise of Rs 6 crores at the State Bank; balances with other bank and call loans have declined together by Rs 6 crores and borrowings from the Reserve Bank and the State Bank are up by Rs 5 crores.

Net deposits have gone up by Rs 2 crores, including a transfer of Rs 1 crore from demand to time liabilities.

Cotton

Futures Decline

BARRING a short spell of firmness, cotton futures were easy during the week. Selling was attributed to revision of room rates announced earlier and impending maturity of the August contract. While the spot market was firm on consistent mill buying of better varieties, forward contracts were depressed by prospects of a steady diminution of mill demand for inferior domestic varieties. The shift of production from coarse to finer varieties, it is feared, is likely to continue.

Estimates of the new crop can hardly be relied upon for some months to come but it would not be surprising if the crop turned out to be larger than this year's.

CURRENT STATISTICS

BANKING RETURNS				
Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1541.83	1557.66	1577.10	1498.83
2. Rupee Coin	135.15	133.36	131.32	130.18
3. Deposits				
a) Central				
Government's	70.14	51.06	58.69	53.90
b) Banks'	107.85	94.46	98.53	103.83
c) Other				
Government's	28.66	41.79	14.17	2.19
d) Others	143.20	147.29	112.80	149.04
4. Foreign Securities	184.68	189.68	199.68	400.52
5. Balances held abroad	12.53	10.51	18.04	19.69
6. Rupee Securities	1129.59	1144.59	1167.56	886.81
7. Investments	363.17	363.15	293.10	280.81
8. Loans and advances to Governments	14.76	19.25	26.66	26.19
9. Other loans and advances	55.05	61.88	60.51	63.29
Scheduled Banks				
1. Demand liabilities (net)	721.10	722.75	717.34	707.18
2. Time Liabilities	815.23	814.93	806.47	563.55
3. Cash on hand	38.36	39.52	38.98	39.00
4. Borrowings from Reserve Bank of which against Usance Bills	15.34	11.64	12.71	39.51
5. Advances and Bills discounted of which State Bank's	182.72	182.00	186.57	174.57
6. Invest. in Govt. Sec. of which State Bank's	514.51	508.05	484.80	332.25
Cheque Clearance	147.89	170.11	137.69	182.76
† For Reserve Bank and Cheque Clearance Week ended 25-7-58. Scheduled Banks Week ended 18-7-57.				
Bombay Money Rates				
	18-7-58	11-7-58	20-6-58	19-7-57
Call Money				
From banks	2½-3½	2½-4½	3-3½	3½-4½
From public	3½-4½	3½-4½	3½-4½	3½-4½
Three Months	2½-4½	2½-4½	2½-4½	2½-4½
Six Months	2½-4½	2-4½	2-4½	2-4½
Bombay Bullion (In Rupees and nP)				
	31-7-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	105.00	106.19	108.25	107.81
Forward	105.19	106.16	107.62	107.25
Silver (per 100 tolas)				
Spot	181.37	182.56	185.00	182.50
Forward	181.25	182.75	185.31	183.25

JUTE STATISTICS				
	May.	Apr.	Mar.	July-57 May.-58
Production ('000 tons)				
Hessian	34.2	30.9	30.4	360.4
Sacking	53.7	50.6	49.5	550.8
Others	7.0	6.5	5.4	62.6
Total	94.9	88.0	85.3	973.8
" in corresponding months :				
1956-57	87.3	86.8	84.7	945.1
1955-56	101.7	93.6	99.3	996.1
Stocks ('000 tons)				
Hessian	25.0	20.4	24.5	—
Sacking	71.8	60.2	54.8	—
Others	15.2	16.9	15.0	—
Total	112.0	97.5	94.3	—
" at the end of corresponding months :				
1956-57	109.4	104.2	104.2	—
1955-56	119.7	107.9	95.0	—
Despatches † ('000 tons)				
Hessian	29.6	34.4	33.6	377.2
Sacking	42.1	44.9	43.5	545.1
Others	7.8	4.6	22.0	48.5
Total	79.5	83.9	86.0	970.8
" in corresponding months :				
1956-57	82.7	79.0	84.0	958.7
1955-56	89.0	81.3	92.8	956.5
Raw Jute consumption : ('000 bales)				
1957-58	534	518	515	5,745
1956-57	517	521	521	5,607
IJMA Mills' purchase of raw jute ('000 bales)				
Pakistani	58	56	47	584
In Corresponding periods:				
1956-57	47	31	23	439
1955-56	21	27	18	1,162
Indian	308	379	470	5,374
In Corresponding periods:				
1956-57	433	402	306	5,414
1955-56	385	376	405	4,592
† Despatches include exports and sales for internal consumption.				
Source : Indian Jute Mills Association				

INDEX NUMBER OF WHOLESALE PRICES

Group and Sub-Group	Week Ended			
	12-7-58	5-7-58	14-6-58	13-7-57
Food Articles	117.9	116.1	111.8	110.7
Cereals	109.1	107.9	105.3	104.0
Pulses	97.8	94.4	90.1	85.8
Fruits & Veg.	118.9	116.2	109.9	123.2
Milk and Ghee	112.9	111.6	109.7	106.7
Edible Oils	124.3	124.1	122.3	132.5
Fish, Eggs & Meat	111.6	107.9	107.5	96.5
Sugar & Gur	131.3	128.8	123.4	109.7
Others	160.1	156.2	140.2	144.5
Liquor and Tobacco	92.4	92.4	91.8	94.3
Tobacco	90.6	90.6	90.0	92.6
Fuel, Power, Light & Lubricants	115.7	115.6	115.6	114.7
Industrial Raw Materials	116.5	116.1	115.0	121.0
Fibres	110.0	110.3	109.5	122.2
Oilseeds	126.9	126.0	122.8	127.9
Minerals	101.0	101.0	107.3	111.1
Others	109.9	109.8	111.2	106.1
Manufactures	108.6	108.5	107.7	108.6
Intermediate Products	110.7	111.0	109.2	108.4
Finished Products	108.2	108.1	107.5	108.7
Textiles	104.2	104.0	103.5	108.2
Cotton	112.9	112.9	113.0	116.6
Jute	87.1	86.5	85.4	97.8
Woollen	104.6	104.6	104.6	108.0
Silk & Rayon	93.9	93.9	90.3	85.0
Metal Products	143.0	143.0	143.0	142.3
Chemicals	105.0	104.9	104.2	98.0
Oilcakes	133.1	132.3	126.9	114.3
Machinery and Trans Equipment	108.4	103.5	103.0	101.8
Others	113.5	113.5	113.4	110.3
All Commodities	114.4	113.4	110.8	111.5

CALCUTTA TEA AUCTIONS

	1958-59		1957-58	
	June 1 to July 1		June 1 to July 1	
	Packages (nos)	Avg Price Per lb. (Rs)	Packages (nos)	Avg Price per lb (Rs)
For Export:				
Assam	10,524	2.75	14,569	2.65
Cachar	2,996	1.83	5,241	1.73
Darjeeling	20,699	3.80	27,800	2.91
Dooars	21,050	2.20	28,718	1.94
Terai	1,247	2.15	2,842	1.84
Tripura	728	1.79	831	1.80
Other Districts	60	2.57	52	2.16
Total	57,304	2.81	80,053	2.36
For Consumption in India:				
DUSTS:	11,070	2.06	17,088	1.73
of which				
Assam	3,783	2.51	3,968	2.20
Cachar	1,290	1.70	2,283	1.49
Darjeeling	481	2.57	893	2.52
Dooars	5,262	1.79	9,477	1.52
OTHER GRADES:	883	1.97	1,285	2.15
of which				
Assam	93	1.92	195	1.70
Cachar	184	1.51	21	1.21
Darjeeling	285	2.58	747	2.56
Dooars	269	1.73	232	1.46

Source : Department of Commercial Intelligence and Statistics, Calcutta.

CLOTH PRODUCTION IN INDIA
(Monthly Average or Calendar Months)

	Yarn	Coarse	Medium	Fine	Superfine	Total
1953	125,433	49,902	261,373	69,910	25,363	406,548
1954	130,086	42,467	307,624	38,476	27,909	416,476
1955	135,867	47,706	313,219	38,525	25,090	424,540
1956	139,267	59,887	316,384	37,003	28,941	442,215
1957	148,341	96,976	291,909	31,923	22,310	443,118
Jan	156,416	102,296	320,170	36,009	25,227	483,702
Feb	143,246	94,530	286,012	32,049	22,490	435,081
Mar	150,451	95,132	301,720	33,027	23,444	453,323
Apr	153,672	96,289	311,718	32,809	23,560	464,374
May	149,983	93,116	304,778	32,188	20,992	453,074
June	136,978	88,832	281,108	30,285	19,399	419,624
July	150,171	103,575	299,800	33,090	22,417	458,882
Aug	144,056	97,918	272,521	28,829	21,217	420,539
Sept	150,884	101,438	288,634	30,864	22,785	443,721
Oct	142,416	94,074	270,286	29,674	21,319	415,353
Nov	149,125	97,582	280,280	32,031	21,655	431,548
Dec	152,698	98,933	283,879	32,218	23,168	438,198
Jan	148,702	86,361	299,881	28,760	21,524	436,526
Feb	132,861	74,198	271,739	25,943	19,568	391,448
Mar	138,475	73,767	284,594	26,282	20,919	405,562

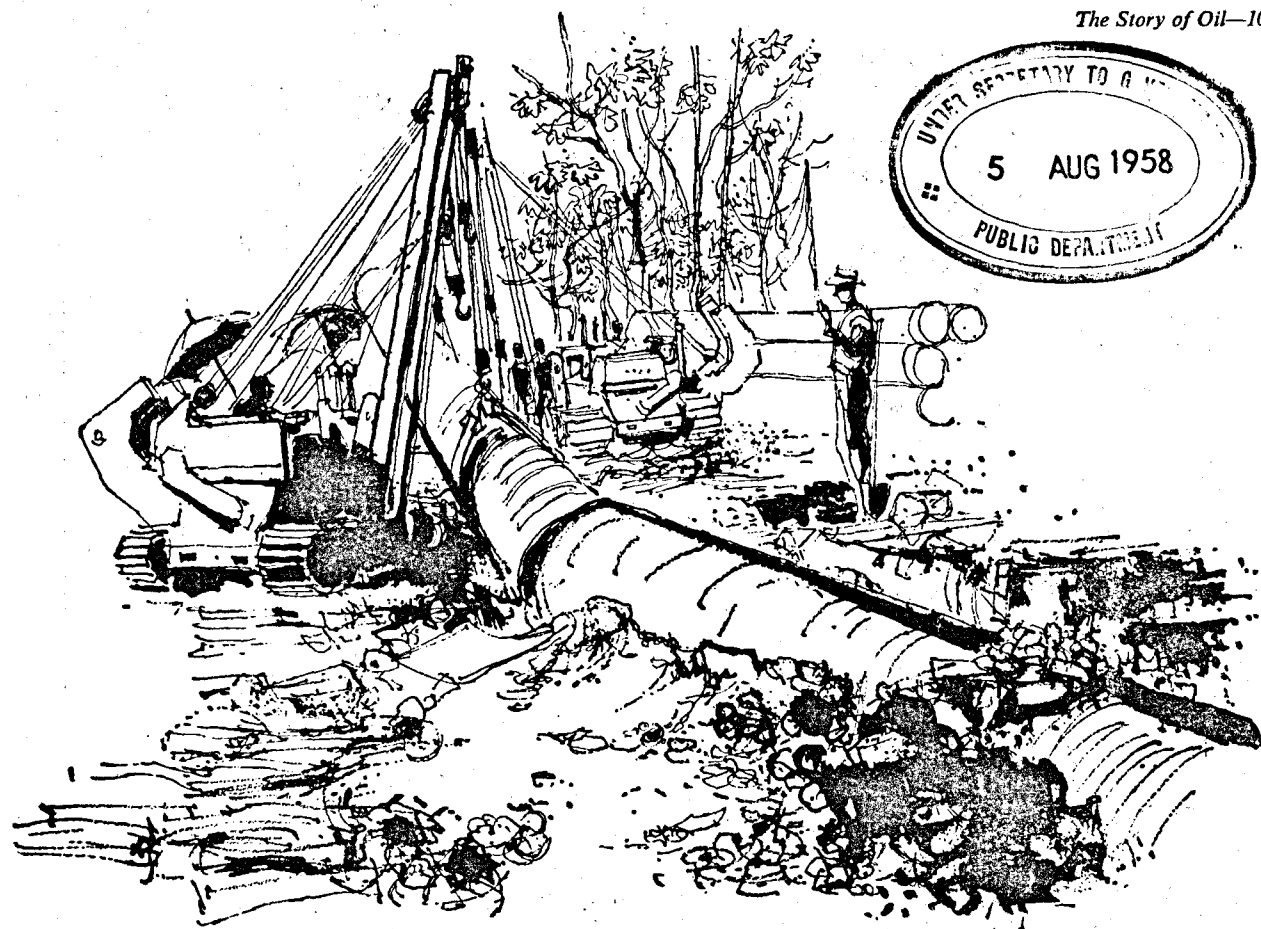
Yarn in '000 lbs and cloth in '000 yds.

Production, Import, Export & Per Capita Availability of Cloth in India

	Cloth Production (mn yds)				Total incl imports (mn yds)	Export Deliveries (mn yds)	Available for other purposes (mn yds)	Per capita availability (yds)
	Popln (millions)	Mill made	Hand-loom	Power-loom				
1952	365	4,598	1,109	204	5,916	602	39	5,275
1953	369	4,878	1,200	221	6,304	716	22	5,566
1954	373	4,998	1,318	243	6,565	956	23	5,586
1955	377	5,094	1,480	273	6,853	873	29	5,951
1956	381	5,306	1,509	278	7,106	804	27	6,275
1957	385	5,317	1,643	303	7,275	795	27	6,453
1958 (Jan/Feb)	386	1,641	579	107	2,331	201	7	2,123

Source : Bombay DCS, Calcutta.

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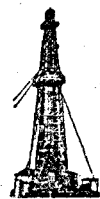
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The Receding Summit

THE summit has now definitely receded into the dim, misty distance. And even there it perhaps exists only as a mirage in a desert of danger. We will not know until we arrive there again.

The only consolation for the present is that what has really vanished is not the actual summit but the Security Council version of it. It is still necessary, and it may still be possible, to work for the genuine, exclusive summit as originally conceived and proposed by Mr Khrushchev. The door for it has certainly been left open by the fateful Sino-Soviet communique of this week. One hopes the West will recognise this fact and, indeed, welcome it, instead of being content with the General Assembly debate on West Asia that is now on the anvil. The Assembly can in no sense be a useful substitute for the summit, though there is a danger that it will be made to appear like one by those whose keenness for a top-level big-power meeting has never been excessive.

No one will wish, of course, to minimise the usefulness or desirability of the West Asian question remaining before the United Nations; and since the Security Council has failed to resolve the issue, it is in the natural order of things that it should now go before the General Assembly. But debate is one thing and settlement another. The only real value of debate at this juncture is that if people keep on talking, and as long as they keep on talking, they will not be shooting. Beyond that, however, it is difficult to see what precise purpose a General Assembly discussion can serve. When a final solution of the problems raised by Western intervention in Jordan and Lebanon comes, if it comes at all, it will be by means of negotiations among the Big three, four or five. What is necessary, above all else, is that the East and West should come to a common understanding on this eternally explosive issue. And this will only be possible at a genuine summit. It is imperative, therefore, that the quest for it is not abandoned.

But although it is important to assess the situation as it stands now and to some extent fruitless to indulge in academic analyses of past failures, one cannot help asking what wrecked the Security Council summit which had seemed so much within reach until July 28. The first impulse is, of course, to blame it all on the Soviet Union and to point out, with some truth, that it is Mr Khrushchev who went back on his earlier acceptance of such a summit on July 23. Far too many political observers are busy pointing this out, and giving for this apparent Soviet somersault any reasons they can ingeniously think of. The particularly naive would have us believe that the Security Council Summit broke down on the question of China. Mr Khrushchev, they say, was in favour of such a meeting until July 23. Five days later he rejected it. The only thing that had happened between these two dates was the Khrushchev-Mao meeting. Therefore, it is this that was responsible for the somersault. Q E D.

This explanation sounds plausible enough, until one begins to ask what exactly happened in Peking at this historic meeting. The stock answer is that Mao put his foot down, gave Khrushchev a severe telling off for agreeing to a summit in which Kuomintang and not Peking would be represented, and told the Russian Prime Minister to retract.

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The Economic Weekly

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at once, which he tremblingly did.

Such a picture of the Peking affair will seem immediately false to any normal, sensible adult. It leaves too many lines blurred. What puts China in such a dominating position vis-a-vis Russia that Chairman Mao can presume to correct the formidable Mr Khrushchev like an erring school-boy? It is true, of course, that Moscow values its close alliance with the vast and powerful Communist State in Asia and would hesitate to weaken this alliance at any cost. But to accept this obvious fact is one thing; to suggest that Peking stays in the Russian camp on the strength of blackmail is quite another. Besides, China has at least as much use for Soviet friendship as Russia has for Chinese. Most of Peking's ambitious development plans would come to an abrupt stop if Moscow withdrew its helping hand. Sino-Soviet relations are more sensibly assessed as those based on mutual understanding and partnership rather than on an imaginary big stick in the hand of Chairman Mao.

Now remains the question of the supposed "pique" which Mao felt against Khrushchev's acceptance of a Security Council summit in which he knew Peking would not be represented. Are we seriously to assume that this glaringly obvious point had escaped the calculations of the Soviet Prime Minister when he first accepted the British proposal? It is at least a trifle inconsistent that we should on the one hand be all too ready to condemn Mr Khrushchev as a man of almost diabolical cunningness, and on the other hand deny him the credit of ordinary shrewdness. To any sane person it will seem inconceivable that the question of Kuomintang membership of the Security Council summit was not previously discussed and settled between Peking and Moscow. And, indeed, all need for conjecture on this point is set at rest by the fact China had already officially supported a five-power summit excluding itself.

What, then, did the two Communist leaders discuss in Peking over the week-end? This is a rather more difficult question to answer. But the probability is that the entire international situation was subjected to a fresh and comprehen-

sive review. The Big Two of the Communist world had good reason to undertake such a re-appraisal. In spite of the almost daily statements from the State Department about America's willingness to withdraw from Beirut on one vague condition or the other being satisfied, U S troops are continuing to land in Lebanon. As many as another thousand of them landed on one single day this week. Britain has also kept up its avowals of doing nothing more than "protect" the safety of King Hussein; but has accompanied this torrent of reassurances with landings in Kuwait. The situation has obvious military, apart from political, overtones—a fact that was underlined in Peking by the presence of both the Defence Ministers at the Mao-Khrushchev talks (and still more recently by the alerting of the Egyptian army in Cairo.) Furthermore, Mr Khrushchev's own original proposal for a five-power summit had been twisted completely out of shape by the West; and the Security Council (which had already once failed to provide a solution) was now being suggested as the best avenue for exploring a new summit! It is true, of course, that Russia first seemed to approve of this distortion of its proposal and then rejected it (and to that extent it is bound to suffer a propaganda set-back in the uncommitted world); but what

Bombay Corporator's Self-Curb

IN these days of clamour for greater powers and privileges, it would be surprising if a public body or any of its members went out of their way to seek a curtailment of power. And yet that is what the Bombay Municipal Corporation, the time-honoured repository of civic freedom, or rather one of its members has sought to do and even succeeded.

For long it has been the boast of the Corporation that it could discuss, and pass a resolution on, any subject under the sun, depending on the initiative and imagination of members. Advantage was taken of a section in the Constitution which lays down that the Corporation might in its discretion provide from time to time, either wholly or partly, for all or any of a number of matters specified. Of them, one is that the Corporation might take any measure, not hereinbefore speci-

were the motives of the United States in backing a Security Council summit? How to explain the sudden loyalty to the United Nations of a country which did not hesitate in the first place to take precipitate action in Lebanon in the teeth of a United Nations report specifically denying the need for intervention?

What is amply clear, however, is that it is absurd to accept the Western version (or the pro-Western one) of the Peking meeting. If Russia has changed its stand on the U N summit, it must have done so as a result of mutual agreement with China after a joint review of the situation and not because of some fatherly admonition from Mao Tse-Tung. Whatever the new aspects of the changed position regarding the summit, one factor remains constant. Russia is still a more ardent advocate of the five-power summit than the West; and will continue to remain so in the eyes of neutral nations as long as Western response to this advocacy is withheld on the ground that the United Nations is the best forum for settlement of international disputes. In this pretence, the West will not be helped by the fact that Anglo-American troops in West Asia do not constitute a particularly convincing act of faith in the United Nations.

fically named, likely to promote public safety, health, convenience or instruction.

'Public instruction' is a wide term; and it was held by some Councillors in the past that it could be said to cover any and every subject that might be deemed to be instructive. It was also held that there was unlimited power of debate implied in another section which laid down that any member, who desired to bring forward any business or to make any substantive proposition, could do so by giving three days' notice.

Relying on precedents, a Congress member brought forward recently a resolution condemning the Hungarian executions and seeking to convey the sympathy of the Corporation to the bereaved families through the Government of India. A member of the ruling Samiti Party then went to the High Court,

challenging the validity of the resolution and praying that the Corporation be restrained from discussing it as it went beyond the scope and ambit of the powers conferred on the Corporation and since Article of the Constitution of India relating to freedom of speech could not be invoked to expand the scope and limit of the powers of the Corporation.

In the course of the hearings, the Corporation relied largely on the right given to a member to 'bring forward any business' at a meeting and also on the discretionary power conferred on the Corporation to take any measure likely to promote public 'instruction'.

The Court held that the word 'business' used in the Section could not cover 'anything and everything', but only that which constituted, or related to, the business of the Corporation.

The ambit and scope of the business of the Corporation were not enlarged by virtue of the provisions of this Section. As for the plea regarding public instruction, the Court was of the view that the debate might be educative, but that was not the object of the discussion at a meeting of the Corporation. Instruction might be an incidental benefit.

The Court felt that the question to be considered was whether the object of the resolution was to promote public instruction. If the object was something different, the mere fact that instruction might incidentally result therefrom would not bring it within the sphere of municipal administration. If the main object was political and not educative, it would be outside the ambit of municipal activity. While conceding that it might be difficult to draw a line, the Court held nevertheless that it did not mean that there should not be a demarcation.

What all this boils down to is that the Corporation will have to confine its debating zeal in future to strictly civic issues. This is a development which quite a number of citizens, tired of Municipal expansiveness in the past, may well hail. There is no doubt that at times the Corporation was tending to be a sort of high school debating society, straying far and wide into fields over which it had little power of corrective action. Nevertheless, old timers who were not a little proud

of the civic body's apparently unlimited power of debate, which was heartily exercised particularly in times of stress or strain or in a crisis, are likely to regret the new limitation.

That the initiative for inviting the limitation should have come from a member of the Corporation rather than from outside provides an interesting commentary on the play of political forces in the civic field. Had the resolution been on a less controversial subject and had it not found the ruling party in the Corporation so deeply divided, there might have been no reference to the High Court and none of the

ensuing consequences. Now what applies to the Hungarian issue may well apply to political issues, nearer home and nearer the City too, in which the civic body has been taking considerable interest.

Bombay to Budapest may be a far cry; but by a strange twist of fate, the two have got linked up. And in trying to correct Budapest, it is Bombay that stands corrected. Whether the sphere of freedom and liberty expands in Budapest or not, the civic freedom of Bombay, at least in respect of debate and discussion, has tangibly shrunk. The weapon that was unwittingly used was a boomerang.

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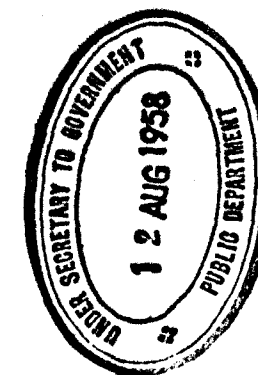
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Weekly Notes

Why Is Nehru Silent?

Our Delhi Correspondent writes:

DELHI'S restraint in reacting to developments in West Asia has been one of the more remarkable features of a crisis in which the unexpected is the largest single element. This restraint some trace to a growth in maturity, others, less kindly, call it a hesitation: the reality is perhaps that in this matter the heart and the mind of Delhi were out of harmony.

Not that there has been any let down, any betrayal of ideals: the interests of the Arab Revolution have, in the end result, been, if anything, advanced by India's action and even by India's silence on occasions when many expected her voice to be raised in angry protest. The specifically Indian interests have also been served, the new optimism of the economic analysts studying the foreign exchange situation, has survived the murder of a King and a Prime Minister and the tumultuous re-election of a President, to say nothing of other, no less remarkable events. No one therefore has been hurt, all interests remain intact, everyone should be happy except those who cannot, in their perversity to regret this dichotomy, the conflict between the head and the heart in which, strangely enough, neither has lost.

It behoves us to analyse the Indian reaction to West Asia, for such analysis may lead to deeper understanding of a wide range of problems and attitudes. Since the present crisis started with the reluctance of M Chamoun to quit, the moment of his replacement is perhaps appropriate, for the drawing of breaths and conclusions.

Certain unanimities are discernible in that complex, which for convenience, we shall call the Indian reaction to West Asia: among these, foremost is the convincing thought that the explosion in Iraq and in Lebanon represents a definite stage in the growth of Arab nationalism, on the one hand, and its attempted external suppression on the other. This is the basic explanation of all that has

happened in the Arab Peninsula.

Growth is given a shape (let us be plain and call it, a distortion), by suppression and the particular weaknesses in Arab nationalism that result from Western attempts to bludgeon and beguile it call for separate analysis. Here the interrelation needs to be noted and the physical fact accepted that an explosion does not happen of itself: the lid can only blow, if at the start it was placed firmly (and hopefully) on the cauldron. Those who declaim, rather sententiously, of the immaturity of Arab nationalism and of its crudity, forget or neglect to remember precisely how and why these features have developed. Like their memories, the sensitivity of these people is also restricted, reacting only to the suffering of kings. Such selectivity of intellect and emotion has been much in evidence in Delhi and not just in the appropriate diplomatic quarters.

Arab Disappointment

TO proceed with our analysis, our Delhi correspondent continues, while the essential character of the West Asia explosion, its duality has been noted and registered, there has been genuine apprehension lest the Arab movement lose, by external pressures, its specific character. It has been felt in Delhi that the very logic of the movement requires that it be allowed to develop, as far as possible, on its own. There is a strong and genuine conviction that the substitution of the jealous and egocentric queen by even a fairy godmother is not ideal for Snow-White's good. It is essential that she grows up in her own particular way. This conviction has, happily, squared with the inner feeling of the movement itself; happily because, Delhi's restraint has for this reason been in harmony with one of the deeper convictions of Arab nationalism. It would be idle to pretend, however, that the conviction is entirely divorced from certain concepts of self-interest or that, if the turn of events presented a choice, the Indian and the Arab would not have preferred the godmother to the princess.

Two conclusions emerge: first that neutralism is not merely atavistic but conforms directly to the present and urgent needs and impulses of Afro-Asia, emerging to identity in a world divided into two great blocs. Second, that the guarantee of the unimpeded emergence of this identity, depends, for the present at any rate, on the Sputniks and the ICBMs in the Soviet arsenal.

The criticism, often heard and not only in foreign chancelleries, that Nehru's neutralism is not only a pose but also un-related to India's interest is, if we accept the preceding conclusion, neither fair nor realistic. From the same standpoint, India's passionate interest in world peace can be seen as serving both moral and material ends. Panchsheel is therefore a logical expression, in external terms, of the ideas and aspirations embodied in the Second Five Year Plan.

It must be recognised, however, that these delicate nuances are not easily understood and there has been certain unexpressed disappointment in Arab diplomatic missions over Delhi's stand. That our reticence coincides with a foreign exchange crisis has also been noted and the obvious inference drawn; but as events have unfolded, the disappointment has gradually lost edge. In a sense it may be said that the swift firmness with which the Baghdad coup was organised has come to Panchsheel's rescue.

On the other side of the medal, the more thoughtful observer in Delhi notes that the end of the honeymoon period of Arab nationalism is in sight. The white passion of love and hate will soon be but a dull glow and if the power-bases of the new Arab regimes remain restricted, the traditional animosities between Cairo, Baghdad and Damascus, to say nothing of the Arab Maghreb, will emerge again. Israel is a cementing force and may well engender that diversion from internal events that Kashmir provides for Pakistan. But for how long? Perhaps the time has come for Arab nationalism to acquire a social and economic content,

Spread of Education

A NEW DELHI report appearing in a local daily indicates that one of the Directive Principles of State Policy, laid down in our Constitution, is to be amended. That the Directive Principle concerned should relate to the obligation to introduce free and compulsory education for all children up to the age of fourteen rather than to some more expendable proposition will be regretted. Nevertheless, the new trend towards viewing Directive Principles with less awe than in the past, as evidenced particularly in the context of certain controversial policies like Prohibition, might well be welcomed. It should make possible a more realistic approach to certain idealistic goals, accepted with more emotion than reason in the first flush of constitution-making. Pious intentions, enshrined in the Constitution, which do not admit of full or immediate realisation in the changing circumstances of the country, can serve only to invite scepticism and ridicule. That this is being realised at least in the case of the rather unattainable objective of universal, free and compulsory education in the present state of financial stress is a good sign though one would have wished that Government's attention fell on some less essential, less important policy, to begin with.

According to the New Delhi report, the present move would seem to be not only to extend the time-limit for the introduction of free, compulsory education from 1960 to 1966, but also to reduce the age-limit of children, taking advantage of free education, from 14 years to 11. What was to be achieved within ten years of the commencement of the Constitution is now sought to be achieved in 16 years, i.e. at the end of the Third Plan period. It is true that this does not prevent any State or territory from introducing universal free education before the time-limit; but considering the fact that any such advance on the part of a State would call for considerable Central aid, the prospects are not bright. While a frank admission of inability is to be preferred to any attempt at covering it up in devious ways, it may well be asked whether the assumed inability could not be overcome, may be, by adopting a less orthodox approach

to the problem of mass education. As Prime Minister Nehru complained recently, there is a decided tendency in the country to think of even elementary education in terms of impressive buildings, costly equipment and what not. That is at least one reason why education has not been able to make enough headway. Pandit Nehru was realistic when he said that he would have education spread even without school buildings and classrooms. That such lucid intervals of realism are rare, in the midst of an orgy of spectacular public buildings as that of the Supreme Court formally opened this week, makes them all the more notable and valuable. Nothing essential would be lost and much could be gained by holding classes in whatever structure is easily and cheaply available or even in the open air when the weather permits.

Bitter Price for Saintliness

IT is only a policy of improvisation and making do with things that are ready to hand that can possibly cope with the problems of a country as vast and populous as India. And it is particularly so in respect of an objective as highly desirable as the spread of education—an objective, moreover, which cannot wait. What should matter for the present is the nature and quality of the instruction imparted and its speed rather than how and where it is imparted. Comfort, elaborateness and elegance could come with more favourable times. It may be that even with considerable improvisation and make-shift, the target set in the Constitution would have been difficult to attain. Nevertheless, there could have been greater progress towards the goal. Even now, with the date put off by six years, it is only a major change in the old attitude towards school buildings and equipment and recruitment of the teaching staff that seems likely to yield encouraging results.

A nation, keen on pursuing parliamentary democracy, has necessarily to be enlightened and alert. And whatever may be the condition at present, it is imperative that at least the coming generations are better and more widely educated. Any sacrifice would be worthwhile to achieve that objective—and more so an intelligent sacrifice of objectives impractical in them-

selves, the pursuit of which brings in train endless corruption.

In an orderly society and a properly run State, it should not be necessary for a father to visit the grog shop in order that his child may go to school. But even if these are the unpleasant alternatives, is New Delhi so sure that the people would not choose education? The Constitution does not lay down any order of priorities for the various Directive Principles, nor any time limit for their enforcement, except in the case of free and compulsory primary education. It is only in the case of compulsory education that the Constitution sets a time limit. Therefore, if a choice is forced, which Directive Principles are to be taken up first—all of them cannot be attained at the same time if at all—the choice should obviously be compulsory education and it is a thousand pities that those who have the sacred task of upholding the Constitution should prefer to attempt to achieve sanctity, knowing full well that the failure to attain it corrupts them as much as it corrupts others.

Super-celestial thoughts, Montaigne had noted sardonically, tend to go hand in hand with subterranean conduct. We see it every day, every hour, every where in Bombay, the State which has the reputation of having the cleanest administration as well as complete prohibition, but which has not yet attained or even attempted to carry out the one Directive Principle of the Constitution which, by rights, should have precedence over all the others.

Ceylon's Socialist Budget

IN its retreat from the programme of nationalisation, forced upon her by her vulnerable position, and the dire need to attract substantial foreign aid, Ceylon has decided to maintain its socialist claims with a Budget which aims to achieve greater equality of income and wealth without affecting the inducement to invest. Kaldor's proposals have come handy for the purpose and Ceylon's Finance Minister has gone wholehog for them, and not in bits, as T T K did. In the Budget for 1958-59 beginning with October, presented last month, the Finance Minister sought to readjust the tax structure so as to distribute more equitably

the incidence of taxation between incomes from work and property. The proposed readjustment involves lowering of taxes on married men and allowances for children, raising of rates on higher income brackets, disallowance of certain expenses hitherto exempted and introduction of new taxes on net wealth, personal consumption expenditure, capital gains and gifts. For taxation on business the present dual system of income-tax and profit tax will be replaced by a uniform tax on company profits. The Finance Minister expects a revenue yield of Rs 66 million from readjusted direct taxes. Among other tax proposals are the readjustment of import duties on luxury items and commodities which could be produced at home. These are expected to yield an additional Rs 20 million.

The new tax structure outlined in Ceylon's Budget appears to be better integrated and more balanced. Apart from the intelligent adoption of Kaldor's proposals, the aggregation of income from land with that from other sources for taxation on income, which has been a feature of Ceylon's tax system, lends a great deal of significance to the gift tax and the tax on capital gains. It would be possible for the Government henceforth to seal an important loophole through which what should be taxable income has been slipping away, viz, profits from land speculation, specially in areas selected by Government for schemes of development.

Total expenditure for the coming year is estimated at Rs 1,795 million including Rs 432 million capital development. Revenue is estimated at Rs 1,311 million, leaving a deficit of Rs 485 million. Of this gap, Rs 120 million is expected to be covered by foreign aid from Colombo Plan countries and the United States, together with some further assistance from Soviet Union and China; and Rs 160 million are expected to be made good from domestic borrowing. A deficit of Rs 200 million is still left uncovered in the hope of securing assistance from 'certain other sources', mostly the USA, for which preliminary talks have already been held. The readjusted tax structure, it is hoped will close many loopholes for tax evasion and also maintain the socialist reputation of the Government.

How far this budget will go to cure Ceylon's economic ills, however, is problematic. Ceylon's per capita income dropped by 4 per cent in 1956-57 and by 10 per cent over the period 1955-57. Unemployment is placed officially at a record figure. Ceylon's income tax department has, like its counterpart in India, not been known for efficiency in collecting even the assessed dues, let apart for possessing experience in the valuation of estates and capital gains. Declining commercial activity and the recession in most primary commodities do not justify optimism about collection of higher revenues. During the 8 months ended May 1958, the amount collected by way of income tax and estate duties was Rs 124 million against Rs 148 million in the corresponding period of the previous year. The target for domestic borrowing is nearly twice the amount actually raised last year.

While a budget can set out the readjustment of a tax structure, even if that becomes effective over a number of years, it can hardly be a substitute for a planned programme of development or priorities in Government spending on capital projects. Of such a programme, there is no indication, which is indeed to be deplored for that alone can ultimately stabilize the economy of Ceylon as well as her political life. In the meanwhile, Ceylon continues to fritter away her resources and prestige in projects, for example in shipping, which instead of strengthening the economy damages the reputation of her Government and its members.

Stainless Steel

STAINLESS STEEL has so many attractive qualities and has found so many uses that it has become a symbol of modernism, whether in household wares, industrial application or even in architecture. Considering the short period within which this stain, corrosion and heat-resisting alloy of steel, chromium and nickel has come up, its extraordinary popular appeal may be gauged from the fact that some 110 firms in India are already engaged in turning out various products from this shining metal. The alloy itself, however, has to be solely imported though, some day, in view of its many industrial uses, its domestic produc-

tion may be taken up. The All-India Stainless Steel Industries Association, which has brought out the well-produced, informative booklet 'The Story of Stainless Steel' would certainly welcome the domestic production of this wonder alloy of the new age but it also argues that pending such development, imports of stainless steel should be allowed in increasing quantities in order that manufacturing of various items from the alloy may continue and expand, so that by the time stainless steel is produced domestically it may have a well-established and expanding market.

Many things are already being manufactured from stainless steel in this country and the list will certainly grow with the industrial development of the country. The items listed by the Association are as follows:

hospital-ware including surgical instruments; furniture; coach building and fittings in railways; military stores; hardware; automobile parts; cycle parts and accessories; sanitary-ware and equipment for rayon, textile and dyes industry; vats for the production of paints and varnishes; stainless steel tanks; electrical appliances; acid-resistant articles in research institutes; and utensils such as thalis, katoris, topes, tumblers, spoons, wash-basins, jugs, tiffin-carriers, lunch boxes, etc, etc.

Besides, stainless steel is used in the ship-building, food processing and packing industries, in certain chemical plants, in the drug manufacturing laboratories, in the refrigeration, oil, rubber, photographic, sugar and vegetable processing and paper industries. It is also used as a subsidiary raw material for various other small industries wherever and whenever a metal of high corrosion and heat-resisting quality is required.

Several other industries which have not yet been established in India and which may be established during the course of the Second Five Year Plan will require stainless steel for their manufactured products, such as textile bobbins, motor-car and aeroplane parts, cutlery, etc. Several of these new industries, will again require more and more stainless steel.

From Utensils to Industry

THE booklet, however, does not give a quantitative breakdown of the different purposes for which stainless steel is currently being utilised and the impression one gets is that it is making of utensils that gets the lion's share. There is nothing surprising in this because that is how, in an under-developed country, new materials come into use. A classic example of it is aluminium, the consumption of which, for many years, was largely for making of utensils rather than for industrial purposes. The situation in regard to aluminium has changed greatly of late and it is industrial uses which now predominate. The Association's case for continued imports of the alloy in a situation of acute foreign exchange shortage would have been stronger, had this

aspect of the industry which it represents were brought out more clearly. There is no question that stainless steel utensils are superior to those made from brass; they last longer and have lower wastage; they do not need tinning every two months which, by the way, itself costs foreign exchange, but the initial cost of the imported alloy remains rather a difficult problem.

It is in the last ten years that the use of stainless steel, beginning with the manufacture of utensils, has gone up and imports, according to the figures given in the booklet, went up steadily from 819 tons in 1951 to 3,087 tons in 1954 and again after a slight drop, to 4,582 tons in 1956. The import for 1957 has been put in the booklet at 3,791 tons which does not seem to be correct, for the Monthly Statistics of Foreign Trade for December 1957 lists the

imports of stainless steel under the following heads as below:

	Quantity Tons	Value Rs lakhs
Sheets and plates	4,724	270
Rods and bars	37	21
	4,761	291

The Association has reproduced two news items on the subject of indigenous manufacture of stainless steel as purporting to contain the "decisions" of the Government of India, which, on examination will be found to be no decisions at all, but the usual kind of airy confusion in which the Development Wing of the Ministry of Commerce and Industry in particular and the various ministries in general delight to keep even hard-headed business men.

Food Production and Administration Need for a Firm Policy

(From a Delhi Correspondent)

THE decision of the Government of India to organize an intensive drive for production of rabi foodgrains in the northern States of U P, Punjab, M P, Rajasthan and Bihar is at once an indication of the urgency for such a drive and—let us hope—a measure of the awareness on the part of the Central and State Governments of the need to do something about it. While phrases like "organization of shock-brigades" and placing food production "on a war-footing", recently used by persons in authority, may have no special significance, the core of the decision is the enlistment of the cooperation of all available agencies at the disposal of the Central and State Governments to increase production of foodgrains.

It is proposed to send out organized teams of workers interested in agriculture into the villages to help cultivators in respect of essential needs like supply of seeds, manure and implements, the repair of minor irrigation works, wherever necessary, and the provision of credit to them through cooperative societies. The agency of the Community Development Ministry engaged in agricultural extension work will undoubtedly be fully utilized. The work of the teams will be supervised by others to en-

sure that the scheme is effectively implemented and in the proper spirit.

The basic facts of the present food situation are well-known. After a record production in the 1956-57 season, a recession set in during 1957-58 which is estimated to result in a short-fall in food production, of about 6 million tons. This short-fall reveals the immense risks to which food production is still exposed in spite of extensive and large-scale irrigation, projects and the existence of large number of minor irrigation works in different States. Food remains still very much a gamble in the monsoon.

The tendency of food prices to fluctuate with the crop prospects and with the availability of stocks in a particular area is a notorious phenomenon. This has been proved many times before and is being proved again by the rising trend in the prices of foodgrains, particularly wheat, in the north Indian States, U P, M P, Punjab, Rajasthan and Bihar, during the last six months and consequent distress among the people in the deficit areas in these States. This price rise is only partly due to the prevalence of scarcity conditions in specific areas following shortfall

in production. It is also due to the activities of hoarders of foodgrains who, by refusing to sell in anticipation of a further rise in prices, create an artificial scarcity.

While scarcity conditions can be attributed to these two factors, acute distress in parts of Eastern U P is due in part to a grievous lack of purchasing power in the hands of the very poor sections of the population and the deficiencies in arrangements for distribution of foodgrains. Individually and collectively these various factors constitute the background to the grim picture of distress among the people painted in the report of the PSP team, who toured the Eastern U P districts. There is no question but that faulty distribution, despite the large number of fair price shops being opened in various deficit areas, and lack of purchasing power are among the important contributory factors for the rise in foodgrain prices. There is also no doubt that a number of big producers are holding back stocks and are thus forcing prices up.

For this state of affairs there can be only two remedies in the existing circumstances. Firstly, the Central Government should continue to build up a reserve stock of foodgrains—rice, wheat

and jowar—of a minimum of 2 million tons, by imports from countries which are in a position to sell them, and secondly, by judicious allocations of foodgrains from the reserve stocks to make foodgrains available in deficit or scarcity areas. Elimination of transport bottle-necks impairing quick movement of foodgrains from the ports to their destination and strengthening of the agency for supervising fair price shops are also essential measures.

It has been frequently announced that the position in regard to stocks of imported foodgrains is quite satisfactory. About the middle of July, these stocks with the Centre and with the States amounted to a total of more than 16 lakh tons, made up of rice, wheat and other cereals. Wheat stocks available for distribution are being replenished by arrivals of about 1½ lakh tons of wheat imports per month, mainly from the U S A and Canada, while issue of foodgrains to the States average about 2½ lakh tons a month. There should, therefore, be obviously no difficulty in meeting the demands for allocations from the deficit States.

On the other hand, it is doubtful if distribution of the allocated grains by different States is quite as efficient as it should be. It is also doubtful if the State Governments are making all-out efforts to ensure that surplus foodgrains locally produced reached the market. If these conditions are fulfilled the result should obviously be to steady—if not substantially to reduce—prices, and to create conditions in which no one who is in need of food is denied the facilities to purchase it. As a large proportion of imported foodgrains is intended for despatch to States according to their requirements, and the balance for building up buffer stocks, State Governments have to play an effective part in streamlining the sale of foodgrains by gearing up their food administrative and supervisory machinery. But are the conditions being fulfilled?

These measures cannot, however, be regarded as the last word in food policy. The more important aspect of that policy is increasing food production. It is this that underlines the special significance of the food production drive that is

proposed to be undertaken. Though immediately the drive will encompass the rabi crops in north Indian States, the machinery that has been set up in motion can be utilized in respect of the main kharif crops also. And the scheme can—and should—be extended to other States in due course. Much of course will depend on the success of the scheme in relation to the immediate crop season. If agriculturists in the areas concerned react to it with enthusiasm, and if the working teams by their capacity to help the cultivator with his essential needs, can engender such enthusiasm, the results produced would have an important and probably permanent effect on the agricultural economy of the country.

It is very necessary to have a firm food policy based on the facts of the situation. Frequent reiterations of the ideal of food self-sufficiency, followed by a confession of helplessness at the vagaries of the monsoon and the failure of human element to respond to the challenge and falling back on imports to tide over difficulties, have evoked more criticism and disappointment than cooperation and hopefulness. A vigorous food production drive is absolutely essential and should receive top priority. But at the

same time it is also essential to be very clear, as the Asoka Mehta committee pointed out, that for some years to come there is (and there can be) no escape from the necessity for importing foodgrains.

De-control had justified itself as a policy immediately after it was announced, but hardly had two years elapsed after de-control when what are described as “strategic controls” had to be resorted to at different points to keep down prices, to ensure that food distribution is carried out in a manner that people in scarcity areas do not feel the pinch of starvation, and imports of foodgrains on a large scale had to be resorted to supplement domestic production and to act as a buffer against scarcity.

The lesson from this is that strategic controls should be continued in the administration of food, and that food imports should also be continued on as large a scale as possible. The “tall claim”, as the Prime Minister called it, of self-sufficiency should not be made as something immediately practicable, because it can be justified only when the continued and unrelenting drive on different fronts for increasing food production, now promised, yields some worthwhile results.



Import Surplus and Inflation

AM has gone one better this time.

In his latest rejoinder, he confirmed my earlier suspicion that he is unaware of what income velocity really means. May I point out to him that real national income has nothing to do with income velocity which is merely a ratio of money supply to national money income? This ignorance of the very concept has led him to assert rather dogmatically that income velocity of money has not got much significance because it can rise with a rise in real national income when money supply remains constant, and then he asks “Is it not true that the increase in income velocity of money in 1956-57 can be almost totally explained in terms of a 5 per cent increase in real national income?” Leaving aside the irrelevance of change in real national income in this context, one may point out to AM that the rise of 5 per cent in real national income during 1955-56 when money supply was more or less constant would have resulted in a decline in general prices, to that entirely, if income velocity was to be disregarded. The very fact that the prices rose sharply instead of falling logically meant that money national income had gone up during that period. How is it then that money national income increased in spite of a stationary level of money supply? Obviously, the explanation which escaped AM completely is that income velocity of money had gone up. Can we still say that income velocity is a very insignificant factor? I am therefore justified in repeating what I said in my previous comment viz that AM has wrongly equated effective demand with only money supply.

And because he ignores this vital factor of income velocity, he naturally does not catch the simple point that mere absorption of a portion of money supply generated by deficit financing arising from import surplus consisting of his favourite “defence stores” does not necessarily mean a corresponding reduction of purchasing power of the community and hence of inflationary pressure. Nobody has denied, as AM believes, that money supply would be curtailed by import surplus.

Shri Naqvi's exercise in arithmetics is not at all necessary to prove something which is so obvious to all of us. None of us has argued that a portion of budget deficit incurred to finance imports would not reduce the impact of deficit financing on money supply; what is contested is that this by itself does not constitute a disinflationary force in a situation where the level of investment is higher than what is warranted by available consumption goods. Thus it should be clear that availability of food is a very much relevant factor in the present Indian context. If Shri Naqvi feels otherwise, I would only say that he has missed something vital in his understanding of the processes of growth.

D Shenoy

Bombay,
July 16.

Fashionable vs Progressives

AN economic scientist need not bother about the current fashions in doctrines, if they are as naive as any “fashionable” dogma can be. On the other hand if Shri K A Naqvi (see his “A Neglected Aspect of Deficit Financing”, E W July 19, 1958) is worried about the “progressives” in economic thought (rather than leaders of “fashion”), it is he who is neglecting vital aspects of deficit financing, and not his “progressives”. It appears he has yet to distinguish between the “fashionable” and the “progressives” in economics.

By the way, why should Shri Naqvi be so obsessed with the “Public Sector”, when the *raison d'être* of our planning effort is to increase the scope of public initiative, to avoid the political overtone of the word “sector”?

Any stimulus to expansion—even the exogenous type, would raise the general price level particularly in the first round, or initial phase, when instead of a circular flow there appears new input—disappearing in the gestation stage for a while,—and no corresponding new output. But the distinction between expansion and infla-

II
APROPOS of Kalpana's rejoinder in the issue of July 19, in my confusion I do not get it. The rise in real national income in 1956-57 is a question of facts, not of polemics. Or is his quarrel with the formula for obtaining the income velocity money?

AM

New Delhi,
July 23.

III
THE purpose of my rejoinder was to bring out the logical fallacy in A M's argument and to hint indirectly by pointing to a rise in the income velocity of money, that the rising effective demand was the villain of the piece. To make it further clear, I may again add that increased monetary demand can be fed by a rise in the velocity of money.

Kalpana

July 30.

tion arises from the behaviour at the points where new incomes are spent, i e, particularly in the subsequent rounds.

The income-elasticity of demand—through which money supply can “work” in the economy—is a concept or rather an explosive fact which can be handled at more than one end:

(1) by keeping “incomes” in the economy within orthodox limits—not a very neat or safe guide, or,
(2) by consciously arranging to meet the increased demand where—in our country, and not in fashionable doctrine—it is most income-elastic, i e, demand for basic minimum necessity, namely food.

The “genuine” financial resources, even when available, (neglecting the “incentive” argument against very high direct taxes), are not the main safety-valve against inflationary potential. Some goods and services are released by the honest raising of revenue, but not in the right direction, or at the critical high-pressure points of the economy.

On the basis of operational logic, one can say that deficit financing is

innocuous, i.e., just expansionary rather than inflationary, when compensated by necessary concentration on the production and/or import of those goods and services which are most needed by the new employed and also perhaps least easily sacrificed by the erstwhile

consumers, owners or non-owners, employed or otherwise.

Orthodox "financing" including non-inflationary deficit-financing can provide only dummy soldiers to guard against inflation, they may be worse than no soldiers of the "fashionable" approach. But really

effective guards are provided by conscious arrangement at the pressure-points, when the "progressive" economists advocate deficit financing.

Mrs D P Pandit

Ahmedabad,
July 25.

...no fury like
a woman scorned

Just a simple housewife... yet her wishes are of prime importance to us. We know better than to scorn her opinions, ideas, suggestions—for she knows best the needs and requirements of the home.

To find out just what she wants, we carry out marketing research surveys all over the country. Thus, it is the housewife who sets many of the standards that Hindustan Lever products must measure up to.

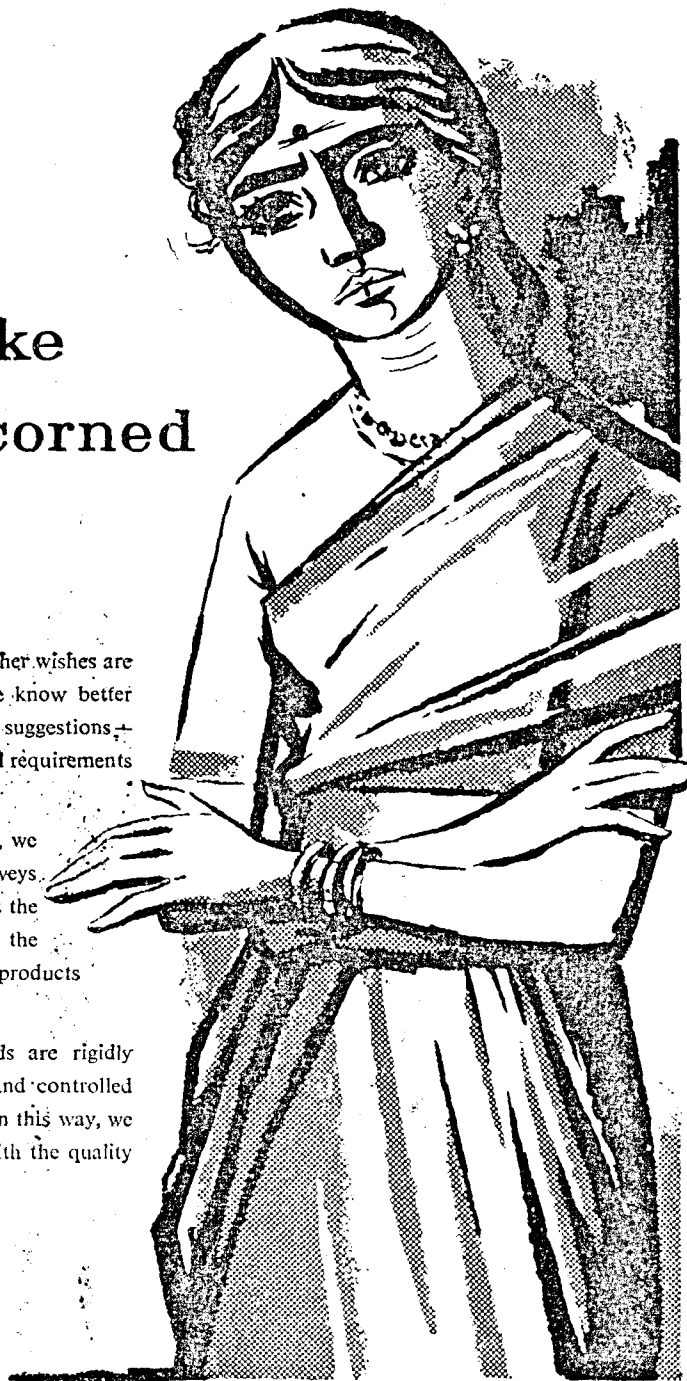
To ensure that these standards are rigidly maintained, quality is checked and controlled at every stage of manufacture. In this way, we are able to supply your home with the quality products that you need.



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From the London End

South African Treason Trials

THE two main forces operating in South African politics—the African National Congress and its supporters on the one hand and the Government on the other—have since December 1956 converged into establishing their contending positions on the basic political questions of democracy and power before the South African law courts. This has by no means been the choosing of the Congress movement. The opportunity was granted and there began a trial, which to the race inspired government was one of treason on the part of the Congress, but which to the Congress was a trial of strength and endurance in the African struggle for political and social equality.

This week, ninety-two South Africans—58 Africans, 16 Europeans, 16 Indians and two of mixed origin, face the renewed charges of high treason in the specially constituted Supreme Court in Pretoria. The long, unwieldy and at times incomprehensible preparatory examination which took some 15 months in Johannesburg was but the first stage in a legal battle, now likely to prove unique in the history of Africa. Now the second stage commences.

Judges Chosen by Government

The 92 accused are being tried in a specially constituted Supreme Court of three judges—appointed by the Government. It is well to look at the background of both the Court and the judges. The accused were given the choice of either a 'judge and jury trial' or a trial by a judge and two assessors on the panel of the Supreme Court. Had they chosen the first, then according to South African law, the Government possesses the power to appoint the judge concerned so as to preclude the jury bringing in a verdict which may constitute a 'miscarriage of justice'. The accused in this case were of course not unaware of the Government's understanding of the term 'justice'. They therefore chose the second alternative in the belief that the essentials of liberalism in the interpretation of the law may still be present in the South African bench. When this happened the South African Government rushed through parliament retrospective

legislation giving the Minister of Justice power to appoint a special court with judges of his own choosing.

The three judges appointed by the Government are themselves deeply suspect. This led the defence for the accused at the opening of the trial in Pretoria to declare that "certain facts about the bench created reasonable fear in the minds of the accused that they would not have a fair trial". The defence objected to two of the three judges. The facts appear to be these: One judge, before being elevated to the bench was concerned with defending Nazis during the last war, and on another occasion of prosecuting Congress officials on behalf of the Government. The other judge was himself interned during the war for Nazi and other anti-war activities. Although the defence has not objected to the third judge, he too possesses a discreditable reputation. He has, in his position as a judge of the Natal Supreme Court, sentenced well over 100 Africans to death on trivial offences, that is offences which have nothing to do with known capital offences.

Freedom Charter

The charges against the accused are framed on offences of high treason and under the Suppression of Communism Act, and run into three volumes of particulars and offences. In summary form, six charges are specified. The accused acted to do one or all of the following:

- to subvert, overthrow and destroy the State;
- to prepare a violent revolution;
- to endanger the security or authority of the State;
- to hinder or coerce the State;
- to resist the authority of the State, especially the power to make or enforce laws;
- to set up a Communist State or some other State in place of the present State.

In fact the charges centre on the activities of the Congress movement in its campaigns against discriminatory laws and its organisation of the mass Congress of People

in June 1956 at which a Freedom Charter was adopted. The preamble to the Charter read:

"We the people of South Africa declare for all our country and the world to know that South Africa belongs to all who live in it, black and white and that no government can justly claim authority unless it is based on the will of all the people. That our people have been robbed of their birth right to land, liberty and peace by a form of government founded on injustice and inequality. And therefore we, the people of South Africa, black and white together, countrymen and brothers, adopt this Freedom Charter. And we pledge ourselves to strive together, sparing neither strength nor courage, until the democratic changes here set out have been won".

The three volume indictment declares that the accused, to bring about their aims, attended meetings, made speeches, and adopted resolutions. The nature of the charges, and in particular their very general formulation has the purpose to link the Congress movement with world communism and in this regard the alternative offences to that of treason are given as having been committed under the Suppression of Communism Act.

Legislative Net Cast Wide

That this trial is a deeply political one there can be no doubt. What is more significant to civilised opinion all over the world is the opportunity provided by the South African legal framework for the Supreme Court to acquit the accused. It is here that the actual terms of laws under which the 92 are accused become cruelly relevant. High treason is a capital offence and is committed by those who "with a hostile intent disturb, impair or endanger the independence or safety of the state, or attempt, or actively prepare to do so." This is certainly wide, but the terms of the Suppression of Communism Act are wide enough for anything. A communist is any person who "professes or has at any time before or after the commencement of this Act professed to be a communist, or who after having been given a

1055

reasonable opportunity of making representations as he may consider necessary, is deemed by the Governor-General to be a communist." This Act makes offences punishable by ten years imprisonment. With the legislative net cast so widely over the 92 accused, fears of their plight cannot but be raised at this very early stage.

The South African Treason Trials can be seen as the culmination of a decade of the most devilish pursuit of racialism in all forms by the South African Government. The statute books have been packed with legislation designed to control the African nation and to direct its energies into preconceived channels — channels which will throw up large economic values for expropriation by a small group of Europeans but which will also drive the African into an ever-deeper status of servitude and poverty. But South Africa in this decade has not escaped the history of the ways of man. The African people infected by the consciousness that comes from increased pauperisation and proletarianisation have built up a steady and massive power of resistance and struggle. Today the only relevant forces in South African politics are an all-white reactionary government, possessing only the traditional instruments of power, and an indigenous Congress movement, possessing the contemporary, the more modern power of being mass based. This alone is sufficient to indicate who will be the ultimate victor.

Soda Ash Industry

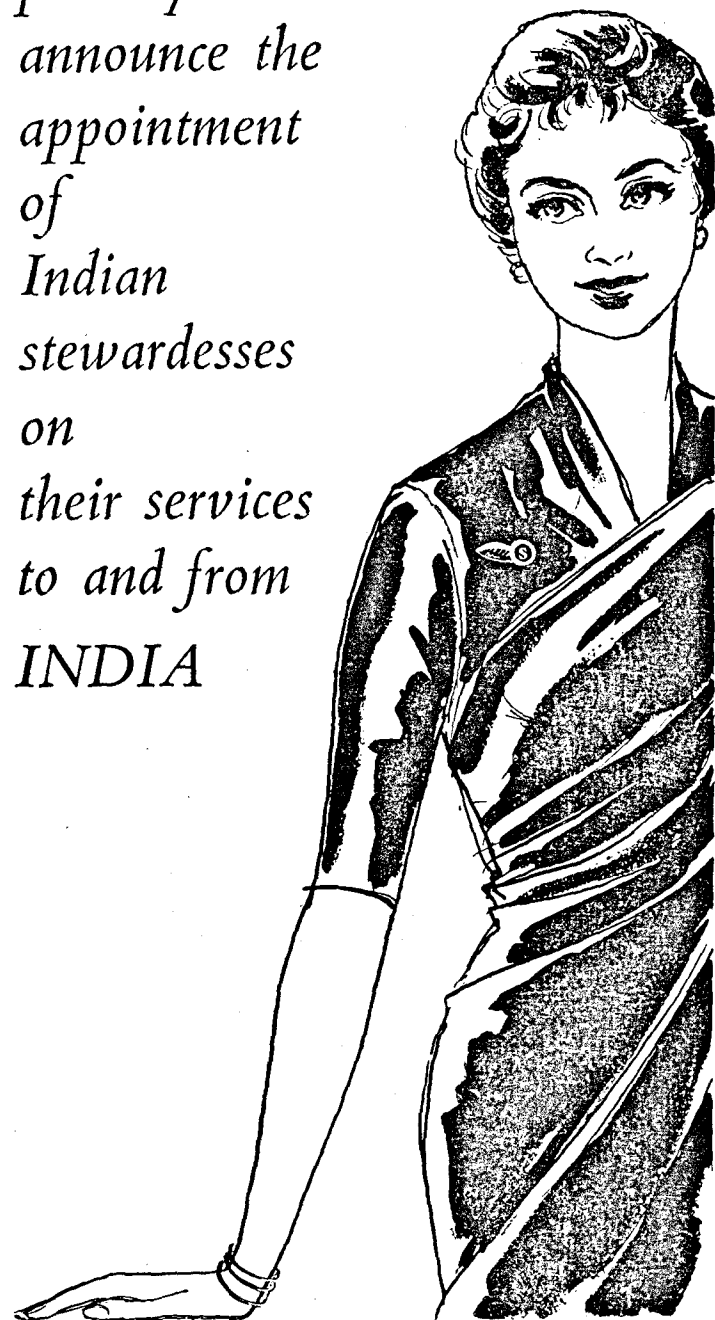
THE soda ash industry which has been enjoying protection for over nine years has asked for continuance of protection for a further period of five years.

Tata Chemicals Ltd, Mithapur and Dhrangadhra Chemical Works Ltd, Dhrangadhra, are the only producers of soda ash and their combined annual capacity is 115,200 tons. Their actual production, however, was 77,272 tons in 1955, 84,233 tons in 1956, 92,764 tons in 1957 and 45,899 tons during the first six months of 1958. Both the units have plans for expansion.

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Time for Transformation

Evelyn Wood

A REVIEW in the prescribed manner of quoting extracts from the various Evaluation of rural development is no longer possible. Last year produced the greatest accumulation of facts on the whole issue that we are likely to see. Only one aspect of rural development remains to be evaluated; the work among village-women and children.

One inescapable conclusion emerges from the mass of material already available. The outlook of village-people has indeed been transformed, but not in the ideal direction indicated by the Planning Commission when the National Extension Service was formed in 1953. One way or another, the attempt to get Community Development through the N E S—and probably through other development agencies, which are only "non-official" in name—has been to increase village-people's dependence on patronage.

As always, outside aid poured into a village does not need to use the old channels. Mutual responsibilities are undermined. The pliable villager climbs on the official bandwagon. Others, more appreciative of their old social forms, both envy and despise him; but they blame "government" for its poor selection. This builds more egoism and conflict; destroys sound initiative, which will not disregard existing mutual responsibilities; cuts through the social controls of the village, and convinces people more than ever of their irremediable dependence on outside powers.

Group efforts are regimented, and even the benefits they produce are grudgingly admitted. This sorry tale of development through easy-to-handle individuals instead of the hope of communities realising their own strength comes clear by patient reading. The C O P P Study Team's Report² is the year's masterpiece; but its later volumes of fact-finding contain the data for reconstruction of the whole development process.

The Programme Evaluation Organization has at last been given a range of measured investigations proper to its skills. Its contribution to Vol II (pages 34-116) of the

COPP Report penetrates into the social development field. Its Fifth Report³ as a whole and Vol II of the Fourth⁴ should be read together. Lastly, the Bihar Attitudes Study⁵ gives a more complete picture of the thin coverage of people in one State.

Next Subject for Evaluation: The Upper Hierarchy?

From all the above, it is clear that fairly generous samples of opinion in the villages, and among officials at most levels up to the Development Commissioners of States, have been well handled. One must allow for the care with which a man in service must answer questions. Likewise, most villagers will be cautious. Nevertheless, the cumulative, adverse criticism of the actual work of development is devastating.

One reader of this material, anyway, gathers that the lower ranks feel iron-bound by budgets and targets. Surely, the next logical step is to evaluate the persons who are said to demand action which they select and time at a distance? Whether it be Secreta-

¹"Second Year's Working of Community Projects"—Vol 1, page 1, paragraph 2—P E O, Planning Commission, April 1955.

²Study Team for Community Development and National Extension Service: Committee on Plan Projects: Report Vol I: Planning Commission, G O I, Nov 1957 (175 pp).

(Vol. II, III & IV are titled "Team for the Study of Community Development and N E S". Vol II—Nov 1957 (172 pp). Vol III parts 1 (281 pp) & 2 (114 pp)—Dec 1957).

³5th Evaluation Report on Working of Community Development and N E S Blocks—P E O, Planning Commission, May 1958: pp 225 (and pp 33 Summary).

⁴4th Evaluation Report (on the same)—Vol II, 'Some Aspects of Social Change', and 'Enquiry into Coverage by Project Programmes'—P E O May 1957 pp 223.

⁵Report on Attitude Survey, Bihar Community Projects—Institute of Public Administration, Patna University, 1957, pp 78.

ries or Ministers who are ultimately responsible for the budgetted plans, their attitudes ought to be explored, since every evidence points to their personal inflexibility.

It looks as if all outside effort towards "transformation in the outlook of the people" (P E O 2nd Year—vide sup) should now be suspended. It seems that transformation is now more urgently required in the top storey. We are past the stage of verbal glosses: even the Abu Conference seems to have produced a whirlwind of words—some of which must have been based on the data quoted here.

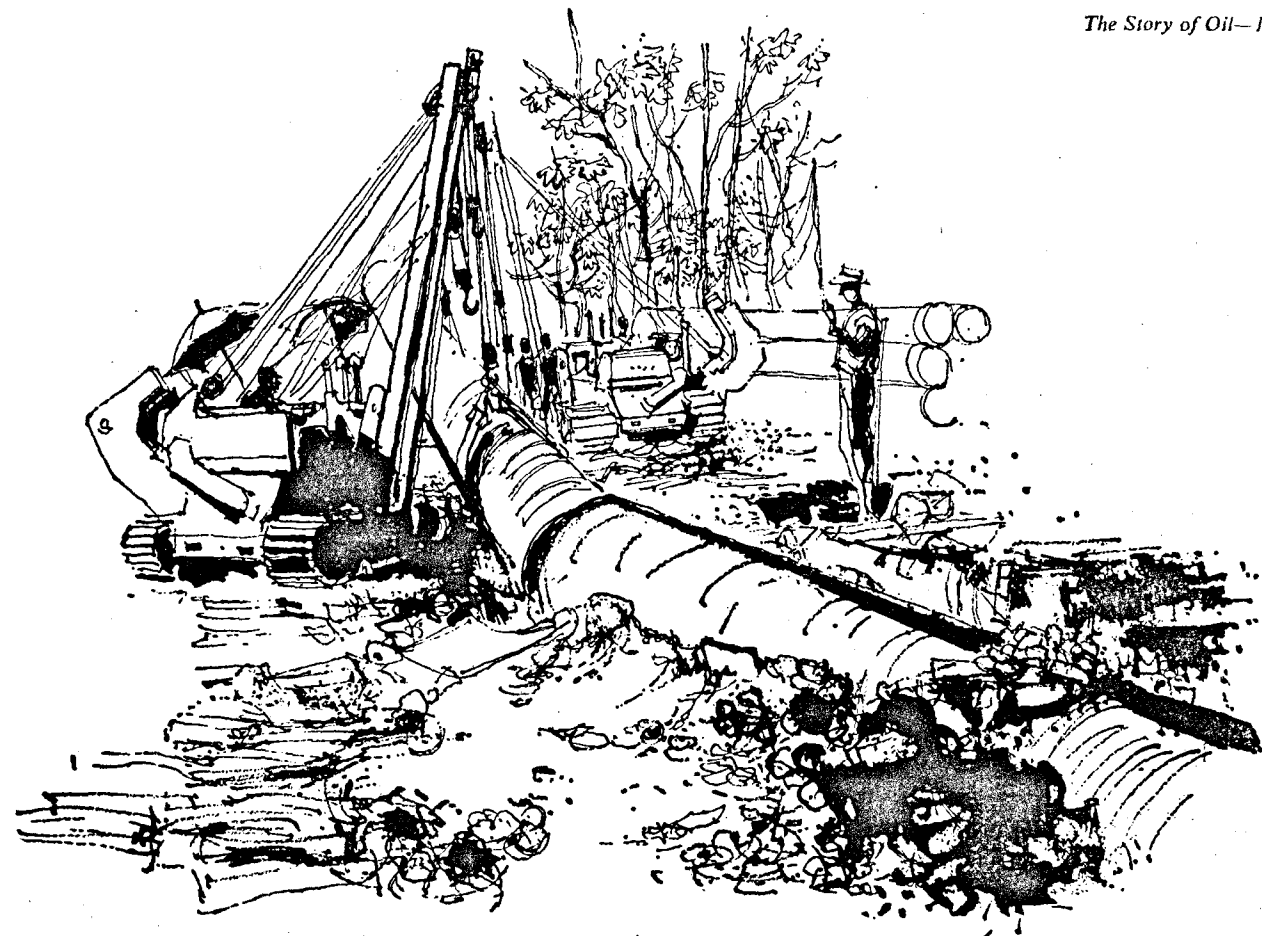
There is no doubt that the time for the rural development programme was right as instant, but wrong as duration. It was quite unreasonable of the budget makers to expect the three-year CD programme, as performed, to achieve the transformation in village thinking without any pre-testing. It would be just as unreasonable to set a fixed time for the mental transformation required of the budget makers, now that they are faced with the data on which reconstruction can be done.

From the present wealth of factual evidence on the faulty methods of implementing an excellent programme, the official problem is how to redeem an institutional failure. We shall doubtless have more tinkering with existing machinery. Indeed, it is hard to see how the hasty institutionalization of the CD/NES programme can be changed. The COPP recommendations need careful, experimental working out, by gradual stages, in limited areas of control.

This need to go slow could be a factor of hope. The sincerity of most high officials on the job is unquestionable. The time which it must take for them to see exactly why their own rigid structures could not serve the flexible needs of a quarter of a million villages may incline them to regard the time needed by village-people to develop their own initiative with more realism.

A fixation on personal scales of time as duration is the dominant note of all the failures reported. No official time-scale should ever

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have been imposed on village-people. We may hope that the new data will be used to gain a better appreciation of time-scales as villagers experience duration. We have always been told that village experience must be the final determinant of change. Why not act on that excellent principle?

Let us try to take some of the elements of evidence, one by one, as they appear in the current data.

Co-operative Economy

Too much theorizing and adulation occupied the many investigators of the new Chinese economic system. The Agricultural Group's report¹ contained some details of techniques with which useful controlled experiments might have been made here. Then the Co-operative Group² weighed in with a highly controversial and airy hymn of praise for China's co-operative achievements and all detail got lost in the harmonies of ideology.

Careful testing was and is still necessary to see how much property, talent and labour ordinary farmers want to and can share; and how long it would take them to get on an internally-agreed working basis, with different separations of private from co-operative interest. These experimental considerations have been obscured by a passionate promotion of pre-determined models.

It doesn't look as if many people read deeply into the excellent studies³ of actual co-operative working. These showed a common track of failure as measured by farmers' inability to work out their proportions of sharing and not-sharing as a group; the successes were clearly where most of the members had surrendered all initiative to a boss.

It was even more natural that few would be bothered to think of experimenting with the details in Dr Schiller's formulation of possible patterns for experiment⁴. The I C U's exploratory protest against enthusiasms aired by China-hands probably got less attention still⁵.

Meanwhile, the Reserve Bank of India was going ahead with the plan begun after its Rural Credit Survey, to educate officials for co-operatives, and to pump finance and trained staff into villages in a determined effort to make the system take root—from outside, as usual.

Consequently, Sir Malcolm Darling's review of a large segment of mainly credit co-operatives in rural India⁶ struck a plangent discord. His condensed facts clearly demonstrated the destruction of genuine co-operative growth by official stimuli and restraints. It is probable that the Prime Minister's confession of error in promoting so much official participation in Co-operatives was caused by this concise, but very ICS-polite review of many year's failure. Official patronage and guidance had, again, caused dependence of groups on individuals, and destruction of every initiative in the village-economy.

What is next to be done? If village-people can learn to run their own co-operatives, they are ready for full self-government, extending gradually through inter-village collaboration. They can genuinely (not on paper) take on planning and responsibility for development. But without the hope of a new, self-developing economy in the villages to replace the outworn securities of jajmani and the joint-family system, politics and administration will also remain beyond villager's capacities. Or rather, they will never grow inner compulsions to make practical estimates of their capacity in local politics and administration. At least they must try to make co-operators work work as such.

¹"Report of the Indian Delegation to China on Agricultural Planning and Techniques" (Union Ministry of Food & Agriculture—July 1956, pp 199).

²"Report of the Indian Delegation to China on Agrarian Co-operatives"—Planning Commission, May 1957, pp 233.

³"Studies in Co-operative Farming", Programme Evaluation Organization, December 1956, pp 250.

⁴"Co-operative Farming and Individual Farming on Co-operative Lines", Otto Schiller, All India Co-operative Union, New Delhi, pp 93.

⁵"Co-operative Farming—some critical reflections", Raj Krishna, L C Jain and Gopi Krishna, Indian Co-operative Union, 1956, cyclo pp 55.

⁶"Report on Certain Aspects of Co-operative Movement in India", Sir Malcolm Darling, Planning Commission, New Delhi, 1957, pp 54.

Women's Part in Rural Development

We shall have to wait till the end of the year for the Evaluation in which Dr Irawati Karve is prominent. Meanwhile, the invaluable Estimates Committee has some strong criticisms of principle to make about the CSWB.*

The reviewer sees a new rural system of economics as one locked wheel of the chariot of village-development. Village-women are the brake on the other wheel, that of a new social form, with wider scope. Without the women in the village, no man could get any work done. Equally, without the women's common view of the family's time and capacity in all village-activity, we shall not get a general picture of what can grow from within and what can't.

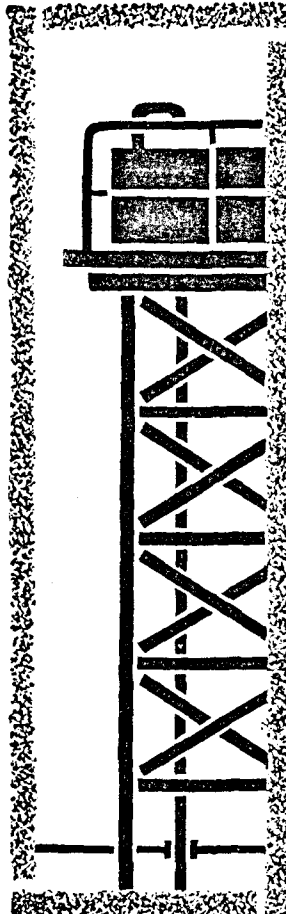
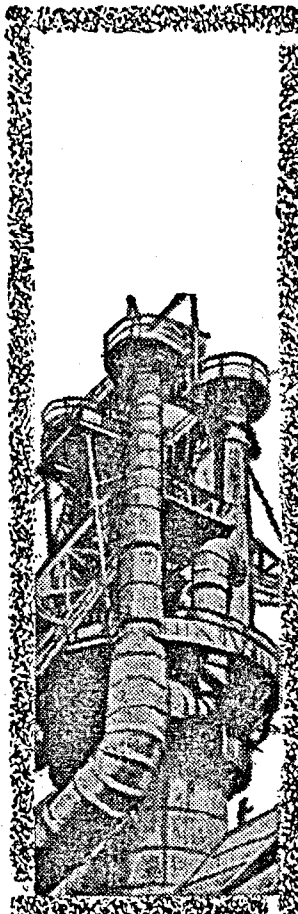
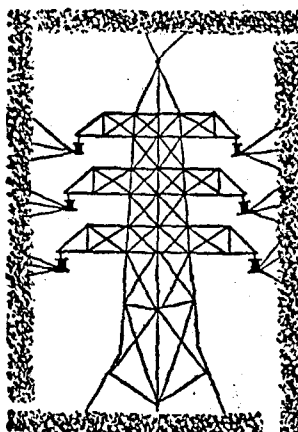
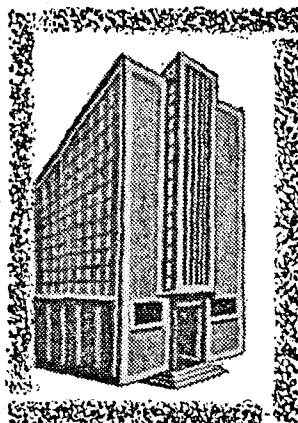
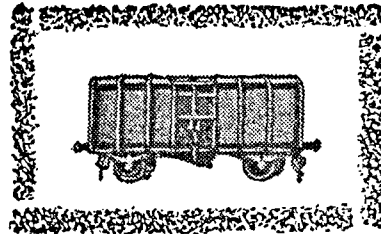
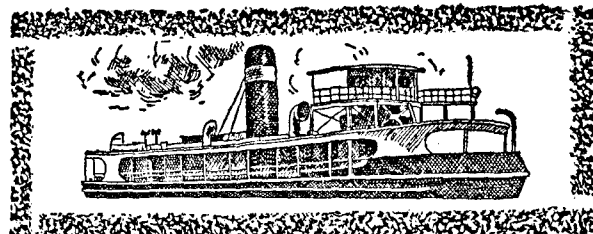
Only through the women, the largest of occupation-groups in any village, can we get a broad enough picture of common and sufficiently generalized experience to see the way in which development can take root in each village. Unless the women can meet to exchange the experience which each has in her family, we will never be sure whether they will act as unseen social propellants or as restrainers, each in her own household. Their power either way, in a village, is enormous, but only grouping can make it useful for predictable change.

Planning and Cultivating New Ways

The N E S is responsible for overall transformation through every conceivable kind of change. The C D programme was, surely, never meant to be more than an outline of possibilities, as townsfolk see them. For years the Programme Evaluation Organization has been pointing out this original line, and the N E S divergencies from it. The P E O's Pilot Projects and Base Line Surveys seem never to have been used for their original purposes of testing hypotheses about village development—except on paper. Such careful, early structuring has been shockingly wasted.

*"23rd Report (Second Lok Sabha) Ministry of Education and Scientific Research, Central Social Welfare Board"—Lok Sabha Secretariat, April 1958, pp 87.

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Perhaps it is impossible to get a machine like the N E S which was so rapidly improvised, to work on sound principles of controlled experimentation. Indeed, the field-workers never seem to have had the freedom to experiment. The gram-sevaks in particular complain that all the Extension principles and philosophy they were taught while in training are cut through by target-necessities and hundreds of other errands, when they get into the job.

The Qualitative Problems

The gram sevak (and when available the gram sevika) can be both the source of specialized knowledge about part of his group of five to twenty villages and the channel through which all introduction of new knowledge should pass to the people. He is the ganglion of the N E S communication system. It does not appear that he is often able to perform this irreplaceable function, least of all to synthesize his knowledge of how the people adopt the changes proposed to them, as part of a new pattern for living.

The COPP Report, Vol II pp 126-172 provides work-studies, chiefly of gram sevaks, which classify 64 distinct jobs as a minimum; and 114 in Bombay State, where the heaviest load is carried. The efforts of a gram sevak have to be seen to be believed; in practice, of course, only some of the jobs get done.

The Report allots about 150 days a year for contact by the gram sevak in the villages. The maximum possible for any fieldworker is about 240. Even assuming the latter figure and an average load of 1500 families with whom he should make contact, he would have one-third of a day for each family.

By grouping 20 families, on an average, he could give each group a week. From this simple arithmetic, it is pretty clear that the possibilities of two-way communications with village-people are totally inadequate.

Much of the factual data of this kind in the COPP Report is derived from the Planning, Research and Action Institute, Lucknow. An obvious move for early adoption by all States is to set up similar Institutes to find out the facts about the working of the development machine.

The principal method of short-circuiting the gram sevak's position as the junction of two-way communications, which has recently been tried, is training of Village Leaders. How are these individuals chosen, if it is not for their willingness to promote targets set up outside the villages? Such persons owe their importance to the official programme, the pace of which they will not criticize. Clearly, they cannot be reliable channels for upward communications from the villages, as feedback to the imposed programme.

Community Development must be social development. Its village-resident personnel must therefore explore and record the existing horizontal channels of communication within and between villages, as well as the vertical system between village-people and specialists. We are back to group-working, of which the gram sevak can be the only effective pioneer. He needs to be fed by specialist support, with a gradual range of exploratory and recording techniques. All other economic techniques logically follow on social reconstruction within villages by village-people. It will take three or four years to get the

duration of this task clear, together with the village-groups.

The Quantitative Puzzle

As of January 1, 1958, the total development Blocks working were 2152, with a nominal coverage of 276,000 villages and almost 150 million population ("Report—1957-58"—Ministry of Community Development, Page 1.) About half the rural population is thus claimed to be under Extension service. The staff in position as of January 31, 1958 numbered nearly 50,000, with 15,500, still under training (ibid p 40).

To change a machine of this size, differently aimed and controlled by each of the States, is a formidable proposition. But no one but P R A I ever seems to suggest that measured experiments should be a prerequisite to any expansion.

Some assessment could be made by the existing staff in most Blocks to supplement and correct the P E O's samples. The targets which now represent substantial felt needs, the population and villages which they can actually serve effectively to meet those needs could be locally judged. If the staffs were really assured of freedom from the displeasure of high officials, a far better design for actual coverage could be found as a base for complete restructuring.

Such assessments are best begun experimentally, in single Blocks, with a comparable Block used as the control. Some help from P E O, P R A I, and other social science specialists would be needed. This does not seem much surrender of its powers to ask of each State. The method could easily be explained to all groups within the villages which have already had substantial service in the experimental Blocks. This move would of itself promote

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some more spontaneous social collaboration.

The Solution by Irresolution

Instead of such an experimental approach, the National Development Council authorizes a revised central programme, with massive calculations, to indicate the Union Ministry's ideas about replanning on the C O P P recommendations ("Revision in the Programme of Community Development — 1958", Ministry of Community Development, May 5, 1958). This is addressed to State Development Commissioners. There is nothing to indicate where flexibility is expected; so the same skeleton programmes, modified according to the State's different ideas, may be expected to continue on their arthritic way.

The calculations provide for 2800 more Blocks to be working by October 1963. All this hurry for expansion without testing the soundness of either the operations or the units that are supposed to do them can be explained by the conviction which is assumed in the "Revision" (footnote to page 9): that "disappointment likely to be caused in the public mind" is also valid for the more of the village-people than the anticipated riders on the official bandwagon.

This assumption is utterly unjustified in sober consideration of all the data quoted in this review. Some of the States may be really bold enough to authorize completely fresh action, and suspending much of the wasteful old pretences. In those which are not bold enough, the dependence of village-people on official welfare-designs is most likely to be extended far into the foreseeable future.

The C O P P recommendations give the right tone for radical changes; why must they be applied through a whole State's Blocks? Experiments with time and capacity are the first essential.

The Ministry of Community Development has probably been influenced by two or three factors. The menace to its own existence suggested in the C O P P Report is one; and the confused reaction of most of the States to that same report is possibly even more important. It would, finally, appear that the next General Elections are well in mind. This last consideration could cause both the bandwagon

villagers and persons at the highest levels of States' development to fight hard against any slackening of the expansion programme.

Conclusion

Is a paternal State Welfare to take the place of social revitalization in rural India? This would seem a crazy aim to this reviewer, who is unfashionable enough to continue believing the latent social strength as the one social asset of a country with nearly 300 million true peasants. The economic future does not lie in their hands; nor, perhaps the technical future; but the social future of much larger numbers may well do so.

If the social forces of the villages were to be seriously cultivated by the N E S, there are no limits to the other human powers that can be developed by future generations in India. If, however, the N E S fail to provide the means for village-people to rebuild their societies, then the country's major asset will be abandoned to the uncontrollable forces of destructive change.

All the economics and more scientific techniques of engineering, agriculture and health cannot reclaim that asset once it is abandoned. But they can be experimentally used right now, on the evidence secured last year, to discover, improve and build on what already exists by way of millionfold human capacities for the kind of simple relationships which can face adversity and live through it during the next century or so.

Time is the great need! Every person concerned in rural development weakens in frustrations because of grossly insufficient time for transformation. From Ministers to Mahars and from Secretaries to gram sevaks, all need more time.

It is unthinkable that a few of the westernized intellectuals should continue to prod the rest of India into an increasing, sterile discomfort of competition. A year ago, the facts known were not enough. Now they are. The time for transformation is here and now.

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Halls of Residence in English Universities

William H Newell

DURING the period 1934 to 1957 the number of full time students in all universities and university colleges in the British Isles has increased from 50,638 to 88,701. During the same period the percentage of these full time students who were not willing or able to live at home while undergoing instruction rose from 56.1 per cent in 1934 to 73.9 per cent in 1957. The percentage of those living in halls and colleges under the supervision of the universities rose correspondingly at the same time from 23.8 per cent to 27 per cent, a not inconsiderable effort considering the rapid expansion of the universities and the rise in costs of maintaining and building these halls and colleges.

The universities in the United Kingdom have adopted three policies towards the provision of accommodation for students:

(1) The Universities of Oxford and Cambridge, both academically and residentially, are organised into colleges, which are the leading units in the University. They are entirely self-governing (receiving in some cases a subsidy from the University but mainly living on endowments). The costs of running such a system today would be totally prohibitive. This system will not be dealt with in this article.

(2) The University of North Staffordshire makes arrangements for every registered student to live in a hall of residence. This is compulsory and the staff have married or bachelor quarters provided for them (at a low rent) provided that they take an active part in the non-academic life of the students.

(3) The remaining universities originally undertook to provide only teaching facilities for their students. Between the original foundation, usually in the middle of the nineteenth century, and the first world war, a number of private bodies undertook to supply food and accommodation during the period of the students' residence. The funds for this were derived from private endowments and from fees collected quite independently of the universities. These private bodies consisted of churches, special charitable trusts and sometimes wealthy

private individuals. In addition, during the early period, as women began to seek admission to the universities, the universities sometimes directly and sometimes through some other private body, provided special women's halls of residence. It was thought that women would have more difficulty in finding suitable private accom-

modation for themselves and thus needed more protection from the university authorities than was the case for men students.

The distinction between these three types of universities is not perhaps as clear as this paper would suggest. For example, the University of London has within itself some residential teaching col-

Table 1—Students in British Universities and Their Place of Residence

Academic year	No. of full time students	Colleges and Halls of Residence		Lodgings		Home		Not living at home	
		Nos.	%	Nos.	%	Nos.	%	Nos.	%
1936-7	49,689	12,324	24.8	16,381	33.0	20,984	42.2	28,705	57.8
1941-2	37,324	9,858	26.4	12,686	34.0	14,780	39.6	22,544	60.4
1946-7	68,542	16,942	24.8	24,437	35.7	27,073	39.5	41,379	60.5
1951-2	83,458	21,625	25.9	33,005	39.6	28,828	34.5	54,630	65.5
1956-7*	88,701	23,916	27.0	41,634	46.9	23,151	26.1	65,550	73.9

*Provisional

Source: Report of the sub-committee of the University Grants Committee on Halls of Residence published by Her Majesty's Stationery Office, 1957.

Table II—Proportion of Students in Halls of Residence During 1956

University	No of students in % residence in halls of total	
	Numbers	%
Birmingham	3,428	352 10
Bristol	2,871	732 25
Durham Colleges	1,284	960 75
King's College, Newcastle	3,009	222 7
Exeter	1,051	560 53
Hull	1,058	600 57
Leeds	3,793	682 18
Leicester	811	480 59
Liverpool	3,164	514 16
London	19,403	3,206 17
Manchester	5,253	971 18
North Staffordshire	611	595 97
Nottingham	2,345	822 35
Reading	1,283	707 55
Sheffield	2,280	426 19
Southampton	1,301	498 38
Aberystwyth	1,255	587 47
Bangor	909	362 40
Cardiff	1,606	234 15
Swansea	1,030	180 17
Welsh School of Medicine	203	56 28
Aberdeen	1,703	nil nil
Edinburgh	4,562	550 12
Glasgow	4,861	362 7
Royal College, Glasgow	1,469	50 3
St. Andrews	2,114	918 43
Belfast	2,171	195 9

leges. Yet it is sufficiently distinctive for the purposes of this article.

Efforts to Supplement

Between about 1900 and the present day, however, two tendencies began to manifest themselves. The rapidly increasing cost of living made many of the earlier private endowments inadequate to cover the support of the students without excessively high fees. The universities met this problem in some cases by taking over directly some private halls, and in other ways by subsidizing the halls, for example by undertaking to meet the salary of the warden. At the same time certain members of the university began to realise that a university was more than a teaching institution, that it was also a community, albeit a community of a special type and by arranging for students to live together, to have contacts with the teaching members of the university other than in classes and to create a corporate feeling of solidarity, the aims of the university might be better realised. Many of the provincial universities then decided as a matter of policy to support existing halls more fully than ever before and, in some cases, to build entirely new halls directly under the control of the university. Table 2 shows the proportion of students of the total body who lived in halls of residence during 1956.

From this table it can be seen that no university in the United Kingdom (other than Oxford, Cambridge and North Staffordshire) claims to house a large majority of its students. In fact, the cost would be prohibitive, nor is it the intention of any of these universities to do so. The farthest any university would claim to go would be to provide accommodation for all those wishing to live in a hall of residence. This is of some importance as an aim as it illustrates the fundamental difference between the Oxford, Cambridge and North Staffordshire system and that of other universities. The full academic control, instruction and administration of other universities rests in the hands of the faculties and the college councils. It is clear the accusation often made by graduates of Oxford and Cambridge that the provincial universities are trying to ape the older universities is totally unjustified. The aim of universities is not to weaken the university by handing over some of

its functions to halls of residence but the exact converse, to strengthen the university by establishing strong corporate groups within itself, owing their allegiance to the total university. This is the opposite policy to the universities of Oxford and Cambridge, who try to keep the federal university administration as weak as possible vis-a-vis the individual colleges.

Halls and Hostels

To what extent are the provincial universities likely to be successful in this aim? To answer this question, a distinction must be made between a hall of residence and an hostel. Many universities own both types of institution. An hostel is a building containing students under the control of a caretaker (often a non-academic) at which meals may or may not be provided. An Hall of Residence consists of a community of students having its own institutions and clubs, living and working together for aims best realised through their studies. It is self-governing as far as possible and has associated with it a number of senior staff of the university, including a warden appointed by the university as a representative of the graduate status to which they all hope to attain. Owing to the poverty of the students, the university takes an interest in the welfare of this community through monetary assistance and wider control.

Not all students wish to belong to such a society. In the university there are a number of other clubs, political, sporting, social, etc, which to some extent meet the needs of its members. Many of the students in an university hall of residence will belong to such clubs in addition to their own hall. I believe that some students are better outside halls than in. But of the students suitable for a hall of residence (that is, those who accept its corporate aims), the depth of understanding that they receive of the larger university ethos is greater than would be the case as individual members of the university.

Provincial Universities

There must, of course, be no compulsion either to join such a hall or to prevent inhabitants from leaving, if they so desire. One reason for this is that it enables the university authorities to esti-

mate the degree of success of the hall. A hall which voluntarily retains its students over the course of at least three years must surely mean something to its members. Although students in England receive monetary grants from various local authorities, it nevertheless costs more to live in a hall than in private accommodation. Sometimes students may have to be expelled from a hall. In such a case it is of importance that the university takes no cognizance of such an incident. The student still remains a member of the university (unless he has infringed university rules also) but no longer has the advantage of living in the smaller community. In Oxford and Cambridge, expulsion from the college implies expulsion from the university.

The provincial universities have thus set themselves an aim which may be very difficult to fulfil. It is that of establishing small corporate bodies of students who, by their collective life and allegiance to the hall, strengthen the university as a whole. The difficulties of realising this aim have not as yet been fully faced even in the report of the subcommittee of the Universities Grants Committee on Halls of Residence. In the beginning it was thought that finance was the main problem. The Universities Grants Committee submitted a report on how to build halls of residence before first considering whether they were really necessary (1948). But the other problems involved are perhaps more important. I here discuss some of them.

Administration of Halls

(1) The relationship of the administration of halls to the general university administration. From what I have said earlier it is clear that I regard the core of the hall of residence to be the junior common room, the body of undergraduate students, which must as far as possible be self-governing. Although the membership of this body is not permanent (changing totally every three years), in all matters affecting the hall other than finance (but including discipline), they should be consulted through their duly elected officers. In the hall with which I have been associated first year students expressed a strong preference to live in shared

rooms rather than in single small cubbyholes. The architect who was drawing up plans for a new hall, was not informed of the students' desires, thinking presumably as an adult that every student would prefer a room of his own. An opportunity was here lost of identifying students with the new building from the beginning instead of just being given them by a beneficent authority, even though the students might have been wrong for other reasons.

With the gradual taking over of halls of residence from private bodies and their administration by Committees of the University Council (on which usually no residential students are represented and sometimes not even members of the staff of the hall concerned), a feeling of resistance to authority is built up on the ground that there is no control by the community most affected. Decisions must be accepted willy nilly. Discipline in the halls must remain with the people most affected in the halls, the students and staff, and it is only when university discipline is concerned that university action should be taken. A hall is both part of and yet separate from the university. Each hall must create or retain its own tradition and any attempt at simplifying university administration by fiat from above would tend to prevent the very development on which the reasons for the hall's existence would depend.

Academics as Wardens

(2) The Warden and other senior members of a hall must be members of the teaching staff of the university as the respect of students ultimately depends on their standing in the wider community. They should be members of faculties and, if possible, good teachers and scholars. In many universities, the appointment of a capable person as warden usually means his death as an academic as he tends to become an administrative member of the registrar's staff rather than as a professional dealing with the extension of knowledge. Are there enough members of staff prepared to take this risk, if the demand for wardens and hall staff continues to expand? In many universities there is married accommodation only for the warden. All other members of the hall's staff thus have to resign on getting

married. By far the most common reason for resignation is marriage. The people available for selection are thus taken only from the unmarried. Yet it is possible that those single junior members of staff (both male and female) who remain unmarried after obtaining an academic post are not the type of people most likely to gain respect of their undergraduate residents. But in any case, why should marriage further narrow an already small field?

By no means all junior staff of the university are equally successful as tutors. Living in close proximity to the students and yet having authority over them, it is too easy to rest content on one's position instead of regarding oneself as a servant of the hall. The small salaries that one receives are more in the nature of an honorarium than a fee. Yet an increase of the honorarium would make no difference to the number or type of person applying, because the number of people able and willing to do the work is limited. I am referring here to halls of residence and not to hostels.

Large vs Small Halls

(3) It is cheaper per head of student population to house students in large halls rather than small. It is very easy for Committees of the University to be so engrossed with the savings involved in building large halls that they may lose sight of the need to create and

build up the corporate side of the hall. This is especially the case in building new halls. "Why", the critics ask, "should one go to the extent of duplicating common rooms, pingpong tables, billiard rooms, etc when it is so easy for students to attend similar facilities in the general Union?" If it is the intention of the university only to house students in hostels, then this objection would be perfectly valid. But the main thesis of this article is to illustrate that it is the corporate nature of the small units which strengthen the whole. Common activities are an essential part of this process. It would be a shame to spoil the ship for want of a ha'porth of tar.

Not all my readers will agree with the arguments in this article. Remaining unconvinced of the possibility of building up the corporate spirit from the raw and often uncouth material which presents itself for admission at matriculation, they may fall back on the sink or swim attitude. "If he is any good he will find his own feet. We will concern ourselves only with finding him somewhere to live". Yet such an attitude will inevitably lead to difficulties. Responsibility is shown to those nearest to one. With a large amorphous undergraduate population, there is little responsibility to the place of residence. Halls of residence, if properly run, will strengthen corporate mutual responsibility.

INDIAN AGRICULTURE IN BRIEF

A useful handy and pocket size booklet has been recently brought out by the Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India, with a view to meeting primarily the need of those who wish to have a snap-shot picture of Indian Agricultural Economy as revealed by the current Agricultural Statistics. Certain essential data in allied spheres, e.g., population, national income, etc., needed for an understanding of the agricultural economy in its broader perspective have also been included in this booklet.

Price per copy Annas 8.

Copies available from:

The Manager of Publications
Civil Lines
New Delhi

Who Is Answerable?

Sachidanand

PARTITION uprooted millions of people and broke the bonds of association between the communities. Mass migration followed. But here and there surprisingly enough, the bonds did not break, individual friendships endured and hosts of hostile forces were repulsed by some valiant friends who did not conform to the creed of the multitude in that orgy of murder, rape and plunder.

As proofs of deep-rooted humanity some Muslims stayed back in the Punjab villages under the warm protection and hospitality of the village folk who got over the fit of communal frenzy very quickly. Association with the village folks somehow dissuaded these Muslim families from going over to Pakistan. And they cast their lot with the village folk rather than members of their religious community who had claimed a separate state.

The mutual faith flourished till, like a bolt from the blue, these quiet homes—lands of goodwill and hope of democracy—were delivered the news in 1950 that their lands had been attached to some allottee (due to the pretended blindness of the revenue administration).

Roused from the slumber of faith in the folks, these Muslim peasants rushed to the Sub-divisional Courts to declare that they had never left for Pakistan; as such their properties should not have been treated as evacuee property. Consequently all sorts of evidences were called for which were provided by the rural communities with delight. But these illiterate applicants ran from court to court, month after month, year after year to face fantastic enquiries called for by some bureaucrats in the Ministry of Rehabilitation. The files shunted from the Sub-division to the District and Provincial head quarters a number of times, back and forth, squeezing the last penny out of the applicants' pockets. The warmth of the village folk for these families stood in a daring contrast to the prejudicial attitude of the revenue and judicial heads dealing with these cases. This loose shunting of cases took five to six years on an average till through the efforts of some courageous social workers, the files were somehow pulled out of the callous routine to

be submitted to the Custodian General of Evacuee Property, New Delhi. This office took its own time of a year or two to issue the required Certificate to the applicants for the restoration of their property under section 16 of the Administration of Evacuee Property Act, 1950. This certificate authorized the applicants to get vacant possession of their property on payment of compensation for the improvements, if any, (there were none) made by the allottee.

It is surprising to note that there has been no follow-up after the issue of this certificate for almost two years. All these cases were shelved for a couple of years in the Sub-divisional courts with no proceedings at all to restore property and what is more important—faith. During the last year the cases were shifted to the courts of Assistant Custodians, Judicial, which were abolished soon after. All was quiet on this front for a number of months till Legal Managers appeared on the scene in each district. It is a marvel of administration that not a single decisive line has been added to these files which lie piled up in gunny bags while those who had been patiently waiting for the restoration of their properties have been broken, demoralized and exhausted by what they regard as breach of faith and trust. Now, thanks to the bright idea of some one at the Central Secretariat, New Delhi, all these cases have to be passed on to the Provincial Custodian for the files to lie in his lumber room. One wonders at the way our administrative and judicial set up is working.

How all these cases are going to be finally disposed of, God alone knows but the worst part of it is that instructions are being issued from the Central Secretariat which don't seem to have any sanction of law and are contradictory. It is now being laid down that their own lands will not be restored to the original owners, even though their unbroken citizenship is well-established and recognised by the Custodian General. They will be offered land elsewhere in some other villages or paid cash compensation in lieu of their land. This goes against

the very spirit of section 16 of the Administration of Evacuee Property Act 1950. Ridiculous! Why should not the allottees be offered these alternatives, one is inclined to ask?

On the face of it, it is breach of faith, and trust and total neglect of logical, social and human factors. This decision comes after the rightful owners had spent thousands of rupees to correct the errors committed by the Custodian General in declaring a settled citizen as an evacuee. These people had pleaded for nothing more than their native lands and homes which they never left, in spite of storm and stress.

Here lies secularism stabbed in cold blood. Not that the attention of those at the top has not been drawn to these cases. The Chief Minister, Punjab, the Minister of Rehabilitation, Government of India, the Congress President and other responsible people have been moved a number of times. One wants to know whether all this cry of secularism is just to please the people in Kashmir and not these few families scattered in the villages of Punjab. Shall anybody in Parliament care to break the conspiracy of silence on this issue and insist on an enquiry into this plot of bureaucracy against secularism? One would like to know who is answerable for this collapse of conscience.

It puffs up our pride to find our country trusted as a 'Watch Dog' by millions of Muslims in Lebanon but who is to bear the shame of all this scandalous apathy and neglect towards hundreds of genuine sufferers? From 1947 to 1958, it is eleven long years to test one's faith and patience.

Repayment of 3% Loan 1958

THE outstanding balance of the 3 per cent Loan 1958 is repayable on August 16, 1958 and no interest will accrue thereon from that date. 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/State Bank of Hyderabad/Bank of Mysore Ltd, at which they are enrolled/registered for payment of interest on or after August 8, 1958.

Around Bombay Markets

Profit Taking

Thursday, Morning

STOCK markets have turned dull in the absence of fresh incentives. Apart from buying in a few isolated counters like Tata Loco and Shippings, operators have preferred to book profits. Continued uncertainty about the West Asian situation has enacted its toll while the decline in U K sugar prices has revived prospects of fairly large losses in sugar export. The market appeared rather over-bought last week, and since investors tended to keep aloof, a decline was inevitable. Reduction of dividends by several Southern tea companies and the possibility of a lower dividend from Indian Iron further reinforced this sentiment.

The bullish factors which developed in response to recent changes in Government policy seem to have exhausted themselves by now. Reports that import licensing might be released slightly when prospects of external aid improve, in the wake of talks sponsored by I B R D at Washington, have tended to ease buying pressure in scrips which had spurred up in response to drastic import cuts. In the meanwhile, the raw material difficulties of engineering industries are now beginning to cause some nervousness about their earnings and prospects of higher dividends in the immediate future. Government has so far not come forward with any fresh inducements, nor is there any evidence of the state of enabled confusion at New Delhi resolving itself into a clearer policy. That does not mean, however, that bullish activity has been eliminated from the market. Far from it. For all one knows bulls may have merely reduced their commitments so as to start with a cleaner slate when a larger inflow of external aid gives them a fresh incentive.

Money Market

Bill Rate Goes Down

DURING the second week of their sales, the average rate on Treasury Bills declined from a little above 2.7 per cent to around 2.65 per cent. Tenders aggregated Rs 3.56 crores against the offer of Rs 2 crores. Next week, the offer will be raised to Rs 3 crores and it

would not be surprising if it is raised to Rs 5 crores in successive stages, for the glut of funds continues unabated.

The latest banking returns for the week ended July 25 indicate a further accretion of Rs 26 crores to deposits, most of them at the State Bank, and a decline of Rs 10 crores under credit, of which the State Bank is responsible for about a half. Cash balances have increased by Rs 18 crores (State Bank Rs 12 crores) despite a rise of Rs 22 crores under investments, of which the State Bank has contributed Rs 13 crores. Excess cash balances now amount to over Rs 48 crores. The investment ratio stands at 35.10 per cent against 25.81 per cent a year ago and holds out every prospect of going up still further. The credit ratio has come down to 58.03 per cent against 68.79 per cent last year while time deposits are Rs 226 crores higher.

The behaviour of the treasury bill rate is therefore bound to be conditioned by this pressure of increasing supply. So far, bill subscriptions have not affected the call market at all, which still has lenders left over. A further decline in the bill rate is, therefore, on the cards in the immediate future. Under these conditions, the Central Government would be well-advised to float another series of loans, maturing preferably towards the mid-70's to mop up idle bank funds, which may otherwise flow into commodity speculation and hoarding.

During the week ended August 1, foreign assets of the Reserve Bank declined further by Rs 5 crores, bringing the total decline during the current financial year to Rs 72 crores, and to Rs 534 crores for the Second Plan period so far. At the current rate of depletion, these foreign assets would be down to Rs 100 crores in 19 weeks. Central Government deposits have declined by Rs 10 crores and those of State Governments by Rs 4 crores; ways and means advances are lower by Rs 2½ crores. Bankers deposits have gone up by Rs 2 crores, and advances to them against usance bills are down by a further Rs 1

crore. Note circulation is lower by Rs 2 crores, raising the total seasonal contraction to Rs 87 crores.

Cotton

Irregular Trend

KALBADEVI has been somewhat irregular during the week. Long liquidation at the beginning induced bear covering by Ahmedabad interests. Later, favourable weather reports brought about some easiness, which was made up by buying consequent on rejection of some Jayadhar lots tendered against August contract, and on rumours of early release of an export quota. Over the week as a whole the maturing contract shed Rs 7 and distant March delivery commanded a premium of like amount.

At Sewri, mill demand for high staples continued unabated.

Import will be allowed from soft currency areas of 30,000 bales of cotton stapling 1-3/16" and above and of 40,000 bales stapling 1-1/16" and above.

Oilseeds

Narrow Movements

FAVOURABLE weather reports from growing areas at home as well as abroad have taken the edge off bull manipulations, which, however, are still not free from inspired reports of buying by Communist Countries. Lower London advices have not made much of an impression on local prices, though they have eased a little.

The market's mood was reflected by the negligent response to the newly announced export quota for mustard, which has come too late to be of any help.

Bullion

Renewed Support

LOWER bullion price have attracted support largely from upcountry interests. Despite larger arrivals and fears of sales by Mysore and Hyderabad, gold has been firm.

Silver has registered a smart advance on conveniently inspired reports of a revolt in Tibet. The inflow of Tibetan coins, nevertheless, continues unabated.

Company Notes

Power Companies Pay More

THE Tata Electric Group continues to expand, though it now relies for its expansion on thermal power from Trombay and Chola, at a higher cost as indicated in the Table below. Total power generation from both hydro and thermal sources for the three companies during the year ended March 31, 1958 was 1,631 million units against 1,419 million units during the previous 12 months. Thermal generation from Trombay was 354 million units during the year and 212 million units were purchased from Chola. Purchase from the latter would have been lower, if one of the units at Trombay had not suffered a damage to its turbine, which has now been repaired at manufacturers' cost. Total energy sales amounted to 1,626 million units against 1,512 million units during the preceding 12 months. Over the past six years, sales have been expanding at an average annual rate of about 10 per cent. The third thermal unit at Trombay is expected to go into operation by mid-1960.

Expenses have increased due to additional cost of fuel consumed at Trombay, higher wages, interest paid on World Bank Loans, contributions to Congress Party funds which aggregate Rs 3 lakhs, and higher depreciation. Total gross revenue has, however, increased more than proportionately due partly to increased sales of energy and partly to higher tariffs introduced from October 1957 which absorb the earlier surcharges and contain a fuel adjustment clause. The average rate under the revised tariff is 3.80 nP per KWH.

Under the amended Electricity Supply Act, the standard rate was revised upward to 5½ per cent for 1957-58 against 5 per cent previously, and will work out to 6 per cent for 1958-59. This has enabled the companies to give a bonus dividend of 5 per cent on ordinary shares. In consequence, Tata Power and Andhra Valley have distributed the highest dividend since their inception, while in the case of Tata Hydro, the dividend is highest since 1935-36. The entire tax liability of the companies is on account of wealth tax but a statutory obligation to carry the tax saved on development rebate to a Development Reserve has been imposed.

Schemes are in hand to expand the transmission and distribution system. The Carnac Receiving Station which has been working to capacity is being expanded with the installation of a third 80 MVA transformer, while transformer capacity in the rest of the Bombay-Poona region has been increased by 90,000 KVA. Various other works to ensure increased and uninterrupted supplies of energy are also being executed.

Finance for this expansion is being secured from IBRD and the State Bank. The former has sanctioned \$26 million (Rs 12.48 crores) of which \$15 million (Rs 7.21 crores) has already been drawn. The respective shares of the three companies in the IBRD loan are (in percentages) Tata Power 50, Andhra Valley 30, Tata Hydro 20. Cash credit arrangements with the State Bank have been secured for an

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aggregate of Rs 287.55 lakhs against 5 per cent Mortgage Debentures 1972 of the face value of Rs 340 lakhs.

On representations made by the Workers' union, total wages of the first three grades in the system were raised by 15 per cent with effect from April, 1957. Better and larger housing facilities are proposed to be provided now and a new wage agreement is being negotiated.

BHARAT LINE

THE Chairman of Bharat Line, Shri C R Srinivasan, had good reason to be satisfied with the company's operating results which were achieved, despite a slightly smaller tonnage afloat. Bharat's interest in coastal trade, the Chairman said, had protected its earnings against the fall in overseas freights which he described as 'catastrophic'. The latter, however, has not yet adversely affected other shipping companies which are interested primarily in overseas trade. The company is now on the lookout for good bargains in second-hand ships, prices of which have come down phenomenally of late.

Poised as it is for expansion, the Chairman could not refrain from deploring the heavy taxation of bonus shares and of dividends above 6 per cent, which depresses investors' interest. And like others in the shipping line, he opposed the proposed changes in the definition of 'Indian Ship'. Shri Srinivasan thinks that "a climate of confidence is still missing in the investment market". This may well be true. He is also justified in complaining against the penalisation of conservative dividend policies which build up reserves that cannot

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be converted into shareholders' equity. But his reference to "the continued depressing and disturbing conditions in the money market" is surely rather out of date?

Bharat has doubled its distribution this year and amended its Articles of Association to conform with the requirements of the Bombay Stock Exchange, in order to command a wider market for its shares. The Chairman does not think that this is enough and that shareholders' interest deserve to be stressed still further. Shipping, however, stands in a special category and it deserves all assistance from Government as well as investors, especially at present when ships can be purchased at favourable prices.

POLYCHEM

DURING the second year of its operations, for the 15 months ended March 31, 1958, Polychem (Chairman Shri Ramdas Kilachand) has achieved a sales turnover of Rs 34 lakhs against nil in the previous year. Its gross profit margin came to 14.5 per cent. Net block expanded from Rs 14 lakhs during the preceding 12 months to Rs 40 lakhs and subscribed capital rose from Rs 64 lakhs to Rs 80 lakhs. Profit before taxation amounted to Rs 4.47 lakhs. After providing Rs 47,000 for taxation, Rs 1.09 lakhs for Preference dividend for the year ended December 31, 1956 and Rs 12,000 for Development Reserve, and writing off Rs 76,000 for preliminary expenses, Rs 2.71 lakhs has been carried forward against Rs 68,000 in the preceding period.

The company's plant has had to be operated at around half of its capacity as the offtake was poor due to very large stocks of previously imported material. Installation of a Distillation Unit for Styrene Monomer is expected to be completed by the end of this year. The sheeting plant in course of erection will help increase the consumption of Polystyrene and enable the plant to work nearer its rated capacity. The company's Polystyrene is marketed under Dow's Trade Mark 'Styron' which has been well received by consumers.

NEW GREAT INSURANCE

THE Accounts of the New Great Insurance Co of India Ltd. for the year 1957 show a profit of Rs 3,75,719 as compared to Rs 3,03,678 in the previous year. The Depart-

mental profits for the year have been as follows:

Rs 3,67,298 as against a profit of Rs 4,35,426 in the Fire Department,

Rs 34,043 as against a loss of Rs 1,16,242 in the Marine Department, and

Rs 8,569 as against a loss of Rs 1,96,273 in the Miscellaneous Department.

A dividend of Rs 2 per share free of income tax has been recommended.

REFINANCE CORPORATION

—Rs 26 Crores from PL 480 Proceeds

RUPEES twenty-six crores will be made available for loans to medium-sized industries in the private sector under an agreement signed last week in New Delhi between the Governments of India and the United States. The agreement makes this amount available to the Refinance Corporation for industry for loans to medium-sized industries for periods of three to seven years.

This sum of Rs 26 crores is part of the PL 480 proceeds from the sale of U S agricultural commodities. The agricultural Commodities agreement between the Governments of India and the United States, signed in August, 1956, provided for the rupee equivalent of dollar 55 million (Rs 26 crores) to be reserved for relending to private enterprise through established banking facilities under procedures agreed upon by the two Governments.

For this purpose the Refinance Corporation was established in June, 1958 as a new private limited company with an issued capital of Rs 12.5 crores. The subscriptions were made up by the Reserve Bank of India, State Bank of India, Life Insurance Corporation of India and the larger scheduled banks of India.

BICHROMATES INDUSTRY

Protection to be Discontinued

PROTECTION to the bichromates industry will be discontinued with effect from January 1, 1959. This decision has been taken by Government on the recommendation of the Tariff Commission.

The resolution announcing the decision draws the attention of manufacturers of bichromates to

the Tariff Commission's recommendations that they should bring down their selling prices in fair relation to their costs and that they should explore the possibility of promoting exports of bichromates to countries with whom the Government of India have entered into Trade Agreements providing for such exports.

Optical Glass Plant

AN optical glass Plant has been set up at the Central Glass and Ceramic Research Institute in Calcutta. This is the first time that optical glass is being produced in India.

The only country in Asia producing optical glass has been Japan. And in all the optical glass manufacturing countries of the world the process of its production has been a closely guarded secret.

India's own annual requirements of optical glass is five to seven tons. It may now be possible to meet this requirement from internal production.

New Refractory at Salem

BURN & Co Ltd, Calcutta, have taken over, as from August 1, the Indian assets of the Magnesite Syndicate Limited, Salem, a firm which have been mining magnesite ore and making a light calcined product for chemical industries for over 50 years.

With this change, Burn & Co Ltd, have undertaken to put up in Salem a modern Refractory Works manufacturing high grade refractories from magnesite, while continuing to work the existing mines and the calcining plant hitherto run by the Magnesite Syndicate. Burn's refractory works in West Bengal would concentrate henceforth wholly on the manufacture of Silica refractories. This combined project will push up refractory production and save the country a considerable amount of foreign exchange.

After the Salem plant goes into production Burn's refractory and ceramic works will be operating in the States of West Bengal, Bihar, Madhya Pradesh and Madras.

Export Quota Of Rape-Mustard Oil

Government has decided to release a quota of 5,000 tons of rape-mustard oil for export upto the end of September, 1958.

Comparative Results*
(Rs Lakhs)

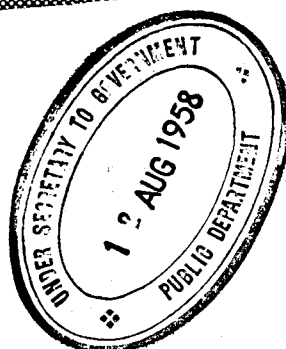
	Capital	Reserves	Borrowings	Net Block	Power Reserve	Expense Ratio (%)	Gross Profit Margin (%)	Net Earning per Ordinary Share (Rs)	Dividend per Ordinary share (Rs)
Tata Power	602	151	663	1301	296	66	27	137	80
	(602)	(123)	(560)	(1033)	(180)	(58)	(36)	(111)	(56.25)
Andhra Valley	352	74	325	667	170	68	27	135	80
	(352)	(57)	(256)	(495)	(103)	(60)	(37)	(106)	(56.35)
Tata Hydro	329	71	204	503	117	68	44	12	8
	(329)	(63)	(140)	(392)	(71)	(59)	(31)	(10)	(5.62)

*Figures in brackets relate to the previous 9 months ended March 31, 1957.

Monthly Average

		Apr	Mar	Feb	Jan	Dec	Nov	1957	1956	1955
I Consumer Goods :										
1) Cotton textiles	mn yds	407.8	405.6	391.4	436.5	438.2	431.5	443.1	442.2	424.5
2) Woollen and worsted fabrics	"	—	1.7	1.4	1.6	1.6	1.6	1.3	1.4	1.2
3) Matches	000 cases	—	41.8	46.8	49.7	50.3	51.3	48.2	51.3	51.3
4) Soap	000 tons	—	8.5	9.2	10.3	9.6	9.3	9.3	9.2	8.2
5) Electric lamps	mn	2.4	2.5	2.6	2.6	2.7	2.8	2.8	2.6	2.0
6) Hurricane lanterns	000	—	138.6	173.9	285.6	273.9	297.7	362.1	431.6	457.3
7) Razor blades	mn	—	28.3	28.5	23.9	21.0	23.8	28.0	22.1	14.5
8) Sewing machines	000	—	16.0	15.9	17.1	17.8	17.0	13.9	10.9	8.5
9) Vegetable oil products	000 tons	26.0	29.2	25.0	26.3	28.0	25.4	25.1	21.3	21.7
10) Electric Fans	000	53.4	54.3	50.7	51.1	52.3	50.2	43.7	28.2	23.5
11) Radio Receivers	000	17.4	15.8	14.7	16.2	22.7	17.1	15.9	12.6	6.8
II Raw Materials or Intermediate Goods										
1) Cement	000 tons	539.3	575.9	495.3	594.8	587.3	510.1	466.8	410.7	373.9
2) Coal	mn tons	3.8	3.7	3.7	3.9	4.1	3.9	3.6	3.3	3.2
3) Jute manufactures	000 tons	88.0	85.3	85.3	98.3	92.8	91.9	85.8	91.1	85.6
4) Cotton yarn	mn lbs	134.1	138.5	132.9	148.7	152.7	149.1	148.3	139.3	135.9
5) Paper & paper board	000 tons	—	20.7	18.2	20.7	19.8	19.2	17.5	16.1	15.4
6) Asbestos cement sheets	—	14.5	15.2	14.3	16.4	15.6	14.4	13.2	10.0	8.7
7) Chemicals:										
i) Sulphuric acid	000 tons	—	19.2	17.9	17.0	18.5	15.1	15.9	13.8	13.8
ii) Caustic soda	"	—	4.1	3.7	4.1	3.8	3.6	3.5	3.2	2.9
iii) Soda Ash	"	7.0	8.7	8.0	8.7	8.3	7.8	7.7	7.0	6.4
iv) Chlorine liquid	000 tons	0.8	1.3	1.3	1.4	1.3	1.3	1.3	1.3	1.0
v) Power Alcohol	000 gals	—	825.6	1009.7	954.4	997.3	778.2	844.8	855.9	869.4
vi) Rectified Spirit	"	—	507.0	472.7	539.6	517.9	419.2	424.6	350.8	429.7
vii) Denatured Spirit	"	—	297.6	274.7	344.7	325.7	302.6	289.2	281.9	249.1
viii) Paints & Varnishes	000 tons	3.7	3.7	3.6	4.0	4.1	4.2	3.5	3.5	3.3
ix) Rubber Products:										
i) Footwear	lakh pairs	29.9	27.0	29.4	37.9	37.1	37.1	30.8	30.1	29.1
ii) Tyres:										
a) automobile	000	78.1	76.7	77.9	90.9	84.8	83.3	82.4	78.2	73.5
b) cycle	"	703.5	665.1	650.9	742.7	612.2	613.1	596.0	526.7	479.0
iii) Tubes:										
a) automobile	"	80.9	75.1	65.2	84.4	72.2	78.1	78.0	76.5	65.5
b) cycle	"	612.3	597.0	606.4	725.2	597.4	656.8	585.6	531.1	466.1
10) Non-ferrous Metals:										
i) Copper (virgin)	tons	682.0	710.0	655.0	302.0	700.0	670.0	654.0	635.7	606.8
ii) Aluminium	"	—	685.3	625.8	—	630.9	669.0	647.6	541.7	602.1
iii) Lead (virgin)	"	162.0	407.1	288.0	275.0	313.9	272.0	264.5	208.1	186.2
iv) Antimony	"	—	54.0	40.0	30.0	48.1	46.0	41.8	49.1	42.0
11) Iron & Steel:										
i) Pig iron	000 tons	—	160.8	159.8	162.6	160.2	153.3	149.1	150.6	146.4
ii) Steel ingots & Castings	"	—	151.1	146.3	164.5	154.7	146.1	142.9	144.8	142.0
iii) Semifinished steel	"	—	128.8	127.5	136.5	124.2	118.8	120.0	123.7	121.4
iv) Finished steel	"	—	115.6	108.6	116.8	114.7	116.4	112.2	111.5	105.0
III Capital Goods										
1) Diesel engines	Nos	—	1,789	1,956	2,055	1,742	1,646	1,387	1,001	852
2) Power driven pumps	000	—	6.5	6.1	6.0	6.5	5.9	5.3	3.9	2.9
3) Machine tools	000 Rs	—	4001.1	3565.2	3,963.9	2,473.0	2,930.7	2,090.4	1,001.9	620.0
4) Twist Drills	000	—	109.6	190.0	207.8	218.2	222.5	188.2	129.1	64.9
5) Calico looms	nos	206	211	171	177	161	224	239	239	228
6) Ring frames	"	70	63	72	98	109	106	114	93	72
7) Carding engines	"	84	116	111	123	130	109	85	61	50
8) Grinding wheels	000 lbs	214.8	222.8	182.7	244.3	234.3	247.3	271.1	207.6	119.9
9) Arc welding electrodes	lakh ft	—	197.2	181.8	117.0	172.4	181.6	177.3	156.3	100.8
10) Dry cells	lakhs	—	106.5	129.6	131.8	137.1	118.0	138.8	151.2	134.2
11) Storage batteries	000	28.4	29.4	27.8	23.9	28.5	29.2	27.0	26.2	19.6
12) Electric motors	000 HP	—	51.8	45.1	45.0	49.5	43.1	39.1	29.9	21.0
13) Power transformers	000 KVA	—	113.3	97.1	101.3	114.0	106.5	101.6	76.6	47.1
IV Transport Equipment										
1) Automobiles (total)	nos	—	2,748	2,230	2,636	2,497	2,491	2,661	2,678	1,924
of which										
i) Cars	"	—	697	461	640	842	1,076	967	1,082	791
ii) Jeeps	"	—	195	213	358	168	151	339	345	278
iii) Trucks & Buses:										
a) Petrol	"	—	789	471	497	418	291	265	366	406

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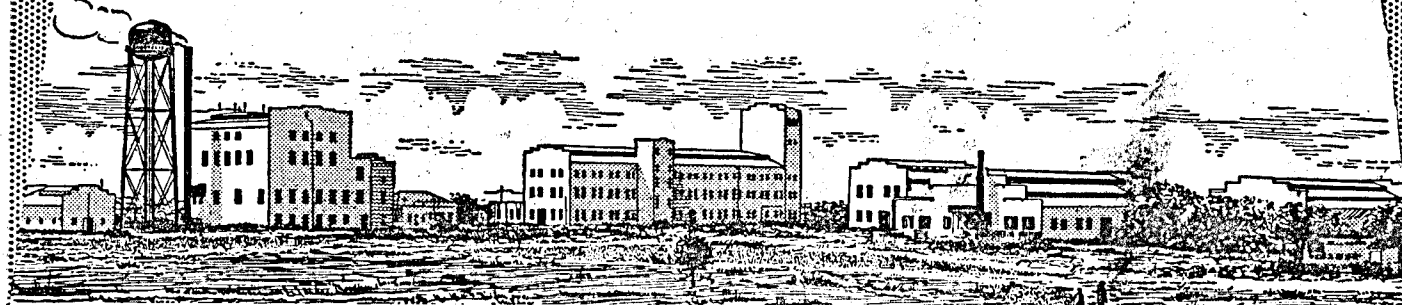
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Foreign Exchange Prospects

THE Finance Minister read out a carefully-prepared statement in Parliament on the foreign exchange situation. But it was so carefully worded that it did not say anything more than what it wanted to say and, therefore, it added little to what is already well known fairly. True, some figures were brought up-to-date and some estimates slightly revised. Thus the expected external assistance which would balance the foreign exchange budget for the entire Plan period has been revised upwards from Rs 500 crores to Rs 560 crores. The figures for import licences outstanding which were placed at Rs 990 crores at the end of September last year and at Rs 864 crores at the end of March last (Rs 523 crores Government, Rs 300 crores private, Rs 41 crores steel) —these are the figures given in the Planning Commission's paper on foreign exchange—are now revised to Rs 887 crores as on April 1. The Finance Minister did not give any breakdown of the licences outstanding, nor did he hazard any guess how much would come up for payment this year and how much would fall due in the next financial year. The bulk of these outstandings, he said, were on account of capital goods for the core projects in the Plan which, of course, is saying precious little either about the timing or the character of the imports.

The note of urgency which is conveyed in so many statements, coming from official quarters, could not surely be explained fully by the decline in exports in the last financial year by some 50 crores to Rs 600 crores for which the Finance Minister himself gave fairly adequate reasons—the American recession and the general sluggishness of the export market. Surely, it is not the shortfall in exports of this magnitude which has created a foreign exchange crisis? That the situation demands open credit and credit for a large amount not tied up to particular projects has been obvious for some time and one can see the urgency for it in the Finance Minister's statement also, but only if one is prepared to read between the lines. The doubts that are raised about payment situation by the week-to-week decline in the reserves are not borne out when one looks at the situation as a whole.

Broadly, the situation appears to be as follows: Against import licenses outstanding totalling Rs 990 crores at the end of September last year, and about Rs 300 crores of import licenses issued during October to March, the imports were about Rs 427 crores. So the level of outstanding licenses now would be around Rs 563 crores, including licenses for raw materials and consumer goods, which agrees roughly with the figures given out by the Finance Minister.

Now imports against all these licenses would not materialise during 1958-59. Probably about Rs 500 crores of imports against the outstanding licenses would materialise during 1958-59 and Rs 300 crores during 1959-60. Further, there would be new licenses issued during 1958-59 on a little more liberal basis than during October-March, let us assume that the licenses would be worth Rs 800 crores of which Rs 300 crores worth would be utilised during 1958-59. To these will have to be added the non-licensed Government imports of food and defence stores, which are likely to amount to about Rs 250 crores. The total imports during 1958-59 would thus be around Rs 1,050 crores. On a very conservative estimate exports could be estimated at Rs 600 crores for 1958-59. The

net receipts under 'invisibles' of about Rs 100 crores, it may be assumed, will offset the capital repayments, so that the problem of financing a trade deficit of Rs 450 crores will remain.

According to the latest Report on Currency and Finance, foreign assistance available for utilisation at the end of March 1958 was Rs 540 crores (Shri Morarji put it at Rs 513 crores, excluding Rs 12 crores World Bank's Loan to DVC in July). But of this, about Rs 200 crores would be utilised during 1958-59. Then there remains a gap of about Rs 250 crores for which, according to Shri B K Nehru, external assistance in the form of a general purpose loan is so urgently required.

A similar situation is likely to repeat itself in 1959-60 when another Rs 250 crores of general purpose external assistance would be necessary. During the last year of the Plan, imports are likely to decline by about Rs 200 crores, so that no further external assistance should be needed. Such then is the payments perspective, when looked at from the point of view of outstanding import licences. The additional assistance of Rs 560 crores, from this point of view also, would be sufficient for the purpose of the Second Plan.

There would always be a time lag, however, between import payments falling due and the actual receipt of external assistance; the problem of financing imports during these time lags would remain and reserves will have to be freely utilised. The reported overdraft of Rs 200 crores from the U K could be extremely useful for this purpose in maintaining reserves at the minimum level. While the overall payments position may be fairly sound, what causes anxiety at the moment is the timing of this assistance. During 1958-59 about Rs 250 crores of additional assistance is necessary and on the expectation that it will be received, a part of our foreign exchange reserves has already been used up since March last. Can we use up the remaining Rs 200 crores of sterling balances in this year?

The country will therefore share the Finance Minister's hope that it would still be possible to commence the Third Plan with a foreign exchange reserve of Rs

200 crores. It will also feel encouraged by the prospects of foreign assistance materialising as a result of the discussion at the Conference convened by the World Bank in Washington at the end of this month which is to be attended by the representatives of U S, U K, West Germany and Japan. It will still lack an assurance, however, that the foreign exchange situation is being properly handled and managed or that even the preliminary steps are being taken by the Government to ensure such management in the remaining period of the Plan.

In retrospect, it is becoming more and more clear that not only the handling of foreign exchange situation but even the public criticism levelled against it has been misconceived and mis-directed. To the latter charge, this paper must plead guilty. It is not a question of one Ministry over-riding another or that of struggle between Private and Public Sectors to grab all the foreign exchange while the going was good. It is not even a question of administrative efficiency and corruption, of a faulty administration of import control. Shri Morarji Desai may dismiss in a cavalier fashion the rise of internal prices due to "the relative shortfall in the availability of imported goods," he may even wink at the chain reaction of corruption that cuts in import licences set up in operation. The premium on licences of certain types of imports range today from 50 to 400 per cent. Selling of import licences is freely allowed and recognised, leading to consequences which may well be imagined, and it is a fact of daily experience. None of these, however, goes to the heart of the matter. The time has come to realise that planned development cannot succeed only if administration is honest and efficient, though it may be too much to ask even for that.

The implementation of a plan requires its own apparatus of execution, achieved as a resultant of pressures exerted from various directions. It is not surprising therefore, that Professor V K R V Rao should have set the Import Advisory Council on tantrums by accusing the Planning Commission for its failure to appraise the country of the implications in terms of fiscal resources and efforts required for the Plan. If the Plan has not

even been broken down clearly into a succession of annual plans, the resulting confusion can be well imagined. It is clearly illustrated in the developments in our foreign exchange situation. From liberal import policy two years ago to the introduction of ultra-rigid restrictions last year, the Government policy has been totally unco-ordinated with the requirements of the Plan. All this happened because there were no clearly defined or accepted annual plans with their import contents accurately estimated, which could guide the Ministry concerned. Even the formality of drawing up a foreign exchange budget had been given up as superfluous, nor was track kept of the imports. It was hardly possible to do so in view of the utter confusion prevailing. The Import Trade Control regulations under which licences are issued have an altogether different classification and schedules from those of the Indian Customs Tariffs under which imports are actually entered.

This is only what appears on the surface. A proper estimation is possible neither of the foreign exchange requirements of the Plan, nor even of the import requirements of the private sector of industry—which is a much more limited problem—without the introduction of systematic operational controls and setting up of a well designed apparatus for implementation. Of these basic problems, the Finance Minister hardly seems to be even aware. Nor is the country very much excited about them, either, if truth has to be told. On the contrary, the public will find much to excite it in the Finance Minister's reply in answer to a question in Parliament in which he said that the Government was considering a proposal to mobilise idle gold reserves by the issue of gold bonds. But why did he have to mention French Government's gold bonds in this connection? This he did, if the P T I report is to be believed. The French loan referred to carried a gold clause but that was only to insure the subscribers against any loss of value in real terms. Far from the loan being a gold loan, the loan issued on June 17 expressly stated that gold bars and coins would not be accepted for payment of subscription.

High Command and Kerala Congress

MURDER, whether political or not, is heinous. No wonder our Prime Minister, who has a sensitive mind, reacted quickly to the recent happenings in Kerala. His public expression of concern over the situation in Kerala has given some satisfaction to anti-Communists while the Communists have been put on the defensive. Neither an impartial probe into the affairs of Kerala at the behest of the Central Government nor suspension of the Constitution seems to be imminent. Much will depend on the reports that Krishna Menon and Dhebar are to bring back after their proposed visits to Kerala. It is not clear who decided that they should undertake the investigations separately.

Nobody will deny that there is a sort of insecurity prevailing in Kerala, quite natural when a determined political party is pursuing policies detrimental to vested interests. The point at issue is whether that insecurity has reached alarming proportions and, if so, who are responsible for it. It should be remembered that the local Congress has been consistently snaring the High Command into wrong impressions. It is misrule on the part of the Congress Party following independence that led to its downfall in Kerala and to the rise of Communists to power. Eighteen months after the election debacle, the Congress High Command has not been able to satisfy the public that it has taken any effective steps to weed out leaders responsible for the downfall of the party. It is to be seen whether or not the same old leaders are misleading the Congress High Command and the people outside today. The present K P C C chief, who has deserted parties more often than a Malayali performs ablutions, and Panampilli, two leaders, known for making the greatest noise, are defeated candidates at the general elections.

There are certain things which Dhebar and Menon should investigate. First they must find out to what extent the Congress has a mass following. This will not be known by casual visits and meet-

ing Congressmen and independent witnesses produced by them. Secondly, the Congress High Command should be able to state unequivocally whether the local Congress was justified in associating itself with public demonstrations relating to the Education Bill, primarily engineered by the Catholic church. In what respects did the Education Bill differ from similar pieces of legislation in Andhra and Orissa? Did not the Education Bill truly reflect the desires of the people, particularly of the down-trodden and exploited teachers? To what extent has the line taken by the local Congress in regard to the Education Bill brought it nearer to the masses? It may be argued that the Congress fear was well-founded as the Supreme Court has declared certain provisions of the Bill void of the Constitution. But the type of agitation carried on was such that it created an impression in the public mind that the Congress was not averse to allowing itself to be a rallying point for reactionaries. Another instance is the Sitaram Mill dispute. Can the management not transfer workers from one department to another? If there was so much injustice in it, why could the I N T U C not organise a strike? It is clear that the I N T U C had hardly any following there; otherwise, there would have been no need to bring non-workers to picket at the gates of the Mill and the Collectorate. After two months of unnecessary confusion, the INTUC conceded the management's right to transfer workers from one department to another and Government sportingly agreed to re-instate the few dismissed workers. But this unnecessary 'struggle' caused bad feelings which ended in cold-blooded murders at Varandarappilly. Will the Congress High Command fully examine and announce whether there was a real labour dispute in the Sitaram Mills to launch an agitation covering the entire Trichur district? If not, what action will it take against the people responsible for fomenting trouble there? It would also be desirable for Dhebar and Menon to examine the Congress attitude to-

wards the Land (Relations) Bill. For, they might find to their surprise that 99.9 per cent of the active Congress workers have not seen the Bill at all, while every Communist worker would be quoting chapter and verse from the Bill, explaining the benefits which it would confer on the tiller of the land.

We have mentioned this only to indicate that it would not be enough if Dhebar and Menon went there to examine the outward manifestations of lawlessness. If they are interested in the future of democracy, they should devote more attention to the affairs of the local party and satisfy themselves that its old weaknesses like group rivalries and communal influences no longer exist. It should not be forgotten that the Communists have far greater mass support than the Congress. And it is a mistake to think that the Communist Government could be overthrown by the present tactics of the local Congress. It only helps to strengthen the belief of the class of people who form the back-bone of the Communist party that Congressmen and reactionaries are bent upon overthrowing the present Government. It is in this context that Namboodiripad's Coimbatore speech should be understood. Any manoeuvre to unseat the Communists at this stage and pitchfork the discredited local Congress leaders into power will only look like transplanting Chiang Kai Sheks and Syngman Rhee on the Indian soil!

This does not mean that all is well in the State of Kerala. The Communist party is quite inexperienced in the art of administration. If it tries to re-enact what its leaders have seen in Russia and China without taking into consideration local conditions, it will be digging its own grave. If it is true that the party bosses are exerting undue influence on the administration and that Ministers are only helpless spectators, the Party will be creating a dangerous situation in which administration will lose its objectivity, and normal justice will be denied to the people who differ from the party line.

Weekly Notes

Eisenhower's Six-Point Plan

THERE is hardly anything new in the plan for West Asia which President Eisenhower has now unfolded before the emergency session of the United Nations. Although an international police force is now mentioned for the first time, specifically in the context of West Asia, it can hardly be said to be an original suggestion. Indeed, political theorists have been pointing out ever since the inception of the United Nations that a world organisation could not hope to be obeyed without the backing of a world police force. Similarly, the idea of a planned development of the Arab countries with a view to raising the living standards of their peoples is not revolutionary; nor are the risks of arming the countries of West Asia pointed out for the first time. It is a question on which the United States, or any of its Western allies, cannot honestly take a righteous attitude; for it is they more than anyone else who have for long sought to maintain in West Asia what can only be described as a balance of terror.

Arming a nation directly by a sale of arms, and arming it a little more subtly by including it in a 'defence pact', are not things entirely apart. Mr Eisenhower will himself have to reconsider his attitude towards the whole question of military alliances as a major instrument of policy-making, if he is to be taken seriously on this particular proposal in his West Asian plan. To hope that an "armaments spiral" can be avoided in West Asia as long as the Baghdad Pact exists, is not only to be supremely naive but also to have a supreme confidence in the naïveté of others. The United States cannot on the one hand go on building up the military strength of, say, Turkey without provoking its neighbouring States to strengthen themselves similarly from whatever sources are available to them. America's only-too-recent closer association with the Baghdad Pact is poor proof of Washington's anxiety to make West Asia a militarily unexplosive region.

The merit of the Eisenhower plan, however, is that for the first

time it takes up these disjointed suggestions and presents them together in one comprehensive piece. This is the sort of thing, one imagines, which might have been put up at a summit conference as a basis for a permanent East-West understanding in regard to West Asia, and would probably have had better chances of being accepted. In the General Assembly, the main points are bound to be accompanied with a great deal of propaganda mongering, which might ultimately mean their rejection. This danger was always inherent in the decision to summon a special session on this issue; and the fears are already proving true—as is evident from Mr Eisenhower's vivid but unhelpful charges of "ballistic blackmail" and Mr Gromyko's equally barbed references to indirect aggression being a part of U S policies.

West Must Pull Out

FOR the present, Russia has adopted an attitude of considerable moderation towards the U S proposals. Although no detailed response has yet come from Moscow, Mr Gromyko's first reaction is not one of outright rejection. He has promised "careful consideration" of the Eisenhower plan—provided that the condition of Anglo-American withdrawal from Jordan and Lebanon is first satisfied. This is not unreasonable. A long-term settlement of the West Asian question can come only after the end of the immediate crisis. Washington has, in this respect, carefully timed its token withdrawal of the first 1200 marines from Beirut to coincide with the eve of the General Assembly session. But though welcome, it is quite meaningless in itself and was obviously a propagandist move. Fundamentally, it is not the strength but the mere presence of American and British troops in West Asia that is objectionable. Mr Eisenhower's speech was regrettably bare of any mention as to when precisely this occupation of Jordan and Lebanon is to cease; and it would be unrealistic to expect that the omission would be quietly ignored by the Afro-Asians or the Soviet Union.

The draft resolution of Mr Gromyko is, under the circumstances,

reasonable and moderate. It asks, in essence, that the Western troops be withdrawn from the two Arab States and the United Nations team of observers in Beirut strengthened. It looks as if we are back, after a tortuous detour, to the solution first suggested by Japan and vetoed by Russia. But this obvious absurdity had better be buried now in the interests of West Asian peace, and the original proposal revived by all sides. Certainly it still presents a far better chance of bringing about a settlement than the proposal to create a police force at this stage, specially as the police force idea is repugnant to the Arabs themselves.

Waste Mica for Insulation

FOREIGN exchange worth Rs 20 lakhs, it is claimed, will be saved every year by the adoption of a patent for utilising waste mica, worked out recently by the Central Glass and Ceramic Research Institute.

The patent is a commercial process by which waste mica can be used for insulation purposes. While 90 per cent of the output of mica from Indian mines goes to waste in the process of mining and splicing, the country imports every year Rs 20 lakhs worth of vermiculite for insulation in factories, boilers and studios.

The process finalised now will enable the use of the entire scrap material amounting to over 50,000 tons a year. Mica is largely used in the electrical industry, viz, radio valves, transmitters and aircraft engines etc. But scrap mica did not, till now, find much use except as a filler for plastics and paints.

The new method has already led to the setting up of a factory in Rajasthan for the manufacture of mica bricks. With a production capacity of 2500 bricks per day, this factory is expected to double the capacity in a year's time, thereby reducing substantially the import of heat-insulating material.

The heat-insulating capacity of these mica bricks is very high. The use of these bricks reduces the loss of heat in industrial furnaces to such an extent that there is a resultant saving of 30 to 40 per cent costs on fuel.

Youth Revolts against Revivalism

THOUGH towards its end, the agitation of the students of the Ayurvedic College in Lucknow took the usual form of student unrest elsewhere, there are certain features about this ugly outbreak which merit much wider attention than they have received so far. The demand put forward by the students of the Ayurvedic College was quite untenable and unfair. The authorities had no difficulty in showing that what the students wanted was that the standards of medical education in the State should be lowered for their particular benefit and that, therefore, the demand could not be met in any case. After a show of strength and police firing, resulting at least in one death, it is this very unreasonable demand which the authorities have conceded.

The students had sought admission to the Ayurvedic College on their own for learning and eventually practising a system of medicine which, despite the empirical results which it is known to yield—measured fairly well by the high fees earned by leading Kavirajas and Vaidyas—no longer commands that much of respect among the people as does modern medicine. They wanted, therefore, that they should be absorbed in the medical college which offers the M B B S degree, the argument advanced being that the grade pay for doctors qualified in modern medicine was much higher. What the Ayurvedic students have achieved, therefore, is to gain admission to the college by the back door. The presumption is justified that on merit or on the strength of their academic attainments, they had not, and could not possibly have, deserved such admission.

The U P Government has conceded an unjust demand, thereby depriving others, better qualified, perhaps, of the opportunity of getting medical education. But it has not yielded to the demand for a judicial inquiry into the police firing, despite the airy claim made only the other day by Shriman Narayan, then one of the General Secretaries of the Congress, that the Congress policy of non-violence demanded such an inquiry

whenever the police might be compelled to fire on unruly crowds, conceding thereby a political point to Kerala's Communist Chief Minister.

Cowdung Cake vs Bunsen Burner

THOUGH the agitation finally assumed a guise of dispute over the issue of better prospects for allopathic doctors, as compared with Ayurvedic practitioners, it had been smouldering for long. In fact, the trouble first started when students of the Ayurvedic College were asked to use cowdung cakes for boiling the ingredients of Ayurvedic medicine in their laboratory in place of the smart and modern Bunsen burner which students in other colleges use. The social prestige attached to modern science and medicine had, therefore, much to do with the later developments. The students started grumbling when they were taught, and had to learn, what they regarded to be outmoded. In the home of Hindu revivalism, this volte-face against Ayurveda should provide food for thought not only to Sampurnandji but also to the Health Ministry at the Centre which has been pursuing a vague, equivocal and deceptive policy in regard to the Ayurvedic and Unani systems of medicine.

Some day, the choice has to be made. Why not do it here and now and with open eyes? A solution could be the one China has adopted—a compromise—until Government is able to extend the benefit of modern medicine to the entire population. Till such time as this can be done, China on its part has decided to use such of the old medicines as are still being made in the villages from herbs and other indigenous ingredients and as have been empirically found to be efficacious for the treatment of common diseases. These drugs have been incorporated in the system of public health and medical services run by the State.

Another solution could be to deny State patronage and recognition to less scientific systems of medicine like Ayurveda or Unani and sponsor research on the various drugs and medicines which have been found to be efficacious in these systems. If this is done, a substantial contribution could be made to the science of medicine;

and may be the treatment of tropical diseases, in which these systems have centuries of experience, would benefit immensely from the result of such research.

True, until the State can institute a satisfactory system of social medicine, it has no right to deprive patients of whatever treatment they can afford or find. But that does not justify extending recognition or patronage to what is regarded by Government itself—by its own Medical Department—to be unscientific and, therefore, unworthy of support.

Windblown Copies of Gazette

A GOOD ANGEL must have pulled some strings somewhere. For the past few weeks, the Gazette of India—parts I, II, III, IV, and Sections and Sub-Sections of all the parts, including the Gazette Extraordinary—have been flooding this office. This is such an event for a paper devoting itself, among other things, to trade and commerce that it needs to be noted. As the one who set the flood flowing chooses to remain anonymous, it also happens to be the only way to say 'thank you', presuming, of course, that these lines would catch his eye.

For several years past, believe it or not, this paper had to do without the luxury of the weekly Government Gazette. The reason was that the Manager of Government Publications, in his wisdom, had decided to deduct from the subscription paid for the Gazette the balance of subscription which he claimed, and which this paper denied, for another publication coming from the same source, viz, the Monthly Abstract of Statistics. However, the original cause which eventually led to the loss of the Gazette and compelled this paper to carry on, week after week, without the help of all those notifications, texts of bills, etc, etc, which are the stuff of life for a commercial journal, was the delay in getting in this office the Monthly Abstract of Statistics. This delay was quite inexplicable inasmuch as we used to receive the Abstract two months later than another subscriber, who could not have paid more for it, but who could afford to have in New Delhi a highly paid contact man to get things done. The party in question, needless to say, was a lead-

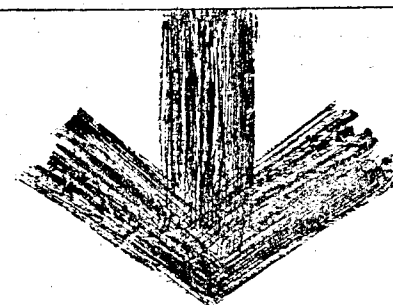
ing commercial house with offices just across the street. When the September issue of the Monthly Abstract actually reached Bombay and we were forced to borrow it for the latest statistics, we had received in our office only the issue of June, and on the Manager's attention being drawn to it, we were told sententiously that copies 'would be forwarded as and when received from the press'.

A gentle probe at the Central Statistical Office did not produce any results regarding the subscription copy. It, however, started regularly supplying a complimentary copy from the limited number of free copies issued to the organisation with a polite hint to keep quiet about it. We were assured that the compilers were, naturally, keen that the statistics should reach the people interested in them as early as possible, but despatching was someone else's job! Meanwhile, the subscription for the publication, which we were receiving two months later than others, had been increased, and we were asked to remit the difference. A request that the supply of the journal which was of no use to us and which we were in any case getting free and that too, two months earlier, should be stopped, was turned down, and the money was deducted as indicated before from another account, with the result that for years we had to do without the Gazette.

In many years, dealings with news agents through whom this paper also subscribes to a number of journals, it has never once happened that subscription falling due for one journal has been deducted from that paid for another. It seemed a fair case on which one could go to Court, but lacking the time, energy and resources, this paper, along with many others, has had to suffer this indignity and put up with the caprice of the Manager of Publications, taking the line of least resistance, and managing, as best as it could, without the Gazette so far.

Politics and Matrimony

WHETHER the institution of marriage is a stabilizing factor in life and public affairs, making for orderliness, peace and good neighbourliness all round, is a question that may again be



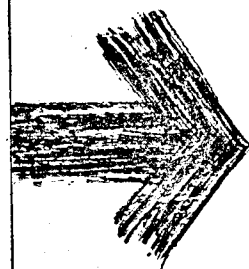
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appropriately raised in the context of the 1951 census sample data for reorganised States released in Delhi recently. These new tables, it has been officially indicated, represent no more than a rearrangement of the old figures relating to literacy, livelihood, the number of married, widowed and divorced persons etc. And they cover about 350 lakh persons, of whom 290 lakhs belong to rural areas and the remaining 60 lakhs to towns and cities. The point in rearranging the old figures so as to give a correct picture of the new States formed by amalgamating parts of old States is obvious; but just here one prefers not to be concerned either with that aspect or with any of the figures of the new tables other than those relating to the proportion of the married and unmarried. Restricted thus, the re-arranged figures may be found to throw some interesting light on the present controversy over the law and order situation in certain parts of the country.

The trend towards lawlessness in Kerala has been explained from many angles, political and economic; but no serious attempt has so far been made to view it from the angle of holy wedlock or the comparative indifference to its merit in that State. Maybe, no one had cared to probe into the matrimonial statistics of Kerala, what with enough exciting issues of the moment monopolising public attention. But now that the sample data, derived from the census of 1951, have unmistakably conferred upon that strife-riven State the distinction, or perhaps fastened on it the disqualification, of having the highest percentage of unmarried persons in the country, there can be no ignoring the matrimonial aspect. The figures indicate that 60.2 per cent of the males and 48.2 of the females live in unrelieved loneliness, with all it may imply in terms of frustration, restlessness, insecurity and disregard for the values of a staid, settled life. Whether these understandable attributes of an unwedded, unanchored and uncurbed state of life have been finding uninhibited expression in the public arena of Kerala is an issue that may well invite expert investigation.

Meanwhile, one cannot, of course, shut one's eyes to the other and

contrary aspect of the question. Suppose all the men and women of Kerala, now living single lives by choice or compulsion, were to seek wedlock and make their own substantial contribution, in due course, to the already excessive population of the State, pressing on inelastic resources, would the position have been better? Would the resulting explosions of discontent and anger have been confined then strictly to the domestic sphere, with wives and children facing what Ministers and party leaders have to face today? Whatever clue may be sought in the sample data cannot be very reassuring on this point. For, the other States of India which glory in wedded bliss or in the preponderance of the married over the unmarried have not been exactly models of peace and harmony in the public sphere. And even Bihar, which is said to outrival all other States in its dedication to the institution of matrimony, cannot be quoted with unreserved approval as an example. Can it then be that the institution of marriage has no chastening influence on the flux of public affairs? What a disillusioning thought!

Distressing Disturbances

THE violent disturbances in Ahmedabad, Baroda and other towns of Gujarat will be widely regretted and regretted all the more, because they could have been so easily avoided. All those who took part in the agitation for a separate State of Gujarat cherish the memory of those who gave their lives for it, mostly youths, and it is natural for them to pay homage to those whom they look upon as heroes and martyrs. But it is open to question whether the Parishad should have selected a traffic control point in the middle of the road and the pavement opposite for erecting the memorial. Traffic rules and municipal regulations in such matters are for the benefit of all. Moreover, municipal rules were, after all, made by the people's own representatives and surely since so many people wanted the memorial, the right course would have been to move the municipality for a suitable site. The police, it must be said to their credit, showed both admirable restraint and imagination in not preventing by force the erection of memorials. What made the authorities remove them when

public feelings were still in an inflamed state?

But to point this out is not to argue for the explosions of mob fury that followed, accompanied by attacks on the police and on public property. To have seen or chosen to see in the removal of the memorials an element of disrespect to the memory of those killed in the linguistic agitation might have some meaning in terms of the strategy of agitation; but to have made that a pretext for the venting of pent-up mob resentment on police chowkies, municipal establishments, buses and bus shelters, street lights, schools, libraries and the like, with an eye alike to destruction and loot, is something that goes far beyond any sufferable code of agitation. If the Parishad felt that the action of the authorities in removing the memorials was wrong and if they had further persuaded themselves that it implied irreverence to the memory of those whom they had sought to honour, there were any number of constitutional ways open to them to express their disapproval and even anger. But having taken the law into their own hands and created an atmosphere of insecurity and danger, it appears to be poor defence to foist the entire blame on the forces of law and order, who have to do their duty wherever they are—be it in Kerala or Bombay.

But any resort to firing on the part of the police, even where justifiable, is to be deeply deplored, not merely because of the loss of life it involves and the trail of misery and bitterness it leaves, but also because of the sad commentary it provides on our capacity to fight out our disputes in a peaceful, dignified manner. The Ahmedabad firings are most distressing but obviously the first task is not so much to get lost in a discussion on them as to make every effort to restore peace to a trouble-torn city.

It is therefore encouraging to note that Shri Indulal Yagnik, President of the Parishad, has acted with courage and promptitude in calling off the proposed campaign of satyagraha and making an earnest appeal for peace. He has warned that he would continue his present seven-day fast till the situation returned to normal. It is to be hoped that this appeal and warning will not fall on deaf ears.

Rising Price of Rice

PEOPLE in West Bengal are looking upwards more anxiously at the rain clouds than at the Summit. Food prices continue to rise. The fact that Bengal has so far received only a small amount of rainfall, however, is only part—an accidental part—of the reason for the prevailing high prices. The malady is more deep seated—it is the old curse of the middleman, masquerading as the friend, philosopher and guide of the cultivator. It is true that the worst horrors of moneylending are over; the average Indian farmer is perhaps better off today than he has ever been. But the question that remains unanswered is why food production has not come up to the level expected in the immediate post-Independence years. It is not enough to say that Government investment in this sector has been inadequate. In any case, such investment can never be fully effective while agrarian finance is allowed to remain in its present pernicious condition. The fact is that the middleman—or 'mahajan', as he is commonly known—can dictate not only how much or how little rice should be grown but also the price at which that rice will be available to the public.

In the first place, the farmer does not himself possess capital which he can invest in more seeds, manure, irrigation water and the like, necessary for the extra crop which the land is capable of producing. He is dependent solely on the mahajan's advance, which will only cover the costs he will incur in producing the amount required by the latter. Secondly, even if the farmer produces more, he faces the risk of not finding a purchaser for the extra amount. There is no free market—the mahajans see to that. The extent of the mahajan's requirements is really determined by the big dealers in foodgrains and rice mill owners whose agent the mahajan is. The vested interest of this group, which is behind the mahajan, demands that the market should not be glutted by a surplus. Accordingly food production is deliberately crippled in order that the middleman can make a larger margin of profit for himself.

Besides, owing to his power and influence the local mahajan has such a stranglehold on the farmer that the latter dare not produce more than the mahajan is willing to buy. The situation is distinguishable from that which existed in pre-war days. Then, the farmer was in perpetual indebtedness: now, on the other hand, he is not, and the price paid to him by the food-grain financiers not only covers his costs but enables him to make a small profit as well. But in a wider context this means that the Five Year Plan is being sabotaged. Land is not being utilised to enable it to produce the maximum amount of crops possible, but only to the limited extent profitable to the middleman.

The problem is not wholly new. But as yet 'we have only scotch'd the snake, not killed it'. The measures taken by the Government do not go far enough. There are numerous cooperative banks and societies which provide rural credit facilities, but they labour under certain disadvantages. Firstly, they are often dominated by the very people from whose rapaciousness they were designed to protect the farmer. These people, not unnaturally, try to dissuade the farmers from using the banks. Secondly, there is the mistrust and fear of 'red tape', of executing formal legal documents, etc. The dealings with the mahajan on the other hand, have a beautiful simplicity—there need not be any documents, just a simple cash transaction. The mahajans seldom press for immediate repayment and are popular with the farmers. Thirdly, the terms of repayment of the loans made by the cooperative and other rural banks are inelastic. This rigidity too makes the farmer reluctant to deal with them. The middleman, by way of contrast, is eminently reasonable and accommodating. If there is a bad crop, the mahajan appreciates the farmer's difficulty. There are few foreclosures. Interest, of course, accumulates, but after all these are hard times.

Hoarding by dealers in foodgrains led the Government to impose maximum prices in certain deficit

areas. Ironically, the limit set by the State became the minimum price at which rice was available 'over the counter'. This rice was, besides, that of the coarsest quality. Like the bad coin, the bad rice drove the good rice out. The finer varieties of rice were sold either in the black market or smuggled to 'surplus' areas from where they found their way to the hoarder's godowns. This stock is released at an opportune moment, generally around June or July when the grain merchants are able to form an estimate of the prospects of the coming season. In the pre-war days, when prices rose owing to the failure of the winter crop or the monsoon, the import of cheap rice from Burma acted as an automatic brake on the activity of the profiteers. Now, this check no longer exists, as the price of Burma rice has risen. Consequently, the non-rice growing urban areas, or industrial areas such as Howrah or Hooghly where only a small amount is grown, are severely hit each time an actual or artificial scarcity is created.

One possible solution is to totally prohibit the dealing in foodgrains by persons other than the Government. An alternative is for the Government to make a standing offer that it will buy the entire crop of the farmer at a reasonable price, so that the farmer is given an incentive to produce as much as he can. One of the farmers' difficulties, as we have seen, is that of finding a purchaser for the surplus he may produce in excess of the middleman's requirements. As a corollary, the existing system of giving rural credit facilities will have to be improved, to make it more attractive to the farmer. Finally, exemplary punishment should be meted out to some of the profiteers. Justice must not only be done, but also seen to be done. A democracy does not liquidate people. Equally, it should not tolerate social evils of this magnitude. The structure of society cannot be changed by words and ordinances alone; ruthlessness in stamping out pernicious practices is also required.

—Dipankar

Choice of Technique

IN his article on the choice of technique in the Special Issue of the 'Economic Weekly', Professor A K Dasgupta rightly emphasises that in choosing between alternative techniques of production the only valid criterion is that of minimum cost, and that the whole question of deciding between maximising output and maximising surplus is beside the point. It is, however, not quite clear why Professor Dasgupta should have based his analysis on the assumption of a given quantity of capital, with the amount of output varying with the quantity of labour employed. The possible alternative hypothesis (which Professor Dasgupta himself mentions) is that of a given required output being produced with varying quantities of labour and capital. Professor Dasgupta's justification for choosing the former hypothesis seems to be that under-developed countries are commonly characterised by an abundant supply of labour and a limited supply of capital. However, when we talk of the supply of capital as being limited and given in a backward economy, we use the term 'capital' not in the restricted sense of physical capital goods only, but in the broader sense of investible resources as a whole comprising both physical capital goods and wage goods. Once this is clear there appears to be no reason for making the assumption of a limited quantity of capital equipment to which varying quantities of labour are applied to produce varying quantities of output, in preference to the alternative assumption of a given quantity of output being produced with different proportions of capital and labour.

Taking the latter as our hypothesis, the problem of the choice of technique may be briefly formulated as follows: The quantity of the commodity to be produced is determined by the planning authority on the basis of its estimates of the economy's requirements. To produce this output there will probably be available a few technologically feasible technical alternatives. The problem then is to choose the technique which will produce the required quantity of the commodity at

the least cost. Cost, of course, will have to be calculated in terms of the social opportunity cost of employing the required amount of labour as well as machinery, equipment and materials. (One can sophisticate the analysis further by taking into account the element of time also in the computing of cost.) The social cost of employing labour will be the greater the lower the wage-elasticity of supply of labour, and the higher the propensity to consume out of additions to income on the part of those directly and indirectly involved. Since underdeveloped countries are characterised by an inadequate supply of capital goods, these, in order to be used for a particular purpose, have to be diverted from various alternative uses. The social cost of employing them is, therefore, relatively higher so that to that extent a bias is created in favour of low capital-output ratios. Ultimately that technique will be chosen whereby the aggregate social cost of the machinery, equipment and materials used and the labour employed is the least for producing the required quantity of the commodity.

Town Improvement in Old Calcutta

IN the course of his paper 'Town Improvement in Old Calcutta' (Economic Weekly Special Number July, 1958) Shri Benoy Ghosh adds a note that "it appears strange that in the printed books and reports on the City of Calcutta, these materials (manuscript-proceedings of the Lottery Committee) have not been used until now, and the Proceedings have been stated as lost." Thus, Shri Ghosh claims that he first used the said materials.

Please refer to the Census of India 1951 Vol VI part III. Shri A Mitra writes there:

'A full account of the works effected by the Lottery Committee would form one of the most interesting chapters in the history of the City. Unfortunately, I have only had access to the records of their proceedings for a very limited period. Three large manuscript Volumes containing their proceedings from the date of the Committee's appointment in 1817 to the

Such a formulation of the problem has the advantage of bringing out more clearly Professor Dasgupta's thesis that the choice between maximisation of output and maximisation of surplus is irrelevant to the question of the choice of technique in production. The amount of the commodity to be produced being given, the question of maximising its output does not arise. The only relevant criterion for choice between different technologically feasible alternatives is that of minimum cost. The technique so chosen will also maximise the surplus and the rate of growth. Besides, it is seldom that in real life the problem of choice of technique presents itself as a choice between applying a little more or a little less of labour to a given quantity of capital. Invariably the problem is to choose between one technique using a certain quantity of labour and capital and another technique using more (less) labour and less (more) capital.

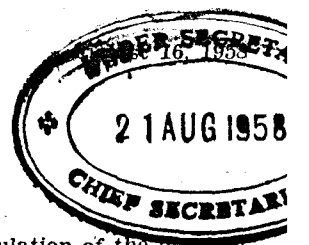
S M

Delhi
July 17

close of 1821, are still in existence in the Municipal Office; the remainder seemed to have disappeared like the records of Lord Wellesly's Committee". (Growth of City of Calcutta p 15; published in 1954).

Keen study of Census-volume is expected from a student of social history like Shri Benoy Ghosh. Shri Mitra used those materials (L C Proceedings) in his report on Calcutta and Shri Ghosh uses many of the data reported in that exhaustive study of the City. Only recently, the proceedings were transferred to the Victoria Memorial Hall's Museum of Modern Indian History from the Municipal Office. Nevertheless, many of your readers here will be pleased if Shri Ghosh writes in the Weekly continuing his study of Growth of the City to recent times.

Dipak Basuraychaudhuri
Congress Bhavan,
Calcutta—20,
August 8,



Irrigation Problems

LET me congratulate Mr P R Rao on his timely and informative article on "Irrigation Problems" published in Economic Weekly, dated the 2nd August, 1958.

I would like to point out that some of his statements appear to be quite perplexing and contradictory. On page 1031 Mr Rao says: "to compute net income, it is necessary to have accurate data on cost of cultivation and crop yields, both on irrigated and unirrigated land, as well as other related data for entire regions. Further, net income varies also with the size of holdings and it may be even negative, if full values for family labour are computed in the uneconomic small holdings. So it will be seen that the estimation of net income is based on assumptions and generalisations which rob the system of whatever merit it may have in theory." This would imply that the estimation of net income is so defective that this method is devoid of any merit whatsoever.

But, on page 1033 he points out: "In order to achieve full utilization, however, the primary requisite is the fixation of water rates on a rational and scientific basis. To fix the rates on such basis, it is necessary to carry out an agronomic and agro-economic survey to ascertain the additional income generated by irrigation over different areas covered by each project, taking into account the additional cost of production involved. The next step would be to decide what percentage of the additional net income attributable to irrigation should be collected by the state or the project authorities." This means that Mr Rao advocates the fixation of water charges on the basis of additional net income generated due to irrigation and considers this method to be rational and scientific!

How does he reconcile these two statements? Do we not encounter the same difficulties in assessing the net additional income as in the case of estimation of net income? Do not the assumptions and generalisations involved in calculating the additional net income rob this criterion of whatever merit it may have in theory?

G V N Reddy

14/861 Lodi Colony,
New Delhi,
August 8,

A D Gorwala's Speech

IN your issue dated August 2, you have made some observations on Mr A D Gorwala's speech under the auspices of the Forum of Free Enterprise in Bombay on July 29 which need to be commented upon. As the Chairman of the meeting, may I point out to you that Mr Gorwala's speech did not come as a "bombshell", because the Forum was quite prepared for it? In fact, the Forum of Free Enterprise deliberately invited him in order to give a chance to one differing from its philosophy on economic matters but sharing, at the same time, its faith and conviction in Democracy.

Incidentally, the Forum of Free Enterprise is not an organization of Big business, unless, by that term, one means that, to every one, his business, however humble and small it be, is big. It would be as wrong to depict the Forum as an organization of Big Business as, say, to call your journal a mouth-piece of Big Business because of the advertisements which appear therein.

R V Murthy

1st Floor, Kermani Building,
Sir P. M. Road, Bombay-1
August 6.

[Did Shri Murthy find, in the observations to which he refers, any statement to the effect that the Forum was an organisation of Big business which he is at so

much pains to deny? Having been Chairman of the meeting, he should, of course, know better what the reaction of the audience was. But since the Forum did not publish the text of Shri Gorwala's speech, this confirmed what had been clearly indicated in the report of the meeting appearing in newspapers, that the speech went violently against the concept of free enterprise which the Forum endeavours to uphold. Or, has it now changed, despite its earlier appellation, into the Forum of Democratic Freedom, as Shri Murthy tries to imply?—Ed]

Rice Hoarding in Bihar and U P

WITH a view to controlling the rise in prices and preventing the hoarding of rice and paddy in the States of Bihar and Uttar Pradesh, the Government of India has decided to apply sub-section (3A) of section 3 of the Essential Commodities Act, 1955.

The effect of this notification will be that in the event of stocks of rice being requisitioned by Government, the price payable shall be the average of three months' prices prior to the date of notification and not the market rate prevailing on the date of such notification.

The notification issued in this connection will be in force for a period of three months.

INDIAN AGRICULTURE IN BRIEF

A useful handy and pocket size booklet has been recently brought out by the Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India, with a view to meeting primarily the need of those who wish to have a snap-shot picture of Indian Agricultural Economy as revealed by the current Agricultural Statistics. Certain essential data in allied spheres, e.g., population, national income, etc., needed for an understanding of the agricultural economy in its broader perspective have also been included in this booklet.

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Caste in a South Indian Textile Mill

V S Parthasarathy

THE present essay is the outcome of my participation in a study of the social and economic life of labourers in a textile mill about four miles from a city in south India. I have tried to discuss here the significance of caste in influencing relations between labourers in the mill. The mill is a private concern, and it manufactures only coarse cloth, hosiery goods and yarn. There are also a few other "industrial concerns" in the city including two silk factories, a small factory producing an oil used as perfume and in medicines, and a big railway workshop.

The textile mill employs about 2,500 labourers including about 300 women. Most of these labourers come from the city, and some from the neighbouring villages and from a nearby housing colony of the mill. The labour force is made up of Brahmmins, Lingayats, Okkaligas, Harijans, Muslims, Christians, and several other "low" castes of the area. The majority of the labourers hail from the last five groups and the Harijans form the single largest group. The number of Brahmmins and Lingayats is not considerable. Brahmmins and Lingayats are priestly castes and educated. Both the castes are decent and somewhat reluctant entrants to the labour force of the mill. Brahmmins are prominent in the mill's administrative section. Many of the non-Brahmin workers live in nearby villages and still have agriculture as a subsidiary occupation. Some of them originally hail from remoter villages and have settled down in villages close by to the mill. This enables them to live near their work-spot and also reduces their cost of living. Most of the workers are Kannada-speakers, but several years ago a few Tamil-speaking Odders from Madras managed to find employment in the Mill.

Harijans the First Mill-hands

The mill is about four miles from the city, and when it was started, high castefolk felt the distance to be too great. Harijans were the first to join the mill as

labourers and this was an additional reason for the high castes to avoid working in the mill at levels which brought them into close contact with Harijans. Most important of all, the employment situation was not as bad as it is now. In fact, in the beginning the management of the mill had a job, persuading people to work in it. It was natural for Harijans who could not easily find employment in the city, and who did ill-paid and degrading jobs in the villages to be the earliest entrants to the mill and to be the most important element in its work-force.

Social Background

The city's population rose steadily while the employment situation worsened. The high castes were compelled to revise their attitude to working as labourers in the mill. Gradually their numbers rose though even now Harijans continue to retain their numerical preponderance. Nowadays, there seems to be some prejudice against employing Harijans as they clamour for equality with the higher castes. It is interesting to note that the Lingayats and Okkaligas, who occupy positions of power and influence in the State, while they claim equality with the Brahmmins, do not view with favour the Harijans' claim to equality with themselves. There is group social mobility, but this should not be confused with an egalitarian movement. As Professor Srinivas has pointed out,

"British rule set in motion economic forces which upset the traditional hierarchy, but this did not mean that caste was weakened thereby. In fact, it is arguable whether such a disturbance did not actually increase caste-consciousness all round. A low caste which made money as a result of new opportunities presenting themselves to it, made attempts to raise its status vis-a-vis other castes, and this resulted in opposition from the latter. Even eventual consent to such a claim did not lessen immediate opposition. Again, it is important to note that the newly-rich castes pressed for a

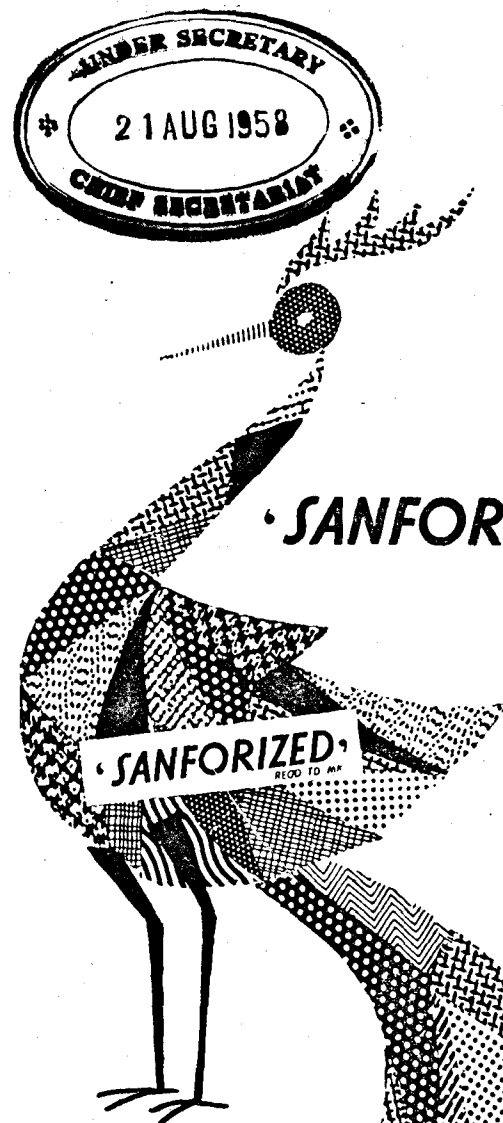
higher status for themselves—they did not urge that caste system should be abolished. It is true that the economic forces released under British rule resulted in greater mobility within the caste system but this is quite different from making progress towards an egalitarian society."

Discrimination Against Brahmmins

The Brahmmins were the first to take to English education in this State, and in the period between 1870-1930, they dominated the administration and the professions. Influential Brahmmins were able to get their castefolk and relatives appointed to clerical and administrative jobs in the mill. Soon after World War I, leaders of the Non-Brahmin castes awoke to the existence of a near-complete monopoly which Brahmmins enjoyed as far as Government posts and the professions were concerned. They also came under the influence of the peninsular non-Brahmin movement, and gradually a number of rules were evolved which gave preference to non-Brahmins (a hospitable category comprising of everyone who was not a Brahmin, including Christians, Muslims, Jews, Parsis, Jains, etc) over Brahmmins in appointments to posts in the Government. Since the thirties, this led to the gradual building in into the administration discriminatory rules against the Brahmin not only in appointment, but also in promotion, seniority, etc. Non-Brahmins realised the value of education, especially scientific and technical education, as controlling the entry to positions of power and influence, and the reservation of seats to non-Brahmins in technical schools and colleges was carried out systematically. Nowadays, only 35 per cent of the seats are open to merit. The rest are decided on grounds of caste.

II

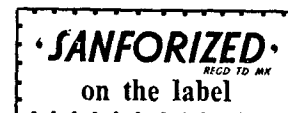
I have given a very brief account of events in the State as they influenced the mill—it is not possible to make a sociological study of a mill or factory without taking into account the forces prevalent outside it.



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It was in the thirties that Brahmins began to feel the effect of the discriminatory rules against them in the State. This led to the migration of Brahmins from the State, and to their working at levels considered degrading, if not defiling, previously. In the mill under discussion, some of them found employment as labourers. They were among the lowest paid and they had to mix with the lowest castes. In general, one finds Brahmin labourers are discontented with their lot and hanker after clerical and administrative jobs.

Until recently, it was the Labour Welfare Officer who appointed persons to posts in the mill. But this power has recently been taken over by the Chairman who is a Lingayat. It is widely believed that the Chairman is doing his utmost to bring in his castefolk and oust the others—a belief which seems to have some basis in fact. A good many Lingayats have been appointed by him, and the Brahmins in the administrative section feel that the proposed new rules regarding the age of retirement will result in the drastic reduction of Brahmins in the mill. In fairness to the Chairman, it must be pointed out that he is only doing what his predecessors did. An influential officer always pushed in his fellow castemen into the mill.

Unemployment is so great in the city and State that even matriculates wish to enter the mill as labourers. Only a few of them have got in, however, as educated workers are not satisfied with their lot, and they try to find better employment elsewhere. It is usual for an educated applicant to be told by the management that he is "overqualified", and so cannot be employed.

III

Some years ago the mill built about 250 houses for its labourers. The housing colony is near the mill and the rent is low. But in spite of this, only a few highcaste labourers have been attracted to them. It is the low castes who occupy most of the houses. But one occasionally comes across a Brahmin living next door to Harijan or Muslim or other low caste. I did not find any factions based on caste in the Colony. In the Colony's recreation club, one finds

the several castes playing cards and other games together. But even here Harijans do not play with caste Hindus.

There is yet another housing colony in the city built by the Government for industrial workers. These houses are better than the houses in the mill colony. Some workers in the mill and members of the administrative staff live in the Government Colony. It is not unusual here to come across a Brahmin living next door to an untouchable. The castes take water from a common tap. It is not easy to secure a house for rent, and rents are higher outside. These facts are responsible for the weakening hold of pollution ideas.

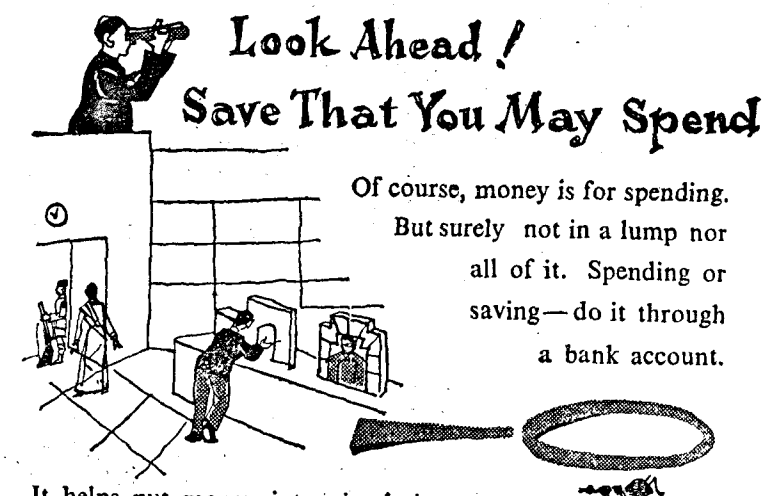
This essay does not pretend to provide a full account of the role of caste in influencing relations between different castes. Such an account will have to be based on an intimate study of the behaviour and attitudes of every caste numerically significant in the factory. What is attempted here is much simpler and more superficial: facts which one even with a few days' experience of the factory and the housing colonies cannot help observing have been recorded.

Every caste has grievances against every other caste. The actions of an individual are regarded as explicable by the mem-

bership of the particular caste to which he belongs. No one questions this mode of explaining the actions of a man. To mention an example: one labourer said that Brahmins are firmly entrenched in the mill and that it is difficult to dislodge them. He believed that every major crisis in the mill was engineered by Brahmins and engineered in order to strengthen their hold.

On one occasion there was a quarrel between a Brahmin labourer and a 'low' caste leader. The latter was very popular with the labourers and was also a Member of the Legislative Council. The workers wanted to give a beating to the Brahmin but they were thwarted in their efforts by the Labour Welfare Officer, whose duty it is to give protection in such cases. But several people said that he had given protection to the Brahmin labourer because he himself was a Brahmin.

Some departments of the mill have Harijans or other 'low' caste men as head jobbers. These jobbers wield much power over the labourers as their confirmation, promotion, and increment depend upon the jobbers' report. So, though normally labourers from the high castes consider themselves superior to labourers of the 'low' castes, they obey the jobbers,



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and frequently even try to curry their favour by doing odd services for them. This does not prevent them, however, from criticising their 'low' caste bosses.

IV

Every permanent worker is a member of the mill's trade union which is Congress-controlled. The President of the Union is nominated by the Congress Party, and usually, he is a member of one of the two houses of the State Legislature. The Union is only for the labourers and the administrative staff have their own association to look after their interests.

The President of the Union is assisted by a Managing Committee which, until a year ago, consisted of labourers who were usually nominated from among the labour leaders to the Committee. It was widely felt that the members of the last Managing Committee were puppets, and also inexperienced, and that they ought to be replaced by the new members. This year also there was a move for the nomination of the members to the Committee. But the members of the Managing Committee (excepting the Vice-President and the Secretary) wanted to retain their seats in the Union and this resulted in the holding of a regular election. (The Secretary, and the Vice-President of the last year's Committee neither tried to contest nor aspired for their renomination.) The election resulted in the unseating of all the members of the old Managing Committee. The present Committee is very popular with the majority of the labourers.

The Union is dominated by the 'low' castes, and one of the three

key posts, that of the vice-president, secretary or treasurer, is held by a Harijan. Each section in the mill sends a representative to the Managing Committee and it seems that character and ability are also counted in choosing a representative. Brahmin and Lingayat labourers do not, however, have a voice in the Union's affairs. They seem to be unable to mix with 'low' caste labourers, and some of them told me that they were not interested in the Union as it was dominated by the 'low' castes.

V

As mentioned earlier, there are 300 women in the mill of whom only one is a Brahmin. Generally the women labourers are regarded as 'loose' by the men. The frequently have extra-marital relations with their co-labourers in the mill. Many Harijan labourers are running two houses, and they seem to think that this is a fine thing to do. In fact they boasted about it to me. Widows and divorcees are permitted to marry among Harijans and the sex code is not as strict as it is in the high castes. Harijan labourers do not find it difficult to secure a second wife or mistress.

The attitude of the high caste workers contrasted with that of the Harijans with regard to extra marital affairs. The high castes were reluctant to tell me anything about their private life. In many cases this was due to the fact that their mistress came from 'low' castes and they thought that they would go down in my estimation if they mentioned it to me. Such relations are looked down upon also by other labourers. In one case, two labour leaders had their eye

on the same woman, and this brought about a split between the two.

The Harijans and Tamil-speaking Odders both drink, and drink heavily. Even their women drink. One Odder told me that the Odders were 'born to drink'. A responsible officer in the mill told me that the mill hands worked eight hours a day for six days in the week just to fill the pockets of the toddy contractors. The high castes seem to drink less and they just refused to supply me with any information about their drinking habits.

Summary

Caste is prominent in the mill when it comes to appointments and there is a gulf between the higher and the lower castes, especially between the Brahmins and Lingayats at one end and the Harijans and the other low castes at the other. The Brahmins dominated the upper, white collar levels of the mill until recently, when the Lingayats began competing with them. Nowadays the Lingayats, and to a much less extent the people belonging to other low castes are ousting the Brahmins at the higher levels. The Union is, however, controlled by the lower castes. The attitudes and behaviour of the high and low castes are different regarding women and the way in which they spend the money. But caste is only one of the important forces in the mill. It is important to remember there are other forces as well. The Vice-President of the Union is a 'low-caste' man and highly respected by one and all, including Brahmins, because of his devotion to the cause of workers and one should not forget that one's character and ability also counts, but not always.

The Financial Policy of the Bombay Education Department

D D Karve

THE Government of Bombay is very fond of describing itself as being in advance of other State Governments in the matter of educational achievements and it would be of some interest to examine this claim with reference to the monies it provides for the education of the people at different levels. For this purpose I propose to examine the revised estimates of 1957-58 and the budget estimates for 1958-59 as passed by the Legislature some months back.

The total budget of the Bombay Government for Education is a little over Rs 22 crores, and taking the population as 4 crores and 80 lakhs as a rough estimate, the per capita annual expenditure works out at slightly over Rs 4.50. The following table gives the break up of the total expenditure under the major heads. (The figures have been rounded off for convenience)

	Rs lakhs
Higher (University and Colleges)	200*
Secondary	375
Primary	1,366
Special	175
Administration, Scholarships, etc	173

It will be seen that a disproportionately large share of the total expenditure goes to primary education, while secondary, special and higher education receive relatively very small amounts. Expressed in percentages, primary education gets about 60 per cent, secondary about 16 per cent, higher about 9 per cent special about 7 per cent. This is in accordance with the declared policy of the Bombay Government, that they are fully responsible for primary education and that for secondary and higher education, they cannot accept any direct responsibility, they will do whatever is possible with the funds that they can spare.

The Educational Set-up

Now, there are certain basic facts about the educational set up in the *These are gross expenditure figures. The net expenditure is to be obtained by subtracting receipts from fees etc as follows: Higher—Rs 38,00,000; Secondary—Rs 13,00,000; Primary—Rs 3,38,000; i.e., a total of Rs 54,38,000.

Bombay State which ought to be clearly understood before we can proceed to the discussion of the adequacy of the financial provision or the division of the available resources among the different sectors. Firstly, primary education is financed almost entirely out of State funds although the schools are managed by local bodies like Municipalities and District Boards. Secondly, both in the case of secondary and higher education, the number of institutions conducted by Government is very small compared with the institutions run by non-Government managements. The following figures will make this clear:

1. Secondary Education

	No of high-schools	No of students
Government	177	89,393
Non-Government	1471	6,22,258
Total	1648	7,11,651

2. Arts & Science Colleges

	No of Colleges	No of students
Government	17	13,365
Non-Government	66	60,141
Total	83	73,506

As regards agricultural, engineering and medical colleges, these are mostly Government institutions, with a few exceptions, viz, the Engineering College at Sangli, the medical colleges maintained by the Bombay Municipal Corporation, the Technical Colleges at Anand, etc.

Non-Government Colleges

If we now look at the expenditure incurred by Government on Government and non-Government institutions both secondary and higher, we get the first shock. The net expenditure on Government secondary schools (Budget provision less fee income) is about Rs 1,40,00,000 which gives a per capita amount of Rs 155. As a contrast, we have Rs 2,21,00,000 given as grants-in-aid to non-Government secondary schools with over 6,20,000 pupils giving a per capita ratio of Rs 35! The disparity between Government and non-Government Colleges of Arts and Science is equally glaring. The net expenditure on Government colleges is about Rs 34,00,000 (Budget provision of Rs

56,67,000 less fee receipts Rs 22,37,000) which works out at about Rs 256 per student while the grant-in-aid to non-Government colleges of Rs 26,50,000 gives a figure of about Rs 44 per student!

It is difficult to understand the basis on which Government makes this differentiation between the scale of expenditure on Government and non-Government institutions. Some non-Government institutions may have, in the past, collected funds for construction of buildings or the granting of endowed scholarships etc but no institution has any resources worth considering for meeting recurring annual expenditure. For this, the only two sources are: fees and Government grant. In the days of the British, as the Government was obviously unwilling to render adequate help for the spread of education, non-Government institutions were started on the basis of self-sacrifice, where teachers received lower salaries than those paid in Government institutions. But why this anomaly should continue after the attainment of independence, it is difficult to understand.

Different Pay Scales

Taking the case of college teachers, with which I am more familiar, Government class II employees, i.e., lecturers etc start on a monthly salary of about Rs 225 and go up to Rs 650 while class I employees start at about Rs 350 and go up to Rs 1100. On the other hand, teachers in non-Government colleges usually start at about Rs 150 or Rs 200 per month and never get more than about Rs 500 or 600 per month. The qualifications and type of work is similar in both cases. There is no justification for this kind of differentiation which is not found in any other field.

Engineers, business administrators or other persons who have received higher education get the same pay and other conditions of service in Government and non-Government service. It is only the teacher in non-Government institutions that is expected to serve on a low salary and carry out his activities which are undeniably important from the point of view of the future of the country. Ministers of



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Government are very fond of emphasising the aspect of self-sacrifice, devoted work etc, etc, on the part of teachers, but forget that the teachers working in non-Government institutions, both schools and colleges, are working on salaries which are totally inadequate in the context of the present cost of living. You cannot pick out just one group of people in society and say, "You should work on less than what similarly qualified persons in other fields are getting" and still expect them to be efficient and effective members.

Smaller Allocation in 1958-59

To spend over Rs 250 per student out of State funds on a small proportion of students taking higher education as compared to the meagre sum of Rs 44 per student in the case of others, certainly requires some explanation. At the secondary level the contrast between Rs 155 (per capita expenditure on pupils in Government secondary schools) and Rs 35 (per capita grant to non-Government secondary schools) is equally inexplicable. Most non-Government institutions, as mentioned above, have no resources at their disposal from which to meet the annual expenditure and the natural consequence is that they have inadequate facilities like buildings, libraries etc and poorly paid staff. No wonder that the quality of education suffers very seriously.

There is one more surprising thing in the budget estimates which requires some explanation and that is that although the revised estimates for 1957-58 under the head of grants to non-Government Arts and Science Colleges is over Rs 26 lakhs, the budget estimate for 1958-59 has been cut down to only about Rs 20 lakhs, a reduction of nearly 25 per cent! That shows how Government is giving effect to the policy of throwing off responsibility to give adequate help to secondary and higher education.

Unwise Policy

Assuming that the Bombay Government cannot spare much more than what is at present being spent on education, a proper distribution of the money among the three claimants—primary, secondary and higher—appears to be immediately necessary. To go on spending 60 per cent of the total budget on primary education and only 16 and

9 per cent on secondary and higher education respectively, is, in my opinion, a very unwise policy. This large expenditure on primary education, which, it must be noted, is almost exclusively used for quantitative expansion, results in sending ever-increasing numbers into secondary schools and ultimately into colleges and universities, for whom no adequate facilities can be provided, because Government accept practically no responsibility for these two sectors. The terrible overcrowding in high-schools and colleges about which one hears constantly, and also the deterioration of standards, are the direct result of this short-sighted policy of Government.

I believe that the rate of expansion Government is aiming at the primary level is beyond the means available and has to be slowed down and more money devoted to the improvement of quality and provision of better facilities at all the three levels. It must be remembered that although the number of the pupils in primary schools and the number of such schools may be useful for propaganda purposes, if it gives rise to a lowering of standards, it is certainly not worth while. After all just as the knowledge of the three R's (which is all that primary education can mean at present) is important, the production of well-trained leaders in the different sectors of a complex modern society is also important. We need research-workers, in all fields of Arts, Science and Technology, doctors, engineers, administrators, teachers in high schools, colleges and universities and a dozen different types of trained men and women and they are certainly not coming out of primary schools. It is the duty of Government if not to start and conduct all the secondary schools and colleges necessary to meet this demand, at least to render adequate financial help to non-government institutions doing the work.

Distribution of Grants-in-Aid

And now a word about the way the grants-in-aid are distributed to non-Government secondary schools and colleges. Right at the start it should be mentioned that practically no grant is paid for non-recurring expenditure like purchase of land, construction of buildings, etc. The institutions are expected to find the

resources for these. Maintenance or other grants are paid to schools and colleges only on the basis of recurring expenditure. In the case of the high-schools, Government gives a grant of 30 per cent of the total "approved" expenditure and it is apparently assumed that the remaining 70 per cent comes from fees.*

In this connection it should be noted that the schools have practically no room for adjustment in this matter, for, the maximum rates of fees, the number of pupils in each class, the number of classes, the number of teachers, their scales of pay etc, etc, are all rigidly laid down by the Education Department. As the teachers become more senior and the pay-bill increases year by year, schools find it more and more difficult to make both ends meet or to undertake even essential items of expenditure. Also, the rules regarding what is and what is not "approved" expenditure are, in many cases, so unreasonable that expenditure which would be considered necessary by any reasonable person, is not approved and no grant is paid on it. Shri Parulekar, the well-known educationist and co-author of the "Ghate-Parulekar" salary scales for high-school teachers in non-Government schools, recently expressed his disgust at Government's obstinacy in not raising the percentage of the grant, although the original idea was to raise it every five years or so. He even suggested that managements of schools should have recourse to Satyagraha and close down high-schools!

'Approved' and Non-Approved

In the colleges, a person not directly connected with the education department would not be able to understand the intricacies except after serious study. Having been connected with the management of a large college, I got to know the peculiar working of the whole scheme. In the first place, all items

*This and the subsequent comments on grants to colleges refer to the pre-reorganisation State of Bombay. In some of the newly merged parts, the respective Governments were more liberal. The Bombay State Government is however expected to introduce uniformity under the name of "integration".



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of expenditure on extra-academic activities are declared as non-approved, if a separate fee, e.g., gymkhana fee, social gathering fee, etc., is levied, without reference to the fact whether the expenditure is more than the fee receipts. Also, all expenditure on hostels, even when higher than hostel fee receipts is non-approved. Then, all receipts including Government grant are added up and also all approved items of recurring expenditure, excluding even minor items like putting up a cycle stand, which are classified as capital expenditure.

After this a most curious calculation is carried out. All non-Government colleges are divided into categories depending on whether they are situated in large cities or small towns, whether they are old institutions or new and are given grants of 10 per cent, 15 per cent or 20 per cent of the approved expenditure plus deficit if any. This is said to be the ceiling. But the actual calculation is entirely different. Out of the total approved expenditure, the amount of dearness allowance, if paid according to Government scales, gets a 33-1/3 per cent grant and the remaining approved expenditure a grant of 10 per cent, 15 per cent or 20 per cent according to the above-mentioned category. The actual payment is according to the lower of the two calculations. But there is a further catch. Because in the calculation the deficit is taken into account in order to determine the ceiling, one would think that the college would be allowed to pay the deficit and start with a clean slate. But no! If the college incurs expenditure for the payment of deficit, that becomes a non-approved item of expenditure!

How It Works

An actual case would demonstrate the absurdity of the whole scheme. Suppose a college has, during the previous year, total receipts (i.e., fees and Government grant) of Rs 4.4 lakhs and approved expenditure of Rs 5 lakhs (out of which Rs 80,000 is payment for D.A.), and also that being an old college in a large city, it is in the 10 per cent class. The ceiling would be: Rs 60,000 deficit plus 10 per cent of approved expenditure, viz, Rs 50,000 = Rs 1,10,000. The actual grant would be: Rs 26,667 (33-1/3 per cent of D.A.) plus 10 per cent of remaining approved expenditure, viz, Rs 42,000

= Rs 68,667. The lower of the two, viz, Rs 68,667 is paid as grant.

Now this grant is paid in the financial year subsequent to the one for which the above figures apply and the deficit of Rs 60,000 of the previous year is left uncovered. If the college were to borrow money to pay the money and square up its accounts, repayment of the loan in the next succeeding year or payment of the deficit in any other way is also not allowed. Also, some colleges showed a credit of grant paid less deficit (i.e., Rs 8,667 only in the above case) in the next year's accounts, but that was objected to and the full amount of the grant had to be shown on the credit side of the next year. Thus if a college has the misfortune to have a deficit, this peculiar method of calculation will make it almost impossible for it to pay it off. There are some colleges, especially in Bombay, with very large numbers on their rolls and where the Arts students make up a considerable percentage of the total strength, which are not getting any grant at all because they have actually surplus budgets. But those colleges which have a large number of science students and whose expenditure is always higher than the receipts, are very hard hit.

Meaningless

And, one asks, what is the purpose of this elaborate and complex system? Granting that the total resources of Government are limited and on account of the policy of giving only meagre help to non-Government secondary schools and colleges, the amounts available are very small, even then, could not the Government say, after examining the financial position of each college, "Well, we can pay you only this amount of grant and you should manage with it as best as you can." What is the point in preventing certain colleges from paying off their deficits? I for one have not been able to get any answer, let alone a satisfactory answer, to this question.

Over-emphasis on Primary Education

The Government is always insisting that criticism of its policies should be constructive and not merely destructive. It appears to me that the rate of expansion

(quantitative expansion) of primary education must be slowed down, because the funds available are inadequate to maintain the present rate and give adequate help to the two higher levels. This utter neglect of quality of secondary and higher education must be stopped at once and reasonably adequate funds must be placed at the disposal of the non-Government institutions which are shouldering almost the whole of the burden (87 per cent of high-school students and 86 per cent of students in Arts and Science Colleges). The present policy of continuous and rapid expansion of primary education and very inadequate provision for secondary and higher education is leading to a situation which can only be described as disastrous. In fact the indiscipline among students, about which everybody including ministers complains all the time, is a direct result of this policy, because it leads to poorly paid and poorly qualified teachers, large and unmanageable classes, unsatisfactory teacher-pupil ratio and similar other evils.

Conclusion

The Government and ultimately the party which supports it, carries the full responsibility for this sorry state of affairs. Perhaps in their zeal to bring about a very rapid spread of primary education, they did not realise what the result of their action would be. But now, after all these years, it is evident to anybody who cares to see, that the total available funds must be distributed in a reasonable manner between the three levels and that a lop-sided development has led to very undesirable results. Similarly the glaring difference in the scales of salaries of teachers and other items of expenditure between Government institutions on the one hand and non-Government institutions on the other must be removed as soon as possible. Government spokesmen who are preaching to teachers about the nobility of the profession they follow and the devotion that they should bring to their work, must not forget that teachers in Government service who possess the same qualifications are paid very much better salaries for doing the same work. All the preaching is therefore taken by everybody to be mere platitudes.

Upward Trend Resumed

Thursday, Morning

DALAL Street has resumed its upward trend. Fears of a big secondary reaction seem to have been belied. Gains have been well digested. The technical position is healthy. The market is in a fit condition to scale new heights.

Steels led as usual. Indian Iron reached a record high level of Rs. 24.80 in the recent upward trend. Shareholders were pleased with the one rupee dividend. Their hopes of a bonus issue might be fulfilled soon. The dividend is called interim but there is not going to be a final dividend. The object of calling it interim is to enable the shareholders to receive their payment without having to wait for the annual meeting which is likely to be delayed this time.

Early in the week, Tata Steel announced its dividend. The dividend was maintained at Rs. 8.25 on the old shares and a payment of Rs. 7.56 was declared on the new ones. This was well in line with market's expectations.

Mill Shares

There is nothing much to talk about Mill shares. Prices, although steady, did not mean anything. The industry got all it wanted and the market had discounted these factors.

The outlook for Mill shares depends on how our cloth sells both here and abroad. Duty relief might help better off-take in the internal market but one cannot speak with confidence about exports. Our rivals seem stronger and more active. China has come into the field recently and that in a big way. Japan is already said to be jittery. If this is true, there is cause for India to be afraid much more.

Export promotional schemes are there and they look grand on paper. Mere resolutions will not help. The basic requirement is that India should offer better cloth cheaper. This is impossible unless our 35-year old machinery is scrapped and replaced with modern ones. Some mills are doing it but the tempo seems slow. An expert estimates rationalisation to cost Rs 400 crores. Has India got so much

money to invest now? If she has not got it, the money has to be found somehow or other.

Svadeshi was perhaps the brightest spot in the textiles section. The shares touched a new high level of Rs. 201.25. Dyeing has repeated its 75 nP interim but Kohinoor is not able to make up its mind. Some say that the working for the first half-year is all right and that there is no need to read too much into the delay. But if the results are good, why not pay off the interim dividend?

The other share that was talked about was the India United Mills. The accounts should come any day now but market men are rather sceptical about the Company's performance. Talk is of a loss of around Rs 35 lakhs. Shareholders seem to have given up hopes of any dividend.

Miscellaneous Featureless

Shipping shares attracted attention. The outlook for shipping is rated high. Many have added considerably to their tonnage and the prices of both new and second hand ships are very favourable. Profits this year are expected to be high. India Steam has moved up very quickly on hopes of a higher dividend. Great Eastern and Scindia are concerned in talk of valuable new acquisitions.

Otherwise, the Miscellaneous section was almost featureless in the sense that the leaders were sluggish. National Rayon were almost neglected. For some time activity in these shares had been nearly hectic and the market might have thought that these shares had better have some rest.

Blue chip Bombay Burmah lay low for most of the week but rallied slightly towards the end. The scrip has lost heavily in capital value following continued poor reports about tea prices. Here too, like Textiles, powerful rivals have appeared. East Africa is one of them.

Dividend reports about leading South Indian tea companies are rather discouraging. This caused doubts about Bombay Burmah because tea is among its main interests. The directors do not seem

to have received the Government's permission for their bonus issue scheme. It was perhaps because of this that they did not take up the question of the interim dividend at their last week's meeting. Perhaps their next fortnightly meeting should be in a better position to deal with the question.

Cements were just steady along with the market. Sugars were better. Belapur was concerned in talk of a higher dividend and scrip issue.

Tata Loco, however, could not sustain the advance in prices and some reaction appeared towards the close. Technically, a reaction was perhaps due as bulls would have liked to book profits on the rise but hesitancy seemed to be due to doubts whether the dividend would fulfil expectations. The possibility of a right share issue is, however, there and some say these will be at par but the Government's policy being what it is one might expect a 20 per cent premium.

Brighter Outlook for Electrics

Insurance shares were neglected. Electricity shares were steady but outlook for these should be good and investment support must follow. These shares have not risen much. The industry has approached the Standard Rate and the prospects of Government for a revision in the dividends becoming tax-free should make investment in these shares an attractive proposition.

Bank shares were dull. No one wants to touch them for the time being in view of the plight of banks. Costs continue on the high side. Money is plentiful but banks are unable to employ it profitably. The advance deposits ratio has gone out of gear. Reports that some of the big banks have entered 'hundi' business shows how really desperate they are.

The progressive increase in the tender amount of Treasury Bills and the decline week by week in the average rate reflects the continued easy conditions in the money market. This time money had been easy even in the busy season and now that the slack season is on it is only natural that money should be easier still.

A fairly big slice of liquid cash was taken away by the Municipal Loan but it did not make money any the less easy. Next week about Rs. 11 crores will come into the market when the 3 per cent 1958 Loan will be paid off.

New Floatations in the Offing

The Gilt-edged market has been feeling the impact of easy money. Demand for short and medium dated Loans has been so keen that even small lots are picked up. The new State Loans are in the forefront. The 4½ per cent Loans are at or above their issue prices. The inter-bank call rate is around 2½ per cent and House Money on seven days' notice fetches around 3¾ per cent. Customer's deposits on two months is paid 3½ per cent.

The market's barometer, the Conversion Loan, has moved up to Rs 71.50.

Quite a number of companies in the private sector seem to have decided to take advantage of easy money conditions and raise capital. The Indian Rayon Corporation issue is likely to come into the market soon and being it is placed privately. Guest, Keen might raise debentures for Rs 1½ crores. The interest for these 12-year debentures, to be issued at par, is said to be 6½ per cent. It is difficult to understand why any one should pay so high a rate when first class debentures are yielding around 5½ per cent to 5¾ per cent. Burmah Shell is likely to follow Guest, Keen with a debenture issue on similar terms. But the amount may be just a crore.

Speculation in Gold Bond

Trading in bullion remained, as usual, a professional affair. Fluctuations were influenced by reports either of huge arrivals of 'kuchcha' silver or the small duty paid on Tibetan coins.

Silver remained steady on balance but gold improved towards the end. Speculators supported the market, on the argument that the Government's plan to raise a gold loan would influence better demand for the spot metal. Their logic might prove fallacious.

It is true that the quantity of hoarded gold is rather enormous in this country. But how much exactly it is, one cannot say. A fairly intelligent source recently

put it at around an equivalent of Rs 1760 crores. If it is really this much and if all of it comes out the Government's worry would be over in a day.

Tradition in this country is for the accumulation of gold and sentiment works against parting with gold and receiving paper in return. Moreover, most of the hoarded gold is ill-gotten. And those who have concealed it all these years might not like to give themselves away.

There is also the question of the price at which Government will take the gold offered. The price of the metal here is very much higher than the international price. This is another question which is difficult to solve.

OPTICAL GLASS AND DRUGS

WITH so many schemes in the air for starting industries, it is becoming increasingly difficult to keep track of actual developments. The press releases make it more, rather than less, difficult to follow the progress of the projects. Government publicity often over-reaches itself. It clearly did in the case of the project for manufacture of optical glass, for which, according to the 'Programmes of Industrial Development 1956-61', provision was made in the National Instruments Factory, Calcutta, but the project had to be deferred to the Second Plan mainly due to the delay in settling the scope of the project and the terms of collaboration with some foreign firm. "The establishment of a pilot plant to experiment with the production of optical glass in the Central Glass and Ceramic Research Institute, Calcutta, has recently been decided upon. Its annual capacity is envisaged at about 5 tons and it is expected to involve an expenditure of Rs 7 lakhs (Rs 5 lakhs non-recurring and Rs 2 lakhs recurring)."

In the Science Newsletter-24, issued by the P I B a fortnight ago, "going into production of an optical glass plant at the Central Glass and Ceramic Research Institute in Calcutta" was hailed as "a major recent development in the field of scientific and industrial research in India." Then the letter went on to say that India's annual requirement of optical glass was 5 to 7 tons and that "it may now be possible to meet this requirement from internal production".

Now the Soviet team of experts, who visited India early last year and examined a number of possible sites for setting up the optical and ophthalmic glass factory, gave out 50 tons of optical and 250 tons of ophthalmic glass as the estimated annual demand to meet India's need during the next 5 or 10 years. They suggested that the Glass and Ceramic Research Institute in Calcutta conduct experiments to find out whether Indian clay would be suitable for optical glass melting. Now, if the Calcutta Institute can produce all the optical glass we need, those who take Government publicity at its face value may wonder what is the point in setting up this factory? The project had been included in the offer of long-term credit by the Soviet Government and last week, it came out in the West Bengal Assembly, that the Russian experts, after inspecting 19 centres in India, had recommended Durgapur as the site for setting up the factory, but Government of India had selected Nainital instead.

While overstating the case for the optical glass project, Government Publicity had been extremely reticent and non-committal about the other Soviet project for manufacture of drugs to make the country self-sufficient. A Soviet team is at the moment on a visit to the country to submit a report on the project for the manufacture of drugs and pharmaceuticals. But it is not clear whether the Government really wants such a project in view of the "present development of the Indian pharmaceutical industry" A press report from Delhi says that Shri Manubhai told the Soviet team that considerable progress had already been made but efforts had to be made to fill the gaps in the production of synthetic drugs, alkaloids from Indian medicinal plants, hormones and other vital drugs and medicines. Perhaps some additional capacity for antibiotics might also be required over the present production at Pimpri and elsewhere. However this was a matter for experts to estimate and recommend. After this, it is difficult to believe that Government really wants Soviet assistance for the development of drugs and their offer of credit for which Shri Manubhai Shah so profusely thanked the visiting experts.

CURRENT STATISTICS

BANKING RETURNS				
Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1559.16	1539.91	1577.44	1516.10
2. Rupee Coin	131.65	135.62	189.68	129.71
3. Deposits				
a) Central				
Government's	61.79	60.25	53.26	85.48
b) Banks'	94.57	109.73	95.99	85.13
c) Other				
Government's	16.02	24.40	12.84	16.90
d) Others	112.37	142.67	142.18	138.72
4. Foreign Securities	179.68	179.68	189.68	375.52
5. Balances held abroad	10.45	13.06	14.21	17.51
6. Rupee Securities	1139.23	1129.26	1169.59	911.81
7. Investments	347.41	361.16	291.51	280.41
8. Loans and advances to Governments	15.19	11.22	30.11	28.83
9. Other loans and advances	53.45	55.54	57.14	102.21
Scheduled Banks				
1. Demand liabilities (net)	720.98	737.69	721.47	708.47
2. Time Liabilities	817.11	825.27	812.59	579.11
3. Cash on hand	37.76	28.11	42.70	36.31
4. Borrowings from Reserve Bank of which against Usance Bills	9.24	9.67	13.41	37.33
5. Advances and Bills discounted of which State Bank's	815.04	848.34	867.02	827.87
6. Invst. in Govt. Sec. of which State Bank's	541.03	536.93	499.68	332.78
Cheque Clearance	171.14	144.23	144.17	131.06

† For Reserve Bank and Cheque Clearance Week ended 8-8-58. Scheduled Banks Week ended 1-8-58.

Bombay Money Rates				
	1-8-58	25-7-58	4-7-58	2-8-57
Call Money				
From banks	2½-2½	2½-4	2½-4	3½-4½
From public	3½-4½	3½-4½	3½-4½	3½-4½
Three Months	2½-4½	2½-4½	2½-4½	2½-4½
Six Months	2-4½	2-4½	2-4½	2-4½

Bombay Bullion (In Rupees and nP)				
	7-8-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	106.19	105.00	104.25	107.57
Forward	106.06	105.19	103.75	107.89
Silver (per 100 tolas)				
Spot	182.50	181.37	177.50	181.99
Forward	183.37	181.25	179.50	182.51

JUTE STATISTICS				
	June.	May.	Apr.	July-57 June.-58
Production ('000 tons)				
Hessian	31.3	34.2	30.9	391.7
Sacking	45.9	53.7	50.6	596.7
Others	5.2	7.0	6.5	67.8
Total	82.4	94.9	88.0	1056.2
" in corresponding months :				
1956-57	80.1	87.3	86.8	1025.2
1955-56	98.9	101.7	93.9	1095.0
Stocks ('000 tons)				
Hessian	31.0	25.0	20.4	—
Sacking	87.9	71.8	60.2	—
Others	15.1	15.3	16.9	—
Total	134.0	112.1	97.5	—
" at the end of corresponding months :				
1956-57	116.0	109.4	104.2	—
1955-56	125.9	119.7	107.9	—
Despatches :† ('000 tons)				
Hessian	25.1	29.6	34.4	381.0
Sacking	30.0	42.1	44.9	423.0
Others	4.7	7.8	4.6	23.6
Total	59.8	79.5	83.9	1030.6
" in corresponding months :				
1956-57	73.2	82.7	79.0	1031.9
1955-56	90.7	89.0	81.3	1047.2
Raw Jute consumption : ('000 bales)				
1957-58	478	534	518	6,223
1956-57	465	517	521	6,072

IJMA Mills' purchase of raw jute ('000 bales)				
Pakistani	20	58	56	604
In Corresponding periods:				
1956-57	56	47	31	495
1955-56	37	21	27	1,191
Indian	269	308	379	5,643
In Corresponding periods:				
1956-57	315	433	402	5,729
1955-56	378	385	376	5,190

† Despatches include exports and sales for internal consumption.

Source : Indian Jute Mills Association

FOREIGN TRADE OF INDIA

Year/Month	(Rs lakhs)		Balance
	Imports	Exports	
	(incl re-exports)		+ or -
1952-53	669.95	577.37	- 92.58
1953-54	572.01	530.62	- 41.39
1954-55	656.32	593.57	- 62.75
1955-56	704.91	609.41	- 95.50
1956-57	841.58	600.51	- 241.07
1957-58	932.44	638.81	- 293.68
1956 : May	67.70	45.06	- 22.65
June	64.17	46.81	- 17.35
July	59.40	42.21	- 17.19
Aug	66.55	50.04	- 16.51
Sept	84.19	50.05	- 34.14
Oct	70.89	53.49	- 17.40
Nov	69.95	56.07	- 13.88
Dec	69.28	56.25	- 13.03
1957 : Jan	78.76	55.28	- 23.49
Feb	71.32	54.55	- 16.77
Mar	79.51	51.01	- 28.50
April	90.35	47.85	- 42.50
May	85.41	52.80	- 32.61
June	85.60	48.29	- 37.32
July	81.04	55.79	- 25.27
Aug	80.98	60.25	- 20.76
Sept	83.42	61.54	- 21.90
Oct	73.08	53.64	- 19.44
Nov	78.17	59.01	- 19.16
Dec	68.55	55.70	- 12.85
1958 : Jan	69.72	55.24	- 10.68
Feb	66.56	41.96	- 24.60
Mar	70.56	46.74	- 23.82
Apr	60.00	41.73	- 18.31
May	44.71	63.29	- 18.58

Source: DCIS, Calcutta

WORLD OIL PRODUCTION

	(Mn tons)		1946	Average	Proved
	1957	1956			
				rate of reserves	growth at end
				1946-57%	1957
United States	380.4	380.5	244	+ 4	4,680
Caribbean	152.8	135.9	62	+ 9	2,390
of which :					
Venezuela	141.5	125.6	—	—	2,255
Colombia	6.4	6.2	—	—	90
Trinidad	4.2	4.1	—	—	45
Canada	24.1	22.8	1	+34	430
Mexico	12.4	12.9	—	—	380
Argentina	4.8	4.3	—	—	105
Peru	2.5	2.4	—	—	35
Total (incl others)					
Western Hemisphere:	579.8	560.7	—	—	8,055
Middle East	172.4	168.0	34	+10	22,665
of which :					
Bahrein	1.6	1.5	—	—	—
Iran	34.9	26.2	—	—	4,295
Iraq	21.5	30.8	—	—	3,300
Kuwait	56.4	54.1	—	—	8,100
Neutral Zone	3.4	1.7	—	—	710
Qatar	6.5	5.8	—	—	200
Saudi Arabia	48.1	47.9	—	—	5,935
Western Europe	12.2	10.4	—	—	190
East Indies	20.7	18.6	—	—	1,075
USSR	98.0	83.0	23.0	+14	3,545
Eastern Europe	12.8	—	—	—	—
Total (incl others)					
Eastern Hemisphere:	319.5	297.0	—	—	27,650
World Total	899.3	857.7	385.0	+ 8	35,705

— = not available Source : Commonwealth Survey

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Group and Sub-Group	Week Ended:			Monthly Average :				
	26-7-58	19-7-58	26-6-58	27-7-57	July 58	June 58	May 58	April 58
Food Articles:	119.8	119.6	116.1	112.1	118.4	113.4	107.2	105.2
Cereals	111.5	110.8	106.8	106.0	109.9	105.5	99.4	97.2
Pulses	102.7	101.8	93.9	89.1	99.7	91.2	82.4	82.4
Fruits & Vegetables	123.8	121.4	114.7	137.7	120.1	111.5	112.3	108.0
Milk & Ghee	107.8	110.5	111.5	104.9	110.7	111.1	107.4	105.2
Edible Oils	129.8	127.5	124.6	135.6	126.4	122.9	120.7	122.8
Fish, Eggs & Meat	110.5	110.1	106.1	102.6	110.3	106.7	105.4	102.3
Sugar & Gur	137.3	133.9	125.7	110.1	132.8	125.3	116.8	113.5
Others	161.4	164.6	164.9	138.4	160.6	149.2	133.9	130.7
Liquor and Tobacco:	92.8	92.8	92.6	92.6	92.6	92.1	92.0	93.4
Tobacco	91.1	91.1	90.8	90.2	90.9	90.3	90.2	91.7
Fuel, Power, Light & Lubricants:	115.9	115.8	115.5	114.2	115.8	115.6	114.8	114.4
Industrial Raw Materials:	119.4	118.7	115.9	122.3	117.6	115.3	113.5	114.2
Fibres	111.8	110.6	110.3	123.7	110.6	109.9	110.6	112.1
Oilseeds	134.1	132.6	125.9	126.4	130.0	123.7	118.5	118.7
Minerals	107.3	106.2	107.3	111.3	103.9	107.3	106.9	106.2
Others	107.3	108.5	108.2	106.8	108.3	110.5	110.1	110.2
Manufactures:	109.7	109.7	108.2	109.0	109.1	107.9	107.7	107.7
Intermediate Products:	112.5	112.2	110.9	109.0	111.6	109.9	108.0	108.8
Finished Products:	109.3	109.2	107.8	109.1	108.7	107.7	107.6	108.9
Textiles:	105.7	105.7	103.7	108.8	104.9	103.8	105.2	104.6
Cotton	114.1	114.0	112.6	117.6	113.5	113.1	113.5	114.4
Jute	89.4	89.5	86.8	98.0	87.1	86.1	88.0	88.1
Woollen	105.7	105.7	105.7	103.0	105.7	105.7	104.4	103.7
Silk & Rayon	95.3	95.3	91.1	85.0	94.6	90.7	92.2	92.8
Metal Products	143.0	143.0	143.0	142.3	143.0	143.0	143.0	143.0
Chemicals	105.0	104.2	104.8	98.0	104.3	103.7	99.5	99.0
Oilcakes	137.5	137.3	131.4	114.7	135.1	128.5	120.1	116.9
Machinery and Transport equipment	103.4	103.4	102.9	101.7	103.4	103.0	102.8	102.8
Others	113.4	113.5	113.5	110.4	113.5	113.5	144.4	112.6
All Commodities	116.1	115.9	113.3	112.4	115.0	117.7	108.2	107.3

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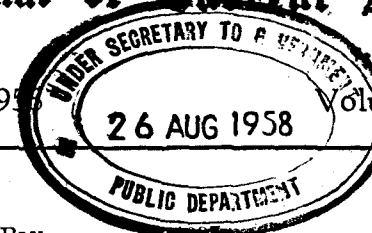
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Make Railways Pay

COMMERCIAL and industrial interests in the country will undoubtedly welcome the decision of the Government of India not to raise the general level of railway freight rates as much as had been recommended by the Railway Freight Structure Enquiry Committee. In making its recommendation, the Committee was guided by the need to ensure the financial stability of the railways and to make it possible for them to play their part in the economic development of the country, by appropriate expansion of facilities. After a careful examination of the trends in costs and traffic, the Committee recommended a level of rates which would yield an additional revenue of 12.9 per cent over that obtained at existing rates. The Government of India, however, has decided to confine the additional revenue from the goods freight rates to the substantially lower figure of about 4 per cent.

In making this decision, the Government was obviously influenced by the need to avoid any action likely to exert inflationary pressure on the economy, but will the new level of rates be adequate to cover all the current costs and provide the necessary surpluses for expansion? The Enquiry Committee was very clearly of the opinion that a rise in the level of rates of the order recommended by it was essential if this was to be done. It had stressed in particular that adequate provision should be made for depreciation. Even this, the Committee was convinced, was not being done at present. The figures of reasonable depreciation that the Committee took into consideration for its calculation of costs were by no means extremely high. Its estimates of future trends in costs were based, apart from the higher depreciation allowances, on the increased price of coal and the rising costs of other materials. Incidentally, the Committee accepted the Railway Board's revenue estimates, though it also drew attention to some weaknesses in the assumptions on which these were based. Against the carefully considered analysis of the Committee, the Railway Minister has merely stated that a "re-assessment has been made by the Railway Board of the financial needs of the railways in the light of information available upto date", but he has given no indication of the nature of the reassessment or given any of the upto date facts on which this was based.

The developments since the Committee submitted its report, however, have been such as to worsen rather than improve the financial position of the railways. The appointment of the Pay Commission and the increase in the wage bill of the Railways that is bound to follow from its recommendations is an obvious factor of this type that comes to mind. It is of course possible that the Government has taken advantage of the view expressed by the Committee that the proposed increase in goods freights was the maximum that should be resorted to and that any further increase in revenue considered necessary should be obtained by increases in parcel rates and passenger fares. The present increase would on that view be obviously experimental and subject to further increase in the future if found necessary. While each increase would be relatively small if this procedure were followed, the stability that would have resulted if a once for all change had been made now will be absent. The fear that the Railway Budget every year might provide the occasion for announcing some increase in the basic level would still remain,

The Government of India has decided to have two separate basic or Class 100 rate scales, one for those few commodities—important raw materials and foodgrains only—for which low wagon load scales were quoted under the 1948 structure and the second for all other commodities. The Railway Board's argument is that the Mudaliar Committee had introduced a sharper taper of rates over distance for the other commodities for which class rates were being quoted in the past, without altering the degree of taper for the basic commodities. In this way, the relative positions of the different classes of goods would have been changed adversely to the basic raw materials. The creation of a separate Class 100 rate scale for such commodities will prevent this adverse change. The low percentage classification of these commodities will of course remain.

Unfortunately, the Government has not been able to accept the Committee's recommendations on the degree of taper even for the standard class rates. The Committee had recommended a sharp increase in the short distance rates but a relatively sharper degree of taper over distance, with eight legs instead of the three legs as at present. These rates had been so adjusted by the Committee as to discourage traffic over very short distances, avoid putting too much burden on traffic moving over distances of between 300 and 500 miles and provide for a comparative and progressive lightening of the burden on traffic moving over long distances. The revised scales adopted by the Government, however, "avoid substantially both the very steep increases in the freight rates for short hauls and the sacrifice of current revenue for long hauls that would result from acceptance of the Committee's proposals". The Committee's objective in making its particular recommendations was obviously to encourage the diversion of short distance traffic to road transport, thus freeing railway capacity for its primary task of carrying goods over long distances.

The Committee's recommendations were thus based on the need to ensure the most satisfactory arrangements from the viewpoint of the entire transport system and, therefore, of the economy. The Railway Board has not been able to free

itself from the legacy of its past antagonism to road transport and has succeeded in whittling down the Committee's recommendations on this issue. From the viewpoint of the country's transport system, this must be considered unfortunate. The Railway Minister's explanation for the Government's decision on

A Bitter Lesson

THE food situation was set out in a White Paper on the subject. It has since been debated in Parliament. The debate was remarkable and may well be memorable for the public confession it brought forth from Pandit Nehru. The resolution which was passed called upon the Government to take "more suitable and active steps" to make the country self-sufficient in food, but did not say what these steps could be. The debate, however, brought out two things, viz, first that food is a responsibility of the entire Cabinet, including the Prime Minister, and, second, that food was primarily a responsibility of the States, and not of the Centre. The first is a matter of some importance since finance, or even foreign exchange, judging from an ex-Finance Minister's confessions, was not even a constructive responsibility of the Minister concerned because during his regime, on his own admission, some Rs 100 crores of foreign exchange were frittered away. He did not say, however, whether he was overruled by the Cabinet in this matter and whether, therefore, the responsibility for foreign exchange was also that of the Cabinet.

There is more than a family resemblance, however, between food and foreign exchange and that is not because food shortage drains away foreign exchange. Both lack vital links in the formulation of policy and in the apparatus of execution. Compared to the magnitude of the task involved in framing and executing a national policy for the production of foodgrains and their proper distribution, the management of foreign exchange is child's play, though not less badly administered. It was courageous of Pandit Nehru to accept responsibility for the failure of his Government's food policy. If his confession is followed up and leads to action, it would have more than served its purpose. But, obviously,

this issue, in terms of the need for promoting regional development of industries, is hardly convincing. The argument that the present structure of railway rates favours regional development, to which the Railway Minister seems to subscribe, is itself open to serious criticism and merits a re-examination.

Panditji was speaking under severe emotional strain and did not have his facts right when he said, for example, that the States pulled in different directions in the matter of agricultural production. This they do only when it comes to giving up their surplus foodgrains or in enforcing procurement and in demanding supplies from the Centre for meeting their own deficits. No pipeline has been established yet through which resources can be made to flow to the production of foodgrains and of other agricultural produce needed by the country's planned development. So conflict of interest in the matter of production cannot arise.

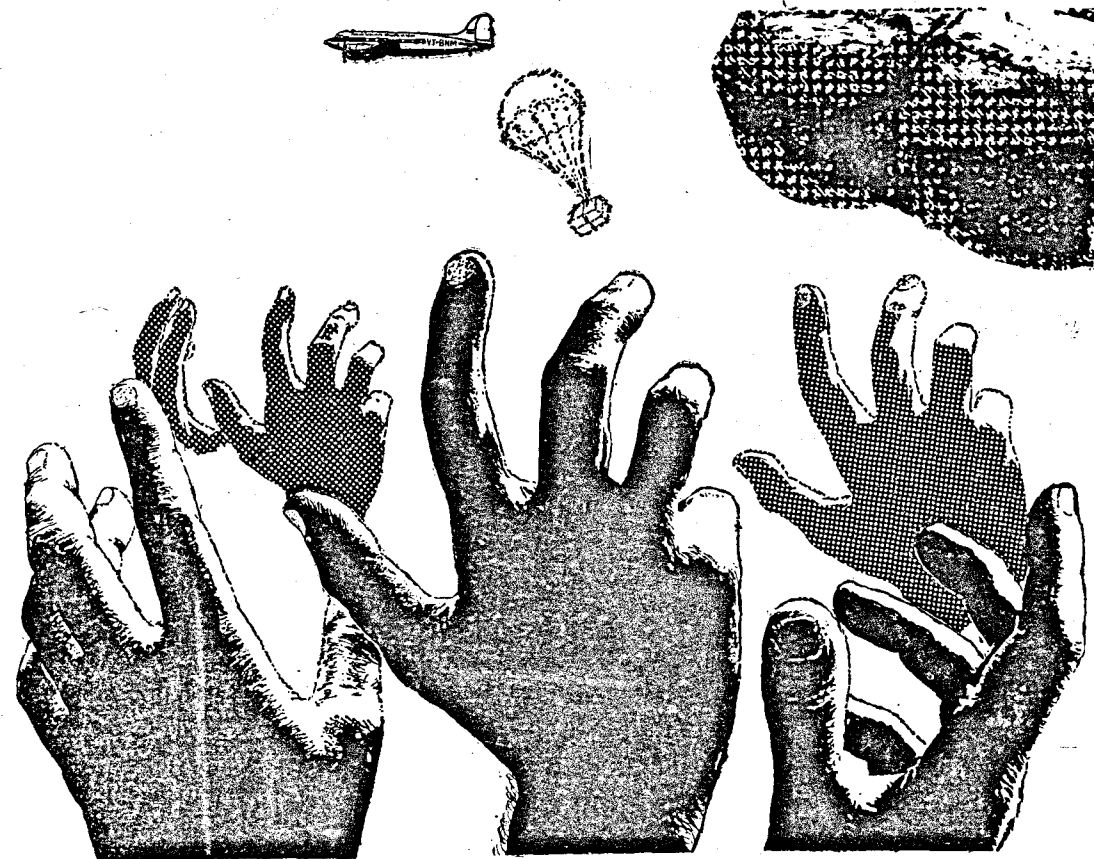
This is the lean time of the year when food prices usually go up. They have done so this year as well, a little more steeply than about this time last year. Last year, the rise created consternation and led to the appointment of a Committee of Enquiry as also to the immediate imposition of restrictions on bank advances against foodgrains, in order to force the latter to come to the market. This year also, more or less the same story is being repeated. There is a difference, however, which is almost being overlooked. Last year's production set up a record, it exceeded even the bumper crop of 1953-54. This year, however, statistics of food production show a sharp drop of 6.8 million tons or nearly 10 per cent from last year's production. And yet the rise in food prices in the last six months has been only 15 per cent compared to 7 per cent in the same period a year ago. If food prices have risen only by 15 per cent following a drop of 10 per cent in production, and not much more, it can suggest only two things: either that despite all the latest improvements, food statistics have still to be accepted with considerable reservation or that planned develop-

ment has failed to make any impact on the money incomes of the people in general and that things have not gone off as expected.

To pin-point the latter, when food production recorded an appreciable improvement three years ago, many statistical hairs were split, in order to determine how much of the improvement was due to good monsoon and how much to the planned

development which had been achieved. His Government may hate to take shelter behind a bad monsoon for the sharp drop in food production, but neither Pandit Nehru nor the Planning Commission is equally anxious today to find out to what extent development programmes have succeeded in stabilising food production and why they have failed. The failure is also brought

out poignantly by the distress in Eastern U P, Bihar, and West Bengal, which is now attributed not to inadequate supplies of foodgrains in these areas, but to lack of purchasing power in the hands of the people. The solution lies in looking more closely into the Plan and devising an apparatus for its execution which neither exists nor has yet been seriously thought of.



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Weekly Notes

Squabble, No Grand Debate

Our Delhi Correspondent Writes:

BY a convention long established, the first charge levelled against any Communist administration is that it uses the power apparatus of the State to extinguish civil liberties. The very activity of Congress, PSP and Catholic groups in Kerala is refutation enough for any charge that civil liberties have been destroyed by E M S Namboodiripad's administration. It is important to grasp this point for it lets the whole controversy in focus. Kerala therefore continues to be different, Marxism filtering through the brain of a Namboodiri Brahmin produces conundrum not heard of before and those defenders of civil liberty who are so unusually selective in the areas they wish to defend, are faced with problems for which there are no answers in the usually prescribed texts.

If there is no concocted design on civil liberties in Kerala, those who believe in the democratic values can view from a quite separate angle the charges and countercharges that are being bandied about in Delhi. Let us analyse a few of these: Transfers of officials for reasons connected with their professional competence is not exactly unknown in States other than Kerala and the interference of Party officials in the work of the administration is at least as common as police firings, lathi charges and the use of Sec 144. Even if one dismisses the the strong and detailed refutations of such charges that the Communist Party puts out, the resultant situation is no different, in essence, from what one sees in a variety of States.

Where then is the case for special action, for Central intervention and for public criticism of a regime duly established by processes enshrined in the Indian Constitution? If the Kerala malpractices justify all that has been said and suggested, we look expectantly for action elsewhere, say in Ahmedabad, in Lucknow and in West Bengal; if the malpractices are condoned in one area and noticed in another, where do we look for co-existence

and the Constitution? The truth is that Kerala presents a much bigger issue, the pity is that protagonists on both sides have sought to treat it on a purely parochial plane. From the Centre and more precisely from Jawaharlal Nehru we expect a certain reserve, a certain dispassionate judgement, an awareness that our Constitution and the very basis of Panchsheel are the issues at stake. From the CPI we expect a sense of national responsibility, particularly after the talk of Calcutta that has followed Amritsar. The stage is set for a Grand Debate and we witness a squabble.

A sense of insecurity can easily come from a withdrawal of a familiar privilege. If it is true, as the Communists say, that factory and plantation managers as well as landlords used to depend on the police to settle their differences with workers and peasants, is it not also true that a sudden neutralisation of the police creates a sense of insecurity in those higher reaches of society? It can of course be said that this insecurity of the few replaces the previous insecurity of the many. Then, the police themselves: if it is true that they functioned in a particular way in the past does not an abrupt reversal affect their morale, make them lean over the other side? In a State where tensions are high, where political debate is an ancient, universal and passionate tradition, can the Administration afford to adopt a neutral position? At what point, in short, does liberty become licence?

In a State which is a member of an Union, for an Administration in one small and contentious fragment it would be unrealistic to launch a campaign for the suppression of Constitutional rights; the one crime that is not laid to the Communists in Kerala is lack of realism. If therefore the concept of conspiracy can be dismissed, it is permissible to hope that better sense will prevail on both sides. One can expect the Communists to debate the reality of liberty and the Congress to recognise that violation is also violence, that a Constitution is damaged not when it is burned by hooligans but when its spirit is defied by those who

were elected by the Nation to defend it.

Dramatic Turn

AFTER five weary days of dissipating debate in the emergency session of the United Nations General Assembly, during which the West Asian issue had approached a deadlock, events have suddenly taken a dramatic turn for the better. Until Thursday night, the outlook was forbiddingly bleak. The Assembly had three resolutions before it, none of which seemed to have any real chance of adoption. The Norwegian delegation had put forward a Western-backed resolution which emphasised United Nations responsibility in Jordan and Lebanon and spoke with convenient vagueness of the Anglo-American withdrawal from the two States. A Russian resolution pointedly demanded immediate western withdrawal as a necessary condition for discussing any long-term plan for the future of any particular part or the whole of the Arab world. And, finally, the Afro-Asians had produced a draft which differed from the Norwegian one only in specifying the time of the western withdrawal.

The Soviet proposal had no chance from the start; and on Wednesday evening the speculation was limited to wondering if the Afro-Asians would seek to defeat the Norwegian move by preventing it from amassing the required two-thirds majority. At one stage it appeared that the fate of the Norwegian resolution rested entirely in the hands of the Afro-Asians. Later, however, chinks appeared in the armour, and the Afro-Asian bloc became a divided house in itself.

This sent the chances of the Norwegian resolution rocketing; and it seemed almost certain that the General Assembly would approve a course of action which, in many of its aspects, was unacceptable to the Arabs themselves. Then suddenly the clouds cleared, and the Arabs themselves emerged with an agreed solution of their own problem—a happy and promising development which was probably made possible only by the certain knowledge on their part that to disagree any long-

THE ECONOMIC WEEKLY

er among themselves was almost certainly to abet the passage of a move of which they all heartily disapproved.

Things have now taken a full circle in West Asia. At the initial stage of the crisis, when it was confined only to the internal trouble in Lebanon, everyone, including the Arabs, had hoped that a mutually satisfactory settlement would be reached under the auspices of the Arab League. Lebanon itself had placed enough faith in such a possibility to the extent of agreeing to postpone complaining to the United Nations. The talks broke down, and the crisis worsened and spread. Now the complaints have re-traced their steps back to the Arabs, and, happily, it seems they have not been found wanting.

The Arab resolution is, in fact, something of an achievement. It retains enough of the features of the Norwegian resolution to make it acceptable to the West; it incorporates new features calculated to soothe the local irritations in West Asia; and it insists on a withdrawal (early but not immediate) of the British and American troops from Amman and Beirut. In addition it clears the way to the re-establishment of the United Nations' prestige in West Asia, and the operation of the economic development plan of which President Eisenhower spoke last week. After being elusive for weeks, the solution now appears to be within reach; it should be possible, if the situation does not worsen, to effect the western withdrawal by the end of next month—by which time the automatic termination of President Chamoun's presidency will have removed an awkward obstacle to peace in Lebanon. The whole battle will still not be over, and stability in West Asia will still have to be worked out; but the right atmosphere for it will have been created; and by the time the General Assembly is ready again to go into session for its normal meeting on September 30, the proper conditions will have been brought about for working out a long-term arrangement for peace in West Asia.

Little Rock Again

THE Eighth U S Circuit Court of Appeals has courageously reversed the District Court order in the Little Rock case which had sought to suspend racial integration in Central High School for a period of two and a half years. There is little

doubt that if this suspension had been allowed to stand, the whole process of integration in the South would have received a mortal setback, and many other orders, already in operation, reversed. The Appeal Court verdict will stop the rot and make it clear to the Southern States that "the time has not come in these United States when an order of a Federal Court can be whittled away, watered down, or shamefully withdrawn in the face of violent and unlawful acts of individual citizens".

And that is, in fact, how big the issue has now become. It is no longer the question merely of racial integration in schools (though that has its own considerable importance); the question is whether the Federal Court has any authority in the States and whether the Federal structure can itself last for any length of time, or indeed have any meaning, if any State can get up and defy any of the Federal decisions that it does not find to its liking. The integration issue is now only a symbol of this larger challenge to Washington.

From all appearances, the fight promises to be bitter. Governor Faubus, already securely in the running for a third term of office in Arkansas, has reacted mutinously to the Appeal Court decision and seems openly intent on organising a planned resistance to the Federal order. Legislation may be passed at the State level to empower the local authorities to close down schools which try to mix the races. Faubus has talked subversively of what he calls "the once-magic name of Eisenhower". Happily, the President seems aware of the futility of banking solely on his personal popularity or prestige. The call he gave out from the White House on Wednesday had the clink of armour in it. Faubus has been told in as clear a language as is possible in such circumstances that the Federal troops will be back in Little Rock if necessary. This firm assertion of authority is the only way by which President Eisenhower can safeguard not only the policy of integrated education but also the continuation of the federal structure itself.

men at the helm

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International Conference of Agricultural Economists

NOT fabulous—that is hardly adequate—but what the Americans call improbable would be an appropriate appellation for Dr Leonard Elmhirst, the founder and the man behind the International Conference of Agricultural Economists which is meeting for the first time on Asian soil in Mysore next week. This is only one of Elmhirst's many babies. Dartington Hall is another, P E P is a third, there are others. Elmhirst was in India towards the end of the First World War. When after the war, this young Englishman, who had a Tripos in History at Cambridge, turned up at an American University to study agriculture, his Professors were naturally a little surprised. What had taken him there were India and Higginbotham of the Agricultural Institute at Naini (U P). Elmhirst wanted to do something for Indian villages, and he felt it necessary to know something about agriculture to qualify himself for the vocation.

When Rabindranath started his 'Vishwa Bharati', Elmhirst, who had just then taken his Doctorate in Agriculture from Cornell, volunteered his services and set about organising Sriniketan, the sister institution of Vishwa Bharati at Shantiniketan, 'Shanti' and 'Sri' symbolising the character of the different pursuits that these two centres were founded to promote. It was not a pose or a pretence: Elmhirst really became one of the children of the soil. Like the Bengali peasants in the fields, Elmhirst would go sometimes, bareheaded, and smoke a hookah—and that not just for the fun of it, as Nandlal Bose's sketches so convincingly portrayed at the time. After three years at Sriniketan, he accompanied the Poet on his tour of Argentina; and subsequently something happened which did not change the course of his life but made it possible for him to realise some of his dreams, which, possibly, without it, could not have been so easy to achieve.

In London, in the middle twenties, someone who had written a play was knocking his head at the door of every theatre owner to have it

produced, but with no luck. The play was uncommon: it had a purpose—it gave expression to what the post-war generation of youth was feeling. Elmhirst befriended the playwright and financed the production, "Journey's End". It was not merely an immediate and sensational success: it was a landmark that still stands out in the history of those troubled times. They may not have been of the type of those angry young men we hear about, but they too had something to say, and "Journey's End" said it for them.

A fair-sized volume has been written about Dartington Hall, but it has not reached this country yet. In the Press Note issued in connection with the forthcoming Conference, the Dartington Hall has been described as a trust established for research, education and rural development. It represents much more than that—it adds up to a search for the roots of community living, not only through experiments in small-scale farming, handicrafts and the like, but also in creative activities, particularly, dance and drama, which lend meaning and significance and wholeness to community life. Incidentally, Elmhirst was also the man behind Uday Shankar's dance centre at Almora which, unfortunately, was short-lived unlike most of his babies which do come up. Most of them have done so and grown into lusty youths. Of these, P E P is perhaps the most widely known.

The International Agricultural Conference is 29 years old. It first met at Dartington Hall in 1929 and has ever since been meeting regularly every three years, with a break during the Second World War. Though Elmhirst sponsored it, it has grown and grown so big and attained such importance that many foundations have now come forward to finance it, and several Committees are now charged with its organisation. But Elmhirst continues to show the same infinite care and diligence as before in getting the best men in agricultural economics to participate in the Conference. The way he has succeeded in confining the deliberations at

these gatherings to a fruitful exchange of knowledge among the leading lights in agricultural economics, invited from many parts of the world, marks them out from other international conferences which are officially sponsored.

At the Mysore Session, the first to be held in Asia, the main subject chosen for discussion is one of utmost importance to underdeveloped countries, viz, 'Agriculture and Its Terms of Trade'. The question may be asked, what would have top-ranking international experts on agriculture to say of interest and real use to a country of peasant farming, where progress has been blocked not so much by lack of knowledge as by social and political factors and to the solution of whose problem the deliberations of top-level scientists may have little to contribute. To think so, however, would be wrong, for the subjects covered by the Conference over the years have always reflected the shift in the social problems of our times. Far from confining themselves to highly technical problems, the agricultural economists have taken a lively interest in all aspects of their subject and by no means neglected the very special problem of peasant farming. In fact, one of the sessions, the one held at Strassa in Italy in 1949 had taken up for discussion this very topic—the diagnosis and pathology of peasant farming.

About 350 delegates from 70 countries, according to the Press Note, are expected to attend the Conference in Mysore. It is really not that bad. For, what the Conference is intended to achieve is a genuine inter-change of ideas in a quiet atmosphere—and not a big noisy get-together. Actually, the foreign delegates are not likely to exceed 150, and including the Indian delegates, the number may not go beyond 200. This is the limit to which the sponsors have always tried to keep down the attendance.

After the formal welcome speeches by Pandit Nehru and the Maharaja of Mysore and the Presidential address by Dr Elmhirst, discussion will start on 'The Shifting For-

tunes of Agriculture'. Professor Arthur Lewis will read a paper on 'The General Setting', while Professor Johnson and Professor Gadgil will read papers on the experience of 'Highly Developed' and 'Less Developed Countries' respectively. 'Technical Peculiarities of Agricultural Supply', 'Changes in the Demand for Farm Products', 'Lack of Flexibility in Agriculture' and 'Using Economic Research in Policy Making' are some of the other papers which should prove to be of considerable interest. 'Workshops' on Education, Research and Extension, etc, will be a feature of the Conference in which selected delegates from different countries will act as leaders. At the end of the Conference, the delegates will be taken on a tour from Bangalore to Delhi so that they may have an opportunity of seeing something of

Our Delhi Letter

White Paper on Food Distrusted

THE review of the food situation in India contained in an official pamphlet produced for the benefit of members of Parliament was so coldly factual that it failed to evoke a favourable response. There was indeed no attempt made in it to gloss over the difficulties, to cover up the inflation in food prices or to sidetrack the need to strengthen the food position by well-considered advance measures to replenish reserves by imports of foodgrains. But an ostentatiously factual recital of a sufficiently discouraging situation does not help to solve doubts or to ease the public uneasiness about it.

Official Complacency

The review discloses a disconcerting feeling of complacency in the sphere of food administration despite the realisation, simultaneously, of the havoc that the monsoon had played in 1957 with production of important foodgrains like rice, wheat and millets. It is also realised that the problem, in a situation in which short supply of food is patently evident, is essentially one of utilising the available stocks and supplies in the most effective manner possible and of ensuring their proper distribution. The official strategy, as the review explains, "has been to create more or less self-sufficient zones and to segregate heavily deficit areas and other important consuming

the country and also, presumably, of its agriculture.

Delegates from Western Europe and the U S have been provided an opportunity by the Foundations—Ford and Rockefeller—to see a little bit of the agriculture in Iran and Turkey on their way back. This should be useful to them since so many of their students come from countries of under-developed and stagnant agriculture.

Going through the list of papers to be read at the Conference, which has been circulated in advance, one would be disappointed to find that while participants from Europe and America figure well and those from the latter more than well, there is no mention of any from Soviet Russia or People's China, while only one or two are indicated from South Eastern Europe. As

centres where Government could release adequate stocks of foodgrains from the Central stocks," and "to take suitable measures against the speculative hoarding to stocks by the trade."

The "strategy" would seem to be well-conceived; but it is time seriously to enquire how it has worked out in practice and what dividends it has paid. In a large measure the creation of self-sufficient food zones has helped in conserving local stocks and in the movement of grains from areas of comparative abundance to areas of scarcity, and in facilitating allocation of grains from Central stocks to alleviate scarcities in areas insufficiently or ineffectively served by locally produced grain. This view is justified at least so far as the southern rice zone is concerned, where the steady inflow or outflow of supplies from one State within it to another combined with judicious procurement of surplus rice stocks from Andhra Pradesh by the Centre have contributed to maintaining a more or less satisfactory food situation and steadiness in prices.

But this cannot be said of the other—particularly wheat—zones where both stocks are inadequate and prices are soaring. In these areas, how is the second aspect of the strategy operating? Have the

experience of these countries is of particular interest to India and also doubtless to others who are trying to speed up their development from very unpropitious beginnings, this gap in the representative character of the Conference will be regretted. But, perhaps things are not as bad as the list of papers might suggest, for at least five of the delegates, it is expected, would come from Soviet Russia. However, with past experience showing that it is difficult and embarrassing to have delegates both from Taiwan and China, there are not likely to be any from China at the Mysore Conference. Barring this, South East Asia will have a greater representation at this Conference than at the previous ones, which, of course, is as it should be.

various measures such as action under section 3 (A) of the Essential Commodities Act, the credit freezes by banks and the ban imposed on forward trading in coarse grains and gram had the desired effect on prices? Have they helped the liquidation of stocks by producers and stopped speculative hoarding by traders? In a small measure they may have had; but the effect produced is on the whole so insignificant as to be almost imperceptible. In any case the rising prices of wheat and other cereals and pulses in some of the principal north Indian markets have not been checked while in a few cases prices have shown an unmistakable tendency to harden at the prevailing high levels.

Ministry's Tall Claims

If this is the best that could happen, it is a very bad best. And what is worse is that even at the rates at which prices seem to have stabilised or to be stabilising, the two drawbacks persist—namely—inefficient distribution and sale of available stocks, and the poor purchasing power that people in some of the rural areas can command resulting in conditions of semi-starvation. When, therefore, the review claims that "though the prevailing prices of foodgrains are appreciably higher than those prevailing in 1954-55,

they are not materially higher than the prices which ruled at this time in 1953", naturally the reaction is both surprise and incredulity. To say the least, the statement betrays a lack of appreciation of the distress caused to the people in scarcity pockets. It hardens the public feeling that complacency rules in official circles connected with food administration.

What is clear is that much more needs to be done—something drastic in fact—to bring down prices and facilitate purchase of food by even the very poor and that establishment of fair price shops and allocation of food grains from Central stocks to scarcity areas are just not enough. What is demanded is strict enforcement of de-hoarding measures without relying on the big producers and traders to disgorge hoarded food-grains immediately a notification under the Essential Commodities Act is promulgated. The question is in how many cases has the issuance of such a notification—the latest one relates to rice in Bihar and M P—been followed by steps to requisition surplus hoarded grains and what are the penalties imposed on those who do not comply? In order to restore confidence in the willingness of the food officials to follow up their own orders and notifications with necessary action, the Administration should make an example of at least some of the worst anti-social elements. Simultaneously, for encouraging cultivators to produce more and as an incentive to them, Government should announce the minimum prices for different varieties of Indian income-tax payable by the Company. This action has been taken in order that shareholders shall not be kept waiting for their dividend in view of the closing of the Accounts for the year being delayed pending notification by Government of the revised sales retention prices of steel.

Price Stabilisation Rejected

The rejection, announced in the food situation review, of the Asoka Mehta Committee's recommendation for the establishment of a Price Stabilisation Organisation is in this context regrettable. If the food administration's efforts to stabilise and control prices have been such as to inspire confidence in their competence in that direction, the decision to reject the recommendation on the ground that it was unnecessary and that there was no need to add one more official organisation to the numerous ones already in existence would have been justified, even welcomed.

But when results have not been produced by those efforts, the decision would appear to be the result of a churlishness on the part of the administration to admit its own failure.

On the other hand, the case against the setting up of a Food-grains Stabilisation Organisation, as presented in the review, is not only balanced but fairly convincing. There is no evidence yet to prove that the existing machinery for the purpose in regard to the procurement operations it has been engaged in within the country and the negotiations for purchase of food-grains from abroad has proved so inadequate that it cannot be improved. Unless we are going in for controls all along the line, any large-scale open market operations by an official organisation would only introduce an added element of instability into the situation which is undesirable. This is of course subject to the qualification that the existing arrangements would be more efficiently and effectively carried out so as to check and control hoarding successfully.

Central Food Production Council

Whatever the other measures taken to tackle the food problem, there is no escape from a big pro-

duction drive. The village brigades to be organised for the purpose in the north Indian States have vast potentialities, and if the processes and programmes set in motion become a permanent feature of our agricultural development programme, it is bound to yield results.

What is required is sustained and unremitting effort to keep the agricultural economy in good gear through supplies of agricultural credit, proper maintenance and utilisation of irrigation facilities and timely supplies of seed, manures and implements etc. At the same time the need for effective direction, supervision and control at the State Government level and the Central Government level to ensure that the production drive does not slacken cannot be over-emphasised. The proposal for the setting up of a high-powered Central Food Production Council—consisting of the Prime Minister and other Ministers concerned at the Centre and representatives of State Governments and the Planning Commission made by Shri C D Deshmukh recently acquires relevance and importance in this connection. The food production drive to be launched will receive much-needed fillip from such a body.

The Indian Iron & Steel Company Ltd.

12 Mission Row, Calcutta.

At a Meeting of the Board of Directors of the Indian Iron & Steel Co. Ltd., held on the 12th August 1958, the Directors have declared an interim dividend of One Rupee per share on the Ordinary share capital in respect of the year ended 31st March 1958, being at the rate of 10% per annum without deduction of Indian income-tax payable by the Company. This action has been taken in order that shareholders shall not be kept waiting for their dividend in view of the closing of the Accounts for the year being delayed pending notification by Government of the revised sales retention prices of steel.

The Directors wish to make it clear in this connection that this dividend although termed "interim" will in fact be the final dividend for the year and that no further distribution in respect of the year ended 31st March 1958 will be recommended for consideration at the Annual General Meeting to be convened in due course.

As already notified the Ordinary Share Register and the Transfer Books of the Company will be closed from the 18th August 1958 to the 27th August 1958. Payment of this interim dividend will be made on or after the 15th September 1958 to those shareholders whose names appear on the Company's Register of Members for Ordinary Shares on the 27th August 1958 or to their mandatees.

By Order of the Board,
MARTIN BURN LIMITED,
F. G. Liversedge,
Managing Director,
Managing Agents.

Calcutta,
12th August, 1958.

Letters to the Editor

Economics of Chinese Achievement

A Comment

THE article by Shri K S Gill in your Special Number of July, "Surplus Manpower as Source of Capital: The Economics of the Chinese Achievement", should not be allowed to pass as scholarly economic research, leave aside thinking, without protest. Shri Gill purports to discuss statistics and techniques bearing upon the subject of most intensive debate among economists and leaders of the 'underdeveloped' two-thirds of our world. But he avoids confronting the central issues—economic and human—of that debate. The debate: the roles of the individual and the State in economic and social development. The issues: economic efficiency and individual freedom.

No specialized knowledge of economics or Chinese affairs is required to recognize the defects of Shri Gill's argument; only the newspaper reader's general awareness of contemporary events, and a moment of cursory reflection about the facts Shri Gill cites to support it. The cited sources of his facts about Chinese development are 'Peking Review' and 'Hsinhua News Agency', both presumably organs of the Chinese Government. Control of all media of communications is a declared basic principle of State policy in Communist political theory. The Chinese, being human beings, naturally desire to present favourable evidence of the results of their policies. But the scholar, whatever his emotional leanings and whatever his subject of enquiry, always seeks to check his information from independent sources. It would be reasonable, therefore, not to accept all information given to the world about Chinese affairs without careful inspection.

Shri Gill reveals a predilection for everything Chinese. He stresses that local Chinese industry is modern, and implies that Indian cottage industry consists only of 'antiquated handicrafts'. He makes an invidious comparison in coal production, citing statistics to show that 'China's annual increase in output exceeds India's total output'. But, just as a fancy new tool is useless without the knowledge of how to apply it, a few

numbers are valueless without the knowledge of what they represent. We would have to know much more about the coal industries of India and China—natural resources, degree of their development, their relationship to other industries, and the priority of coal in national planning—before presuming to compare and pass judgement upon the two efforts of coal development.

He also gives statistics of expectation. We know from Indian experience that achievements do not always match targets.

He gives phenomenal figures for planned increases of output—for example, capacity of small rural hydro-electric stations is to be multiplied 45 times 'in the current year alone'—without bothering to suggest how they will be effected. In addition to the problem of organizing only unskilled manpower for such efforts, factors of supply of raw materials, supply of processed components, and supply of skilled manpower, place limits upon the rate of economic growth—even in a 'people's paradise'.

He cites the laudable practice of substituting local materials for expensive materials imported from other regions, and blandly records the report that wood is being substituted for metal in turbines. A major problem in designing both steam and hydro-turbines is prevention of erosion of blades under the high pressures and velocities required. Wood could not be used even for the casing. Could the Chinese be stretching the classification 'turbines' to include water-wheels?

But the most important economic and human issues centre about the problem of how surplus manpower is organized to achieve these stupendous gains. Answers to the 'hows' rather than the 'whats' would enhance the value of Shri Gill's article. Shri Gill sums up the 'hows' in two phrases: 'socialization of economy' and 'cooperativization of peasant agriculture'. He does not suggest what these phrases connote, except indirectly in noting that with socialization of the economy 'property rights in

land no longer impede capital construction programmes'.

That the Communist pattern of 'cooperativization' is successful is hotly disputed, both within and without the Communist countries. In India, the report of Shri R K Patil's delegation to study Chinese agricultural methods included a strong minute of dissent about the effectiveness of collectivization. So important and controversial is the subject of co-operatives—as distinct from collective farms—that the Indian Society of Agricultural Economists convened a special seminar in Poona last May to discuss it. This journal reported the discussions.

Shri Gill neglects to indicate the price of the Chinese methods of 'socialization' and 'cooperativization', except behind a cloak of abstract terminology in his conclusion. 'Genuine socialist transformation', his euphemism for Marxian ideology, 'emerges even more as an instrument of accelerated economic growth than of social equality.'

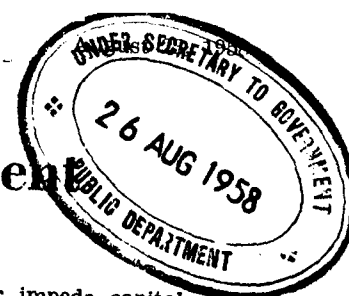
Quite true. How can economic development by planning be pushed fast enough to respond to the 'revolution of rising expectations' but without infringing upon fundamental liberties of individual citizens? All nations of the 'underdeveloped' portion of the world are listening, seeking guidance for solutions of the same problems. India faces similar problems to those of China. India therefore naturally seeks to learn and to profit from the Chinese experience. But to do so without a clear awareness of the human issues involved is dangerous in the extreme.

Robert Terry

Delhi School of Economics,
Delhi.
August 5.

Import Surplus and Inflation

CONSIDER, Sir, one situation where you offer 100 copies of the E W for sale, the price per copy is 50 naye paise, and your agents have between themselves a money supply of Rs 20. The E W income in money terms would then be Rs 50, so that the income velocity of



money would be 2.5. Imagine a second situation where E W output has gone up to 200 copies, but you refuse to lower the price from 50 naye paise, and your agents too continue to have a money supply of Rs 20. The E W money income would now be Rs 100, and, therefore, the income velocity of money would work out at 5.

Will this convince my Bombay friends, that, price rise or no price rise, an increase in real output (in the present case, in the form of a rise in the availability of the E W from 100 to 200 copies) can by itself lead to an increase in the income velocity of money?

In deference to Shri Shenoy, I should really sign this note as Ignoramus. But since I must try to stay away from further confusion, let me continue to be

A M

New Delhi,
August 12.

Town Improvement In Old Calcutta

A REPLY

I HAVE read with keen interest Sri D Basuraychaudhuri's letter kindly forwarded by you to me. He has questioned my claim that I am the first writer to utilise the materials lying unused in the M. S. Proceedings of the Lottery Committee in my article "Town Improvement in Old Calcutta" published in your Special Number of July 1958. He has quoted from Sri Asoke Mitra's Census Report on "Calcutta City" (Census of India 1951, Vol. VI, Part III) to disprove my claim. I would gladly have accepted it without murmur if it would be true that Sri Asoke Mitra had perused the said Proceedings, as it appears from his statement in the Report quoted by Sri Basuraychaudhuri. But I am very sorry to have to assert here that it is a false statement by which Sri Basuraychaudhuri has been rather helplessly misled.

The real fact is this. H. Beverley in his "Report on the Census of the Town of Calcutta" taken on the 6th April, 1876, wrote: "A full account of the works effected by the Lottery Committee would form one of the most interesting chapters in the history of the Town. Unfortunately, I have only had access to the records of their proceedings for a very limited period etc, etc" (Beverley's Report, 1876, Part III, Para 141.) The entire section on

"The Rise and Growth of Calcutta in the Eighteenth and Nineteenth Centuries" in Sri Asoke Mitra's Report (page 1 to page 20) has been quoted verbatim from Beverley's Report of 1876, with this brief footnote only that "that short account has been adapted from pages 31 to 54 of H. Beverley's Report etc". But it has been printed and written in such a manner that all readers of the Report would take it as Sri Asoke Mitra's own writing, as Sri Basuraychaudhuri has done. Sri Asoke Mitra has not actually adapted the chapter from Beverley's, but has quoted it verbatim, replacing the word "Town" only by "City", and he has done that without proper acknowledgement, quotation marks, notes etc.

It is proved beyond doubt therefore that not Sri Asoke Mitra, but Mr H. Beverley "have only had access to the records" of the Lottery Committee's Proceedings, and that was in the year 1876. Beverley could not and did not use actually the materials in them. Sri Mitra had never had any access to these Proceedings. It was not "only recently", but about 40 years ago, that Proceedings were transferred to the collections of Victoria Memorial Hall from the record-room of Old Municipal Office of Calcutta. It is not known to many that these Proceedings are lying buried in the collections of Victoria Memorial Hall. I can therefore still humbly claim that I am the first writer to utilise

the materials in them. It requires the permission of the Curator of V. M. H. to consult the Proceedings and that of the Trustees to use the materials. I am grateful to Dr D C Ganguly, the Secretary and Curator of V. M. H. for extending me all possible help to consult the Proceedings, and I got the permission for using the materials from the Trustees on the 13th February 1958.

I hope that Sri Basuraychaudhuri will now be convinced of my honesty. As a student of social history I have not only keenly studied the Census Reports of Sri A. Mitra, but also all the Census Reports of Bengal published since the last quarter of 19th century, as thoroughly as possible. If I didn't I would also have been misguided by Sri Mitra's statement like Sri Basuraychaudhuri.

Benoy Ghose

Calcutta,
August 16.

Priority for Rail Movement Of Export Goods

AS a measure of export promotion, the priority for rail movement of goods to the ports for the purpose of export has been upgraded.

All goods meant for export, except iron ore, manganese etc, etc, for which there are other arrangements, will now be moved to the ports under item 'D' of the Preferential Traffic Schedule.

INDIAN AGRICULTURE IN BRIEF

A useful handy and pocket size booklet has been recently brought out by the Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India, with a view to meeting primarily the need of those who wish to have a snap-shot picture of Indian Agricultural Economy as revealed by the current Agricultural Statistics. Certain essential data in allied spheres, e.g., population, national income, etc., needed for an understanding of the agricultural economy in its broader perspective have also been included in this booklet.

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From the London End

Bank Rate and Excess Capacity in Industry

THE latest reduction in Bank rate by one-half per cent was not unexpected. Indeed, the City of London had long taken steps to discount this Bank rate reduction by increases in gilt-edged security prices and bidding at ever higher levels for Treasury Bills. The Government has abandoned its measures at maintaining the credit squeeze—the commercial banks have now been given, once again, the freedom to run up their rate of advances to what they construe to be profitable levels. The past three months have, in a word, witnessed the dismantling of much of what had been done under the name of monetary controls.

Falling Production

The changes in policy are, of course, in line with the changes in the economic climate. Ignoring the recessionary movement in the United States, economic conditions within Britain have been moving slowly but most decisively in an unfavourable direction for some twelve months. Industrial production no longer maintains its stagnation—it has now fallen. The latest estimates of the U K national income and expenditure show a marked fall in the gross domestic product between the fourth quarter of 1957 and the first quarter of 1958. The quarterly rate of increase in gross fixed capital formation has been running at a distinctly lower level in the first three months of 1958 than at any time in the past three years. It is primarily in the private sector of industry that the gravest fluctuations in capital investment have taken place.

The Federation of British Industries has been the buoyancy and vigour trial opinion on future capital expenditures came to the conclusion that confidence in British industry had reached what was possibly the lowest level for the whole post-war period. The financial papers carry persistent reports of an ever increasing number of industrial enterprises declaring employment redundancies or converting their activities on short shift basis. While unemployment still remains low, the level of wholesale and retail turnover is falling perceptibly. For the first time since 1952 trading

profits of companies have fallen by 1 per cent in the first quarter of this year.

Sterling Buoyant but Exports Lower

The turn in the British economic situation can be seen to be motivated not only by purely domestic factors. The foreign trade picture is grim enough though its implications continue to be marred by the continuing favourable movement in the United Kingdom's terms of trade. According to a review of the foreign trade situation published in the 'Board of Trade Journal' exports in the first half of 1958 were 11 per cent less in value than a year ago. Although the falling level of exports continues to create some anxiety, both as to employment in export industries and to the more basic changes that are coming to characterise conditions in world markets, the United Kingdom balance of trade deficit runs at manageable levels primarily because U K imports in value terms are held down by the sharp declines in commodity and import prices. This alone is expected to add some £100 million to the expected surplus in the U K balance of payments for 1957-58.

One very remarkable experience has been the buoyancy and vigour of sterling on the exchange markets. The expected seasonal pressure on sterling has not materialised in spite of the unfavourable political climate of the past few months. The nervous selling immediately after the change of regime in Iraq was short-lived and, to all intents and purposes, has completely subsided. In the London market sterling continues to be quoted at above the parity rate of \$2.80 and even in the free markets of the continent, rates are now back to around the levels ruling in late Spring period. As against continental currencies sterling shows its strong trend with only one or two isolated exceptions.

Tight Money Policy in U S

The situation in the United States, over which the British Treasury and all informed British opinion maintains a constant and sometimes too close a watching brief, is taking a somewhat ambiguous form. While

industrial production and unemployment continue at relatively recessionary levels, the Federal Reserve System is once again preoccupied with the dangers of inflation and at the time of writing it is reported that the San Francisco Federal Reserve Bank has increased its official rate of discount. Money is being made tighter on the New York market and once again banks require margins from operators in stocks and securities.

To many Governments in Europe, and in particular to the Government of the U K, the change in economic direction in the United States is welcomed for a rather peculiar reason. For example, in Britain the absence of sufficient expansionist policies in the past was explained in terms of the Macmillan dictum: "We do not want to become an inflationary island in a sea of deflation." Now the change in America is considered to be a development that could serve to stimulate the demand for products in the U K as well as in Western Europe. No doubt the British Chancellor of the Exchequer was considerably influenced by this argument.

Unutilised Capacity

The evident changes in British economic policy need now to be seen against a background of two important studies which have been made on the degree of excess capacity in British industry. Dr T Barna in a recent article showed on a purely statistical approach that over British manufacturing industry as a whole something like 17 per cent of capacity was not used. The National Institute of Economic and Social Research, employing a somewhat direct approach, organised a sample survey of firms which shows that in the most important branch of the British economy—the metal using industry—unused capacity was running at an average of 20 per cent. This fits in fairly closely with Dr Barna's findings. The sample survey was pretty widely organised. The firms interviewed employ some 10 per cent of the labour employed in the metal using industry. This industry employs well over half of the manpower occupied in manufacturing activity. The sample, however, was weighted in favour of

August 23, 1958

the larger firms and admittedly the plight of the smaller units might be worse. The report of the NIESR states that the management of the interviewed firms declared that while a general increase in demand would help, that alone would not be able to solve the problem of excess capacity. There has been a somewhat permanent shift in demand calling for the closing down of capacity or its conversion to other uses.

Industry 'Hoarding' Labour

The NIESR's comments on the relation between excess capacity and the volume of labour employment is particularly interesting and may very well explain why the admittedly difficult situation in British industry has not as yet translated itself into an observable employment problem. Firms with excess capacity have not yet adjusted themselves to the required intake of labour. Some have reduced working hours, others have allowed normal labour wastage to take its course. To quote from the report, "most firms appear to have been reluctant to dismiss labour but feel

that if present trends continue they may have to do so shortly." There is the general impression that so far industry has been "hoarding" labour, partly for reasons of possible altruism and partly in the hope that demand may revive so that subsequent labour re-assembly problems are not encountered.

The important question here is how many of the firms concerned may be able to afford such a policy for long. Profit margins are falling and for the first time gross trading profits throughout the British economy are shown to have fallen in the estimates of the national income. With this trend already taking place no firm in its right mind will continue maintaining employment. Where there exists evidence of unemployment in Britain the number of jobless will accumulate as profit levels begin to affect the employment policies of firms. This is only gradually being recognized but those who see it most clearly are the trade unions. For them the coming period is going to provide the first major experience of a self-generating deflation.

THE ECONOMIC WEEKLY

Heavy Electrical Project

THE programme for setting up the heavy electrical project at Bhopal has been revised. Its construction is to be undertaken in three stages. Production of transformers, switchgears, control gears and capacitors will begin on completion of the first phase in 1960. The original project envisaged production of switchgears and control gears in 1961 and that of capacitors in 1963. In the second stage, traction motors, industrial motors and heavy rotating plant will be taken up while water turbines and rectifiers have been left for the third phase.

The first phase of the project will cost Rs 21 crores of which Rs 5 crores will be in foreign exchange—Rs 4 crores less than under the original programme. However, Government has entered into deferred payment arrangements under which net foreign exchange expenditure till 1960 will be Rs 1.22 crores, the balance being payable later.

Associated Electrical Industries will act as the purchasing agents of the project in the U K and, to a limited extent, in E P U countries.

THE ECONOMIC WEEKLY

Letter from Bonn

Exporting More to Germany

(From a Special Correspondent)

The following factors are in favour of India:

(1) West Germany has a tremendous and genuine sympathy for India and a vital interest in her economic welfare.

(2) This has generated an equally genuine interest in Indian commodities, ranging from raw, unprocessed materials to simple handicrafts.

(3) Over 90 per cent of the German import trade is free—and the rest of the items have fairly liberal 'global' or 'bilateral' quotas and there is no statutory difficulty in putting through a sizeable volume of business in Germany.

As against these, are to be noted the following:

(1) Indian exporters are operating in this market in absentia; in the absence of Indian merchants and a proper commercial organisation which could seize the opportunities from the needs of the moment, Indian goods have failed to secure a firm foothold.

(2) In all there are just three Indian businessmen resident in Germany, while there are literally hundreds in the United Kingdom. It would seem that the potentialities of the German market have not been quite appreciated by the Indian business community, not only in India, but also in the United Kingdom.

Germany Wants India to Develop

German desire to keep a sustained trade relation with India stems from more than purely altruistic reasons. If India, which is Germany's largest customer in the East, fails, in a sense, to meet her obligations, it is also an indirect blow to German industry which is currently experiencing a boom. With shrewd foresight Germany has decided to 'accommodate' India to the tune of DM 660 million, but nothing will please Germany more than to see India increase her exports to Europe.

It is of especial interest to note that West Germany has an adverse balance of trade with all the countries in the East except India, Pakistan, Japan and China. Even relatively underdeveloped countries

like Indonesia, Ceylon and Malaya have a positive trade balance with the Federal Republic. This, of course, stems from the fact that India is a developing nation and is importing steel and ferro alloys, locomotives and watercraft, machinery, machine tools, heavy electrical plant and capital goods of all sorts; this means heavy capital expenditure.

Some Export Items

But Indian efforts to develop exports to Germany would seem lackadaisical, if not positively disinterested. Germany is a coffee drinking country, but India's share in German imports of coffee is only of the order of about one third per cent. In regard to another important export item, tea, India has been yielding grounds to Ceylon year after year since 1953, again because Indian merchants have so far evinced little direct interest in the promotion of Indian tea in the German market. British Borneo is Germany's biggest supplier of pepper, followed by Indonesia, but Indian pepper is admittedly superior in quality. Why, it is asked, is it not being made to get a proper foothold in the pepper market?

India has slightly improved her off-take of cotton piecegoods, her exports having risen from DM 102,000 in 1956 to DM 122,000 in 1957. But this is less than one per cent of the total imports of this item in the Federal Republic. By far, the largest supplier of cotton piecegoods is Japan with an export trade of DM 20.04 million. Japan outclassed and literally pushed out Turkey, which in 1955 was the largest supplier, indicating that Germany is a very sensitive market which readily responds to quality, price and promotional effort.

Granting that Indian exports have been lately hit by a slump in world prices, there is still a case to be made out for quick action on the part of Indian trade and commerce to mend its fences. Commerce with Germany is there to be picked up—but it will require some sustained finding.

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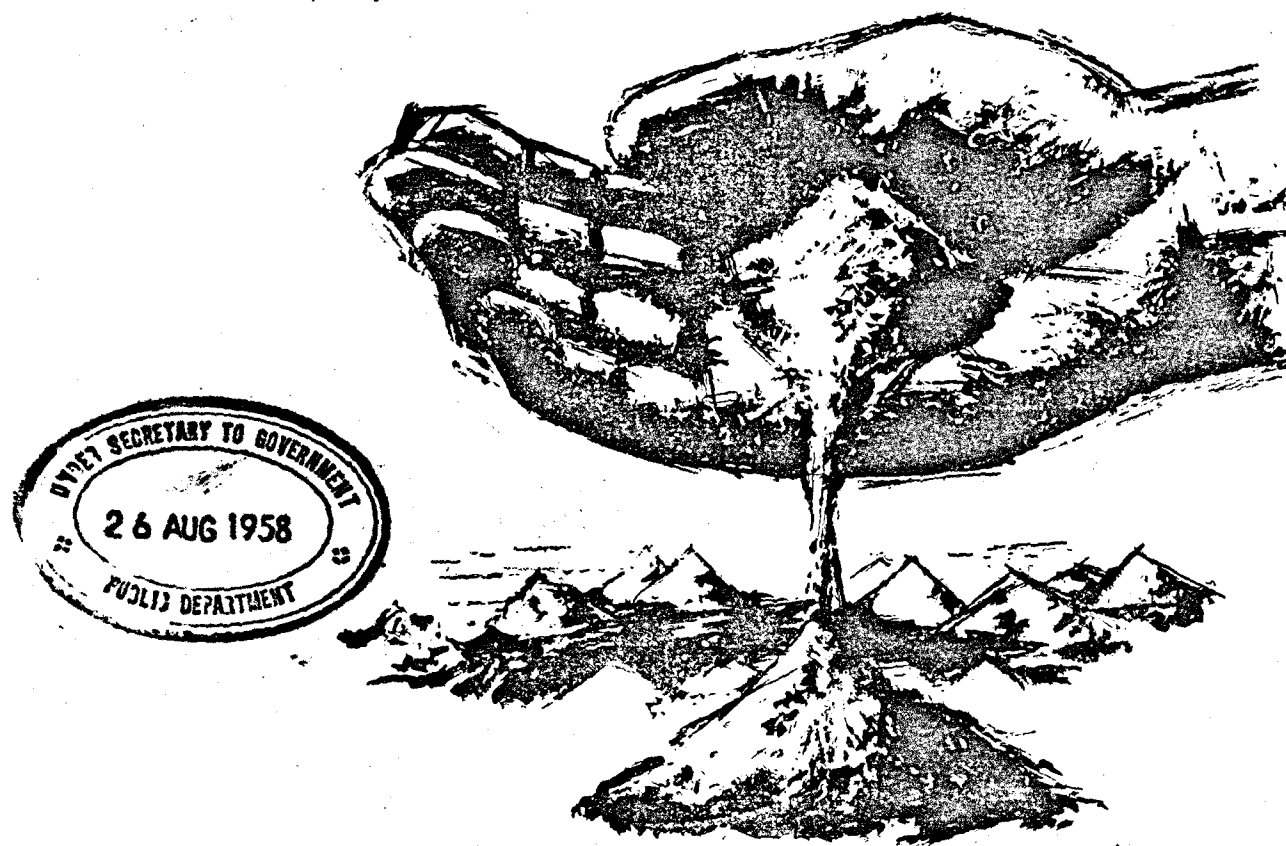
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The Middle East Retrospect and Prospect

(From Our London Correspondent)

NOW that the Middle East crisis is over—at least for the moment—and the problems which it created have been passed over to the lawyers and cold war tacticians in the United Nations General Assembly, it is as well to understand how near or far the crisis put the world on the brink of war and how the major powers now stand in relation to this area of ever-permanent tension. In Britain this type of review continues unabated. New facts are beginning to emerge and these at least provide an object lesson on the arts of contemporary diplomacy or more rightly on the passing of the traditional canons of diplomatic conduct and operation. The older belief that where diplomacy came to an end, war began is now, gradually but definitely, giving place to a new doctrine that diplomacy is merely a function of propaganda, argument and facile display of the keenness of wit and temper for the control of the minds and emotions of the masses.

Anticipated by Britain

The British Foreign Office knew for well over a year—indeed soon after the Suez adventure—that a new crisis would envelop the Middle East. So Mr Joseph Alsop, the American columnist, learned from a visit to London. It was not clear what form the crisis would take, though the month of October 1958 was given as the possible time of its breakout. In the meantime to forestall the crisis active steps were at least contemplated with a view of giving the Iraq of Nuri es Said a position of an armed buffer against any new flare up of Egyptian influence in Jordan and in this regard American policy towards extricating King Saud from growing difficulties in Saudi Arabia had possibly the purpose (among a host of other purposes) to seal off Jordan from any form of pressure. But by this time the Lebanese rebellion had broken out and the long prepared Anglo-American plans for intervention had come into play. As a correspondent of the 'Manchester Guardian' put it:

"The master plan for such a contingency as this, I am assur-

ed, envisaged a joint landing of American and British troops on the coast of the Lebanon forming the most accessible bridgehead and the only stretch of Levantine coast in friendly Arab hands. Marines would be landed from amphibious craft of the Sixth fleet and British troops would be flown in from Cyprus to the airport at Beirut."

That the plan was not carried out completely is of course not immediately relevant. What is relevant is that the Western powers had expected a revolt in Jordan rather than Iraq. King Hussein had for some months been living in a nightmare of coups and the patent instability of his throne was known to the Western powers. But as matters turned out, the revolt broke out in Iraq and this at least to British eyes put a completely new complexion on the whole scheme of things in the area. For one thing, the Iraq rebellion came as a shock and a surprise. It meant in clear physical terms the end of the Baghdad Pact and the end of all the hopes and accepted beliefs that Iraq was the effective counter-poise to the United Arab Republic. More significantly, in British eyes, it opened an effective bridgehead for increased Soviet penetration as well as the prospect of the nationalisation of the oil installations of the Iraqi Petroleum Company. The master plan for landings in the Lebanon, then no doubt aimed as a threat to Syria and so to forestall Syrian inspired changes in Jordan, was now seen by Britain as wholly inadequate.

Persian Gulf

The end of the British position in Iraq was given the worst possible interpretation in Whitehall. Immediately Mr Macmillan appreciated this he despatched his powerfully worded plea to New Delhi to warn the United Arab Republic that any new attempts to alter the status quo in the Persian Gulf would be met by the full weight of British arms regardless of consequences. At the same time pressure was growing in London for a policy aimed at cutting the losses and

salvaging what was left in the Middle East. This pressure was of course the result of the Soviet demonstrations of support for the new Iraq and the warnings of caution on the part of India and Canada. In this situation Mr Khrushchev made his proposal for immediate Summit talks. The proposal was, it is now clear, fully supported by the whole British Cabinet but the United States or more correctly Mr Dulles was inflexible in his almost mechanical and dangerous appreciation of the Soviet role in Middle Eastern politics. It transpires that the long, almost endless discussions between the British Foreign Secretary and Mr Dulles in Washington turned on two things: the declaration of Allied aims in the Middle East landings and the meeting of the heads of the five powers. On the first no agreement was reached and on the second a chance remark, so it is reported, by Mr Dulles that the Security Council could serve as the forum for international discussions, was sufficient for the British Government to submit counter-proposals on Summit discussions. As we now know, Mr Dulles was to place such impossible conditions to a Security Council meeting of heads of States that he, without realising it, had brought within the purview of an international settlement of Middle Eastern questions, the larger question of China's status and power.

There can be no question about Britain's sincerity in Summit talks. Neither can there be any doubt about Mr Khrushchev's position on this question. As the 'Economist' was to note, the Russian proposal for a meeting of America, Britain, France, India and the Soviet Union was carefully tailored to be as acceptable as possible to the West. The new British policy of salvaging what remained in the Middle East involved some understanding with the Soviet Union: an end to Soviet arms deliveries matched by similar Western undertakings and the establishment of a neutral belt encompassing the states of Lebanon, the U A R and Jordan, with international guaran-

tees as to the frontiers of Israel. The fact that proposals of this kind would in any event prove unacceptable both to the Soviet Union and the Arabs did not immediately matter to Britain. An active campaign was being conducted in the 'Times' for what was termed the "conditions for effective neutrality." This was defined as neutrality supported by power. Since none of the Arab States had the necessary power to make effective their neutrality, they would constitute a vacuum waiting to be filled by the rivalries of the Great Powers. To avoid this, the "Northern Tier" to the Western position must be maintained through an alliance of Turkey, Iran and Pakistan (the rump of the Baghdad Pact) and by no alterations in the status quo in the region of the Persian Gulf. Whatever the merits of this conception of neutrality, it nevertheless provided the basis for diplomatic negotiations at a high level.

Indirect Aggression

But this was not to be. The Americans maintained the tempo of their military build-up in the Lebanon and Britain was being forced to follow suit in Jordan. The other coups which were originally expected did not materialise and increasingly the Western position was being made to look cynical and ridiculous. The unbelievably rapid recognition of the new Iraqi Government made all the American protestations about indirect aggression look patently silly and even the informed American commentators began to question the aims and methods of American policy. The all-important question of the withdrawal of foreign troops in the Lebanon and Jordan remains unanswered and will now go on remaining so—providing less and less scope for accommodation not only between East and West but between the African and Asian revolutionary movements and the West.

The essential purpose of diplomacy lies in the ability of states to give and take with a view to securing a new equilibrium satisfactory to all at least for the moment. As Mr Walter Lippmann so effectively puts it, Mr Dulles is more content with "legal day-dreaming" whereby the United States can "secure an international

prohibition of the revolutionary movements now dominating Asia and Africa." This is certainly the content of his preoccupations with "indirect aggression". He fails to understand that "indirect aggression" defined as propaganda, which his brother Mr Allan Dulles practices daily through the U S Central Intelligence Agency, has been and will remain an essential part of power policies. There are other ticklish implications of all this for Mr Dulles: how will the world construe the Dulles doctrine of the liberation of Eastern Europe, of the Dulles policy to maintain Formosa as a separate entity and of over-turning a number of Govern-

ments without necessarily risking war?

With this background of indecision, inflexibility and particularly of a lack of will for accommodation on the part of the United States and insofar as the United Kingdom is concerned, a policy of simply stringing along to the point of making it almost impossible to visualise a withdrawal of British troops from Jordan, there is only a momentary pause in Middle East. Nothing is settled. Diplomacy has lost its essential purpose and brinkmanship is the new art which the Middle East must learn to live with.

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Agricultural Market Intelligence

S C Chaudhri

A TRADER sitting over his telephone does business of thousands of rupees within a few minutes. As he is talking to his friend at the other end, he is also taking decisions as to whether he should buy or sell, how much he should buy or sell and at what price. While he is doing so, he is also calculating where he would sell if he buys and at what possible price. In short, within these few minutes over the telephone, he is revolving in his mind a whole series of calculations from investment to profit. How does he do all this so quickly? Does he have the sixth sense? Yes, if what is known as 'Market Intelligence' can be given that name.

Market Expectations

Market intelligence is a regular and continuous study of market behaviour, of what happens inside the market, and why it happens. What is the price situation? Why are prices at any time moving in the direction in which they are moving? Wherefrom are the goods moving into the market and why are their pace and volume what they are? Where are they being stocked? What is the guiding factor behind stock-building? How are the purchases and stocking being financed? What is the rate and direction of the outflow from the assembling market? Where and when are prices low, and where and when high? What is the market reaction to a Governmental policy, a national or an inter-national event, a timely shower or an unexpected rain, drought or flood? Market intelligence is supposed to provide answers to these and allied questions. Market intelligence not only assesses the present; it also peeps into the future. Whither are prices likely to go after a while? Statistically, supply over a period of time may be enough to meet the demand; but something may happen to disturb the even flow of supplies or to distort demand in the short run, and upset price structure. It is the job of market intelligence to watch these happenings and form a judgment of their short-term and long period effects on the course of prices.

Apart from the usual factors of demand and supply in their various facets, and the circulation of money

or bank credit, there are some very important factors which influence prices in the market. These factors are summed up in expressions like market gossip, market rumour, market sentiment and market expectation. These may turn a bearish market bullish, and vice versa. It is part of market intelligence to obtain all this market information. Through regular analysis and study of all this intelligence, a businessman is enabled to carry with him at all times a mental picture of how the market stands today and how it is likely to get moulded in future. This is the secret of his quick judgment. Fortified by this intelligence, he is enabled to take the plunge, as it were, and make up his mind in the twinkling of an eye. Market intelligence is, thus, a businessman's greatest tool in making policy and executive decisions.

With the increasing participation of State in economic activities, the need is being realised more than ever before of instituting a sound market intelligence service, to help Government in formulation of policy and in successful execution thereof. The importance of such a service was emphasized, in 1946, by the Krishnamachari Committee on Price Policy. That emphasis was renewed by the Asoka Mehta Food-grains Enquiry Committee, 1957. These Committees were at one with each other on the need for stabilisation of agricultural prices. Though the administrative organisations that they recommended for this purpose were not identical, they stressed that if Government were to embark on a policy of price stabilisation and were to take the necessary steps in that direction, they must know continually what happens in the market, because it is there that prices are made. To collect this knowledge, they recommended the creation, within Government, of a market intelligence organisation.

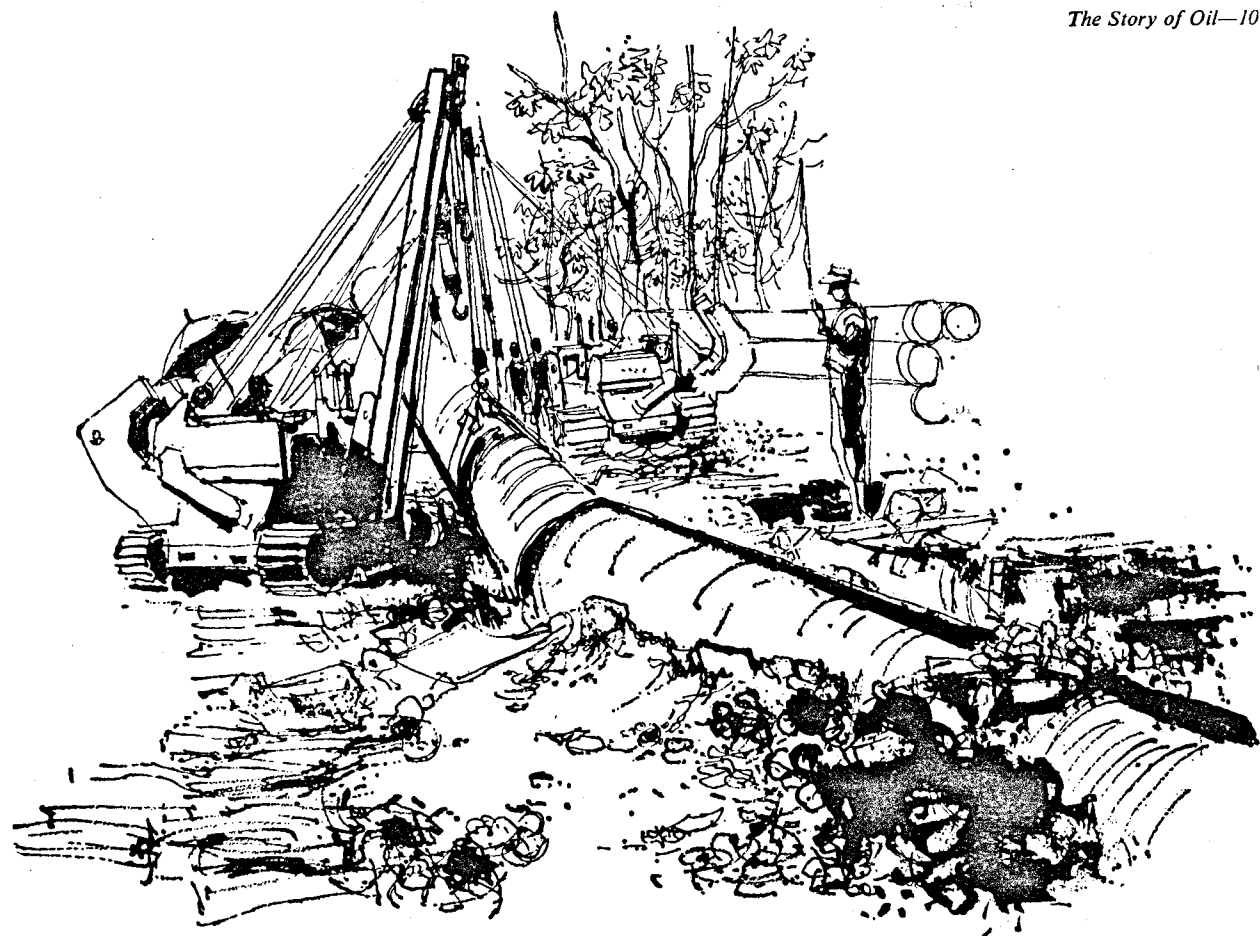
Crop Planning Through Price Policy

In an economy like ours, a great deal of direction of agricultural production has got to be done through the price policy. The farmer being free to produce what he likes, only a proper price policy will direct him to produce what Govern-

ment wants him to produce. It is again through price policy that a desired allocation of limited resources among alternative uses can be achieved. The same is true of the policy of stabilizing agricultural prices through maintaining an even flow of market supplies. Despite Government procurement and distribution and all the regulatory measures it resorts to, the private dealer in agricultural commodities enjoys considerable freedom of action. The regulatory measures might seem to be touching different points in the marketing process, they have one common object. That is to keep the market supplies flowing both over time and space, so that genuine demand is met at all times and in all places. Once this is ensured, Government would naturally be nearer their goal of stabilisation of prices. Herein lies the *raison d'être* of market intelligence service. It is an essential pre-requisite to formulating a proper price policy, watching its execution, discovering the drifts and distortions and adjudging what further action Government should take to keep market prices within desired limits.

Market intelligence in relation to agricultural commodities is not the mere collection of statistics of their production, arrivals from rural areas and prices. It goes beyond. In the nature of things, estimates of crop production in our country now become available only after the crop has been harvested and a large part of it even marketed. This is a natural corollary to the objective method of random sample crop-cutting surveys, which is being adopted for estimation of production. But, market prices begin to be affected by the prospects of the crop even before it is harvested or actually flows into the market. If nature frowns at the sowing time or when the crop is coming up or when it is ripe for being harvested, the market is most likely to turn bullish and the seasonal fall in prices normally associated with the new harvest might be slowed down or even halted, depending on how serious the damage to crops has been. It is the function of market intelligence to provide regular periodical in-

The Story of Oil—10



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ditch welding crews move along the line to join them together.

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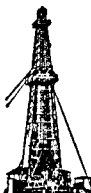
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THE ECONOMIC WEEKLY

formation on the prospects of the standing crops before quantitative estimates of their actual outturn become available. Therefore, intelligence reports on crop prospects not only precede statistics of production but also provide an invaluable clue to price behaviour in the present and in the immediate future.

Inter-Regional Variations

Equally important is the question of inter-State and inter-district variations in production over a period of time. In a vast country of our size, with its vicissitudes of climatic and soil conditions, uniformly good or bad crops over all parts of the country would be an exception. In general, a high-yielding area would be found to be co-existing with a low-yielding area, so that basically there exists ground for low-price pockets and high-price pockets occurring simultaneously in the country. It is the function of market intelligence to demarcate the areas where Government buying would tone up the market from the areas where Government sales would bring the price-level down, so that the inter-State gap in prices is narrowed as far as possible.

Then there are the market arrivals. To know the day-to-day volume of such arrivals is to know only a part of the picture. Real intelligence lies in discovering the 'why' of that volume. The pace and volume of market arrivals at any time in a market are set, inter alia, by the size of production, retention power of the producer, market demand, trade stocking, ruling prices, transport facilities, available finance, Governmental regulation. It is the job of market intelligence to separate the more important from the less important factors and discern the relationship between market arrivals and market prices. How the slowing down of the pace of arrivals, or reduction in their overall volume, is followed by rise in prices is very well known in recent history of Indian agricultural prices.

Village Retention

The opposite of market arrivals is village retention or producer-stocking. How the farmer's retention out of his produce or his propensity to consume is related to changes in production or in market prices or in farm income is for market intelligence to study.

More important still is the ques-

tion of the behaviour of market prices. Intelligence aims not only at ascertaining the ruling prices but also at going into the factors that lead prices to the level at which they are and, furthermore, at assessing what their course might be in the near future. This is a question of judgement and to find its answer, one has to be, as it were, a worm of the market. A cross section of the views of farmer-sellers, traders and other knowledgeable persons on this question can no doubt be always available in the market, but it must be tested in the crucible of one's own intelligence and observation of the particular factors governing the market activities at different times. The crucial test is provided by market expectations, the markets on which the traders have their eyes and the prices that they hope to get there.

Before this market intelligence proper can be used for drawing any inferences, it has to be read with other information bearing on prices. How are wages, incomes and rent moving? What is the order of development outlay and money supply with the public? How are banks financing the trade? What about elasticity of demand, and about propensity to consume, or to stock? What is the rate of population growth or of urbanisation? What is the change in consumption pattern? How are all these factors likely to affect demand and through that prices? Then, what are the production trends? How are the intra-State and inter-State movements? What about despatches and flow of market supplies? What is the size of stock? What are import possibilities? How are these factors likely to affect market supply and through that prices?

Inter-relationship of Indicators

A well-known method of studying all this information in its proper relationship is to process it into indicators, each describing the position in its particular sphere. These indicators have to be charted, put on graph-paper, or otherwise displayed through mechanical or electronic devices. The object should be to throw light on the inter-relationship of different indicators so as not only to study the present but project that study into the future. This display should be designed to leave on the mind of the reader a graphic impression

August 23, 1958

of the price position and the factors governing it.

It is an invaluable visual aid to the policy-maker or administrator, and would help him in a strainless manner in arriving at policy or executive decisions. He would always be informed uptodate. His judgement of the whole position would enable him to decide at once within what limits the prices may be stabilised. He can prescribe specific measures for particular commodities and particular markets to ensure that market prices fluctuate within the predetermined limits. And, as those measures are implemented, he can regularly watch whether, and in what markets, they are threatening to pierce the upper limit or go below the lower limit of the pre-determined price range. He would be told the 'why' of it too. And, then he can immediately decide on what further specification to take to restore market prices to the prescribed range. It is this usefulness of market intelligence service that has led to its institution in the Union Ministry of Food and Agriculture recently.

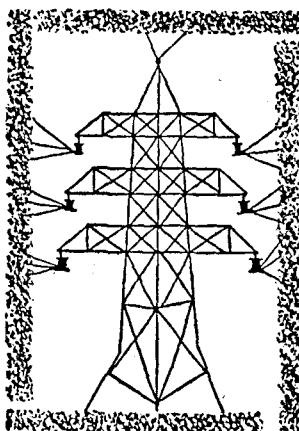
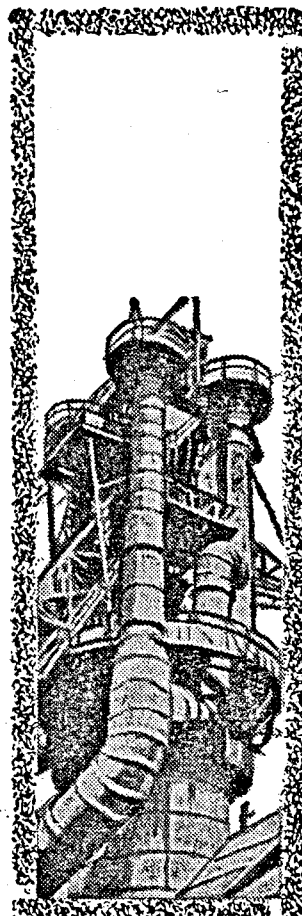
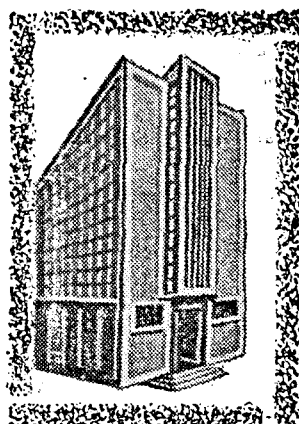
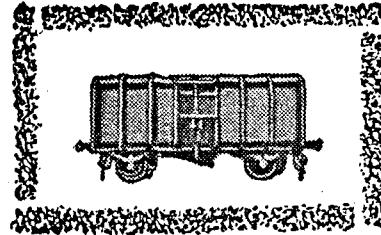
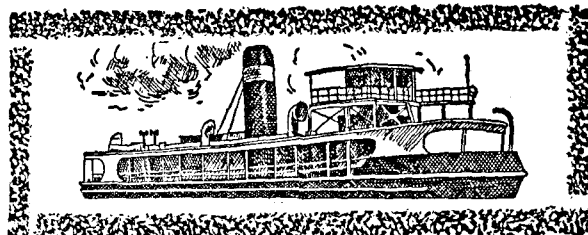
Larsen & Toubro Rights Issue

LARSEN & TOUBRO has set out to expand its manufacturing programme further so as to replace the loss of business brought about by severe import restrictions. The company is expanding its plant for the manufacture of dairy and refrigeration machinery, the lines which it has been handling from the beginning and it is also going in for other engineering manufactures. A Government contract for the erection of a large grain silo plant in the North was completed last year and the company has secured the contract for the erection of the complete blast furnace plant and steel structures for the Rourkela rolling mill.

The company's gross block stands at Rs 44 lakhs and net block at Rs 24 lakhs. Sales last year amounted to Rs 393 lakhs against Rs 327 lakhs in the previous year.

The company's equity capital has been expanded by Rs 5 lakhs every year since 1955 and now aggregates Rs 50 lakhs. It has now been decided to offer a rights issue of Rs 10 lakhs worth of equity shares to the existing shareholders in the proportion of one for every five.

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Surfeit of Funds

Thursday, Morning

MONEY continued to be the main topic of discussion in the market. It was not only cheap but abundant. Inter-bank money was heard at as low as 2¼ per cent but banks were reported to be reluctant to accept money on call. Nor were they eager for house money which fetched as low a rate as 3¼ per cent. Term money too was easy although some Exchange Banks were said to be offering 4½ per cent. This is considered to be on the high side but Exchange Banks might find it profitable to pay even this high rate, so long as it is lower than the British Bank Rate.

The success of the Treasury Bills and gradual decline in the rate of interest—the other week it was as low as 2.561 per cent—is perhaps the truest reflection of easy money conditions. This week tenders have been reduced to Rs 3 crores but the reduced offer, despite the mood of the market to absorb as much of them as possible, is rather difficult to understand. There may be some motive behind it.

For some time the market has been complaining of a surfeit of funds. Although a hackneyed term, this is how market men describe the present condition. The coming days will perhaps add to this surfeit. Return of the 3 per cent 1958 loan, return of the surplus from the recent Bombay Municipal Loan subscriptions and the slack season are the main factors.

Successful Flotations

The private sector has begun to enter the market. Conditions favour its entry. It can easily get what it wants. Dunlop Rubber has announced its debenture issue. A circular to the existing debenture holders calls a meeting in Calcutta on September 4 to adopt the necessary resolution. The amount is Rs one crore and the rate of interest 6½ per cent. The rate of interest on the existing debentures is also to be raised from 5 per cent to 6½ per cent and their final date of redemption is extended to 1973. The circular does not, however, set out the period of redemption of the new debentures nor does it say

whether they are to be issued at par. These details will perhaps be made known at or before the time of the meeting.

The Guest, Keen issue is awaiting the usual formalities. The official circular is expected any moment. But the talk of the market is the likely entry again of the Centre for a fresh loan. The Government is said to ask for Rs 100 crores. It may not at all be difficult for it to get this amount. But more interesting points on speculation are the issue price, interest and period of maturity. Under the existing yield pattern the issue price of the new loan is likely to be around Rs 98.50 giving a redemption yield of 3.681 per cent for a ten year period. If, however, the Government decides to borrow on a 3¼ per cent basis the loan is likely to be issued at par as against the 50 nP discount recently.

Gilts are remarkably buoyant. At the close of the week, however, there appeared to be a slight hesitancy on suggestions of a new Central Loan but the market does not seem to feel the slightest strain. The Conversion Loan has moved up to Rs 71.65. Among others, the 3¼ 1962 is quoted at around Rs 98.45 against Rs 97.40 around this time last year. The 3 per cent 1970-75 has moved up from Rs 86.25 to Rs 88.25, and the 4 per cent 1973 is now quoted at Rs 100.15.

New High for Dalal Street

Despite a week shortened by holidays, Dalal Street maintained a fast tempo in which several shares scaled new high levels. While Steels and Textiles remained comparatively in the back ground some of the Miscellaneous counters assumed the lead.

The most prominent among them was Belapur which spurred on keen influential buying. Rumours were that the directors might step up the dividend by Rs 2 and make a scrip issue.

Burmah, however, fell from grace towards the end of the week on fears that there might be a cut in the interim dividend. Wednesday's meeting of the directors again failed to announce the dividend as

they preferred to await the Government's sanction for the bonus share scheme.

Telco, however, continued firm. The talk of a higher dividend and right share issue continued. National Rayon were friendless and dealings were mostly of a jobbing type.

Sentiment on Dalal Street last week was guided mainly by inflationary psychology. The market expects the budgetary deficit to be wide enough to make large deficit financing inevitable.

Sentiment was also influenced by week-end reports of further foreign aid. Easy money conditions also influenced. Aids to boost exports continued to be the other powerful factor.

The set-back in prices towards the close on Wednesday led some observers to wonder whether the uptrend had come to a halt. But many believe the market is well in the region of the major bull phase and has yet higher levels to scale.

Dalal Street is not alone in its buoyancy. Both London and Wall Street have been remarkably firm. London is high because of the cut in the Bank Rate and the improvement in the gold and dollar reserves. Wall Street is near its historic July 1957 peak mainly on larger defence orders for the industry and inflation.

Growth of Banking and Branches

THE phenomenal increase in bank deposits in recent years has attracted considerable attention. But beyond its broad relationship to expansionist monetary policy and deficit financing, not much is known about its character. How far it has been due to the growth of banking habit, to opening of branches in areas hitherto outside the banking system, its relationship to changing monetary habits of the people or to growth of saving and the pattern of its utilisation, little light has been thrown so far. The data on the ownership pattern of scheduled banks' deposits from 1951 to 1957, published in the Reserve Bank Bulletin for July, would, therefore, be found of considerable interest.

In these years, the total deposits of scheduled banks increased by Rs 526 crores or 64 per cent. Barring a small decline in 1952, the annual increase from 1953 to 1956 was steady around Rs 80 crores, followed by a sharp increase in 1957 of Rs 273 crores. The latter figure has been inflated by the inclusion of counterpart funds from the sale of surplus American foodgrains, received under PL 480. This is a subject which considerably exercises the speculation of all market commentators and the best bet is that only about a half of this increase could be attributed to the counterpart funds.

Along with the increase in deposits, the number of banking accounts went up from 34 lakhs in 1953 to 37 lakhs in 1955 and 44 lakhs in 1957. The bulk of this increase has been in savings accounts which rose from 19 lakhs in 1951 to 23 lakhs in 1955 and 27 lakhs in 1957, while the aggregate amount of savings deposits over the period increased by 49 per cent or Rs 202 crores. This indicates that new accounts were opened by persons of relatively small means and, in many of the cases, in smaller towns, where banks had been opened for the first time. The spread of the banking habit is confirmed by the fact that deposits in smaller towns expanded by a much greater proportion than total deposits.

While 606 new branches were opened by the scheduled banks between 1951 to 1957, bringing up the total number of scheduled banks' offices to 3,295—of these new branches, the State Bank alone had 225—the net extension of banking was not anything like what is suggested by these figures, for during these years the number of non-scheduled banks' offices declined by 451. While the bigger banks take over, the opening of their branches goes hand in hand with the closing down of the small, inadequately financed, independent non-scheduled banks, it does not appear that the net increase in banking offices of only 155 in a period of more than two years, is evidence of very vigorous growth.

Moreover, it should be noted that much of the expansion in scheduled banks' branches occurred in the years 1955 to 1957, when banks were in urgent need of funds to meet heavy demands for credit and

they were, therefore, presumably making large enough profits to cover the risk of possible losses in opening new branches. Now that the banks are no longer facing the same demands for funds, their attitude to expansion of branches must change with declining profit expectations and all of them, the State Bank excepted, may go slow

on their branch expansion programmes. There was a time when Reserve Bank did not favour opening of new branches. That was many years ago. Today there is certainly a case for stimulating this very desirable growth, if only to offset the situation arising from the decline in the number of non-scheduled banks.



Courtesy : Government Museum, Madras

The Lotus Circle

Among the many treasures of Indian art, is this exquisite piece which dates back to 158 A.D. It is now a part of the rich collection of Amaravati sculpture at the Madras Museum. The "Lotus Circle" is a common but significant decorative motif in Indian art.



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CURRENT STATISTICS

BANKING RETURNS				
Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1550.72	1559.16	1557.66	1508.45
2. Rupee Coin	135.57	134.65	133.36	130.27
3. Deposits				
a) Central				
Government's	63.59	64.79	51.07	70.22
b) Banks'	95.23	94.67	94.46	76.88
c) Other				
Government's	16.82	16.02	41.79	2.83
d) Others'	144.65	142.87	147.29	139.59
4. Foreign Securities	179.68	179.68	189.68	375.52
5. Balances held abroad	14.86	10.45	10.51	16.62
6. Rupee Securities	1139.23	1139.23	1144.59	911.81
7. Investments	339.05	347.41	363.15	250.66
8. Loans and advances to Governments	15.44	15.19	19.25	28.84
9. Other loans and advances	51.52	53.45	61.68	87.58
Scheduled Banks				
1. Demand liabilities (net)	715.00	720.98	722.75	692.32
2. Time Liabilities	847.47	847.11	814.93	577.02
3. Cash on hand	37.51	37.76	39.52	40.90
4. Borrowings from Reserve Bank of which against Usance Bills	6.79	9.24	11.64	68.83
5. Advances and Bills discounted of which State Bank's	841.97	845.04	858.73	824.91
6. Invest. in Govt. Sec. of which State Bank's	223.84	227.46	214.12	151.98
Cheque Clearance	171.44	144.23	144.17	131.06

† For Reserve Bank Week ended 15-8-58. Scheduled Banks and Cheque Clearance Week ended 8-8-58.

Bombay Money Rates				
	8-8-58	1-8-58	11-7-58	9-8-57
Call Money				
From banks	2½-2¾	2½-2¾	2½-4½	3½-4¾
From public	3½-4½	3½-4¾	3½-4¾	3-4½
Three Months	2½-4½	2½-4¾	2½-4¾	2½-4¾
Six Months	2-4½	2-4½	2-4½	2-4½
Bombay Bullion (In Rupees and nP)				
	7-8-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	106.19	105.00	104.25	107.57
Forward	108.06	105.19	103.75	107.39
Silver (per 100 tolas)				
Spot	182.50	181.37	177.50	181.99
Forward	183.37	181.25	179.50	182.51

INDEX NUMBER OF WHOLESALE PRICES				
(Base : 1952-53=100)				
Group and Sub-Group	WEEK ENDED			
	2-8-58	26-7-58	5-7-58	3-5-57
Food Articles	120.0	119.8	116.1	113.5
Cereals	112.2	111.5	107.9	106.3
Pulses	101.1	102.8	94.4	88.1
Fruits & Veg.	120.4	123.8	116.2	141.3
Milk and Ghee	111.1	107.8	111.6	110.9
Edible Oils	128.5	129.8	124.1	133.5
Fish, Eggs & Meat	110.3	110.1	107.9	102.2
Sugar & Gur	137.9	137.3	128.3	110.7
Others	159.0	161.2	156.2	141.7
Liquor and Tobacco	90.0	92.8	92.4	92.0
Tobacco	88.1	91.1	90.6	90.2
Fuel, Power, Light & Lubricants	115.9	115.9	115.6	115.1
Industrial Raw Materials	119.3	119.4	115.8	122.4
Fibres	110.8	111.7	110.1	123.4
Oilseeds	134.5	134.1	126.0	128.8
Minerals	107.3	107.3	101.0	111.2
Others	107.4	107.3	108.5	107.4
Manufactures	110.0	109.8	108.5	109.0
Intermediate Products	112.7	112.5	111.1	108.9
Finished Products	109.6	109.3	108.0	109.0
Textiles	106.1	105.7	104.1	108.6
Cotton	114.1	114.1	112.9	117.6
Jute	90.9	89.4	86.5	97.6
Woollen	106.7	105.7	105.7	103.0
Silk & Rayon	95.3	95.3	93.9	95.0
Metal Products	143.0	143.0	143.0	142.3
Chemicals	105.6	104.9	103.7	98.7
Oilcakes	137.3	137.5	132.3	115.4
Machinery and Trans Equipment	103.4	103.4	103.5	101.7
Others	113.4	113.4	113.5	110.4
All Commodities	116.2	116.2	113.3	113.2

COAL PRODUCTION AND DISTRIBUTION

(Monthly Average or Calendar Months) ('000 tons)

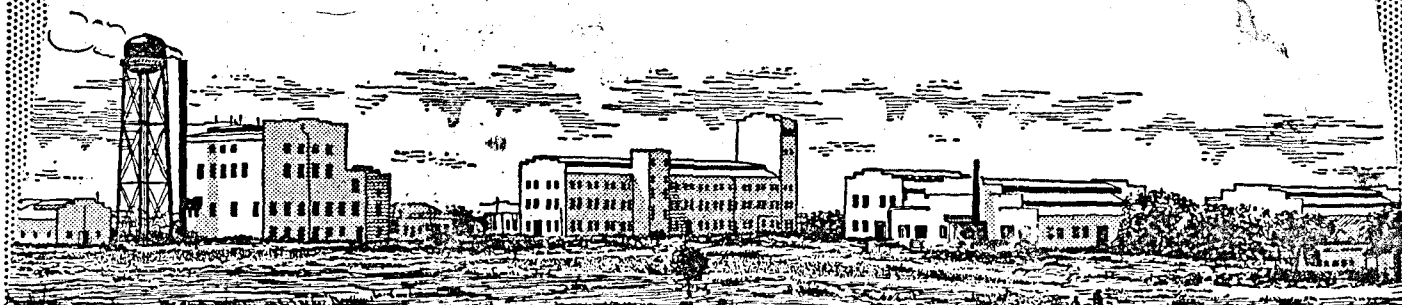
	Raisings	Despatches	Stock at Pit heads*
1955	3,184	2,742	3,608
1956	3,286	2,913	2,766
1957	3,628	3,137	3,275
1956: May	3,316	2,871	3,836
June	3,194	2,877	3,727
July	3,165	3,165	3,379
Aug	3,308	3,176	3,018
Sep	3,123	2,819	2,881
Oct	3,177	2,940	2,662
Nov	3,323	3,026	2,566
Dec	3,678	3,038	2,766
1957: Jan	3,627	3,138	2,780
Feb	3,519	2,841	3,029
Mar	3,653	3,251	3,000
April	3,726	3,158	3,087
May	3,794	3,187	3,246
June	3,330	2,915	3,252
July	3,331	3,045	3,091
Aug	3,376	3,239	2,780
Sept	3,647	3,193	2,755
Oct	3,555	3,321	2,538
Nov	3,930	3,160	2,835
Dec	4,051	3,163	3,275
1958: Jan	3,947	3,321	3,418
Feb	3,712	—	3,655
Mar	3,701	3,063	3,523
April	3,802	3,351	3,422
May	3,878	3,372	—

*At or about the end of each period.

Source : DCIS, Calcutta.

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No Fairy Tale Ending

THE best to hope for about the U N General Assembly's omnibus recipe for easing the West Asian crisis is that it does not ultimately turn out to be something like the gross of green spectacles Moses brought from the fair. There is, one suspects, a deceptive ring in the chorus of praise from all sides, committed and uncommitted, greeting the General Assembly's wonderful feat of unanimity. The nursery tale ending—"and they were ever so happy afterwards" has, of course, yet to come, if it comes at all through Mr Hammarskjöld's honest broking in Beirut, Amman and farther afield in Washington and London. For, the Marines in Lebanon and the para-troopers in Jordan remain where they are, and it is anybody's guess what terms Mr Dulles may insist upon for "facilitating" the withdrawal of troops. Somehow, still, it has been made to appear that the General Assembly's resolution promises a most hopeful development, and this may be true in the sense that the unanimous adoption of the Arab resolution has eliminated the risks of a complete deadlock. Because the Arabs sponsored it—and they are supposed to be the best judge of what is good for them—nearly everybody seems inclined to believe that the West Asian situation is well on the road towards peaceful adjustment. Mr Gromyko's is about the only voice warning that there must be no stalling, nor delay in withdrawing the foreign troops, under cover of the U N resolution. The U N resolution has no doubt set a month's time-limit to Mr Hammarskjöld's search for an acceptable basis of agreement facilitating the withdrawal of American and British troops from Lebanon and Jordan. That would be no easy task, however.

The problem that the American and British troop landings in Lebanon and Jordan have created is a link in a long chain of events arising out of the conflict between Arab nationalist aspirations and Western strategic political aims. Unless this chain is broken or dissolved (which cannot be Mr Hammarskjöld's job) and the legitimate Arab desire for unity outside power-political entanglements is allowed full recognition, the U N Secretary-General's mission will have little chance of succeeding. To begin with, the U N resolution authorizing Mr Hammarskjöld to facilitate the withdrawal of American and British troops does not automatically dispose of Western demands for guarantees about Lebanon and Jordan. To get the American and British troops out of the above countries, Mr Hammarskjöld will have to find, in the first instance, a set of terms acceptable to Mr Dulles. Nominally—but only nominally—the U S A is pledged to withdraw the Marines from Lebanon on being 'properly' requested by the legitimate authority of Lebanon to do so. However, Mr Dulles has his own very special notions about what is or is not proper in such cases. It is his firm conviction that no risks of relaxation could be taken in West Asia unless that thing-in-itself called "indirect aggression" was stopped. The idea that radio broadcasts can be cited as proofs of indirect aggression may be remarkably original, but once the U N upholds the Dulles thesis and muffles the Cairo Radio, what exemption should the B B C, the Voice of America and Radio Moscow be permitted to enjoy? Frankly speaking, the bogey of 'indirect aggression' has little connection with the realities of the situation in Lebanon and Jordan. The

forces of social change and of Arab nationalism may be threatening some of the traditional, as also Cold War, positions held by the Western Powers in this region. But what Mr Dulles is entirely wrong in thinking is that these positions could be held by propping up anti-popular regimes or, in extremity, by sending the Marines. For one thing, the Western Powers cannot expect to have their own way in a two-power world, the Arabs would be well-justified in seeking the Soviet's support against every Western move for stepping up strategic-political control over West Asia. It is no use pretending as Mr Dulles still seems to be doing that the ferment in West Asia is simply due to incitements and plottings of the men of the Kremlin. The revolution in Baghdad has unmistakably shown that Nasserism is not a one-man show but a powerful expression and rallying point of the forces of Arab nationalism.

If, therefore, the U S A and her allies insist on guarantees about the political colour and alignment of Lebanon or about King Hussein's regime in Jordan, then Mr Hammarskjöld's mission will, at the best, succeed in finding a patchwork solution on rickety foundations. There can be no point in trying to keep Lebanon forcibly aligned to the West after the shattering blow Iraq has dealt to the Baghdad Pact.

Forced neutrality must be equally objectionable since the Arab World's dominant mood is to rise and fall together. A Lebanese regime nominally released from obligations to the West and yet at the same time denied freedom to go along with the other Arab countries will therefore be in as precarious a position as President Chamoun's Government has been. The other alternative, proposed by President Eisenhower but opposed by the Arab States, is the stationing of a U N "stand-by" force in West Asia, specifically in Lebanon and Jordan for the present. It seems probable that Mr Hammarskjöld will be trying to sell this idea in Beirut and Amman as the minimum guarantee demanded by the West for withdrawing troops from Lebanon and Jordan.

Apart from its doubtful practical usefulness, the very idea of introducing a policeman from outside to defend the independence of the

West Asian States must be held objectionable in principle. The Arabs will justifiably consider it humiliating to accept the peace-time "presence" of a U N "stand-by" force. Besides, what role can a U N force perform if, for instance, the Lebanese decide to get rid of an anti-popular regime? In the case of Jordan it is even less sure that a U N stand by force could be of any use for preventing internal political changes. Political stability in West Asia can come only if the desire for Arab independence, unity and integrity is allowed to take its normal course of fulfilment. Foreign troops, whether American or British, or flying the flag of the U N, may for a time be able to bolster crumbling governments and unpopular kings. But if this is the core of the solution the Western Powers are seeking to push through the U N, then West Asia will remain primed for war, and not necessarily a limited war.

The real stumbling block to a peaceful settlement is the sharp conflict of purpose between the Western Powers, interested solely in strategy and oil, and the Arab countries rising to a new consciousness of their political and social destiny. The Western Powers insist on organising the Arabs for

defence against Russia; the Arabs demand independence and integrity and reject the Western Powers' strategic overtures as a cunning move for reviving out-moded controls. The West is concerned about alignment; the Arabs about national independence and development.

The gap between is so deep and wide that nothing, not even President Eisenhower's offer of economic aid, can fill it so long as the basic Arab aspirations remain unfulfilled or are opposed by concerted Western attempts to set up client states. Given this basic conflict of purposes, policies and priorities, Mr Hammarskjöld's mission will have to work uncertainly within a very restricted field. The U N Secretary-General may be truly the most neutral man alive in the world. But he will have to inch his way through an area spiked with heavy commitments. If, as it seems, there is a price to be exacted from the Arabs for bringing about the withdrawal of American and British troops from Lebanon and Jordan, Mr Hammarskjöld may have to stake his own and the U N's reputation in trying to obtain it. And the end is hardly likely to be as resoundingly successful as the unanimous U N resolution has tried to make out.

Life Funds

WHEN Life Insurance was nationalised, the empowering ordinance, and later, the Life Insurance Corporation Act, left the investments of Life Funds to be regulated by a subsequent notification. This notification has now been issued—two years after the establishment of the Corporation.

Government has invested the Corporation with much greater freedom in making its investments than was enjoyed by the Life Insurance Companies of the past. This was necessary in order to enable the Corporation to carry on its business "to the best advantage of the community" which was enjoined on it under the Act, while bearing in mind that its primary obligation is to its policy holders whose money it holds in trust. The Finance Minister made it explicit that though naturally the Corporation will have to work, as far as possible, on

business principles, it can never lose sight of the fact that as the single largest investor in India, it has to keep before it the interests of the community as a whole.

Among the permissible functions that devolves on the Corporation from the latter is the privilege of 'certain buying and selling operations when circumstances so warrant', in order to even out fluctuations in the stock market. While emphasising this point, Shri Morarji mentioned, by way of example, the pursuit of anti-cyclical investment policies from which the Corporation is not precluded. This is obviously an echo of the Mundhra Enquiry. Now, it is possible to make out a case for the single largest investor, the Corporation, to come to the aid of the stock exchange to avert a payment crisis in exceptional circumstances. But is it not a bit too much to ask it to even out

booms and depressions? Yet, these are the very words used by the Finance Minister.

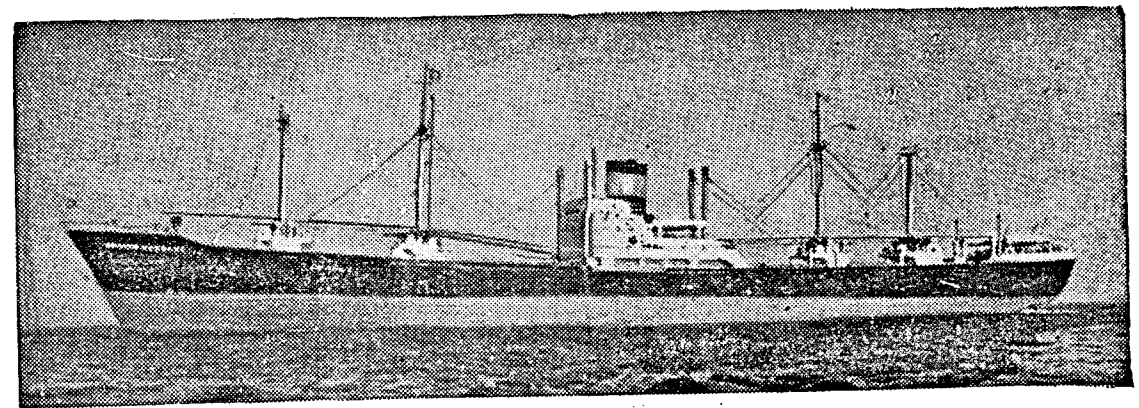
The section of the old act regulating investments, required the insurers to invest at least 50 per cent of their funds in Government and semi-Government securities. The balance had to be held in approved investments such as debentures of companies, mortgage loans to building or housing schemes, steady dividend-paying preference and ordinary shares and other investments approved by Government. No insurer could hold shares in any single company exceeding 15 per cent of the latter's paid-up capital. In the notification, the 50 per cent minimum in Government and semi-Government securities remains unchanged. Thirty five per cent is now to be held in 'approved investments' and the remaining 15 per cent in 'other investments'. The ceiling of holding in any one company has been raised to 30 per cent of its total capital, but this can be relaxed upwards with the prior approval of Government, and the Corporation has also been authorised to invest

in private companies with Government sanction.

The question of an investment policy arises because no insurance company could ordinarily invest all its funds in low yields and yet continue in business. The yields from Government securities normally rule out such a fool-proof and simplified arrangement. For example, it has been estimated that with a yield of 3½ per cent on its investment — that is what it can expect from Government securities — the Corporation would just be able to pay the interest on 'without-profit' policies and cover its establishment costs. The proportion of policies which are 'with-profit', for some obscure reason, has not been divulged. In this, the Corporation has stuck to the practice of insurance companies which never gave the breakdown of their business. Past experience suggests, however, that it is the 'with-profit' policies which are usually the more attractive. And although the Corporation has no longer any competition to face, it has still to think of developing the insurance habit

among the populace and it has, therefore, to earn enough on its investments to be able to offer attractive 'with-profit' policies. The Corporation is still too heavily loaded with gilt-edged securities which accounted for 71 per cent of its total investments on June 30, 1957, the proportion of debentures, preference and ordinary shares being only 6, 4 and 8 per cent respectively while real estate mortgage loans made up the balance.

The margin of 15 per cent, now allowed for 'other investments', is not excessive since it would include real estate and mortgage loans. The market for such capital needs to be widened to promote housing activity in which the Corporation can play a valuable part. Some would have liked to see an obligation imposed on the Corporation to develop such a market, and though this has not been done, a wholesome safeguard has been provided for investments in shares coming under the category of these 'other investments'. The latter will now require the unanimous approval of the Members of the Invest-



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ment Committee or the consent of three-fourths of the Directors. This provision is necessary to enable the Corporation to have some flexibility in its operations, e.g., to under-write new issues or take up shares of companies which may not qualify for the approved list, but the prospects of which are deemed sufficiently important in the national interest.

The question will be asked, how far can the investment policy now enunciated ensure the objective of safety of funds and at the same time promote the interests of the

policy holders as well as help national development? In devising any scheme of investment, freedom of judgment and set rules invariably conflict, and hence the compromise that has been sought will be generally approved. It may, however, be also asked: will the policy now enunciated ensure that there will be no misuse of life funds in future or that the best available opinion and expert knowledge will necessarily be brought to bear on investment decision? The notification and the reconstitution of the Investment Commit-

tee carried out at the same time rather tend to restore the status quo. This will be clear from the single provision that in the choice of other investments, in which the element of discretion has the largest play, the Investment Committee can be by-passed if three-fourths of the Directors agree. Much, therefore, will depend, as before on the choice of Directors and the manner in which they interpret their obligations and perform their functions. There is no fool-proof method of saving souls by the barrel load.

Weekly Notes

Morarji's Mission

WHAT are the chances of success of his mission for which Shri Morarji Desai is visiting London, Montreal and Washington? Of course, it does not depend on Morarji alone, on what he says and does but on a number of other things—the fact that India has held two General Elections, that her developmental effort has attracted the interest and won the admiration of most foreign visitors and that Nehru has spoken less on foreign affairs in the last 12 months. Nor is it that Morarji would be initiating something de novo. The foreign exchange requirements of the Plan have been presented, considered, and already dealt with at a Conference sponsored by the World Bank which was attended by representatives of U.K., U.S.A., West Germany and Japan. Press reports suggest that a provisional agreement has also been reached and that India is likely to get the minimum she needs. But it would be wrong to assume that all that Morarji will have to do is to sign on the dotted line. Foreign assistance for the plan naturally implies the broad acceptance of the plan for which it is needed. This acceptance, however, both in the case of U.S.A. and the World Bank, is subject to strong reservations at least on two counts. There is a feeling in these quarters that the Government of India has taken up too much upon itself and that India is not doing enough to push exports. It would be idle to imagine that any commitment on the part of the lending countries would rest only on the feasibility of the

present plan. Lenders would also look for an assurance that the subsequent plans would enable India to pay her way and repay her loans.

The criticism that the Government is trying to do too much has shifted from opposition to the extension of the public sector on ideological grounds to the ability of the Government to administer efficiently what it has taken up. The shortage of trained, experienced senior executives at the top, whose number has not been increasing over the years, has pointedly been noted. But from the general trend of world development, it does not seem likely that Morarji could be seriously cornered over these issues. He should be able to get away with it, without making any fresh commitments in matters of internal policy. His political sympathies, which have been widely advertised abroad will stand him in good stead, if it does not win him laurels. Even the Americans will not be too squeamish about his views on contraceptives, prohibition or vaccination so long as his sympathies are on the right side.

Hospital for Sick Mills

A MILL may close down or suspend production for various reasons. Some units may be uneconomic, some merely inefficient, that again, for various reasons. What is to be done with the inefficient units? The issue has not been squarely faced by the Textile Enquiry Committee though it was, perhaps, the first body of its kind to go into the question at some length. The Committee did not

think that there could be a common remedy for making each mill will have to be treated on its merits. It recommended, nevertheless, that an autonomous corporation should be set up with adequate capital, to take over those marginal mills which cannot be brought up to standard by the Advisory Committee, the establishment of which it also suggests, for investigating the problems of these and devising suitable remedies for them. It is really the hard cases, therefore, which will have to be taken care of by the Corporation.

Shri Shantilal Shah, Bombay's Labour Minister, was not disturbing this hornet's nest when he introduced the Bill for taking over a mill in Bombay. The Government of India has not yet formally assumed the responsibility for running sick mills and restoring them to health. Shantilal told the Assembly that only those mills would be taken over the closures of which had been brought about by mismanagement. To qualify for this privilege, the mills must be in good shape in all other respects. Mismanagement and good maintenance, however, would appear to be contradictory terms. Since some day the problem of inefficient units will have to be squarely faced, why not do it now instead of being eventually led into an impossible situation in pursuit of the misguided policy of maintaining employment at any cost? There is real danger that Shantilal's well-intentioned move might lead to the eventual institution of a hospital for sick mills, which the millowners would not mind availing of now and again.

Trivandrum Durast!

A Delhi Correspondent writes:

WITH Shri E. M. S. Namboodiripad's return to Trivandrum, a chapter may be said to have closed in the Kerala story; but as is clear from press reports, it is by no means the end of the story. Yet it seems fairly certain that a definite phase has come to a close. It can be said, for instance, that Central intervention, whether in the shape of a formal Commission of Enquiry or of President's rule is not an immediate possibility. Pressure for such intervention continues from different sources, and so it cannot be ruled out entirely, but one does not notice the same urgency or sense of impending crisis.

The pivotal factor is Pandit Nehru's sensitivity. It is believed that as a party leader he realises that his colleagues in Kerala are not even strong enough to stand the strain of a rescue operation directed from New Delhi; as Prime Minister, he is conscious of the constitutional position; and as a vigilant democrat, he has again shown his instinctive awareness of prevailing trends of opinion in the country. The sceptical may question the somewhat sudden emergence of this sensitivity as they speculate over its sudden disappearance as between Calcutta and Delhi: in the short space of a fortnight, Nehru spoke in two voices. The answer might be that instinctive processes are by definition not rational but this would be too facile an explanation. The reason goes deeper and is at the same time, mundane.

Various versions of the much-discussed Nehru-Namboodiripad meeting are available. Shri Damodara Menon has been told that the Prime Minister was stiff; the Communists agree, but assert that the stiffness mellowed as the hour-long interview proceeded. Neutral observers believe that the Prime Minister was moved by the very considerable disparity between what he had heard from his own party men and Shri Namboodiripad's detailed and profusely documented version. The quiet strength of E. M. S.'s diplomacy, arising from a certain self-confidence based on a realistic assessment of the relative position of the two parties in Kerala, seems to have registered with the sensitive Prime Minister.

Apart from the essential weakness of the Kerala Congress (or rather because of it), the part played by it in giving rise to a sense of insecurity in that State has been neither insignificant nor is it now unknown. There have also been signs of disorder in Orissa, Bombay, U.P. and Bengal and the relative hesitation to attempt any Congress-Communist comparison in the Communist Party's statement must be seen as reflecting not ignorance but tactical reticence. Until these basic factors alter or (and) there is far-reaching change in the Right-Left balance in the Congress High Command, the Kerala situation is likely to continue as a stalemate with no possibility of any high drama.

It would also seem that the prominence given to this issue in the Press is somewhat artificial: of as many as 400 Congress M.P.s, less than 70 mustered in the Central Hall of Parliament to hear Shri Damodara Menon present his version of the Kerala story and towards the end of the meeting, about 40 remained. Operating from a position of some advantage, the Communist Party may be said to have played its hand with a certain confidence and finesse. In investing the situation with a heavily local colour, it has shown tactical shrewdness, and it may well be that things will be left at the local level. When the situation has settled down, selected journalists and non-party dignitaries may be invited to Kerala to see things for themselves. And it is facts that will prevail in the end.

Let Gujarat Decide

THE decision of the Bombay Government to suspend execution of the Ahmedabad Corporation resolution, permitting the Mahagujarat Parishad to erect a Martyrs' Memorial, at the traffic point opposite the Congress House, has not assuaged public feelings. On the contrary, it has given a fresh fillip to the move for launching a full-scale satyagraha.

A resolution of the biggest civic body in the whole of Gujarat is as authentic an expression of public opinion as any that one could think of. Of course, the passing of a resolution by the Corporation does not mean that the majority

of the people of Mahagujarat want to have a State of their own. It is by no means a conclusive evidence by itself, but coming in the wake of past election results, it is to be taken seriously. Surely, legal disputation of the rights of the Government to over-rule the Corporation on the ground that the Memorial would constitute 'an obstruction to traffic and an encroachment upon, and occupation of, portions of a public street' is not an adequate answer to it. Will a political decision be sought now to this dispute and the question of a separate Mahagujarat be re-opened to be decided at a political level? Having taken up the stand that the question would not be re-opened before the next General Election, the Government finds itself in the embarrassing position of being forced to maintain 'the majesty of law' in the face of obviously unmistakable popular opposition. To whip up the latter and invite the launching of Satyagraha would be the last thing that the Government should like to do, but will it not find it increasingly difficult to maintain that Satyagraha is no valid weapon of political action in Free India when it exposes itself to the charge of ignoring the accepted codes of Parliamentary democracy or representative government?

The eagerness on the part of the Samyukta Maharashtra Samiti to participate actively in the movement for the separation of Gujarat is not difficult to understand. It is one more reminder, if one were needed, how inept has been the handling of an awkward situation. It would be more sensible, in the circumstances, to test the strength of public opinion, not by an ordeal of fire, but by putting it before the people concerned whether the compromise reached between the two aggressive separatist groups is also acceptable to the people of Maharashtra and Mahagujarat. It is not a question of swopping Dang district for Bombay City.

The hope seems to linger in the mind of the Congress High Command that longer this bilingual State can be kept going, the weaker will be the movement for separation. It is possible that if the situation in Ahmedabad gets a lot worse, this hope will vanish, which explains the powerful incentive that is offered to Mahagujarat Parishad not to allow the agitation to die.

'The Story of a Strike'

THE Tata Iron and Steel Co Ltd, has brought out a beautifully printed booklet, entitled, 'The Story of a Strike (May 1958): The Communist Bid for Power at Jamshedpur'. It gives a resume of events that led to the strike and subsequent lock-out and as the subtitle advertises, it tries to prove that Communist activities at Jamshedpur were part of a predetermined plan to acquire control over the industrial belt of growing steel and heavy engineering enterprises. The Communists revived the Jamshedpur Mazdoor Union, and through it made certain demands on the management. When the management (and incidentally the State Government of Bihar too) refused to recognise the Union as a bargaining agent, a token strike was waged on May 12 last. As the strike was illegal, the Company decided to issue charge-sheets against the leaders. Further trouble followed in the all-too-familiar pattern of stay-in and sit-down strike, intimidation, picketing, arson and violence and police and military intervention. The Tata booklet concludes that the net result of the Communist campaign is that the plant, the employees, the shareholders and the country as a whole have suffered while no one has gained. The debit side of the balance sheet shows: 4 lives lost; 114 persons injured; property worth Rs 11.15 lakhs destroyed; 335,000 man-days gone waste; loss in wages amounting to Rs 24.23 lakhs; and about 45,000 tons lost in production, whose value in money would have been Rs 2.7 crores. This is a serious blow to a poor country on the road to economic development.

The other side of the story has been told by the Communists, who have charged the Tatas and the Bihar Government with entering into a conspiracy 'to dig the grave in Jamshedpur of the national Codes and Conventions' ('New Age', July 6, 1958). The Central Government also comes in for criticism. "One Ministry of the Union Government, the Labour Ministry, refused to intervene in what it characterised as 'primarily the concern of the State Government'. But the other Ministry (of Defence) promptly moved into action by deploying its armed forces to strike awe and terror into the TISCO workers. The Communists claim

that their union had a membership of 19,000 out of the total labour force of 33,000, that this membership was verified by the Bihar Government and that, in spite of this conclusive proof, the union was not given a chance to be one of the bargaining agents. Representations were repeatedly made to the State Government and the Central Government and even to the Prime Minister, and recognition of the union through ballot was asked for. "The J M U knocked at all doors. But all channels of communications have been closed to it. No recognition. No conciliation. No adjudication. The law is violated. The Code is contravened. And Conventions are ignored... The union was left with the only alternative of calling a protest strike in order to open the way for a negotiated settlement."

Who Represents Tata Workers?

THE third side of the picture has been presented by the President of the Tata Workers' Union (INTUC), enjoying the favour and recognition of the employers (see 'Indian Worker', July 14, 1958). He sees in the Communist activities a political motive to capture the steel and mines belt by such means as tall talk, empty promise, cheap and irresponsible agitation and violence and hooliganism. He claims a membership of 25,000 for his union, which has entered into a collective agreement with the employers in respect of various demands of the

workers. He admits that the protest strike of the Communists was a success, but, according to him, it was due to intimidation and violent picketing. Strangely enough, he severely criticises the employers, ridiculing "the bombastic boast of the Tatas that they were progressive employers and followed an enlightened labour policy." His thesis is that all capitalists are blood-suckers of the workers and society and that Tatas are no exception.

At a time, when tripartite decisions are being taken on such important subjects as happy labour-management relations, a code of discipline in industry and recognition of registered trade unions, the events in Jamshedpur came as a rude shock. For three decades, the Tata Works at Jamshedpur was a model of progressive management and happy industrial relations, so much so that it was the first obvious choice of tripartite studies of industrial peace, initiated by the Union Ministry of Labour in 1956. It is very distressing that this happy picture has now been marred. It would be desirable to institute another impartial study of the recent events, particularly to find out the correctness of the claim of the two rival unions to represent the T I S C O workers. As the Central Government is one of the accused, the study should be undertaken by an impartial body such as an inter-University team.

INDIAN AGRICULTURE IN BRIEF

A useful handy and pocket size booklet has been recently brought out by the Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India, with a view to meeting primarily the need of those who wish to have a snap-shot picture of Indian Agricultural Economy as revealed by the current Agricultural Statistics. Certain essential data in allied spheres, e.g., population, national income, etc., needed for an understanding of the agricultural economy in its broader perspective have also been included in this booklet.

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Stop this Leakage

FAR from keeping track of the currency issued by it which circulates outside India and is periodically returned to it for conversion into sterling, the Reserve Bank's annual reports do not even mention anything about it. The subject, however, is of some importance because the unconditional imports of rupee currency notes that is allowed under the exchange regulations has some connection both with smuggling of gold into India and the maintenance of a high value for the Indian rupee abroad. What these connections are is not known very clearly, particularly those between smuggled gold and imports of currency. The market, however, has always assumed a close connection between the two and gauges the volume of smuggled gold imports from the volume of the currency notes imported into the country. Naturally, therefore, imports of currency notes assume a greater importance when they shoot up as they did last year.

It is common knowledge on the bullion market that gold smuggling reached a record level last year and since the imports of currency notes no longer figured in the Monthly Statistics of Foreign Trade, it was suspected that they were being purposely withheld in order to keep the public in the dark regarding the increased volume of smuggling. This suspicion was, however, quite groundless. Though the statistics of exports and imports of currency notes do not figure in the reclassified and improved version of the statistics of foreign trade adopted from January 1957, they continue to be published regularly in the Supplement to the Monthly Statistics of the Foreign Trade of India brought out by the Department of Commercial Intelligence and Statistics. The latest issue of this publication, which is for December, gives the total for the year 1957.

The figures confirm the market suspicion of heavy smuggling, for imports of Indian currency notes during the year reached the record figure of 48.18 crores (excluding one rupee notes, the amount of which is very small) as against exports of 3.2 crores, compared to 20.02 crores in 1956, 14.74 crores in 1955 and 9.55 crores in 1954. Only in 1951-52 did the imports of currency notes reach anything like a

comparable figure—44.02 crores, against 1.5 crores exports.

Indian Currency Abroad

THE country-wise breakdown of the origin of these imports shows little variation over the years. Bahrain Islands, Kuwait, Qatar and Trucial Oman and Muscat and Oman account for the bulk of imports—Kuwait usually for more than half. Saudi Arabia, an important source of these imports, appears to have gone down in importance, while Muscat and Oman have come up. Apart from the bulk imports from the countries mentioned, small amounts of currency notes are also tendered by a number of other countries which have a fair proportion of Indian traders and emigrants who may be using Indian currency notes for remittances to India.

That there is also a steady but small export of Indian currency notes principally to these countries suggests the normal use by the trade of Indian currency for their internal circulation which is of course the only official reason for the Government of India not to seal this costly loophole in our exchange control so long. Curiously, little information is available in official publications of the use of Indian currency in these countries. The Government of India, it is presumed, is reluctant to stop this practice for reasons of prestige and for maintenance of cordial relations with the countries on the Persian (now Iraqi) Gulf. It is absurd that any country should shrink from applying normal exchange control measures to any other country or to any area under its jurisdiction and discriminate in favour of some as against others.

Another reason for the hesitation, it is sometimes given out, is that the Government will be called upon to pay for these notes in sterling, if it decides to withdraw them from circulation and that the amount would be far heavier than what it has currently to pay to convert these notes. This is fantastic nonsense. The total population of the four countries from which the bulk of the Indian currency is imported regularly, viz, Bahrain Islands, Muscat and Oman, Trucial Oman and Kuwait, does not exceed a million. How much could be the volume of currency in circulation among these million people? Surely, not more than Rs

8 crores, taking per capita circulation at Rs 80 as against India's Rs 40. Which works out cheaper—Rs 8 crores once for all or Rs 48 crores in 1957 alone?

Letters to the Editor**Washington Conference and London**

HERE in London wide publicity is being freely given to India's "bankruptcy" and the impression one therefore obtains of the Washington Conference is that of creditors setting up a Consortium of an international character presiding over the credit-worthiness of the Indian Government.

One rather reckless and provocative London daily compared the Washington Meeting on India's finances to the International Consortium set up by Disraeli to administer the bankrupt Khedive of Egypt and in the process took control of the Suez away from him and placed this jointly in British and French hands.

Could not the Indian Government negotiate their foreign exchange requirements on a purely bilateral basis with each country at a time?

V Pillay

38 Eastern Road,
London N 2,
August 23.

Import Surplus and Inflation

IN the example given in his letter in the last issue, A M himself shows that money income doubled itself between Period I and Period II, money supply and price remaining unchanged. The very fact that 100 additional copies of E Ws were sold in Period II shows that money income and effective demand rose during that period. Now the question is, how was the rise in money income and effective demand supported? Obviously, by the increased turnover of money.

This proves our contention that the prime mover is not the supply of money but the increased effective demand which could be supported by a rise in the income velocity of money.

If merely the real income had increased without a corresponding increase in money incomes and effective demand, either the price would have fallen or the additional copies of the E W could not have been sold.

Kalpana

Bombay,
August 26

Calcutta Letter

Against Congress, Not for Left

DURING the past few weeks Calcutta has witnessed one of the most keenly contested elections in recent years. The vacancy was caused by the dramatic resignation of Shri Siddhartha Ray, the former Judicial Minister from the Congress and the West Bengal Legislative Assembly (about five months ago). At the time of the resignation, Ray had made serious charges of inefficiency and corruption against the Government and in particular against the policy and administration of the Food Department. It was chiefly on this latter charge that the debate centred. Ray sought re-election this time as an Independent candidate, supported by the leftist parties. If the Congress won the bye-election, it would enhance its prestige tremendously; defeat on the other hand would mean another Devicolam. Both the sides took up the challenge. Bhowanipore was flooded with posters—stencilled, hand-painted and printed; extensive door-to-door canvassing was undertaken while the microphones at the street corners rather vied with each other to drown the roar of Calcutta traffic. The onslaught of both parties drove 70 per cent of the electorate to the polls—as contrasted with the total turnout of 50 per cent at the last General Election. In many cases the length of the queues in front of the polling booths was such that it took as much as three hours of waiting before one could vote. Indeed about 10 per cent of those who did not vote were deterred solely on this account.

Though excitement ran high, few people seriously doubted that Ray would win. It was whispered in the lobbies, muttered in the Congress High Command. But what was altogether unexpected was the large margin—10,538 votes—by which Ray triumphed over his Congress adversary, Shri Bijoy Bannerjee. Seldom have elections in Calcutta generated the widespread interest that was created everywhere. One cannot help feeling at times that the Bengali is really in his element when he is campaigning against something. When it was certain that Ray would win, a mammoth procession started from the

Legislative Assembly (where the votes were being counted) which gradually swelled as it approached Bhowanipore.

The question that is bound to be asked—and it has been asked—is whether Bengal will think tomorrow what Bhowanipore thinks today. At present the opposition parties control 19 out of the 26 Calcutta seats in the Legislative Assembly. Political pundits point out that bye-elections always tend to go against the party in power. The truth is that bye-elections are usually fought in a narrow compass—on specific issues, like the mishandling of a particular problem—rather than on national policy as a whole. The Bhowanipore bye-election was no exception in this respect. The specific issues were not transcended, no thesis, no integrated, well thought out policy was presented to the electorate as an alternative. Perhaps it was not to be expected. Although the leftist block is united against the Congress, within it is a house divided against itself. Until the many factions are quelled, the petty dissensions forgotten, and the almost imperceptible shades of doctrinal differences reconciled to some extent, it would be futile to expect any common platform from the opposition. The victory of Ray is thus more a protest against Government bungling than a vote for a definite alternative programme.

The Slum Clearance Bill which became law a few weeks ago is indicative, one hopes, of a fresh determination to solve an old problem. People here are a little sceptical about the mere enactment of laws. Powers similar to those conferred on the Government by the latest Bill can be found in the Calcutta Municipal Acts of 1951 and 1923 and even in the Calcutta Improvement Act of 1911. About 45 years ago Lloyd George is reported to have described Calcutta slums as the worst in Christendom. Since then congestion has increased. According to the 1951 Census, there were 3,651 'bustees' in Calcutta. This figure excludes slums in Tollygunge and other suburbs forming part of "Greater Calcutta", so that there are at least 5,000 bustees in

all—accommodating roughly a quarter of Calcutta's population in less than one ninth of its total space. In most bustees there is very little sanitation and in 63 per cent of them, according to the Census figure, there is no water supply.

Now that the Centre has sanctioned a large sum to the State for the purpose of slum clearance, the wayward and reluctant approach to the problem can no longer be justified on the ground of lack of funds. We have been told that the Government proposes to demolish the worst slums and build multi-storeyed tenements in their place. The Opposition has objected that the funds at the disposal of the Government are inadequate; that the uprooting of present bustee dwellers without a guarantee of alternative accommodation is likely to do more harm than good. The objection is not wholly unfounded, but it would be preferable if we had a bi-partisan approach to problems of this nature. The steps to be taken by the Government admittedly may not go far but they are steps in the right direction.

There are a few lessons which can be learnt from past experiments of this nature. The alternative accommodation provided should be within the means of the ordinary bustee dweller (who pays a rent of about Rs 4 a month at present). In the Bellaghata area, near Sealdah, the rents of the new municipal flats were so prohibitive that none of the people for whose benefit the flats were built could afford to stay in them. The same is true of some parts of Jadavpur where houses were built for refugees. Further, until the evicted bustee dwellers are re-installed in the new tenements, some scheme of temporary settlement should be worked out. One is reminded of the fiasco over the suppression of immoral traffic in West Bengal. The only alternative accommodation provided was a semi-derelict house which could house some fifty or sixty women, while the rest were exhorting by the Chief Minister to busy themselves in good work! With regard to slum clearance, no definite scheme has been disclosed to the public as yet.

— Dipanka

Official Papers

Restriction through the Back Door 2

R K Hazari

Report of the Textile Enquiry Committee: Government of India, Ministry of Commerce and Industries. New Delhi 1958. Pp 85. Price not mentioned.

THE Textile Enquiry Committee was appointed by the Ministry of Commerce and Industry in May with Shri D S Joshi, Textile Commissioner as its Chairman and it was requested to submit its report in six weeks. Its terms of reference included an examination of the structure of the industry with special reference to production, management, finance, and modernisation, and a re-assessment of the phased requirements of cotton cloth and yarn for domestic consumption and export. Unlike in the previous enquires into the industry, of which there have been many, the deliberations of this Committee could not be conducted at leisure, and as it was appointed to suggest remedies for the present crisis, it could not afford to indulge in platitudes. Its recommendation to re-adjust the structure of excise duties has already been implemented but some of its other recommendations are still under study.

Within the short time at its disposal, the Committee could not be expected to make a first-hand study. It confined itself, instead, to sifting the evidence tendered before it and finding out the most plausible causes of the present crisis and their remedies. It lists the "deep-rooted" causes as the need for replacement of outdated machinery, modernisation, major repairs and overhauls, rectification of inefficiency in management, purchases and sales, etc. and higher productivity of labour. The more immediate causes mentioned, apart from higher fiscal levies, are increased consumer preference for finer varieties, attempt to produce quality goods by less efficient mills without the requisite basic equipment, manufacture of varieties without any consideration of their marketability and quality, and lowering of quality by using fewer picks to get higher production and avail of the rebate on excess production granted in September 1956. As a result of reduction of duties on coarse dhoties and saris from September 1956, the production of

dhoties and saris increased from 11 million yards in 1955 to 372 million yards in 1957 without any corresponding increase in the demand for them. Production of coarse cloth as a whole doubled from 11 per cent of total production in 1955 to nearly 22 per cent in 1957, largely at the expense of medium and fine fabrics.

Increase in Coarse Stocks

Unsold stocks with mills increased from the very low level of 112,000 bales (of 1500 yards each) at the end of May 1956 to 201,000 bales in September and went on increasing to reach 451,000 bales at the end of 1957. As a proportion of monthly production at these periods these stocks were 37, 65 and 154 per cent respectively, despite lower production towards the end. Category-wise, the accumulation increased as under:

Unsold Stocks as per cent of Monthly Production				
Coarse	35	26	103	116
Medium	25	46	104	73
Fine	22	45	103	59
Superfine	12	47	96	67
Total	57	65	154	119

The greatest increase in stocks occurred, therefore, under coarse cloth and this has continued into 1958. The relative changes in monthly production and stocks between September 1956 and December 1957 were as follows:

Percentage Change between September 1956 and December 1957

	Production	Stocks
Coarse	+46	+467
Medium	-15	+35
Fine	-20	+81
Superfine	-23	+57
Total	-6	+124

Over the period, thus, total production declined by 6 per cent but production of coarse cloth went up by 46 per cent resulting in an increase of 467 per cent in the unsold stock of this variety. The reasons for this illogical development have not been fully analysed in the report. It is possible to surmise, nevertheless, that this extra-

ordinary example of apparent ignorance or neglect of market conditions was inspired by a number of factors:

the desire to save excise duty and earn rebate on excess production, to impress Government with the seriousness of the situation, the limitations of equipment which prevented in some cases the possible changeover to higher counts, and the relative cheapness of domestic cotton.

The situation deteriorated further, as traders were reluctant to carry out their traditional function of holding and financing stocks, especially of less well known mills, in view of uncertainty regarding excise duties and the restrictions on bank credit. Between September 1956 and December 1957, while bank advances to the cloth trade declined from Rs 35 lakhs to Rs 30 lakhs, those to cotton mills more than doubled from Rs 30 lakhs to Rs 69 lakhs. In addition to unsold stocks lying with mills, stocks sold, but not cleared, rose from 82,000 bales in September 1956 to 209,000 bales in December 1957, reflecting the unwillingness of traders to lift even the stocks which they had purchased, thereby darkening the horizon further.

Mill Deliveries

Data on "mill deliveries for civil consumption" tend, at first sight, however, to give the impression that there was no marked disparity in the patterns of production and consumption. The table below in-

Percentage Change between 1955-1957

	Production	Delivery	Stocks*
Coarse	+104	+95	+410
Medium	-6	-18	+190
Fine	-17	-37	+136
Superfine	-11	-31	+144
Total	+4	-8	+213

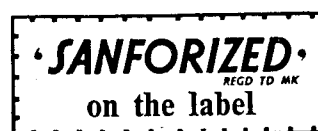
* Between end of January 1956 and December 1957

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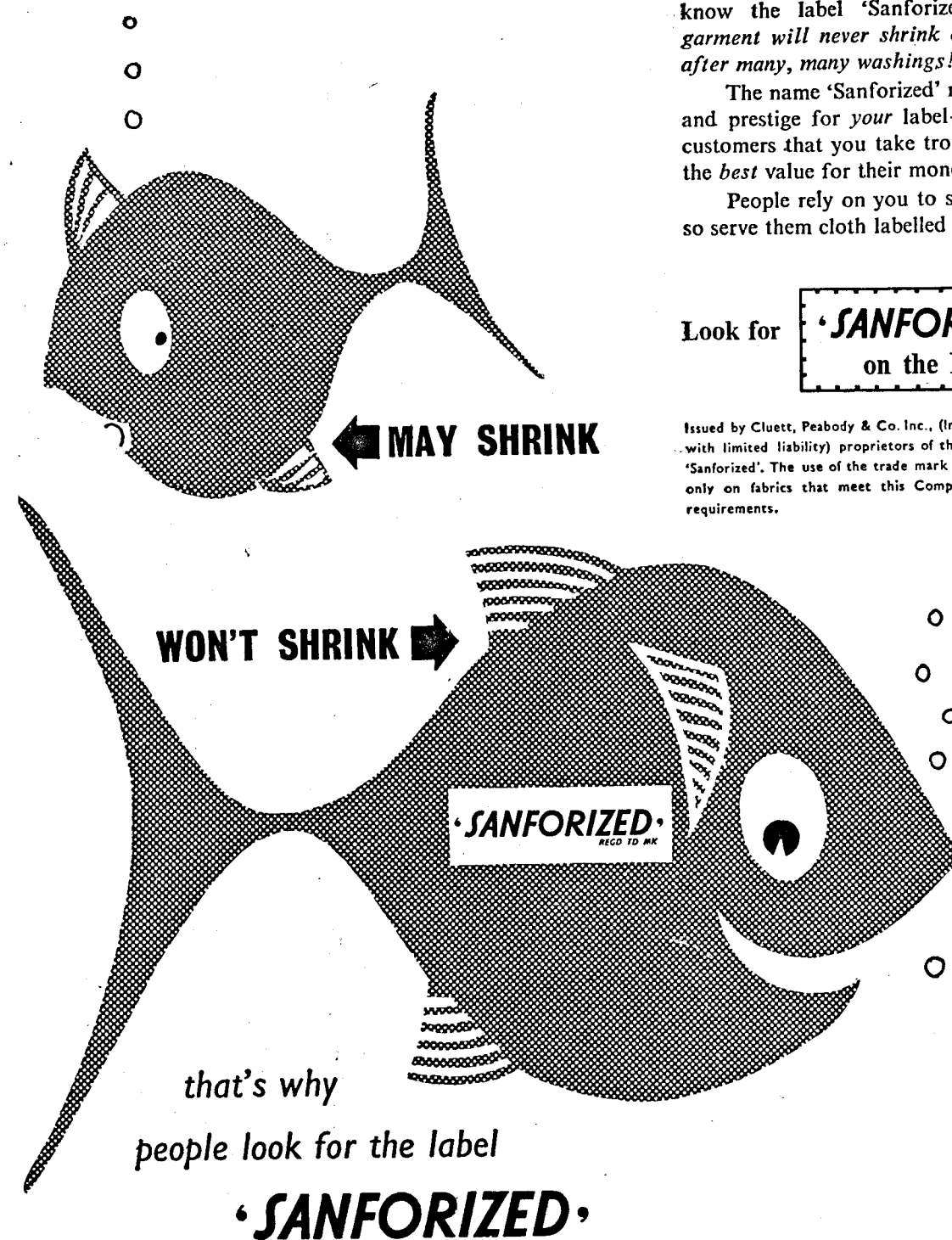
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dicates that between 1955 and 1957, delivery of coarse cloth kept well in step with increased production and that, in fact, it was the delivery of other categories which lagged behind production. Changes in stocks, nevertheless, give a different picture. There are a number of reasons for this apparent inconsistency. The uncertainty about excise duties was of a much greater magnitude in the case of other categories compared to coarse, leading to greater reluctance on the part of trade to lift superior varieties of cloth. The increase in coarse offtake occurred largely under goods other than dhoties and saris, the stocks of which piled up, without any impact—this is difficult to explain—on their production which went on rising. It is also possible that traders, hit by restrictions on bank advances and difficulties of sales tax, were more eager to take delivery of comparatively cheaper cloth and kept down their purchases of fine and superfine fabrics to the barest minimum.

Restrictionist Attitude

Apart from the imbalanced pattern of production which the Committee holds primarily responsible for the present crisis, the blame is also partly laid with the failure of economic development to proceed at the rate envisaged in the Second Plan. As against the per capita consumption of 18.5 yards by 1960-61, expected in the Second Plan, the Committee does not think that consumption in that year will go beyond 17.5 yards from the actual consumption (per capita availability) of 16.8 yards in 1957. This scaling down of the target, together with severe competition in the export market, has led the Committee to recommend a short-sighted scheme of restrictions. The Committee suggests a reduction of the Plan allocation to handlooms from an additional production of 1,000 million yards to 500 million yards since their yarn offtake has so far increased by the equivalent of 150 million yards only. This, in turn, the Committee thinks, should mean banning of further expansion in spinning capacity. While the Committee is against regulation of production by composite mills as in the jute industry, it does recommend the "adoption of (various) methods most practicable and feasible in the circumstances of each area."

How restriction of production

could help such distress areas as Indore and Kanpur is nowhere explained in the report. Taken together with its rather ambivalent attitude on the installation of additional automatic looms (p 29), it becomes obvious that the Committee has been unduly influenced by the present 'glut' in the market and has not paid sufficient attention to the long-term requirements of the economy. A ban on further expansion of spinning capacity, including that on spindlage licensed but not yet installed, is bound to hamper growth of yarn production, especially by the more efficient units. Has not the ban on additional loomage created a bad enough situation in weaving, by protecting inefficient weaving mills and preventing sick mills from being weeded out? The international market for cloth may be shrinking but that does not justify pessimism as regards yarn, too, particularly since Government is now bent on promoting its export. Moreover the home market, especially for yarn, is bound to expand rapidly sooner or later, even if handlooms fail to improve their performance, for yarn can be put to a number of uses from hosiery to rubber tyres. A restrictive scheme of the sort recommended by the Committee might help the industry to regain its earning capacity in the immediate future, but only at the expense of scarcity and higher prices at a later stage.

Reversal of Policy

Neither the Committee nor those who have commented on its report so far appear to have realised that its recommendations, taken as a whole, amount to a fundamental reversal of Government's textile policy. Ever since the ban on installation of additional loomage was imposed, Government policy has been based on the assumption that additional mill output should be export-oriented, and that the expansion in home demand, brought about by increase in population and rising money incomes resulting from development effort, should be met by larger handloom production. It was to meet the anticipated—and deliberately engineered—increased demand for handloom products that additional spinning capacity had been planned in the mill industry. The Committee's recommendations in favour of scaling down of the target for hand-

looms, consequent restrictions on additional spinning capacity, and, implicitly, its primary concern for mills as against handlooms, clearly represent a reversal of policy. This reversal may be in the right direction but it should be recognised for what it is.

Excise Duties

The Committee's recommendations on the re-adjustment of excise duties are on the whole sound. Removal of discrimination in favour of dhoties and saris, break-up of the medium category into two subcategories, levy of a surcharge on processed goods and encouragement of printing are measures in the right direction, which were long overdue. New rates of duties and surcharges were announced by Government last month in accordance with the Committee's recommendations. The classification of cloth by average count, however, can never be entirely adequate. At present, for instance, many expensive varieties of drills, gaberdine coating, corduroy, and long cloth, come under coarse and medium, while many cheaper varieties of volles, mulls, dhoties and saris come under fine and superfine. There are the further difficulties of varying construction (reeds and picks per inch) and of under-spinning (spinning low counts out of superior cotton) by reputable mills which specialise in standardised high quality fabrics. An ideal formula for including all these factors in the levy of excise duties might be difficult to lay down, but that does not justify giving up the search for it.

Mill Closures

The Committee has left out the problem of labour productivity to be investigated and pursued by the Wage Board which was set up recently. Regarding rationalisation and modernisation, it has stressed the need for labour-management cooperation and avoidance of unemployment through utilisation of natural wastage and 'separation' especially at Nagpur, Indore and Kanpur, where equipment is in a generally dilapidated condition and mills have to maintain a large body of surplus labour with a high rate of absenteeism. It also suggests measures for the proper planning of rationalisation so as to secure the maximum effect at least cost. So far as mill closures are concerned, the Committee has made

such unexceptionable recommendations as

(1) scrapping of mills with outmoded machinery and their replacement by new units, preferably in the same area;

(2) mills of 'intrinsically uneconomic size'—9 out of the 28 mills which remained closed when the Committee reported come under this category—should be made economic by proper balancing or amalgamation; and

(3) mills which are for bona fide reasons in financial difficulties should be helped by financial assistance through proper channels.

Mills which suffer from mismanagement should be investigated not merely at the post mortem stage, but continually by a special staff at the Textile Commissioner's office.

Since the Committee holds management as largely responsible for troubles of the distressed sections of the industry, it is interesting to examine its recommendation for an autonomous Corporation to own and/or manage mills taken over under the Industries (Development and Regulation) Act. The Board of Management of the proposed Corporation, it is suggested, should be so constituted as to attract experienced and public spirited millowners, responsible leaders of labour, technicians and expert managers. Such a body would obviate the difficulties encountered in the case of Sholapur Mills and those faced by mills taken over for a short period by workers' co-operatives. It would also serve as a warning to recalcitrant managements that they cannot defy the canons of efficiency with impunity. The setting up of a Corporation by itself, however, cannot achieve much. The Corporation would be burdened with a large number of junkshops in a near-insolvent condition, a fair lot of surplus labour, the least capable technicians and an uncertain market for their products. Moreover the mills under its control would be scattered all over the country and the Corporation would have to set up criteria for taking over mills and getting rid of them either before or after salvage. The report is, unfortunately, not clear at all on the crucial question, whether the Corporation is envisaged as a purely salvaging organisation or as a public body holding a permanent interest in the units taken over from time to

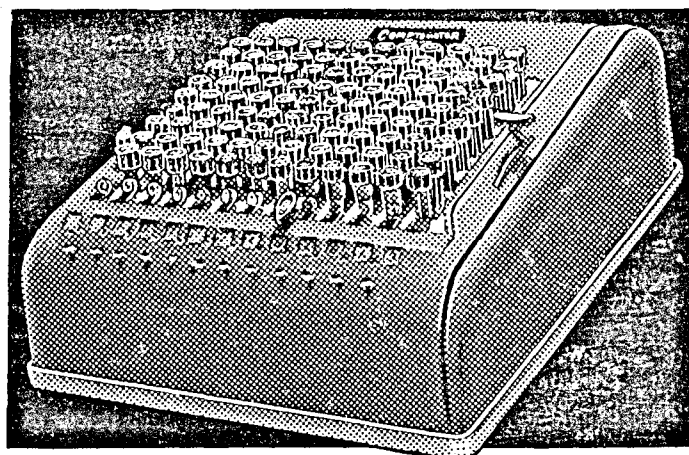
time. Since no spokesman of the industry has so far protested against the possibilities of backdoor nationalisation through this body it is to be presumed that its role would be largely to salvage rather than own and run uneconomic or badly managed mills.

Stanvac Operations

THE second largest oil company operating in India, Standard Vacuum, has earned a net profit of Rs 106.5 lakhs during the year ended December 31, 1957. This figure excludes Refinery operations and has been arrived at after providing Rs 184 lakhs for income and wealth taxes, Rs 65 lakhs for depreciation and Rs 40 lakhs written off for exploration expenses in West Bengal. Sales volume increas-

ed from 330 to 380 million gallons and gross turnover amounted to Rs 56.22 crores. Net profit was 2.1 per cent on sales, 3.4 per cent on total assets and 4.1 per cent on gross block plus working capital. The company's total owned capital employed at the end of the year amounted to \$ 27.6 million or over Rs 13 crores. Its balance sheet total stands at nearly \$ 62 million or Rs 30 crores.

During the year, the company maintained full levels of employment despite higher costs caused by closure of the Suez and paid out Rs 271 lakhs in wages and salaries against Rs 260 lakhs in 1956. Under its programme of progressive Indianisation, the number of overseas employees was reduced from 48 to 32.



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PNG 11

Lok Sabha Debates Food Situation

(From Our Parliamentary Correspondent)

THE unexpected intervention by Pandit Nehru served to raise the desultory debate in the Lok Sabha on the food situation to a realistic plane. After initiating the debate with a frank exposition of the food situation, which had already been set out in a White Paper circulated to M Ps, Shri A P Jain was being subjected to a continuous barrage of criticism, not altogether friendly and often violent, when Pandit Nehru intervened. At the end of it, not much of a new policy emerged from the debate. Not much of a new policy was expected either, for the general feeling was not so much that the policy, or to use the term used in the White Paper, "strategy", was basically unsound or defective but that in its implementation there have been too many glaring deficiencies and lamentable lapses.

The Prime Minister's intervention brought some candid confessions. Though it had all along been patent that food constituted the "core of the core" of the Second Plan, he said that that stern realisation impressed itself on him, and probably on others too, only during the last one year or so. Why? Because without a substantial spurt in food production in particular and in agricultural production in general, our dependence on food imports would continue, and seriously interfere with development in other sectors, for which foreign exchange is badly needed but in short supply. It would also be impossible without such spurt to satisfy the growing demands of an expanding population.

In an endeavour to extricate the Food Minister from the tight situation into which he was being increasingly driven by critics, the Prime Minister declared that all important decisions on food were the responsibility not merely of the Food Minister but of the entire Government. By implication, he castigated State Governments for not playing the game on the food front in the matter of both production of food and distribution of food supplies from Central stocks. The sentiment was echoed by Shri Jain also.

If on the first day of the food debate fire was concentrated on

distribution, the main target on the second day was production. It was an evidently indignant Shri Asoka Mehta, who, speaking immediately after the Food Minister, mounted a powerful indictment against the price policy and food distribution arrangements, interspersing it with an attack on a number of State Governments for their failure to utilise fully the irrigation potential created during the last few years. In part at least his indignation seemed to stem from disappointment at the rejection by the Government of two of the major recommendations of his Committee—the establishment of a Food-grains Stabilisation Organisation and of a Price Stabilisation Board. Ten years after independence, he declared, if the position is as it is on the food front, he did not envisage any future for the country if the present Government continued to be in charge of its destinies!!

Asoka Mehta was followed by a number of members, whose political affiliations might differ but who seemed to share the same allergy to the food policy as presently enunciated and administered. It was left to Dr A. Krishnaswamy however, to turn attention from the inconsequentialities of that policy to the most vital aspect of it, namely, the measures—and incentives—essential to induce the cultivators to produce more.

If one had looked forward to the food debate as a potential breeding ground for constructive suggestions or as a means of producing for the benefit of the country a ready-made solution for all food problems, one would have looked in vain. There were quite a few suggestions, no doubt; but apart from recommendations of local remedies for local shortages or for better working of fair price shops and so on, they were barren of any proposals which could serve as an immediate solution to the problem of rising food prices and food shortage. On the other hand it was clear to all those who listened to the debate that, both in respect of production and distribution of foodgrains, the basic facets of the policy are taken for granted by almost everyone, though not many would have liked to confess

to that. For example, that there should be better distribution of available foodgrains or that special allocations should be made to scarcity areas was agreed on all hands and it is already part of the policy. No one disputed it either that good quality grain should be supplied to fair price shops and it was affirmed on behalf of the Government that all grain imported from abroad, either from U S A or Canada, was standard quality grain and free from dust and that less than standard quality grain is not accepted. There should be more fair price shops and efficient supervision of such shops—agreed also; there are now about 42,000 fair price shops in different States and there is no ban on the starting of more shops wherever necessary. Inspection of the shops is not up to the mark, but again there is nothing to prevent State Governments from strengthening their inspection organisation.

Then again take food production. The imperative need for an intensive and efficient food production drive has never been more clearly recognised than at present and provided the currently discussed intensive rabi crop drive gains momentum, it would be the biggest ever and most potentially fruitful campaign for augmenting food production. The provisos, however, can fail and prove to be the undoing of all administrative efforts. It is to prevent this from happening that all efforts must be directed in the near future—all efforts by the Central and State Governments and by those belonging to all political persuasions.

If the personal prejudices and allergies of members towards the Food Minister do not sway their or the public's judgment on the food policy, such cooperation should—and must—be forthcoming. As it is, Shri Jain's answers to various criticisms, though not entirely without substance, seemed to have left his hearers unconvinced. He attempted to seek approval—and disarm opposition by admitting of drawbacks and lacunae in the translation of policy into administration, because whatever the instructions or directions given by or from the Centre, there is somebody,

somewhere, in some manner bungling or falling short of expectations. There are always somewhere some scarcity pockets, some food shortage areas, to which food could not be rushed or where it could not be made available to those in need. The lesson to be learnt by the food administration is that these drawbacks and lacunae cannot be ignored or can be ignored only at grave risk to the administration's prestige and good name.

It was in this context that the Food Minister, wisely, as it would appear, made some frank offers, and not merely as sops to the opposition Cerberus but in a genuine effort to enlist its cooperation. Firstly, he said that State Governments have been advised to establish local committees, representative of all local interests, to supervise the working of fair price shops and suggest methods for improving it. Secondly, he invited M Ps to form themselves into teams which would visit food godowns and warehouses in the country and see for themselves the methods of food storage and preservation and satisfy themselves about the quality of foodgrains.

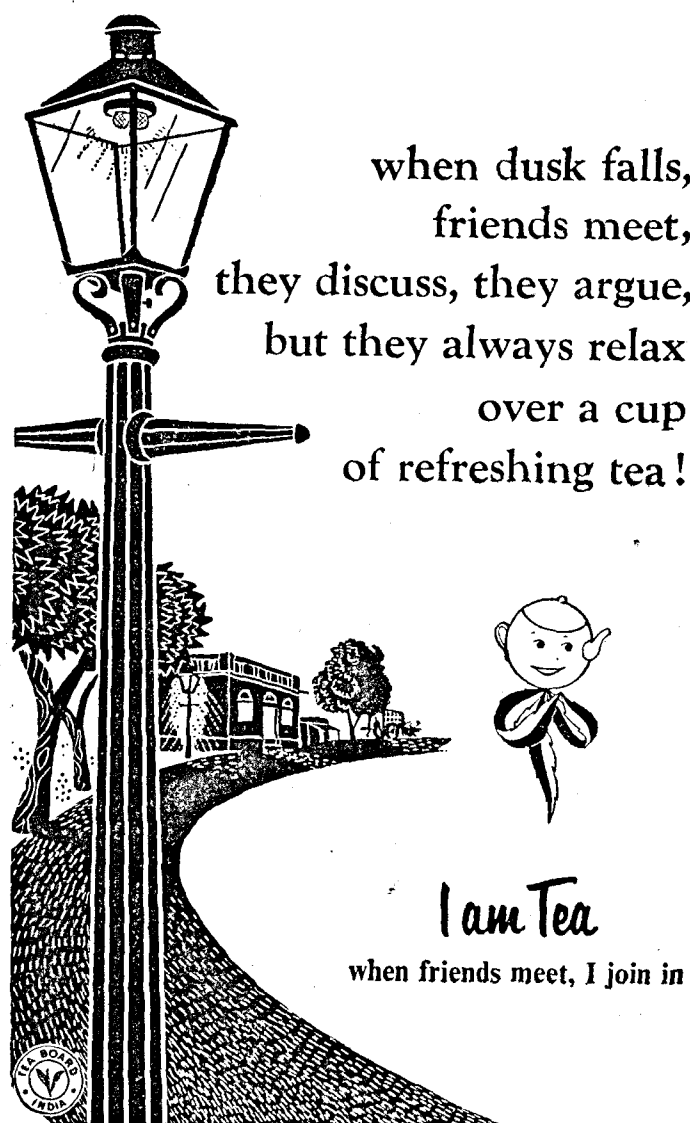
He also assured that, subject to the import of larger quantities of foodgrains, the scope of which is being explored, allocations would continue to be made to States which fall short of foodgrains and which have to meet the demands of scarcity pockets. There can, however, be no assurance of unlimited allocations or uninterrupted allocations, because, unless imports are arranged for and are available as expected, it would not be possible to vouchsafe such an assurance. It should put heart into everyone, however, to know that imports of about 7½ lakh tons of wheat and maize contracted for already under P L 480 would begin to arrive in the next few days.

Here comes the urgent need for making a success of the rabi crop production drive; for if the next two or three months are going to be critical from the food distribution point of view, after the next four or five months it is going to be more critical, unless further arrangements for importing food are finalised by then and supplies are actually made available immediately afterwards. On the other hand, if the rabi sowing yields the

expected produce of wheat and other coarse grains, the uncertainties about imports need not cause much consternation.

As mentioned earlier, to the onlooker from the Lok Sabha galleries, it did not appear that the Food Minister's statement carried much conviction to his hearers in the House. Of these there were, however, only a handful most of the time, which in its turn did not convince the onlookers that M Ps were particularly concerned about the problem over which they professed to be so greatly worried. In any case, there was no clapping of hands or cheering at the conclusion of the Minister's speech,

though in obedience to the whip, about 50 or 60 of them on the Government side cried "aye" when the question was put. If the Congress benches were three-quarters empty, the opposition benches did not present a crowded scene at the time of voting or even earlier, despite that for quite a few hours quite a few of them hurled a series of charges of inefficiency, ineptitude and incompetence at the Treasury benches. The voice of the "noes" were so feeble as to be almost inaudible—a damning commentary justifying the conclusion that except when they want to make political capital out of the food problem they are strangely quiescent.



The Shifting Fortunes of Agriculture

The General Setting

W Arthur Lewis

THE fortunes of agriculturists depend not only upon the prices they receive, but also upon their productivity. If real prices halve, but productivity doubles, they are no worse off than before. In practice, farmers are interested not only in their own absolute standard of living, but also in how their earnings compare with earnings in other occupations. So, in comparing members of the same community, the terms of trade which matter are not the commodity terms of trade but the factoral terms of trade.

The behaviour of the factoral terms of trade depends on three movements:

- (a) the comparative rates of growth of demand for agricultural and for non-agricultural products;
- (b) the comparative rates of growth of productivity in agricultural and in non-agricultural industries; and
- (c) the mobility of the population into and out of agriculture.

The balance between these different rates of growth is so different in different phases of economic development, that it is not feasible to speak in the same breath about the newly developing and the advanced countries. Broadly speaking, the advanced countries produce too much food, while the newly developing countries produce too little. I propose therefore to speak separately about these two groups. It is not possible in 1958 to say anything about these matters which is both startling and true; I shall make only some random introductory remarks.

The Role Agriculture In Economic Development

The economic development of most countries is unbalanced, in the sense that not all sectors come alive and show vigorous growth simultaneously. From the point of view of the role of agriculture in economic development we may distinguish three cases.

- (1) Where development begins outside agriculture, or

- (2) Where development begins with agricultural exports, or
- (3) Where development begins with greater productivity in food for the home market.

We can dismiss the third of these cases, because it is seldom if ever self-sustaining. Since the elasticity of demand for food is less than unity, an increase in home food production when other sectors of the economy are stationary is almost certain to drive the farmers bankrupt. It is true that at low levels the farmers may eat nearly the whole of their extra production, so that they may be better off in terms of food, even though the increase in their marketings causes them to have less of other commodities. It is also true that the rest of the economy benefits from the reduction of food prices, but since this means selling less to the farmers, the effect may be to increase urban unemployment rather than to stimulate non-agricultural production. One can conceive of a case where economic development begins with increased productivity in food, and is sustained, because farmers move rapidly out of food into other occupations as their productivity rises; but I cannot think of any case in history where the initiative in development (as distinct from the response to development) has been taken by the food farmers, and has been sustained. I suspect that Malthus was right in thinking that the only long term effect would be that more of the farmers' children would live, and that equilibrium would be reestablished with a larger population.

The farmers' position is quite different if development begins outside agriculture. This is quite common: minerals are discovered; or new technologies are applied to manufacturing industry; or a tourist trade develops; or shifts in trade favour a particular port; or some other stroke of fortune stimulates the non-agricultural sector. This in turn generates an increase in demand for agricultural products, and so development spreads from sector to sector. Ricardo believed that this could not sustain itself,

because the failure of food output to grow adequately would turn the factoral terms of trade against the non-agricultural sector, and so stop its expansion. Indeed, I believe that we have here the main reason for the very slow growth of manufacturing industry in India and in China, during the past century, as compared with Japan, where increases in agricultural productivity have been spectacular. Similarly, agricultural stagnation helps to explain why French manufacturing industry made so little progress before 1944, when compared with the rest of Western Europe.

Food and Balance of Payments

However, Ricardo did not tell the whole story, since he was writing of the closed economy. The open economy can import agricultural products to match an expansion of industrial output and employment. This, however, may lead to a balance of payments crisis, as in contemporary England, and in contemporary India, and then forces the nation to adopt one or more of three policies: to cut investment, which is the English, grand, the Indian solution, and leads back to Ricardian stagnation; or to make a big drive to export more manufactures, which is the German and Japanese solution; or to raise agricultural productivity as rapidly as possible.

The obstacle to the third of these solutions is mainly psychological; we know how to increase agricultural productivity in newly developing areas—by spending on water, on the distribution of high yielding strains, on agricultural extension and so on—at a cost which is a fraction of what governments spend on their other programmes. Governments are beginning to realise that food production is as important as anything else, but there is still hardly any country in Asia or in Africa where the Ministry of Agriculture is occupied by a senior Cabinet Minister.

If development begins with an increased demand or supply of agricultural exports, the country does not run into these awful balance of

payments difficulties, partly because the supply of output from other home sectors is fairly elastic in response to farmers' demands; and even more importantly, because the exports provide the foreign currency with which to pay for imports. Countries which begin this way will have balance of payments deficits if they live beyond their incomes, and especially if they borrow abroad more than their incomes can support; but they have no balance of payments problem if they live within their incomes. On the contrary, since the marginal propensity to import is less than unity, and since there is a time lag in the multiplier, such a country, if living within its means, would always tend to have a balance of payments surplus. This is the main reason why virtually nothing was heard about balance of payments crises during the seventy-five years before the first world war, although this was a time of rapid development all over the world; whereas these words are on everybody's tongue today. In the former period development was concentrated in export sectors; whereas nowadays nearly every country

plans for home demand, for public utilities and for public services, but forgets about exports. Since development always increases imports, one of the most important chapters in any development plan is that which tells what is to be done to increase exports, whether of manufactures, or of agricultural products.

Terms of Trade

Though development through agricultural exports works wonders, it has also its disadvantages. A well known disadvantage is the fact that it discourages manufacturing industry. True, it provides demand, but this demand is easily met by imports. At the same time, it creates the wrong atmosphere for industrialization. Everything is geared to agricultural exports—research, training facilities, public utilities, representation of vested interests in the legislature, etc. To get money spent in ways that are favourable to manufacturing industry requires a great effort in these circumstances. All this is well known, and generally accepted. It is merely an extension of the old infant industry argument.

An even more serious disadvantage, in the tropical countries, is the difficulty of getting favourable terms of trade for agricultural exports. Tropical agricultural exports are small in relation to agricultural production as a whole; the main output is of foodstuffs for home consumption. Hence the supply is very elastic. The incomes of farmers producing for export cannot rise significantly above the incomes of farmers producing for the home demand. Naturally there are lags, frictions, and some inelasticities, which modify the argument, and create temporary or permanent gaps between home and export incomes, but the two are chained together. The incomes of farmers producing for export are determined not by their own productivity, but by the productivity of the food farmers, which is very low in comparison with the productivity of food farmers in the temperate zones; whose incomes are in turn linked to those of industrial producers in the temperate zones. We have then the following relationship. Suppose that temperate farmers earn 60 per cent as much as industrial workers, and

produce 8 times as much food per head as tropical farmers. It will then follow that the income of tropical exporters of agricultural products cannot be much more than $7\frac{1}{2}$ per cent of the incomes of industrial workers in the temperate zones. However much productivity may rise in tropical agricultural export crops, the terms of trade will always adjust themselves to keep down the farmer's standard of living.

Balanced Development

It follows that tropical countries cannot rely for major development solely on incomes derived from agricultural exports. Neither can they become prosperous simply by producing more food for home consumption, since in the absence of expansion in other sectors of the economy, this would merely bankrupt the farmers. They must look instead to balanced development. If productivity and investment are raised in all sectors, the growing manufacturing and service sectors will absorb both an increasing output of food, and also agricultural labour rendered surplus; and at the same time the real incomes of agricultural exporters will rise as the gap between food productivities in the temperate and the tropical zones closes.

I do not rule out the possibility that the people of one small country may grow prosperous by raising their productivity and exporting more agricultural products at constant prices; but the tropics as a whole cannot do this, and improvements in the export sector spread fairly rapidly from one tropical country to another. Neither do I neglect the fact that time lags in supply may bring temporary windfalls, as to the cocoa producers today. But it remains true that a general improvement in tropical terms of trade will occur only when there is an all-round increase in tropical productivity in all sectors for home consumption.

Mobility in Agricultural Adjustment

This brings me to the problems of the advanced economy since, from the point of view of this discussion, the distinction between the undeveloped and the advanced country is that in the latter one can normally expect a substantial increase in agricultural productivity per man from one decade to the next. The starting point of farmers' troubles in these countries is the fact that the

demand for food tends to grow less rapidly than the supply; whereas the starting point of the planners' troubles in newly developing countries is that the demand for food grows more rapidly than the supply.

It is a well established proposition that consumers' expenditure on food rises less rapidly than income. There is a little doubt about this in poor countries, but no doubt in wealthier countries where the average daily intake per person exceeds say 2,500 calories. Farm receipts rise even less rapidly than consumers' expenditure on food. As incomes rise, consumers want their food prepared and served more elaborately; it must be processed, or preserved and served out of season, or brought from the far corners of the earth, or served in restaurants with music. Hence the "value added" after it leaves the farm becomes an increasing proportion of the whole, to the increasing disgust of the farmer. The farmer's only consolation is that as incomes grow the wastage of food by the average household seems to grow even more.

The reverse happens to the agricultural raw materials; they are more and more carefully economised. The income elasticity of demand for manufactures exceeds unity in the poorer countries, though it is probably not greater than unity in the richer countries, where increases in income go much more to services than to purchasing further knick-knacks. This high income elasticity is favourable to agricultural raw materials, but it is not decisively favourable. In the first place, since raw materials for industry are only a small part of agricultural production, the elasticity of supply is high, and prices are determined more by what is happening to food prices than they are by the demand for raw materials. Secondly, there is continuous economy in the use of raw materials, and especially in the utilisation of by-products. And thirdly, raw materials are menaced all the time by synthetics, which are a means of substituting cheaper and more abundant raw materials for more expensive ones. The only thing the farmer can say in praise of synthetics is that they tend to stabilise his market. For these synthetics are often made by monopolistic industries, which hold prices more or less constant through boom and recession. Thus the price of rubber is now pretty stable, after

two decades of wild confusion; and the emergence of detergents seems similarly to have reduced the fluctuations in the prices of vegetable oils.

The Remedy: Fewer Farmers

If the demand for food grows slowly, while productivity grows rapidly, the terms of trade must move against the farmer unless the proportion of the population engaged in agriculture contracts. Poets and other romantics have always deplored this change, but it is inevitable in the arithmetic. As far as the agricultural economist is concerned, the main remedy for the farmer's ills must always be to have fewer farmers.

The speed with which the proportion must contract depends entirely upon the rate of growth of consumption per head of population, and the rate of growth of productivity per person in agriculture. The required contraction is greater in rich than in poor countries. Thus, if consumption per head grows by 0.5 per cent per annum and productivity by 3.0 per cent, over 20 years the proportion must contract by 37 per cent, i.e., the proportion of the population in agriculture must fall from say 20 per cent to 13 per cent. On the other hand, in a poor country, where consumption can grow by 1.0 per cent per annum, and productivity say by 2.0 per cent per annum, the proportion contracts over 20 years only by 18 per cent, or say from 60 per cent to 49 per cent of the population.

Moreover, the difficulty of making this contraction depends upon how rapidly population is growing (though this does not affect the required proportions). If population is growing only by 1.0 per cent in the wealthier country, to reduce the proportion in agriculture from 20 to 13 per cent in 20 years means that the absolute number in agriculture must be reduced by 24 per cent. Whereas, in the poorer country, if population is increasing by 2.0 per cent per annum, a fall in the proportion in agriculture from 60 to 49 per cent is consistent with an increase in the absolute number by 22 per cent.

These calculations illustrate the point that in a closed economy the farmers would have a harder time in a rich country than in a poor one, because of slower population growth, smaller increases in food consumption per head, and faster

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increases in farm productivity. However there is no closed economy. In practice most of the world's farmers with the notable exception of North American farmers, would stay reasonably prosperous if imports of food were prohibited. What troubles them is neither the slow growth of demand in their countries, nor the speed with which their own productivity is rising, but the rising tide of supplies in a very few other countries.

Food Is Too Cheap

The international division of labour requires that countries which are short of arable land should import food and export manufactures. Thus Britain, Germany, Japan, India, China, Java, and one or two other countries should export manufactures, while North America, S E Asia (excluding Java) and others should import manufactures and export food. Alas, the international division of labour does not have its way.

The main reason why the international division of labour does not have its way is that food is too cheap; i.e., at current prices farmers' real incomes are substantially lower than the real incomes of other occupations. This causes food exporting countries to be anxious to industrialise rather than continue exporting food; and causes food importing countries to try to keep imports down for the sake of their own farmers.

Now food is too cheap because farmers are not sufficiently mobile; agriculture contracts too slowly. In the poorer countries of the world this is primarily due to lack of opportunities outside agriculture. Not enough investment is occurring in manufacturing industry or in other sectors to draw off the rural surplus. However, neither Asia nor Africa suffers from a surplus of food. In the over-populated parts of Asia the rural surplus should be drawn out of agriculture; but not in order to reduce the food supply, which would, by definition, not be affected. The problem of these countries is simultaneously to increase food supplies while finding other work for the rural surplus. Africa has no rural surplus except in a few small areas; but neither has Africa, at present, a surplus of food. The African problem is to start an upward movement of productivity, so that other sectors of the economy can be expanded, without running short of food.

It is in the other continents, especially in North America and in Europe, that the immobility of farmers is keeping down farm prices, and here the cause is not failure of other sectors to expand, but the unwillingness of farmers to move. Investment proceeds so rapidly in these parts of the world that even the largest conceivable exodus from farms to towns would be snapped up in a very short time, just as Western Germany has absorbed millions of refugees. It is true that demand does not grow steadily; there are Kitchin, Juglar, Kuznets, and even possibly Kondratieff cycles. Farmers are used to having a decade of prosperity succeeded by a decade of poverty. Nevertheless, in times of prosperity the non-agricultural sector can absorb all who want to leave farming. If there are still too many farmers, it is because too many people want to be farmers.

I doubt whether this problem is capable of solution. There will

always be occupations which attract too many people—farming, teaching, shop-keeping, music, acting and many others—and the economy will always retaliate by paying people in these occupations less than they could earn in others. They, in their turn, resenting this, will do whatever they can to get higher rewards, by restricting entry to their trades, by tariffs and quotas, by parity-price formulas or by any other regulative device for which they can win acceptance. Their philosophers—in our case the agricultural economists—will wrangle among themselves over these devices, some supporting, others denouncing, and yet others confining themselves to measuring. This is what we have assembled here to do, and I hope that you will find enough material in this paper to make a start.*

*Text of the paper submitted to the tenth conference of International Agricultural Economists, held at Mysore this week. Courtesy: ICAE.

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FAO in India

P V Acharya

THERE have been functional international agencies with more circumscribed objectives and tasks, but FAO is the first which sets out with so bold an aim as that of helping nations to achieve freedom from want. Never before have the nations got together for such a purpose". Thus spoke Mr Lester B Pearson of Canada at the First Session of the Conference of FAO, held at Quebec.

Food and shelter have been the major preoccupations of mankind and with all the modern developments in science and technology, food still remains one of the major worries of mankind, at least in the world's less developed regions.

Broadly speaking the work of FAO may be said to fall in three main fields; collection and dissemination of information connected with food and agriculture, forests and fisheries; promotion of inter-governmental action and direct assistance to governments when requested.

In the first field mention may be made of the world's studies on the state of food and agriculture published every year; technical studies dealing with special aspects; commodity studies dealing with each important commodity like wheat, rice, cocoa and tea. The Organization also issues technical studies for the spread of scientific knowledge.

Field of Inter-Governmental Action

The role of FAO in promoting inter-governmental action is significant. It provides a world forum for focussing attention on food problems on a global basis thereby enabling planning by all countries in a rational manner. Besides getting governments together to discuss their problems on a regional basis in the main regions of the world, and on a world basis at the Conference, the Organization attempts to promote increased production and consumption of products of farms, forests and fisheries. Instances of its role in promoting international action are many. The organization of locust control operations in West Asia and India; co-ordination of plant protection work throughout the world; control and eradication of animal

diseases are examples of its work.

By organizing meetings on technical matters FAO is able to bring about a greater understanding of common problems of governments in an area. In Asia and the Far East FAO has organized Special Commissions of Member Governments—for promoting increased production and improved consumption; the Asia and Pacific Forestry Commission to work in the field of forestry; the Indo-Pacific Fisheries Council for fisheries; and the International Rice Commission specifically for rice with its seat at Bangkok.

Technical Assistance

Even from the beginning FAO's role to provide technical assistance to Member Governments was recognized in the Constitution. In the early days of the Organization special missions were sent to Thailand, Brazil and Poland to survey conditions in the countries and make recommendations for development. With the advent of the Expanded Technical Assistance Programme in 1951 the resources of the Organization to provide direct assistance were increased. In the six years the programme has been under operation about 400 specialists have been working in countries of Member Governments collaborating with the authorities in their developmental activities. Besides bringing the knowledge and know-how of highly specialized areas to countries needing them the Organization has been able to render immense service in making available facilities to nationals of Member Governments for training in countries outside their own. About a thousand fellowship holders have received advanced training in fields of food, agriculture, forestry, fisheries, economics and cooperatives in these six years.

Generally, the success of the Organization's programme in the Technical Assistance field depends considerably on the degree of efficiency of administrative set-up and facilities available in recipient countries. Countries which have the good fortune of having proper developmental plans with administrative set-ups of high efficiency and resources to push through

developmental projects have achieved greater success than those which lack these. India is an excellent example of planned development and it has, therefore, been easy for the Organization to collaborate in some of the development plans of India.

When it is realised that the resources of the Organization are pitifully small, (a 7 million dollar annual budget for the Regular Programme and about the same figure for the Expanded Technical Assistance Programme) the role of direct assistance that the Organization can give is limited. Other programmes of aid from bilateral sources and international sources have much greater resources thereby enabling them to make a spectacular contribution to the development programmes of India. In money values the assistance of FAO to India would seem very small. But at least in certain fields its contribution has been significant.

Programmes in India

As an instance mention may be made of the control and eradication of the dreaded cattle disease, rinderpest. The plans of the Government of India and the States in this programme of eradication were greatly assisted by FAO both in expert assistance and equipment. Perhaps the largest freeze dry vaccine producing plant in existence in the world is at the Indian Veterinary Research Institute, Bareilly, which FAO was able to supply. FAO can take some credit for the organization on modern lines of the vaccine producing laboratories of the Governments of Uttar Pradesh, West Bengal and Madras. An FAO expert is now assisting the Government of Bihar in setting up such a laboratory.

The Fisheries development of India has taken a large share of the FAO Programme in India. FAO is assisting the authorities of the Government of India and the States in many fields including training of personnel needed both at the supervisory level and the operational levels. Considerable success was achieved in the four Training Centers organized by the Government at which FAO experts have assisted. For several years a team of

August 30, 1958

two naval architects have been working in India designing boats suitable for fishing operations and mechanization. The organization of a Fisheries Technological Center by the Government of India is being assisted by an FAO specialist. Another is expected to come to India later in the year to assist in fisheries technology connected with fish processing. To take care of the increased production of fisheries all over the country the Government have well-laid plans for development in marketing activities. FAO has been working with the Government on this problem too. Another FAO specialist is assisting in the activities of the Government in deep sea fishing in Bombay and at Cochin.

For several years FAO has worked on a sheep and wool development project of Uttar Pradesh and have presented to the Government a flock of rams and ewes from Australia. Government's interest was so keenly aroused that they themselves arranged for a subsequent import of a further flock for improving the quality of sheep and wool in the State. Another FAO specialist is now working on an overall sheep and wool development plan under the Indian Council of Agricultural Research. The setting up by the Government of Uttar Pradesh of the Fruit Utilization Department and the Fruit Preservation Factory in Ramgarh would be good examples to quote in reference to the work of FAO in India.

Active Support of India

In the 1958 Programme of FAO Assistance in India, about 30 specialists would be coming to the country from various parts of the world to work in several fields of developmental activities. A similar programme has been planned for the next year and if resources for the programme could be increased FAO's assistance could be more effective.

FAO has been fortunate in receiving the active support of the Government of India since its inception. Indian delegations have played an important part not only at the Conferences of FAO but at several international technical meetings where the rich and varied experience of India in many fields have been exchanged with other countries. Some Indian experts are

working as specialists for FAO in several countries of Latin America, Middle East and the Far East. An Indian specialist spent many years in studying the problems of increased production of rice and contributed a great deal to the coordination of efforts of many countries towards solving the problems.

The Government of India also kindly provided facilities for a pilot study on the possible use of agricultural surpluses for financing development projects in underdeveloped countries. The FAO report on this subject received wide attention specially in countries having surpluses for disposal.

The general thesis that large and violent fluctuations in international commodity markets are not in the interests of the producers and consumers alike and that more than national measures would be necessary toward keeping these fluctuations within bounds is becoming more and more apparent. It will be recalled that in the early days of FAO's history a strong force of idealism had motivated the early endeavours for comprehensive multi-commodity plans. It must also be mentioned that these early endeavours, dominated by an idealism born out of the travails of war had not been thought of with sufficient practical knowledge of commodity affairs. In international commodity policy matters the work of commodity study groups sponsored by FAO is very important. The commodity study groups help in the promotion of knowledge and mutual understanding of commodity problems, and the formulation of generally acceptable principles of dealing with them.

Commodity Study Groups

Governments still know much too little about each other's programmes, prospects and data; and perhaps, the most serious obstacle to international understanding come from the impact of powerful national policies which are often difficult to reconcile with each other. That is why the frank and friendly discussions in these commodity study groups can be of real help. The so called problem of agricultural surpluses is really inadequate purchasing power of millions who may buy more food and other consumer goods if they could afford to do so. FAO is now moving some of the important surplus

THE ECONOMIC WEEKLY

countries to come forward with plans to use surplus foodstuffs in aid of development financing.

The Central Government and several State Governments in India have played hosts to several international meetings offering an opportunity to delegations to study the pattern of planned economic development in India. For several years the Government of India had afforded facilities at the Indian Rice Research Institute, Cuttack, for the international rice hybridization project. The Government of India have also generously provided facilities for officers of other Member Governments for study in India in many fields. The number of such fellowship holders availing of such facilities in India is increasing and several of them are in India now. An eminent Indian is now the Director-General of the Organization who has brought a new approach to meet the challenge of hunger in the world.

Freedom from Want

The Organization is now in the 13th year of its existence and spectacular results specially in the field of international cooperation in food and agriculture cannot be expected so soon. It is clear that the Member Governments of FAO are aware of the serious problems confronting the world specially the growth of populations and it cannot be denied that serious attention is being paid now in all countries to problems of food and agriculture.

The Organization was set up with the bold aim to help nations to achieve freedom from want and though it cannot be said that we are anywhere near the achievement of the ideal which inspired the birth of the Organization it can be safely said that more effort is being made in every country towards the goal. While the terrific problems arising out of the tremendous pressure of the growth of populations; the necessity to introduce on a wider basis improved scientific methods to increase agricultural production; capital investment in agriculture, forestry and fisheries; are still amidst us, it can safely be said that the awakening both amongst the Governments and the peoples of the world towards finding solutions for these problems augurs well for the future.

THE ECONOMIC WEEKLY

Around Bombay Markets

Shipping and Engineering to the Fore

Thursday, Morning

New Loan Well Timed

The new Central Loan of Rs 60 crores was well received by the market. The redemption yields are attractive enough and the Reserve Bank which is selling the loans on tap was reported to have sold for about four to five crores on the first day. The loan was well-timed and the Reserve Bank was well advised to put it on tap.

The Guest, Keen Debenture issue is assured of a warm reception by the market. The terms are attractive: 6½ per cent; 7 to 12 years. Century is likely to come out with a Preference issue. The object is to finance the purchase of textile machinery. The amount is expected to be around Rs 1.25 crores and interest 6 per cent, tax-free. The Preferences might be made redeemable.

The Gilt-edged market continued firm with the Conversion Loan mentioned at around Rs 72.50, indicating a rise of Rs 1.50 in the course of six weeks.

The sharp advance in the prices of Securities and shares have led to a discussion on yields. Yields have naturally fallen to unattractive levels. For example, the yield on Tata Steel is down from 5.90 per cent towards the end of 1957 to 4.8 per cent while that of Indian Iron is down from 5.30 per cent to 3.8 per cent. The yield on Bombay Dyeing is down from 5 per cent to 4.17 per cent and that on Kohinoor from 6.9 per cent to 5.55 per cent. Bombay Burmah yields only 6.59 per cent against 9.10 per cent.

For risk capital, these yields are hardly adequate. First class debentures and Preferences yield no less than Equity shares. But when the market is on the upswing, yield considerations are relegated to the background. True, prospects of capital appreciation offset other factors on such occasions. And it may be noted in passing that that capital gains are now subject to taxation does not yet appear to have made any impression on market psychology and behaviour. It is only when prices fall that people talk of dividends and yields.

In a week of brisk activity, Dalal Street maintained a firm tone with many counters advancing to new high levels in the recent up-trend. The sharp setback towards the close of the session on Wednesday, however, gave rise to misgivings about the market's ability to reach yet higher levels without an important correction.

Sentiment was influenced mainly by the growing inflationary psychology. Improved prospects of foreign aid and the belief that the Finance Minister will be successful in his mission added to the bullish fervour. Extremely comfortable money conditions were another important factor.

Textiles, however, remained in the background. The lead was taken over by selected counters in the Miscellaneous section. Premier Construction, Scindia, Great Eastern, Tata Chemicals and National Rayon received consistent support both from speculators and investors.

Among Steels, Indian Iron scaled new high levels and reached Rs. 26.55 on heavy bull support. The Life Insurance Corporation was said to have bought a big block of these shares. Tata Steel were neglected somewhat. With all the possible factors discounted and dividends announced it is likely that Steels might remain quiet for some time, making way for some of the members of the Miscellaneous section.

Mill shares were dull and interest seemed to be mainly professional. With no further concessions likely, the outlook for these depends mainly on the offtake of cloth, particularly in the export sector. Reports so far are rather unencouraging but if export promotion methods prove successful, Mill shares should remain steady. At present they are guided mainly by the general trend of the market.

Higher Dividend Prospects

Highlight of trading in the Miscellaneous section was the firmness in Shipping shares. Scindia touched a new high level of Rs 22.32 on sustained support in the belief that a higher dividend would be forthcoming. Great Eastern were also

in good demand on talk that the dividend this time might be raised to Rs 2. Other Shipping shares were equally active.

While it is too early to make a forecast about dividends, it is almost definite that shipping companies will show better profits this time. Tonnage has increased and the shipping companies have been able to take advantage of the favourable turn in the freight market. Expansion plans are said to be on hand and Great Eastern are concerned in talk of a capital issue.

Reports of difficulty about raw materials did not keep bulls from supporting Engineering shares. Premier Construction rose to a record high level of Rs 217. Cement shares were subdued and after a show of strength Bombay Burmah reacted towards the close and lost nine points over the week. The tendency to keep away from commitments in Burmah is due to the uncertainty about the interim dividend and the bonus issue.

Market's expectations about Tata Loco were fulfilled. The nine rupee dividend and the directors' decision on a three for five scrip issue were well received. The shares recorded a further rise over the week to Rs 192.25. Sugars were fairly well held.

Banks maintained a steady tone but remained inactive. Insurances were neglected. Electricity shares, however, attracted attention.

Money continued to be easy with the inter-bank call rate down to as low as 2 per cent but even at this rate money was unlendable. Transactions in House Money at call were meagre. Although banks do not have much use for term money, they continue to receive it just in order to keep their clients.

This raises the question of the working of the banks for the year. It is already eight months and throughout this period, conditions for the banks have remained mostly unfavourable. First half-year's reports indicated generally lower levels of profit and if the other four months of the year continue to be difficult, the chances of banks making enough profits to maintain their dividends would seem rather doubtful.

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1530.01	1550.72	1541.83	1483.59
2. Rupee Coin	137.23	135.57	135.15	132.20
3. Deposits				
a) Central				
Government's	62.69	63.59	70.14	65.30
b) Banks'	106.36	95.28	107.85	80.85
c) Other				
Government's	25.31	16.81	28.66	5.88
d) Others'	113.38	144.65	143.20	108.26
4. Foreign Securities	179.23	179.68	184.68	360.52
5. Balances held abroad	10.10	14.86	12.53	24.69
6. Rupee Securities	1224.32	1139.23	1129.59	901.97
7. Investments	328.75	339.05	363.17	210.42
8. Loans and advances to Governments	12.78	15.44	14.76	58.81
9. Other loans and advances	49.89	51.52	65.06	75.67
Scheduled Banks				
1. Demand Liabilities (net)	717.42	715.00	721.10	687.78
2. Time Liabilities	853.15	847.47	815.23	579.12
3. Cash on hand	39.14	37.51	38.36	39.28
4. Borrowings from Reserve Bank of which against Usance Bills	4.56	6.79	15.34	54.04
5. Advances and Bills discounted of which State Bank's	832.97	841.97	859.13	819.41
6. Invest. in Govt. Sec. of which State Bank's	170.56	173.80	182.72	166.70
Cheque Clearance	233.74	228.84	215.07	103.22
	163.21	137.41	147.89	144.55

† For Reserve Bank and Cheque Clearance Week ended 22-8-58. Scheduled Banks Week ended 15-8-58.

Bombay Money Rates

	15-8-58	8-8-58	18-7-58	16-6-57
Call Money				
From banks	2½-3½	2½-2½	2½-3½	3½-4½
From public	3½-4½	3½-4½	3½-4½	3½-4½
Three Months	2½-4½	2½-4½	2½-4½	2½-4½
Six Months	2-4½	2-4½	2-4½	2-4½

Bombay Bullion

	(In Rupees and nP)			
	15-8-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	106.19	105.00	104.25	107.57
Forward	106.06	105.19	103.75	107.39
Silver (per 100 tolas)				
Spot	182.50	181.37	177.50	181.99
Forward	183.37	181.25	179.60	182.51

INDEX NUMBER OF WHOLESALE PRICES
(Base : 1952-53=100)

Group and Sub-Group	WEEK ENDED			
	9-8-58	2-8-58	12-7-58	10-8-57
Food Articles	119.3	120.0	118.2	112.5
Cereals	112.6	112.1	109.2	106.5
Pulses	99.8	101.1	99.8	88.1
Fruits & Veg.	121.8	120.4	118.9	142.4
Milk and Ghee	110.1	111.1	112.9	108.2
Edible Oils	128.7	128.5	124.3	132.7
Fish, Eggs & Meat	115.5	111.5	112.8	103.2
Sugar & Gur	134.8	137.9	131.3	110.7
Others	153.2	158.4	160.0	135.8
Liquor and Tobacco	89.4	90.0	92.4	92.0
Tobacco	87.4	88.1	90.6	90.2
Fuel, Power, Light & Lubricants	116.5	116.5	116.3	115.0
Industrial Raw Materials	119.0	119.4	116.3	121.7
Fibres	111.6	111.1	110.0	123.4
Oilseeds	133.2	134.5	127.2	127.8
Minerals	107.3	107.3	101.0	109.3
Others	107.2	107.4	108.7	108.0
Manufactures	109.9	110.1	108.6	108.9
Intermediate Products	112.6	112.8	110.8	108.6
Finished Products	109.5	109.6	108.2	108.9
Textiles	106.1	106.2	104.2	108.6
Cotton	114.1	114.1	112.9	117.2
Jute	90.6	90.9	87.1	97.6
Woollen	105.9	105.9	105.9	103.0
Silk & Rayon	95.7	95.7	93.9	85.0
Metal Products	143.0	143.0	143.0	142.3
Chemicals	105.3	105.6	104.4	98.7
Oilcakes	135.1	137.3	133.1	113.2
Machinery and Trans Equipment	103.4	103.4	103.4	101.6
Others	113.5	113.4	113.5	110.5
All Commodities	115.8	116.3	114.5	112.5

CALCUTTA TEA AUCTIONS

1958-59 June 1 to July 30 1957-58 June 1 to July 29

	Packages (nos)	Avg Price Per lb. (Rs)	Packages (nos)	Avg Price per lb. (Rs)
For Export:				
Assam	67,030	3.46	66,661	3.14
Cachar	22,027	1.89	17,433	1.84
Darjeeling	39,387	3.89	38,306	3.34
Dooars	50,177	2.26	62,849	2.05
Terai	5,807	2.14	5,247	1.94
Tripura	2,927	1.85	2,079	1.88
Other District	123	2.29	80	2.23
Total	187,478	2.96	192,655	2.63
For Consumption in India:				
DUSTS:	57,722	2.06	56,894	1.95
of which				
Assam	34,460	2.27	27,876	2.26
Cachar	6,811	1.65	6,470	1.58
Darjeeling	1,154	2.53	1,523	2.43
Dooars	14,434	1.75	20,182	1.61
OTHER GRADES:	2,208	1.90	2,599	1.91
of which				
Assam	746	1.78	880	1.67
Cachar	234	1.48	42	1.50
Darjeeling	592	2.55	886	2.54
Dooars	532	1.61	618	1.50

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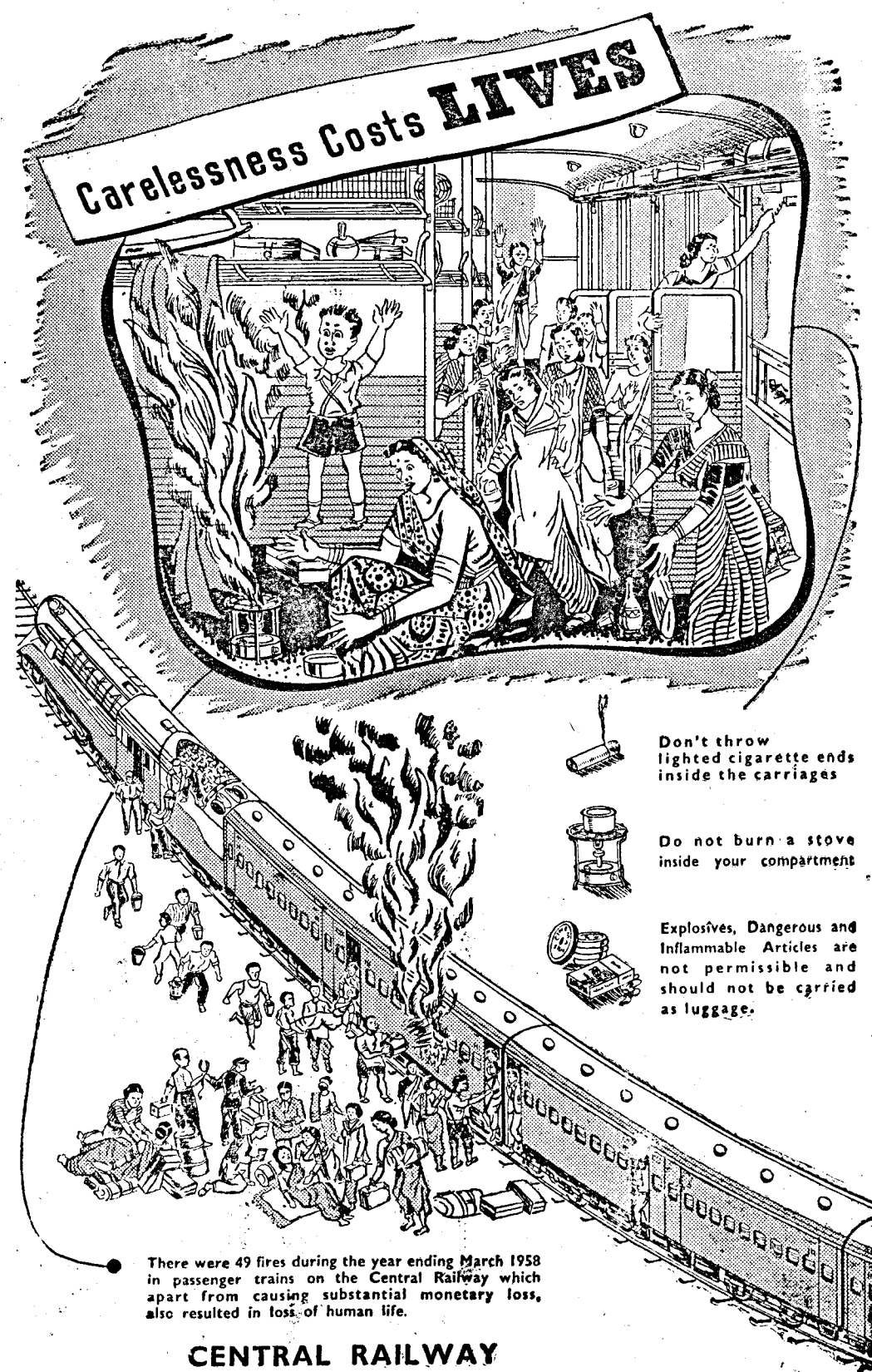
Western Appraisal

HOW well has India's case been presented abroad? Not too badly, judging from the results. About this time, last year, another Finance Minister had led a similar mission to America and Western Europe to seek foreign aid. He had prepared the ground with a budget which gave an earnest of what India was going to do to raise domestic resources. He did not return empty handed, but neither could he persuade the West to under-write India's Second Five Year Plan or even the hard core of it. The assistance secured was tied to particular projects and did not give the flexibility needed to cope with the situation.

A year ago, the State Department was as anxious to make sure that India would not confront it with a bigger and better Third Plan with a considerably larger foreign exchange component as London is today. While Britain has spread the red carpet to India's Finance Minister, the British Press has been outspoken on a point on which Washington has chosen to remain discreetly silent. India's approach for assistance on the assumption that her financial requirements for development would inevitably evoke the world's support has been frowned upon as an ingenious 'act of faith' savouring of 'cynical guile' and 'The Times' has gone to the extent of asking for an assurance that India would not again confront her creditors with a fait accompli, leaving them with no option but to advance her more money.

Whatever way one may look at it, the Government of India will not be convinced that its approach has been wrong judging from the immediate results. Perhaps, the crisis was played up a little and if one likes one may read in the latest announcement freeing as many as 200 items of export hitherto restricted a gesture that India is determined to answer the charge that she is not doing enough. Whether removal of restrictions will help exports or not may be debatable but not the intention behind it and this has been dramatically advertised when the Finance Minister was in London negotiating for assistance.

The provisional figures of assistance that have been reported suggest that not only would our immediate requirements be met, but the foreign exchange needed during the rest of the Plan period will also be substantially covered; U.K., the World Bank and U.S.A. will extend the bulk of the credit that is needed before the end of the current financial year, while West Germany, Canada and Japan will provide the balance. The British offer has now been officially confirmed. It may be noted in passing that of the foreign exchange commitments currently outstanding, Britain has by far the largest share; West Germany comes next, and U.S. comes third. It would be unfair, however, to match the offer of credit with the payments due to her and it is to be presumed that the overdraft against remaining sterling balances which was discussed earlier is independent of the assistance Britain has promised. India's sterling balances are no longer subject to any restrictions as regards their withdrawal. On the contrary, India is entitled to refund of some excess payments made on account of pensions at the time of the settlement of these balances and it would not be unfair on the part of India to ask for a reconversion of the capitalised value of these pensions paid in lump sum in the past into annual payments. The proposal is fair and legitimate, however improper it might have been for the Accountant General to have made the suggestion in public.



Read later
2/4

Colossal Waste or Remarkable Achievement?

TO what extent irrigation facilities have been left unutilised and why has this important adjunct to food production been neglected? This question has been raised time and again. Speaking at the Development Commissioners' Conference at Mussoorie last year, Shri V T Krishnamachari, Deputy Chairman of the Planning Commission, had said that out of 6.3 million acres which ought to have been brought under irrigation by 1955-56, only about 4 million acres had been actually irrigated. This severe indictment of waste of national assets — water impounded at enormous costs being left unutilised — was supported by statistics which showed for each State the total area under command by irrigation sources completed under the First Five-Year Plan; and the area which, according to the Plan of the State, ought to have been brought under cultivation. The same charge was repeated by him this year also at the annual conference of Community Development held at Mount Abu and repeated more strongly, for the figures cited were even more damaging. "In the First Five-Year Plan", he said, "irrigation facilities were available for 8 million acres from major projects, that is, the canal system had been completed by the Government agency for this area. Only 4 million acres were actually irrigated". The same charge was levelled by Shri S K Patil, when he was the Minister for Irrigation and Power, as also by the Prime Minister.

Between the construction of a dam and the actual flow of water to the fields, there are several steps; canals have to be dug and distributory system completed by Government agency ending at convenient points in every village; and the beneficiaries of the field channels have to dig channels in their turn so that every acre that can be served by the project can be actually irrigated; and finally, the cultivator will have to adopt his cropping pattern and techniques so as to use this water to the best advantage and maximise his output. All this may take time but there must be many gaps in these links to account for so colossal a waste.

A close examination of Shri Krishnamachari's indictment, how-

ever, will show that what he was comparing was the area which the State Governments expected to bring under irrigation and that actually irrigated. How far were the expectations of the State Governments based on an appropriate assessment of the irrigation potential and how is the latter calculated? The Central Board of Irrigation and Power has a 'Glossary of Technical Terms' (For the Layman) which explains what is an area commanded by an irrigation project in considerable detail, but the booklet, which is otherwise so informative, does not explain what is the irrigation potential of a project and how it is computed.

Now, for multi-purpose projects, commonsense suggests that power generation and irrigation may prove to be conflicting objectives at certain times of the year; that during monsoon when the level of water in the storage dam is highest, the flow may have to be maintained to keep the turbines working when there may be no demand for the tail water for purposes of irrigation; conversely, during the dry season, when the level of water is low, the excess demands for agriculture may not be met because water may have to be conserved and its release regulated to meet the needs of power generation.

These are, of course, elementary. "There are many other complications such as the absorption of water by soil", an esteemed contributor writes,—"so there can be no ready-made formula for assessing the irrigation potential of a project". "Assuming a given quantity of water and a given rate of evaporation", he continues, "the assessment of irrigation potential is based on seepage in canals, depending on whether they are lined in concrete or not and the absorption capacity of the soil; sandy soil, for example, will take an enormous quantity of water compared with black cotton soil which tends to be clayish."

Another contributor, discussing the possible effects of water rates on utilisation of irrigation water (Irrigation Problems by P R Rao in the issue of August 2, 1958) had mildly suggested that the sponsors of a project may, sometimes, over-

estimate its irrigation potential in order to have it accepted by the Centre. The complaint that Shri Krishnamachari has made is non-utilisation according to the Plan of the States concerned. But, whether the claims of the State Governments were exaggerated or not, experience shows that even old, established projects which have been in operation for a number of years cannot utilise their full potential just as in industries, actual production normally falls short of estimated capacity. Of course, there is bound to be an element of arbitrariness in the definition and computation of capacity, but subject to fairly well known limitations, the concept of capacity is meaningful and helps to convey a fairly reasonable idea of the working of an industry. How far does the concept of potential, as given in the figures cited by Shri Krishnamachari, for example, serve the purpose for irrigation?

In the latest issue of 'Bhagirath'—The Irrigation and Power Monthly—Shri K L Rao, a Member of the Central Water and Power Commission, has sought to throw some light on this very important question. According to him—and he speaks as an expert—far from irrigation water being left unutilised in the First Five Year Plan projects, the extent of utilisation has been very creditable indeed. The facts have been grossly misrepresented, though he does not say so in so many words, and the misunderstanding lies, according to this authority, in the method of estimation of irrigation potential. To quote his exact words:

"The potential created as a result of the partial or full completion of the First Plan projects has been worked from the reports of the various States by the Planning Commission. These reports are not prepared on a comparable basis. The word potential itself does not seem to have been interpreted uniformly. This has led to figures which are different at different times."

Shri Rao prefers "effective potential", for greater clarity, as the appropriate criterion and concludes:

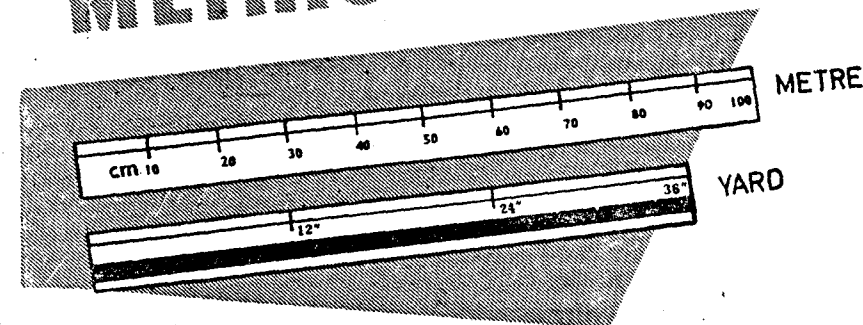
"At the end of March 1957, the potential worked out was 5.67 million acres. Out of this, the land

for which water has been utilised completely is 3.91 million acres, leaving a balance of 1.76 million acres, as the so-called 'unutilised' potential. Thus, of the effective potential that has been created, mostly by the First Five Year Plan schemes, in the last two or three years nearly 70 per cent has been utilised. Strictly speaking,

calculations of the utilisation should be compared with the potential at the end of the previous year, in which case the utilisation at the end of March 1957 is 3.91 million acres against a potential of 4.69 million acres at the end of March 1956—84 per cent utilisation. In normal times, this utilisation should have been considered remarkable".

If this is the correct picture, then both the Planning Commission and the Ministers of the Central Government must have been tilting at a windmill. Will the Planning Commission throw some further light on this very important, and apparently a controversial subject?

WHAT IS THE METRIC SYSTEM?



The Metric System derives its name from the Metre, which is the primary unit for measuring length. In this system, as in all decimal systems, the basis of calculation is 10. We multiply or divide any unit of length, weight or volume by the same number i.e. 10.

In the Metric System, the multiples of a unit have the prefix *Deca* (10 times), *Hecto* (10 × 10 = 100 times) and *Kilo*

(10 × 10 × 10 = 1,000 times). The sub-units have the prefix *Deci* (1/10) *Centi* (1/100) and *Milli* (1/1,000).

THE CHANGE-OVER TO THE METRIC SYSTEM OF WEIGHTS AND MEASURES BEGINS FROM OCTOBER, 1958

KNOW THE METRIC LENGTHS

The primary unit of length is THE METRE
= 40 inches approx.
1 kilometre = 5 furlongs

SUB-UNITS
10 millimetres = 1 centimetre
10 centimetres = 1 decimetre
10 decimetres = 1 metre
MULTIPLES
10 metres = 1 decametre
10 decametres = 1 hectometre
10 hectometres = 1 kilometre

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2

Weekly Notes

Atom Tests Ban Now Feasible

FEW in this country realise how deeply public opinion in the West, as also in Japan, is concerned with the dangers of atomic fall out from test explosions. This is an issue on which barring Government scientists in the U S A the best scientific opinion in Europe and America is nearly unanimous.

Talk of clean bombs has not created any impression nor conveyed any reassurance to thoughtful Americans. In Britain, an active movement has been going on, largely among the intellectuals, for banning atomic weapons, and, therefore, even the mass-circulation papers are occasionally forced to report this subject. American papers with large circulations—and these are the ones which get around—virtually give no expression to the public concern over the dangers of atomic radiation. But the voice of the people is not entirely stifled, it finds expression in 'broad-sheets' and weeklies with very limited circulation such as I F Stone's Weekly, the columns of which show up, week by week, the absurd and untenable stand which the Atomic Energy Commission took on the question of detection of test explosions and the production of 'clean bombs'. Khrushchev laughed it out when the possibility was suggested to him in London of Russia conducting atomic tests in secret while asking others to ban such tests. This he did on the ground that the tests could be so easily detected.

When the Geneva Conference of Experts also agreed that detection was possible and not too difficult to ensure, the news must have been received with a sigh of relief in many parts of the world. But, unfortunately, the world situation at the time when this momentous agreement was reached was such that the news almost passed unheeded, being nearly crowded out by the more sensational reports of inter-change of atomic weapons. What was achieved at Geneva is of such tremendous significance that its impact is bound to be felt with the passage of time and hope lingers that it will begin to have a lasting influence on world affairs before long.

Rehabilitation Finance

HOW has the Rehabilitation Finance Administration been faring? Its last Chief Administrator had been so much depressed by its operations that he wanted it to be converted into a Relief Bank. That has not come to pass, but the last Annual Report for the year 1957 does not allow much scope for enthusiasm either. Its losses during the year increased from Rs 2.57 lakhs to Rs 3.76 lakhs, raising total losses since 1948 to Rs. 168.26 lakhs. The larger figure of loss for 1957, however, is partly the result of looking facts in the face, indicated by the provision of Rs 3.38 lakhs for bad and doubtful debts against nil in the previous year; the total provision under this head now stands at Rs 92.27 lakhs against total loans outstanding, including interest receivable, of Rs 966.53 lakhs. The only relieving features of the report are the reduction of salary bill of the R F A from Rs 12 lakhs to Rs 10 lakhs, and the disposal of nearly all pending applications, numbering more than 13,000 at the end of 1956.

During 1957, the Administration has concentrated on improvement of its organisation, including greater delegation of powers, and recovery of outstanding loans to displaced persons from West Pakistan through settlement claims. It is now proposed to allow loans to cooperative societies of displaced persons as well. Loans to such societies or corporate bodies, it is hoped, would throw open a new avenue of utilisation of R F A funds and might also be more successful than loans to individuals.

Now that the assets of R F A are being gradually unlocked, Government would have to make up its mind on what its future role should be. Since the possibility of turning it into a Relief Bank is ruled out—that function lies with the Rehabilitation Ministry—it would sooner or later have to be converted into a re-financing organisation for the promotion and finance of small-scale projects designed to benefit displaced persons specifically. The trouble about such schemes is that a banding together of uncreditworthy individuals does not necessarily make them creditworthy collectively. A number of pilot projects in selected

areas might provide some useful experience. But after so many years of wasted opportunity and indifferent handling of so pressing a problem as the provision of productive credit to refugees to rehabilitate themselves in small scale business or industry, one hesitates to make such obvious suggestions.

Delhi's Uneasy Mood

Our Delhi Correspondent writes:

FOR some weeks now Indian eyes have turned quizzically to Peking. It would be correct to say that until recently the reaction of the External Affairs Ministry had been one of polite surprise. After the Mao-Khrushchev meeting this surprise hardened almost to suspicion. It is believed that it was more than Chinese pique that brought the summit proposals to nought. Such pique was understandable, as a summit meeting at the Security Council level would have meant the implied acceptance of China's exclusion from the U N. It evoked sympathetic echoes in various quarters, but the subsequent analysis goes deeper. Rumours are afloat that China no longer believes that a posture of relaxation will achieve anything more than maintenance of the status quo. While Western thinking is focused on dismembered Germany, the concentration in China too is on division and stalemate—in Korea, in Viet Nam and in the United Nations. The status quo has to be disturbed, and with Lake Success beyond reach, the only debate possible is an artillery duel. So, this argument runs, the guns opened fire on Quemoy.

There has also been, it is argued, a fundamental shift in the balance of power. As US missiles thunder into the sea and as a single-stage rocket speeds the Soviet missile safely to its pre-determined target, it is clear that the great deterrent has changed hands. This shift has to be dramatised, Dulles has to be provoked, and his bluff called off, and the world summoned to note that combined Soviet-Chinese power is not only invincible but also irresistible. We have, in short, an exhibition of brinkmanship, this time on the other side. If these calcula-

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tions are right, the US will assemble force but never use it, and when this happens, notice will have been served that the status quo must be unfrozen into some new pattern nearer to Peking's desire.

In the face of such a display of realpolitik, slogans of Panchshila and perpetual peace sound somewhat shrill, even a trifle hollow. From the West, the sound is different but the meaning is the same. The Hindu Stafford Cripps has left his native shore for the first time. High principle prevents the ascetic custodian of our finances from accepting the injection of any foreign substance into his body—not even to safeguard his own health or that of others; but through some strange twist of logic, the same ascetic welcomes a massive inflow of foreign substance into India's financial system. It is fairly obvious now that the hard core of the Second Plan will find fulfilment, that the heritage of debt will load the Third Plan with a near fatal handicap. With the billion dollars will come the usual consequences, and London and Washington celebrate in advance the advent of Nehru's successor.

No track is being kept these days in Delhi, or for that matter in London or Washington, of the race between India and China. Figures come in scraps. One hears that China's steel production, already past the seven million ton mark, is surging ahead: there is talk of 10 million tons at the end of 1958 and 20 million tons by 1960. These statistics may not be popular in the US Embassy or in Udyog Bhavan, but they are registering elsewhere; and the fact that China, far from being a satellite, is giving its own direction to Soviet foreign policy has also not passed unnoticed.

So there is in Delhi's mood an uneasy ambivalence—an inkling that perhaps we have taken the wrong road, that re-thinking is needed and possibly a change in direction. There is even a feeling, as yet only half coherent, that something has gone vitally wrong somewhere, that there is some fatal flaw in national strategy.

The tragedy of the situation is that at this point of crisis, the Left is either silent or embroiled in parochial politics. The mind of the

Left is absorbed in the study of by-election results or in evolving new refinements in futility—like, for example, the PSP experiments in satyagraha in UP. There are others who are otherwise occupied, and new blueprints of the Indian economy and of patterns of political power are being determined, with skill, with care and with unobtrusive efficiency. These patterns may be translated into reality with a speed that will then seem astonishing. In a recent article Shri Nehru drew attention to the fate of social democracy in the Weimar Republic; he might also have mentioned Guy Mollet. In this, the 20th century, a good cause loses, more often than necessary for warning, through default.

The Shifting Crisis

WHATEVER else the U S Seventh Fleet may or may not succeed in doing, it is likely, at the present rate of its movements, to become the world's most widely travelled force. It is one moment in the turbulent waters of the Mediterranean, and the next in the simmering straits of Formosa. Like the policeman, it is ever on the rounds to keep peace and good order. What precise reasons have now prompted the United States to build what a Navy spokesman has called "the greatest striking force in his-

tory" in the area around Formosa? And what is it that President Eisenhower really hopes to achieve, or fears this time? The insignificant island of Quemoy has for the United States a very negative strategic value, if any at all. For Chiang Kai-Shek himself, it is merely one of the unimportant outposts which, along with others of its kind, he should have vacated in 1955, but didn't. Is this piece of triviality now to be made into another world crisis and bring a weary humanity once again to the brink of war?

China, in pursuance of its not unnatural policy of "liberating" the remainder of its traditional territory, has, it is true, been shelling the island with varying intensity for the last fifteen days; and has indeed made an extravagant amount of fuss over what could have no doubt been made a quiet and small operation—a rather significant fact which may quite easily mean that Mao Tse-Tung is merely stepping up the psychological warfare against Taiwan rather than firing shots for the invasion of Formosa itself. Nevertheless the familiar power alignments have quickly moved into position and created in Formosa the fullest possible potentialities for a global flare-up. America, of course, has moved in physically; the Chinese are already

United Nations



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giving battle and trying to cut off the enormous Nationalist forces committed to Quemoy; Russia has warned that it will be ready to intervene on behalf of Peking as soon as that becomes necessary; and, after a short period of non-committal silence, Britain has obediently fallen in line with the United States. The fingers are, so to speak, poised on the trigger: will they pull it?

In spite of impressive evidence to the contrary, it fortunately still appears that they cannot. President Eisenhower has gone pretty far in defining what he considers to be his country's involvement and commitments in the area, but not far enough to make it clear that even for so small a trophy as Quemoy he is willing to plunge himself and his allies into a possibly dangerous collision with the whole of the Communist world. He has left the question of direct United States intervention in Quemoy ambiguous and, one can only think, deliberately so. If that surmise is correct, then all the loud words being thrown at Mao and all the new jets being based on Formosa are just the American part of the psychological war, in addition, of course, to being a serious warning to Peking to keep well off Formosa.

The same, no doubt, goes for the Soviet Union. It was inevitable that it should have spoken up emphatically in support of the Chinese People's Republic and given utterance to the usual threats; but it certainly is difficult to believe either that Mr Khrushchev has assured Chairman Mao that Russia would be willing to risk a world war over tiny Quemoy, or that Mao would himself be expecting such an unconditional support from Moscow. The ingredients of conflict being fully present in one spot, it is of course possible (though hardly probable) that developments could cause a disastrous drift towards war; but, as things now stand, it seems fairly reasonable to assume that there is no real danger in Formosa as long as Mao stays away from its own door.

Votes in the Bag

GENERAL de GAULLE's tour of French Africa has assured him the colonial support he needs for the successful passage of his constitution at the forthcoming re-

ferendum. Significantly, however, the muted approval with which he was first greeted on African soil broke out into enthusiasm only after he had categorically declared that any colony which so chose could step out of the "French community" he was proposing, and opt for complete independence. Only in Dakar (where the implication of this offer being coupled with the threat of economic sanctions against the seceding colony was best understood) was the General actually booed into silence. Most other territories in French North and Central Africa and Madagascar seem unwilling to be cut off from the purse-strings of Paris at this stage, though, of course, they all insisted that the door to full independence should be left ajar in the constitution for possible use in the future.

The General hopes, no doubt, that his threat to cut off financial aid to any territory that chooses secession will hold good for all time; but such a hope is exaggerated. The fear of economic difficulties cannot hold back the urge for freedom indefinitely; and sooner or later French African leaders are bound to realise that there are other sources of aid besides France — and, ironically, that France may itself be very anxious when the time comes, to try and make these other sources superfluous by making its own money available. De Gaulle's attempt at blackmailing the French colonies into continued "association" with France cannot succeed for ever.

What of Algeria? The constitution now proposed is obscure on the point — with the intention, presumably, of keeping hope alive in both the opposing factions. In the result, however, both are suspecting the worst. The French settlers have, it appears, suppressed their antagonism to the constitution for the time being, but only because they wish to give the General the benefit of the doubt and a chance of enforcing "integration" once the constitution has made him all-powerful. If the General continues to disappoint, the Public Safety movement is still capable of intransigence in the future.

The Algerian nationalists have expressed their disapproval of the proposed constitution in a more

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dramatic way — by extending their activities right into the heart of France itself. A systematic campaign of violence seems to have been opened by the local Algerians in Paris and other places. An enormous oil refinery near Marseilles has been set on fire and crude bombs thrown in the streets and triggers pulled of one gun after another. The campaign, intended to force the Algerian war on the attention of the Frenchmen, may easily have the opposite effect of alienating sympathy from the nationalists. But in the meantime the Fifth Republic is in a tight spot. The activity of 40,000 Algerians inside the country cannot be completely controlled or curbed except by mass deportations back to Algeria, and that cannot be undertaken without making nonsense of the sacred principle of integration and France's one-ness with its "overseas territories".

Race Riots in Britain

THE press in South Africa, where the supremely fanatical Dr Verwoerd has just come into power, has been taking a perverse pleasure in gloating over the news of the unfortunate riots which have shattered the peace of the Notting Hill area of West London this week. The expectation is that Britain would henceforth stop taking a lofty attitude on South Africa's racial troubles. In point of fact, the position in the two countries does not even begin to compare with each other. Race prejudice is, of course, by no means unknown in England; indeed the present flare-up shows it up to be quite a force in some parts of the country. Nevertheless the riots are not anywhere as grave as those which habitually occur in South Africa. The essential difference between these isolated instances to Britain and the normal state of racial tension in the land of apartheid is that there is no legal or moral sanction behind the British prejudice. No law in Britain sanctifies racialism, while the entire government of South Africa is built on race hatred and segregation.

The London riots will inevitably revive the controversy of coloured immigration into England, and there will be demands for controls to restrict and regulate it in one way or another. But Mr Macmillan would be well advised to resist all

THE ECONOMIC WEEKLY

such demands; for, as the liberal 'Manchester Guardian' pointed out on Wednesday, as long as poverty and unemployment drive the coloured people from their colonial homes to seek a living in Britain, the British Government cannot morally shake off its obligation to admit them.

Who Is to Blame?

ONE is alike amused and saddened by the conclusions that the General Managers of Indian Railways, meeting in Delhi last week, have reached on the prime cause of recurrent accidents, and the stringent measures they propose to take now. Nearly 50 per cent of the more serious mishaps occurring since 1941 have been put down to failure of the railway staff, who, it would seem, neither lacked knowledge of the rules laid down, and the instructions given, for safe working nor evidently the necessary facilities for ensuring it. The tracks and bridges have been honourably exonerated and even certified 'satisfactory'; and as there is no mention of the overworked rolling stock, it is perhaps to be presumed that no blame attaches to that quarter either. Anyway, the only culprit that is presently exposed to public censure is the railwayman. Laxity, indifference, indiscipline and mental aberration are some of the epithets of inadequacy and imperfection hurled against him; and the indignant General Managers, we are assured, have returned to their respective seats of authority, 'duly armed with wide and unrestricted powers to deal almost ruthlessly with the defaulters regardless of their rank or status'.

The reference to 'rank or status' and then the assurance of the Rail-

way Minister and the Railway Board that neither Ministerial nor administrative obstacles would come in the way of the General Managers dealing effectively with erring staffmen, would make one wonder whether the defaulters, publicly arraigned, do not belong to the higher and more influential categories of service rather than to the humbler ones. This, if true, would put an entirely different complexion on the whole affair. Even otherwise, it is painful to infer that it is not so much the lack of authority as the fear of possible Ministerial or administrative interference that should have inhibited disciplinary action against erring officials in the past — and led in the end to so much grievous loss of life and property through a succession of accidents. In the economic milieu of poorly paid workers in the lower rungs of service, manifestations of laxity, indifference, indiscipline and even mental aberration, however deplorable, would nevertheless take on a more understandable significance than in the case of better-paid higher officials. If it should be that it is the latter who are generally at fault, then there must be something seriously wrong with the entire administrative set-up of the Railways. If, however, it is the former who are to blame, then there is perhaps as much to be said for giving prompt and adequate attention to the economic and other factors that give rise to the evils as for dealing ruthlessly with the external symptoms.

Meanwhile, it may well be asked whether it was so much the lack of disciplinary authority in the past as the arbitrary exercise of that authority over the more helpless that gave rise to the conditions in which the evils, duly castigated in

public now, thrive. Indifference, indiscipline and particularly mental aberration may as often be the offspring of excessive disciplinary power, arbitrarily exercised, as of inadequate authority weakly wielded. In the circumstances, the powers now vested in the General Managers, unless desperately required by the situation and unless assured of fair and wise use, may be a cause of aggravation rather than of improvement. In a thorough search for the basic factors contributing to railway accidents there is justification for asking why the element of human failure, so confidently blamed now, should have started manifesting itself so blatantly only after 1941? Has it something to do with the unprecedented stress and strain to which the rolling stock and the railway personnel were subjected during the war years—a load which has been increasing rather than decreasing since then? Have the key technical men always enough facilities for rest and relaxation between rounds of high-pressure duty? And may not mental aberration be a sign of heavy strain rather than of sheer waywardness?

Erratum:

In the review article "Restriction through the Backdoor" by R K Hazari in the issue of August 30, 1958, the first table in column 2 on page 1129 should read as follows:

Unsold Stock as Per Cent of Monthly Production		May 1956	Sept 1956	Dec 1957	April 1958
Coarse	35	26	103	116	
Medium	25	46	104	73	
Fine	22	45	103	59	
Superfine	12	47	96	67	
Total	57	65	154	119	



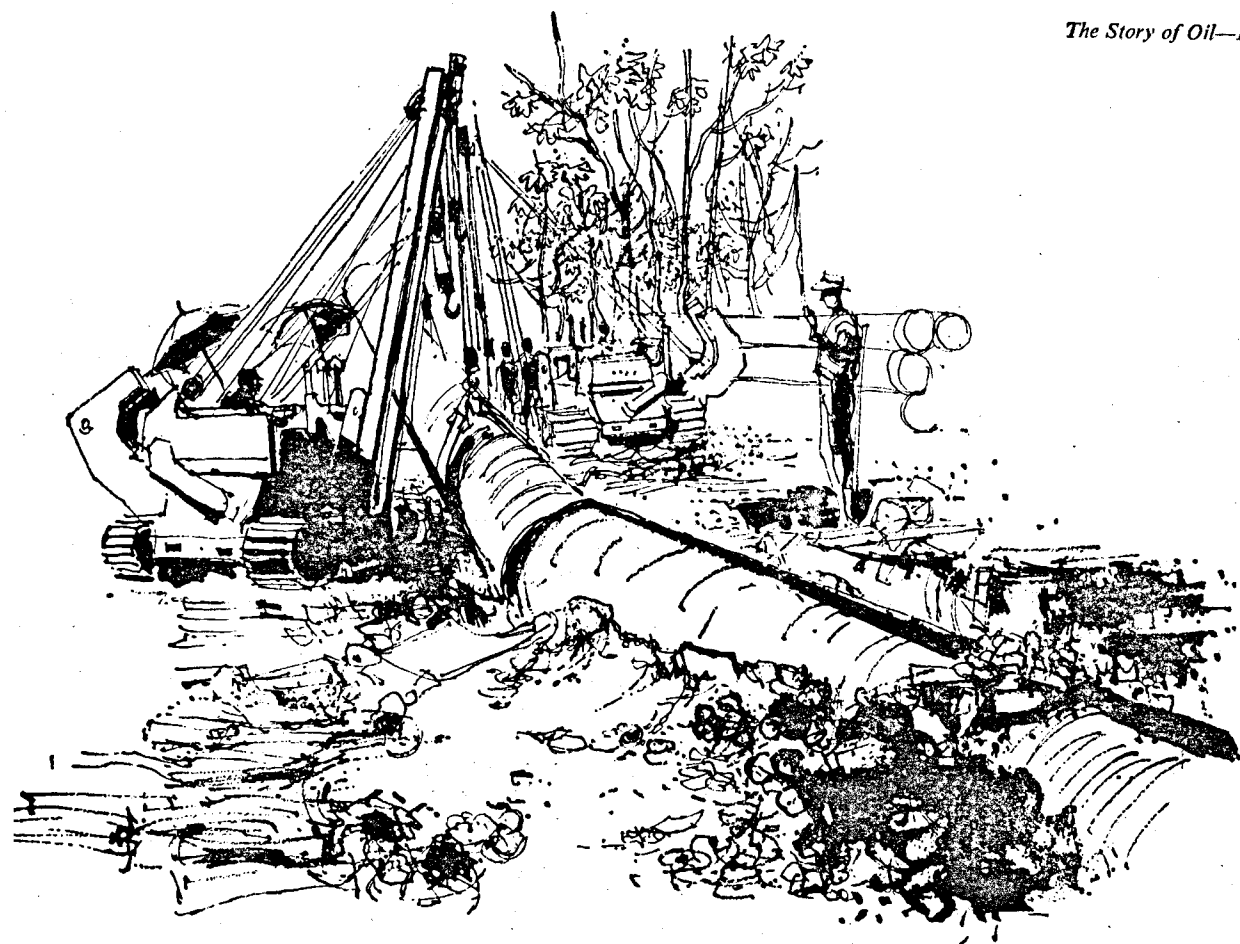
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The Story of Oil—10



Pipe lines for oil

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The work of laying a pipe line to move crude oil from the wells of an oilfield to the tanks, columns and towers of a refinery begins with the mapping of a suitable route by surveyors and engineers. Then right-of-way men travel the route securing permission to lay the line across the land, and close on their heels come bulldozers and trucks to clear the right-of-way of trees, rocks and other obstructions.

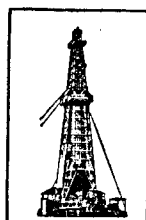
Now the ditchers work on the line, digging out a trench of the correct depth and width and dredging a channel in the beds of rivers. Trailers haul the pipe from the nearest rail head, and when the sections are strung out along the

ditch welding crews move along the line to join them together.

Next a mechanical wrapper bandages the pipe from end to end with protective bitumen, glass fibre and felt, and when this is done tractors swing the line into the ditch. Bulldozers shovel the earth back into the ditch, and in a short time you would never have guessed the line was there.

The oil is pushed through the pipe line by powerful pumps in stations built at various points on the route. And once on the move (at a steady three miles per hour) the flow does not stop.

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Choice of Technique A Question of Data

SO much has been written in course of the last few years in the 'Economic Weekly' alone on the problem of technological choice, so much has been repeated, so many problems discussed threadbare and reopened without taking into consideration earlier discussions—despite Mrs Robinson's complaint about it in a letter published in this journal about a year ago—that I apologise beforehand to readers for possible deepening of confusion by my contribution. S M in his letter published in the issue of August 16 raises a point about the relative suitability of assuming capital as given and output as given, which in my opinion is so important that I seek your indulgence for placing before the readers certain arguments which I partly used in an article published in this very journal in May 1956 and later developed into a paper published in 'Arthaniti' Vol I No 2.

(1) Most contributions to the controversy leave it vague whether reference is being made to the whole economy or to just one industry. One presumably thinks of the entire economy when maximisation of output or of the rate of growth are considered. It is important to realise that results obtained with reference to the entire economy are not reproducible with respect to individual industries even if the criterion remains unchanged. That is, if say, for the maximisation of the rate of development of the economy, it is found that that set of techniques should be used which maximises the overall surplus in the economy, it does not mean that in choosing techniques for individual industries one should go for techniques which would maximise the surplus produced by that particular industry.

(2) S M raises the question as to what ought to be regarded as given—a fixed amount of capital or a fixed level of output set as target by the planners? Now whether one thinks of individual industries or of the entire economy, it is not possible to regard either as given. Confusion on this point arises when

one neglects the time factor. For the planner working, say, in the year 1958, only certain fixed conditions as obtaining in this particular year (among which is the stock of fixed capital) can be regarded as given. But he is planning for several years together. He cannot just set production targets on the basis of estimates "of the economy's requirements" as suggested by S M. Production targets in 1963, say, cannot be independent of the capital, fixed and variable, that will be available in each of the years falling between now and 1963. Capital available during these years are also in their turn dependent on the output levels of each of these years. The two are interdependent. There are alternative possible combinations, each of which must satisfy certain consistency conditions and must be realisable from the given initial conditions.

(3) Neglect of the time factor, also permits the use of certain ratios which, on examination, turn out to be indeterminate. Thus one talks about maximising output or maximising surplus. But output or surplus of which year is to be brought in relation with the total investment of, say, year 1958? Investment carried out this year in Ambar Charkhas will have output and surplus (probably negative) from this year itself. Investment carried out in agriculture in the form of initiating large river valley projects will not probably give rise to any increase in agricultural yield or in surplus from agriculture before 1965 or later. While it is easy to conceive of capital-output ratios and capital-surplus ratios for individual industries, these ratios can have meaning for the entire economy only if capital, output, and surplus be considered with reference to a period of some length. We have however seen that neither output nor capital over the different years of the period can be regarded as given.

If the points made above be not incorrect, it would seem that from the planning point of view there is only one fruitful approach to the problem of technological choice—

one that may be termed operational. It gives up once for all the attempt to obtain varying "criteria" corresponding to varying objectives with which to choose a priori the techniques to be used in different industries. On the contrary it involves the calculation of alternative possible plans based on different possible combinations of techniques each conforming to the given initial conditions and the choice of the one best corresponding to the plan's objectives. I repeat that this is what I consider the operational approach to the problem. I would like to understand the use of the "accepted economic criterion" of minimum cost as suggested by Professor Dasgupta from the point of view of this approach but I have too much deference for him to form in haste any conclusions of my own. Would he kindly indicate whether his criterion can be applicable in the set up in which I have posed the problem? To what should cost be referred, when nothing but the initial conditions are given? Surely one cannot think of comparisons with Marshall Plan funds in this connection? Marshall Plan provided capital in lump sums and one was interested, because of the special urgency of the situation, only in immediate results. When considering economic growth of a country, it is the long term result that is of greater interest.

A Rudra

August 29
Trivandrum.

"Make Railways Pay"

IN your editorial of August 23, "Make Railways Pay", you state that the Government's decision not to raise railway freight rates sufficiently to cover full costs was "obviously influenced by the need to avoid any action likely to exert inflationary pressure on the economy." If this is true, then the Government is guilty of some very fallacious and shortsighted economic thinking.

It is certainly correct that an increase of freight rates will raise, sooner or later, the selling prices of

rail-transported goods; in this effect such an increase is exactly the same as an equivalent per unit rise in any element of costs. But the ultimate percentage rise in the general price level of the economy will be a great deal less than the percentage increase of rail freight rates. While this "great deal less" depends upon a number of things (such as demand conditions and the relative importance of rail costs in those industries which transport goods, degree of "pyramiding" of mark-ups, and the relative importance of long-hauled goods in the economy), I think it safe to conclude that the effect of a small increase in rail freight charges upon the general price level will be almost negligible. (And, of course, if no rise in the prices of certain goods is acceptable to the Government, an offsetting subsidy will serve).

Still, as far as it goes, the Government's reasoning is correct: some inflationary pressure is exerted. But, to go a step further, what is the cost of the alternative? The railways must be operated at a loss (or without proper maintenance, which will merely postpone the inflationary pressure into the near future). How is such a loss financed? Through an increase in the Government deficit. And this will also exert an inflationary pressure on the economy—a pressure much greater, I suspect, than the appropriate rise in rail freight rates.

Thus, the Government seems willing to permit a further increase in its annual deficit and (eventually) in the public's money holdings—two of the most powerful inflationary forces known to man—simply to avoid the slight inflationary pressure of freight-rate increases. It reminds me no little of the "certain municipality", made famous by Sir Dennis Robertson, "which tried to guard against a shortage of cabs by ordaining that there should always be at least one cab on the ranks."

Richard C Porter
Department of Economics,
University of Bombay,
Bombay 1.
September 1.

ESSAY COMPETITION

THE Trustees of Shri Pranlal Devkaran Nanjee Smarak Fund have decided to offer this year a

prize of Rs 1,001 for the best essay on the subject "Sources of Finance for the Private Sector—Internal and External". The essay should critically and realistically examine the various sources—internal and external—from which the private sector can meet the demands placed upon it under the Second Five-Year Plan, and the future plans. It should also indicate how much can be obtained from each source and how the existing sources,

internal and external, can be strengthened and new ones created.

The competition is open to all. The essay should be typed double space on 11" x 9" size paper and submitted in triplicate, not later than the December 31, 1958.

The Trustees have appointed Shri M A Master and Prof D T Lakdawala, Ag Director and Professor, Department of Economics, University of Bombay, as judges.

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From the London End

Ghana — the Maturing Reality

EVER since March 1957, when Ghana emerged as the first independent Black African state of any significance, under the leadership of Dr Kwame Nkrumah, much has been heard of the assertion which the 'African personality' will make in world politics and of the apparent distinctiveness of the African approach to international questions. Dr Nkrumah's strivings for closer relations among the free states of Africa, recently crowned by the very successful Accra Conference, are certainly worthy of note, and there can be little doubt that these strivings will, in course of time, have an impact on world problems. The accord reached at Accra had an implication similar to that of the Bandung Conference of 1955, though not of the same magnitude. Dr Nkrumah is now planning a conference, again to be held in Accra, of representatives of the national liberation movements in the various African colonies.

Pan-African Movement

Behind the many assertions of the African 'personality' there exists a mode of political outlook, which though distinctly anti-colonialist in character, strongly savours of isolation from the mainstream of world politics and economics. It is known that Dr Nkrumah during his early period of political education and preparation in London had come under the influence of the 'Pan-African Movement'. The objects of the movement were to inculcate the essential unity of the African peoples, their supposedly common origin and common problems. Within the same structure of belief, however, the movement held that Africa was a problem distinct and separate from that of other parts of the colonial world.

The Pan-African movement is of long standing. It held a conference in 1919 widely representative of the African nationalist movements, which in those years was led by the prominent Negro educationist, Dr Du Bois. It then sought to make its influence felt on the Peace Settlement after the First World War and in particular on the Great Power arrangements to share defeated Germany's African colonial interests. The movement later be-

came insignificant, but now with a free Ghana under the leadership of Dr Nkrumah a strong revival appears in the offing. What is important to note here is the manner in which Dr Nkrumah's external policies and pronouncements have been infected by this background. Accra is certainly being built as the centre of Black African nationalism.

Potential Sphere of Conflict

There is, of course, an important development that has to be noted. Africa has emerged as the next most potent sphere of international conflict and discord. As the old system of colonialism disintegrates in most parts of the non-African world, the problem of African colonialism jumps to the fore, ripe for solution. This is certainly on the agenda as one of the most acute and pressing problems and there can be little doubt that the European colonial powers are fully aware of this fact. To them, therefore, the crucial aim is to seek solutions which do not involve the African question becoming an international one in much the same way as the Asian question became after the Second World War.

In so far as the Western Powers are able to work out and maintain their solutions for Africa's problems outside the compass of world politics, they would continue to have a place on that continent. And therefore there is a certain element, no doubt an accidental one, of accord between this possible Western approach and that of the aims of the Pan-African movement. For, one can now ask with a certain amount of justification, does not the claim of the existence of a purely African approach remove Africa from the positive influences of Bandung and divert African nationalism into channels wholly different to that which the colonial and emergent peoples are taking today in other parts of the world?

Dependence on Britain

The attempts of Ghana to occupy a position of prominence and influence on the African continent is, of course, well justified—it was certainly a moment of extreme importance for African history when

the people of Ghana became free and independent. But as the first flushes of independence pass and the realities of power in Africa become visible, the limitations to the continued pursuit of an active policy by Ghana takes almost the character of a cold douche. For Ghana, in essence, is still heavily dependent on Britain. This dependence is, to some extent, political but to a greater extent, economic. It is only when there is complete extrication of Ghana from this dependence that the active policy which Dr Nkrumah nourishes may find a ready place in African politics.

Britain has been living under a gnawing anxiety these last few years in regard to its position in Africa. The gradual dismantling of Western position in the Middle East and the increasing friendship between Egypt and Russia is seen in Britain not only in terms of oil but as opening a possible land route for Soviet penetration into the African continent. The statements now being made on the future of the 'Horn of Africa', Somalia, when the United Nations Trusteeship ceases in 1960, reveal most clearly the British policy to continue to maintain Africa as the 'dark continent' outside the full purview of international problems and sealed in some way from Egyptian and, hence, Soviet influence.

Relations with Israel

It is here that Ghana has found itself edged into a confined sphere of activity. Apparently Britain had sponsored the now highly developing Ghana-Israel relationship. Indeed, no country in the Afro-Asian group possesses relations with Israel as developed as that of Ghana. And it is now reported that President Nasser, well aware of Britain's policies, had made the somewhat pregnant point that Israel had yet to establish itself in front of Egypt, and had done so behind Egypt.

Cordial relations with Israel are now found to have a severely circumscribing effect on the growth of Ghana's relations with the North African Arab states and with the United Arab Republic. Political and economic relations with the

free nations of Asia are yet to be developed. No doubt on the advice of the United Kingdom, the response of Ghana to the Soviet application to open an embassy in Accra remains cold. The choice of Cairo as the venue for Dr Nkrumah's announcement of the intention to establish a republic in Ghana on the Indian model was unwise in the extreme. It not only provoked the severest expressions of British displeasure, including an implied threat that the Queen would cancel her intended visit to Ghana, but forced on Dr Nkrumah a wordy retraction when he got back home.

Development Plans

All this is to suggest that in reality, the African scene is still dominated by the European colonial powers and that Ghana, a small state both in resources and people, is now beginning to appreciate this reality. This appreciation is however strongest in matters of economic relations. The leaders of Ghana, with a slender understanding of the processes of economic growth and of the problems of converting a virtually one-crop economy into a diversified one, had at a very early stage pinned their hopes with pathetic confidence on the Volta River project for the mining of bauxite and the generation of electric power. They found it impossible to understand why British and American interest in the project evaporated all of a sudden, and there is now a feeling that the American agreement to make another survey of the power generation side of the project was no more than a demonstration of sympathy rather than support for the project. More important, the early belief that the £200 million of sterling balances in the name of Ghana were freely available for expenditure has now been dissolved by the firmness which Britain has shown over the drawing rights on such balances. The gold reserve which the new Ghana central bank wishes to acquire cannot be now obtained by sales of sterling — it is being accumulated from the local gold production in Ghana.

The first development plan for Ghana, which covered the period 1951-57, involved a limited expenditure of £120.4 million on projects of purely social services and communications. There followed a two-year 'consolidation plan' spread

over 1957-59, estimated to cost £18.6 million. More recently Dr Nkrumah has spoken of a five year plan to follow, in which the productive facilities of Ghana would be expanded to the value of £100 million. But this appears to be no more than a hope. The latest Economic Survey, coming no doubt from the pen of Professor Arthur Lewis, speaks of the considerable lack of detailed understanding as to what branch of the economy should be developed and of the appalling extravagance of various Government departments. The rifts in these matters must have been sharp for it is now reported that Professor Lewis is relinquishing his post as Economic Adviser to the Ghana Prime Minister.

The desire for economic change in Ghana is however well justified. There are few countries in the world that are so heavily dependent on one single commodity and in the exports of that commodity. But the absence of any serious assess-

ment of the nature of planned economic development and of the initiatives necessary from the State in this regard makes it difficult to see how Dr Nkrumah hopes to achieve what he roundly terms the 'diversification' of the economy. His heavy reliance on the possibilities of Anglo-American private investment is certainly doomed to failure. Over 75 per cent of the non-cocoa exports of Ghana remain in foreign hands and much of the distribution of goods and services within the country is controlled by a single British firm. Little or nothing is contemplated to bring about the type of changes in these fields which would be conducive to economic development. The coming visit of Ghana's Prime Minister to India may very well afford an opportunity for Dr Nkrumah to see the great need for an ideological approach to economic planning in spite of all the travail and disquiet it may bring in its train in the short run.

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The Indian Railway Freight Structure

Hannan Ezekiel

THE Government of India's decisions on the recommendations of the Railway Freight Structure Enquiry Committee were announced a fortnight ago by the Railway Minister, Shri Jagjivan Ram. This Committee under the Chairmanship of Dr A Ramaswamy Mudaliar had been appointed in 1955 to review the existing railway freight structure in all its aspects and to suggest what modifications should be made, "bearing in mind the needs of a development economy and the necessity for maintaining the financial stability of the Railways." The report of this Committee* is a comprehensive document analysing the problem in all its aspects after presenting a historical review of the evolution of the freight rate structure in India. The report was submitted in April 1957 and the Government of India has taken nearly a year and a half to announce its decisions on the recommendations of the Committee. It is clear that the recommendations of the Committee have been subjected to very careful scrutiny for not all the recommendations have been accepted. The final form which the railway freight structure will take from the 1st of October this year is, therefore, not merely fundamentally different from that which is in existence at present but differs also in many respects from that recommended by the Mudaliar Committee.

In any discussion of the railway rates, two questions invariably present themselves. First, how high should the general level of rates be maintained? Second, what should be the pattern of distribution of rates by commodities, distance and size of consignment offered?

'Reasonable' vs 'Adequate'

As the Railway Minister put it in the statement laid by him on the table of Parliament, one of the basic objectives of any railway freight rate structure should be to ensure that the railway revenues

are reasonable and adequate. Presumably by this is meant that the level of railway rates should be reasonable from the viewpoint of commercial and industrial interests in the country while at the same time being adequate from the viewpoint of the railways, which have not merely to meet their current costs and obligations but have also to provide for expansion in a developing economy. The apparent contradiction between "reasonable" and "adequate" disappears, however, when it is appreciated that the commercial and industrial interests stand to gain in standards of service from the success of any railway system in meeting its current costs and liabilities from revenue and earning surpluses for financing expansion. This is true not merely when the railways are privately owned, when financial stability is the determinant of further expansion, but even in public enterprise in a developing economy where inadequacy of developmental resources is always a problem.

The Railway Freight Structure Enquiry Committee has stated that in determining the appropriate general level of rates it has been guided by the fact that if the financial stability of the railways is to be ensured and the railways are to be enabled to play their part by carrying the additional traffic that will be forthcoming during the Second Plan period, revision of the existing level of railway rates in an upward direction is inescapable. After a careful examination of the trends in costs and traffic, the Committee has recommended a level of rates which would yield an additional revenue of 12.9 per cent over that obtained at existing rates.

General Level of Rates

Chapter V of the Committee's Report is devoted primarily to the level of rates. The Committee's conclusions are based on figures of revenue and expenditure supplied by the Railway Board, suitably modified, the object being to assess the level of rates necessary to enable the Railways to cover their own current costs and provide the necessary surplus for financing expansion. The Railway Board esti-

mates were prepared on the basis of the level of freights and fares in 1955-56 without taking into account the supplementary charge of 6¼ per cent levied in 1956-57, but taking into account the additional traffic which would be carried as a result of the Second Five Year Plan and assuming a ten per cent improvement in efficiency. The Committee has pointed out that the Railway Board had based its estimates on the assumption that the average distance over which the various commodities move (technically known as the lead) will remain more or less constant, whereas the average lead is tending to increase as shown by figures published by the Railway Board from year to year.

The Railway Board had also assumed that the average earnings per ton mile would remain unchanged, whereas the character of the development envisaged during the period of the Second Plan would indicate an increase in the proportion of the low-rated traffic like coal, ores, limestone, cement and agricultural products and thus a lowering of the average earnings per ton mile. In spite of these criticisms, however, the Committee accepted the Railway Board figures in this respect. The Committee's modifications of the Railway Board figures were, therefore, based on the need to make higher provision for depreciation than is being done at present and to allow for the higher price of coal and the increases in other costs due to inflationary trends.

Provision for Depreciation

The Railway Depreciation Fund was instituted only in 1924. No provision, however, was made at the time for arrears of depreciation upto that point of time. Depreciation contributions during subsequent years have been calculated on the basis of original cost and have no bearing on the replacement costs of these assets today. The difficulties which arose at the end of the Second World War as a result of this procedure induced the Government to enter upon certain ad hoc arrangements in 1945. Under this arrangement, all expenditure

* Report of the Railway Freight Structure Enquiry Committee 1955-57, Government of India, Ministry of Railways.

REPORT ON DALDA... 2

*Its place
in Nutrition*

Like so many modern consumer products that have become trusted essentials of daily life in the average Indian home, vanaspati is now firmly entrenched in thousands of kitchens and shopping lists. By far the most widely used vanaspati is DALDA—the familiar yellow tin with its palm tree emblem is recognised by seven to seventy-year-olds throughout the country.

However, where other modern household aids have been accepted and used with enthusiasm, vanaspati was given a mixed reception. In a land where ghee has traditionally been synonymous with the purest of foods, it is not unnatural that vanaspati should have been regarded as a newcomer with pretensions. On the other hand, we have been cooking quite happily with various unrefined vegetable oils for several centuries!

Prejudices against vanaspati though strong, were also vague. Somebody's cousin's nephew's wife had complained of a tickle in the throat. Somebody else had been told that food cooked with vanaspati is indigestible. Somebody else again was sure that it was not good for the eyes, and so on. Nobody seemed to have had actual experience themselves, yet they were convinced that a variety of ailments from baldness to ingrowing toenails could be blamed squarely on vanaspati.

Questions were asked in Parliament, and the Prime Minister's reply set many minds at rest. "Government are quite clear and convinced," he said, "that the use of vanaspati is not harmful to health."

DALDA and the daily diet

Fats are an essential constituent in the daily diet of vegetarians and non-vegetarians, and benefit the system in numerous ways. They are a rich source of energy, providing $2\frac{1}{2}$ times as much as wheat or rice. They build nerve and brain tissues, set up reserves against hunger, illness and cold. Fatty tissues in the body form buffers that protect delicate organs against injury. Without a daily intake of fats, our digestion would be impaired and proper utilisation of other foods retarded. This is why the Nutrition Advisory Committee of the Indian Council of Medical Research has

recommended at least 2 ounces of fats per day for both adults and growing children.

Made from refined vegetable oils, DALDA Vanaspati is hydrogenated and deodorised, with a pleasant semi-solid form. Its calorific value is high, yielding 250 calories per ounce, equal to that obtained from the best ghee.

DALDA and vitamins

Because the intake of milk and milk products is so low in India, the daily diet of lakhs of people is deficient in Vitamin A, resulting in certain widespread deficiency diseases.

Vitamin A promotes healthy growth, protects the eyes and keeps the skin clear. About 4,000 International Units of Vitamin A per day are necessary for general well-being.

Vitamin D, also essential for sound growth, keeps bones and teeth strong. Lack of this vitamin results in rickets in infants and children, and softening of the bones in adults.

The Food Fortification Sub-Committee of the Indian Council of Medical Research had recommended that vanaspati should have 700 International Units of Vitamin A added to every ounce—as much as good ghee contains. DALDA is enriched with 700 I.U.'s of Vitamin A and 56 I.U.'s of Vitamin D per ounce. DALDA Vanaspati is not merely a substitute for ghee, but an alternative cooking fat that is nourishing and wholesome.

DALDA and quality

DALDA is made strictly according to Government specifications. The standard of quality adhered to in the manufacture of DALDA is high enough to compare very favourably with that of processed cooking fats used extensively in the United States and Europe for cooking, baking and spreading on bread. DALDA's low melting point enables it to be easily digested and utilised by the body.

DALDA admirably fills the gap so often left in a diet lacking in essential nutrients like vitamins and fats. Hygienically packed in sealed tins, DALDA Vanaspati comes fresh and wholesome to the kitchen, and forms a valuable part of healthy, balanced meals.

for the replacement of an asset in excess of its original cost was charged to current working expenses; the difference between the original cost of the asset and the actual accumulation in the Depreciation Fund was charged to the Reserve Fund, and the rest of the replacement cost, of course, came from the Depreciation Fund itself. In 1949, it was found that withdrawals from the Depreciation Fund on this basis were running at the rate of Rs 30 crores per annum against the annual contribution of Rs 11.5 crores, so that the entire Fund would be liquidated by 1953. The Depreciation provision was, therefore, raised to Rs 30 crores. From 1954-55, this contribution was increased to Rs 45 crores annually, at which level it remains till today.

The Mudaliar Committee has expressed the opinion that while this provision might have been adequate in 1954-55, the additions which have been made to the assets of the Railways since that time and further additions which are envisaged under the Second Five Year Plan would make it entirely inadequate. The Committee has certainly not taken any extreme view on this question, having rejected the suggestion that the Railways should make provision for depreciation to the extent permitted under income tax rules to ordinary commercial concerns. "We have taken as our starting point", says the Committee, "a provision of Rs 45 crores for assets at the end of 1954-55 and to this we have added, according to the usually accepted lines of railway assets, the amount of depreciation for the assets which will have come into existence year after year subsequent to 1954-55." On this basis, the Committee suggests a depreciation provision of Rs 52 crores during the first year of the Second Plan, increasing steadily to Rs 66 crores in the last year of that Plan. The Railway Minister has not indicated whether these recommendations, very reasonable in themselves, have been accepted.

Rising Costs

The Committee has also made an adjustment in respect of the increase in the price of coal which occurred after the Railway Board submitted its estimates to it. Any increase in the price of coal

had been submitted is, obviously, excluded from its estimates. The Committee has then taken into consideration the impact of inflationary conditions on the Railway Board's estimates. It is interesting to note that the Committee does not examine the impact of price increases on the actual working expenses of the railways but on the replacement costs of depreciated capital assets. It recommends that the excess of the replacement costs of assets over the accumulated depreciation provision should be charged to the working expenses during this period, following the policy adopted immediately after the War. This would affect that part of the Railway Plan—Rs 445 crores out of Rs 1,125 crores—which is meant to cover replacement expenditure.

It was on the basis of revisions of the Railway Board's estimates made along these lines that the Committee came to the conclusion that an increase in rates on the scale recommended by it was necessary. The Committee reported before the Pay Commission was appointed. It is quite likely that there will be a substantial increase in the wage bill as a result of the recommendations of the Pay Commission. The inflationary forces to which the Committee made a reference are not likely to let the ordinary working expenses remain unchanged. The railways consume immense amounts of paper and the costs of paper and printing have gone up sharply. That is only an illustration of how the rising prices in the country will affect the ordinary working expenditure of the Railways, thus widening the gap between expenditure and revenue estimated by the Committee.

Government Decision

The raising of the general level of rates recommended by the Committee was based on this estimate it had made of the probable deficit that would be incurred by the Railways. The Government has decided, however, not to accept the Committee's recommendation to aim at a 12.9 per cent increase in revenue but to keep the objective of increase at only about 4 per cent. Explaining this decision the Railway Minister said, "A reassessment has been made by the Railway Board of the financial needs of railways in the

Railway Board should make available the details of this reassessment of its financial needs so that a comparative analysis may be made in relation to the original assessment made available to the Mudaliar Committee as well as in relation to that Committee's own modified assessment. Without such a detailed picture, it is impossible to judge even in broad terms whether the "upto date" information referred to by the Railway Minister really justifies the reassessment made by the Railway Board and whether that in turn really justifies the toning down of the Committee's recommendation with regard to the rise in the level of rates.

The Railway Minister has indicated that the decision in this connection has been made, "also, having regard to the imperative need, at the present time, to refrain from any measure which may tend to raise prices of commodities unduly." This argument might well have justified a maintenance of the same level of rates as before or even perhaps a reduction of freight rates. If, however, the view is adopted that all current costs must be fully covered by the overall revenues earned from the system and that there must be a surplus to finance expansion, then a correct appreciation of the actual costs incurred by the transport system and a correct estimation of the future trends in these costs is essential. That is why, the figures of revenues and costs on the basis of which the final decision was arrived at should be made available to the public.

It must be conceded that the Mudaliar Committee had referred to the proposed increase in the general level of rates as the maximum that would be permissible and had suggested that any further increases in revenue that might be found necessary should be obtained through increases in passenger fares and parcel rates. The proposed increase in the level of freight rates could, on that view, be considered as the maximum feasible at the present stage, with a margin being left for future increases in rates if found necessary. It must be pointed that the proposed pattern of rates is such that suitable increases could be made from time to time quite conveniently.

The dress of the people...



The pretty Rajasthani women are unsophisticated performers and their art has its roots in the myth and symbolism of India's ancient rural traditions. Their whirling skirts express the gay abandon of their elegant dance movements.

Costumes, whether they are for folk dances or for dainty wear, vary all over the world. Climatic conditions, natural materials available, religious demands and individual ingenuity are some of the factors that determine the dress of a people.

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MAFATLAL HOUSE, BACK BAY RECLAMATION, BOMBAY I.

on to examine the existing rate structure introduced in 1948 and to recommend suitable modifications in it. The 1948 revision had replaced the varying basic rates existing at that time over the different railways by standard telescopic class rates and wagonload scales applicable uniformly over all the Indian Railways on a continuous mileage basis. The terminal, transshipment and other changes were also standardised over all railways with the result that circuitous routing, which was very common at that time, was eliminated.

The 1948 revision of the railway freight rate structure was thus a major step towards simplification and rationalisation of the rate structure, giving for the first time a uniform basis of charge over all railways in the country. Yet, in many respects, the resulting rate structure was admittedly based on compromise rather than principle. Uniformity was no doubt aimed at, but all the theoretical shortcomings were not overcome because too sudden a departure from the rates previously prevailing was not considered desirable. In other words, the railway authorities did not find it possible to completely rationalise the rate structure, the revision in any case having been carried out without any consultation with trade and other interests. One of the admitted faults was that the progression of rates with distance did not appropriately reflect the relative costs of the shorter and the longer hauls; there were in fact only three legs over which the telescopic principle could apply. Another defect was that wagon-load rates were provided for a very small group of commodities, in spite of the fact that there were obvious economies in moving wagon-loads in the case of every commodity.

The 1948 rate structure, which is applicable at present, had 15 classes of commodities, the classification being based upon the transportation characteristics of different commodities—value, bulk per unit, weight, liability for claims etc. The telescopic principle operated through three legs—of 1-300, 301-600 and over 600 miles—with lower rates per mile for the second and third legs. Apart from the 15 class rates there were 13 wagon-load scales applicable only to commodities with substantial social utility and of com-

paratively low value, such as grains, salt, manures and ores. These scales also had three legs, but the legs were of different length for different scales and the taper, though generally sharper than in the case of class rates, differed from scale to scale, so that rates sometimes criss-crossed each other one scale being higher than another at a certain mileage but lower at another. To these class rates and wagon-load scales, the separate terminal short distance and transshipment charges were added.

Integrated Scale

The main recommendation of the Railway Freight Structure Enquiry Committee with regard to the structure is that there should be an integrated scale of rates, covering both class rates and wagon-load

scales, with a regular and progressive increase from the lowest to the highest class through a percentage system with a standard rate base to be called the Class 100 rate. (See Table I) The number of legs being simultaneously increased from three to eight, a more even progression of rates would be achieved over distance than at present. The rates for different legs have been so adjusted as to discourage traffic over very short distances, not to put too much burden on traffic which moves over distances of 300 to 500 miles, and to provide for a comparative and progressive lightening of the burden on traffic moving over distances beyond. It has also been recommended that separate wagon-load classifications should be provided for almost all commodities, the rates for smalls

Table I—Existing Class Rates and Wagon Load Scales and their Equivalent Percentage Classes in the New Structure as Proposed by the Committee

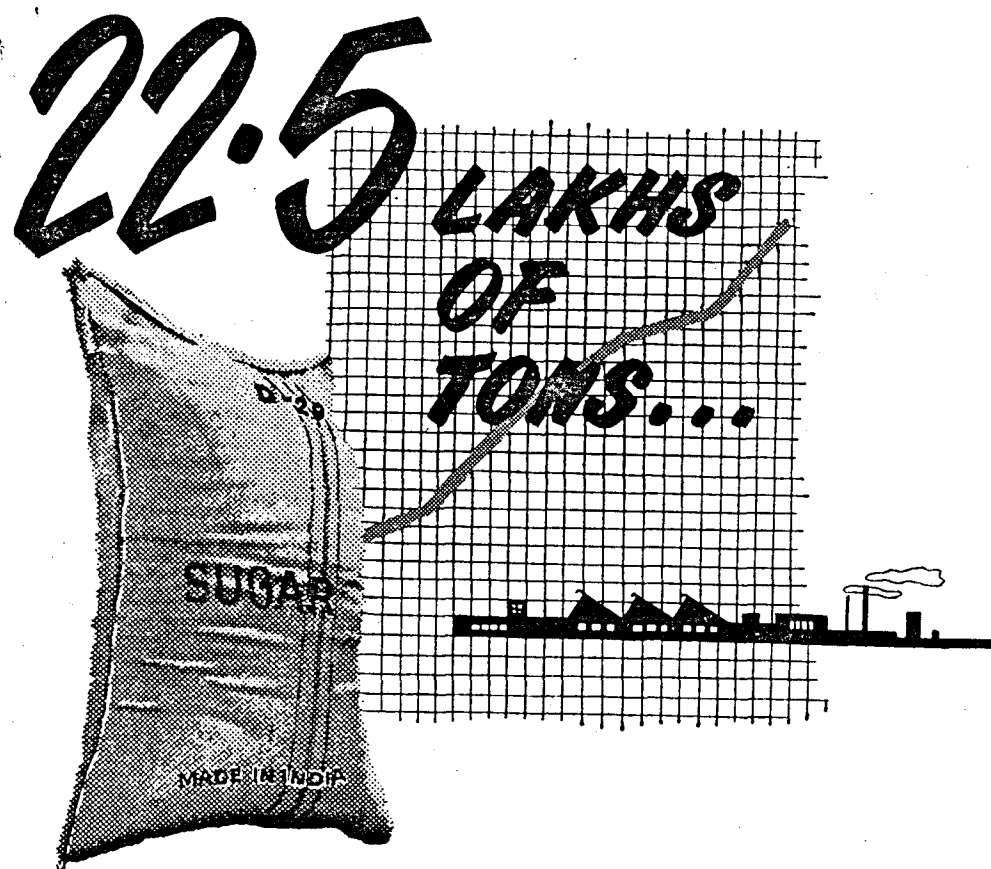
Present wagon load scales	Proposed corresponding percentage class	Present class rate	Proposed corresponding percentage class
WL/A	25%	1 Class	55%
WL/AR	30%	2 "	60%
WL/B	40%	3 "	65%
WL/BR	40%	4 "	70%
WL/C	32.5%	5 "	75%
WL/CQ	35%	6 "	80%
WL/CR	42.5%	7 "	85%
WL/D	40%	8 "	95%
WL/F	40%	9 "	100%
WL/F	45%	10 "	110%
WL/G	45%	11 "	115%
WL/H	47.5%	12 "	120%
WL/I	37.5%	13 "	130%
		14 "	150%
		15 "	180%

Table II—Basic Scales Recommended by the Committee and Proposed by Government

Distance (in Miles)	(Pies per md per mile)		
	Committee's Scale Class 100	Government's Proposed Scales Class 100-A*	Class 100-B†
1 — 25	3.60	3.60	2.60
26 — 75	1.40	1.40	1.25
76 — 150	1.20	1.10	1.17
151 — 300	1.05	1.00	1.10
301 — 500	0.85	0.85	1.00
501 — 800	0.70	0.70	0.80
801 — 1200	0.60	0.60	0.73
1201 — 1500	0.50	0.50	0.55
1501 and over	0.50	0.15	0.15

*Applicable to commodities such as foodgrains, manures, ores, etc for which wagon load scales are prescribed at present.

†Applicable to other commodities.



... target to be reached ahead of time

The last few years have recorded remarkable progress in the Sugar Industry. Production of white sugar in India has been doubled within a period of four years—from 10.01 lakh tons in 1953-54 to 20.26 lakh tons in 1956-57. This expansion has been proportionately greater than in any other established industry. There is now a rising tide in the affairs of White Sugar Industry, which if taken advantage of, would not only lead to further progress but the industry would also emerge as a leader in this commodity in the world market.

With the grant of protection in 1932, the Indian Sugar Industry has grown to become the second largest national industry and is a vital factor in the nation's economy. Its new development will contribute materially to the success of the Second Five Year Plan. There has been a steady increase in sugar consumption too. This phenomenal increase both in production and consumption places the Planning Commission's

second plan-target of 22.5 lakh tons of Sugar out of date and calls for a revision.

Today the White Sugar Industry provides scope for Indian capital investment of more than 100 crores of rupees; it provides employment to over 1,40,000 skilled and unskilled workers and 36,00 university educated men, their total earning representing 5% of the national wages and salaries; it supports 20 million cultivators; it constitutes 12% of the total value of production of major Indian industries; it contributes over 65 crores of rupees (@ Rs. 13.19 per maund) in levies to the national exchequer.

It offers even brighter prospects for the country. With a lighter burden—with some of its present day handicaps removed—this industry can contribute to achieving a more stable national economy. Its upward trend of production can continue to meet the needs of a growing home market and yet leave a surplus for export in order to earn foreign exchange.

Indian WHITE sugar ...

ample for home market—with surplus for export too

1956-57	20.26 LAKH TONS
1955-56	18.62
1954-55	15.90
1953-54	10.01

being higher than the corresponding wagon-load rates by percentages varying from 7.5 to 30 of scale 100. The Committee has recommended further that the existing wagon-load classes and wagon load classes should be equated to the percentage classes in the new structure on a basis indicated in the report, but that this corresponding class should be for wagon-loads or for smalls depending on whether the commodity now moves mainly in wagon-loads or smalls. In this way, the possibility of any loss to the railways from the introduction of wagon-load rates for all commodities would be avoided.

While some of these recommendations have been accepted by the Government, a number of changes have been made even in the broad structure recommended by the Committee. First, the Government has decided upon two scales instead of the one proposed by the Committee. (See Table II) One of these scales would then replace the existing (1948) wagon-load scales and the other the existing class rates. The objective of this change according to the Railway Minister's statement is "to preserve to some extent, the different degree of taper, as at present, in the existing 'wagon-load scales' and 'class rates' respectively." At the same time, the degree of taper recommended by the Committee has itself not been accepted. The revised scales, Shri Jagjiwan Ram points out "avoid substantially both the very steep increases in the freight rates for short hauls and the sacrifice of current revenue for long hauls that would result from acceptance of the Committee's proposals." The justification for departing from the Committee's recommendations in this respect is not very clear. "The shift in the relativity as between the rates for short and long distance traffic was such" says the statement, "as to hamper regional development of industries". The statement goes on to assert that this resulted from the fact that "whereas the taper in the case of wagon-load scales, catering generally to raw materials was proposed by the Committee to be left more or less as it is, that in respect of class rates, applying generally to the finished products, was proposed to be made much sharper than at present".

of reasoning at this point. The increase in the degree of taper for class rate traffic without any change in the degree of taper for wagon-load traffic which would follow from the acceptance of the Committee's recommendations is clearly rectified by the introduction of two basic scales instead of one, to which reference has been made above. The question really is this: given the existence of two different scales for the two types of commodities—those for which wagon-load rates were quoted previously and those for which they were not—in what way would the generally steeper taper recommended by the Committee affect regional industrial development? Two cases can be distinguished. In the first, an industry in a particular consuming centre or region obtains its raw materials from a distance and has also to face competition from an industry established in the raw material producing centre. Given the fact that there are two separate basic class rates and that the percentage classes into which the raw materials fall is generally much lower than those of the finished products, the local industry would clearly gain from steeply tapering rates for the transport of the raw materials without losing much from the higher transport costs payable over short distances on the finished products. It has not to be forgotten that the finished product moving over the long distance from the industry in the raw material centre has to pay a higher total transport charge than the finished product of the local industry whatever the degree of taper.

In the second case, the local industry could be conceived of as using local raw materials. In this case, no doubt any special advantage conferred on it by the distant industry's having to pay the relatively high rates for long distance traffic obtaining at present would have been lost if the Committee's recommendations had been implemented. But this would mean only a slight reduction of advantage, not the introduction of a disadvantage for the local industry.

Short Hauls

The main object of the Mudaliar Committee's proposal to keep the charges for the short distance haul

railways and to encourage it to go by motor transport. It has been frequently pointed out that motor transport has economic advantages in connection with short hauls, while railway transport has such advantages for relatively long hauls. By raising rates for short hauls by railway, such traffic would be encouraged to travel by road. The Railways would thus be relieved of the burden of carrying short distance traffic and could then concentrate on its primary task of carrying long distance traffic. In that way, there would be a degree of genuine coordination between road and rail transport and the implementation of the Plans would be assisted. On this aspect of the question the Railway Minister has made no comment and yet this is the crux of the matter. It is difficult to resist the conclusion that the railway authorities are not yet willing to leave behind them the legacy of the depression years when road competition skimmed the cream of the traffic and this had to be met by various control and other measures. In the circumstances prevailing today, high short haul charges are necessary and the decision of the Government on this question needs to be reconsidered.

The other changes made by the Government in the rate structure recommended by the Railway Freight Structure Enquiry Committee are of a detailed character and though each of these changes may be of vital significance from the viewpoint of particular industries, no comments are possible without a detailed examination of each case separately.

Investors' Encyclopaedia

THE Twenty-first Edition of Kothari's 'Investors' Encyclopaedia' for 1957-58 maintains its past standard of coverage and presentation. The volume has now expanded to 2,481 pages and carries in addition to its usual information, the closing quotations of listed shares on 4th January 1954 for computation of wealth and gift taxes.

The coverage extends over nearly 1,500 companies, including a number of State-owned companies.

Among the other features of the volume are current statistics,

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Retrospect: The Shifting Fortunes of Agriculture The Experience of Less Fully Developed Countries

D R Gadgil

THE term "less developed areas" is frequently used in the United Nations World Economic Survey, 1955. In this publication, the term appears to cover Latin America, Africa excluding South Africa, and Asia excluding Japan. The coverage is indicated in the context of private enterprise economies and does not, therefore, take note of the centrally planned economies. In any general review, China will have to be included among the less developed countries. Detailed information relating to China is, however, scanty and little attention has been given to that country or any of the other centrally planned economies in the following.

Statistical and other data are not readily available for the less developed regions as such. They are usually available for entire regions such as Latin America, Africa and Asia or the Middle East and the ECAFE regions in Asia. South Africa and Japan have properly to be excluded from these regions. However, their inclusion does not greatly affect the broad statistical picture and the data for Africa and for the ECAFE region are presented here without exclusion of the data for South Africa and Japan from them.

The underdeveloped areas of the world comprise countries with an immense variety of physical and human conditions; and it is not possible to make generalisations regarding shifts in agriculture in them. Also, detailed economic information relating to the agriculturists in these regions which will enable presentation of a connected picture of their changing fortunes is not available. Therefore the paper* attempts to frame this picture by examining (i) the regional data for production, trade, prices and terms of trade, (ii) the content and operation of national policies and (iii) the data regarding relative incomes of agriculturists for a number of individual countries.

*Text of the paper submitted to the tenth International Conference of Agricultural Economists, held at Mysore last week. Courtesy: ICAE.

1

Asia (excluding the territory included in the USSR), Africa and Latin America together contain roughly about 70 per cent of the population of the world. In recent years the growth of population in these regions has been rapid, above the average of the rate of growth in the world as a whole. For the period 1951-1955 the world rate of population growth was put at 1.6; the corresponding rate for Africa was 2.0, for Latin America 2.5 to 2.6 and barring one region, viz. South Central Asia, the rate was higher than the world average for all other regions of Asia. (U N: Demographic Year Book 1956. Table A, p 2.) More than three fifths of the people in the world live on farms. In all the more developed countries, the proportion of the population supported by agriculture is less than 50; it is more than 60 in Asia and Africa and more than 50 in Latin America. As a result, more than 80 per cent of the world population supported by agriculture lives in these regions. Viewed as a human problem, the problem of agriculture is essentially a problem of the less developed countries.

Regional Variations

Agricultural production in the world has been increasing side by side with the growth of population. Increase in agricultural production in the post-war period had to make good the ground lost during years of war and also to keep pace with, and outpace, if possible, the growth of population. It was only in 1954-55 that the world level of per caput agricultural production attained the average level of the years 1934-38. Among the less developed countries, productive activity in many countries in Asia, in particular, suffered greatly during the war, and in some of these, conditions favourable for increased production were not established for some years after the end of the war. As a result in the ECAFE region, as a whole, per caput agricultural production in 1956 was still a little lower than that in 1934-38. Latin America has shown a very high rate of

growth of regional population in the post-war period and in spite of continued expansion in agricultural production its per caput level in this region remains below that of 1934-38. In all the regions, the rate of growth of industrial production has been relatively much larger than that of agricultural production.

Rates of growth of total agricultural production and, in particular, the relative rates for food and non-food crops varied greatly from region to region in the post-war period. Food crops have always held a dominant position in agricultural production in all the less developed areas. The rates of growth of food crops have, therefore, moved parallel to those of total agricultural production. In the ECAFE region where the net advance in both food and non-food crops had not been large, the rate of growth was slightly larger in non-food crops than in food crops; in Latin America, on the other hand, the increase in production was mainly reflected in food crops, the growth in non-food crop production being comparatively small. In these two regions per caput food production has not yet reached the pre-war average. In the Near East, the growth in food crops was larger than in non-food, though the disparity in the rate of growth of food and non-food crops in this region was not as marked as in Latin America. In Africa, there was considerable increase in the production of food crops, roughly of the same order as in the Near East and Latin America. However, the rate of this increase was much smaller than in non-food crops, which made remarkably large strides forward in this region during the post-war period.

Relative Prices

International trade in agricultural products declined considerably during the years of war. War conditions also brought about changes in the origin and destination of exports and imports. The most remarkable differences in the situation in 1946 as compared with that in the period 1934-38 were (i) the

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very large increase in the exports of food and feeding stuffs from North America and (ii) the great decline in total agricultural exports together with almost complete cessation of food exports from the ECAFE region. The decline in the volume of the international trade in agricultural products during the war was made good by 1954 and there has been some increase of this trade since that year. The growth still lags substantially behind the growth of trade in non-agricultural products in the post-war period.

The most important shift that took place in recent years in the fortunes of the agriculturist was the recovery of relative prices of agricultural products from the very low level that they had reached in the thirties. All evidence indicates that as a result of this improvement in relative prices farming communities were substantially better off in the years immediately after the war than in the specially depressed years before the war.

Changes in the relative position of the agriculturist may be calculated in a number of ways. One way is to relate movements of farm prices of agricultural products to those of general wholesale prices. Such a comparison points to a general improvement in the post-war period. However, the peak period varies in individual countries from years immediately after the war to the period of the Korean boom. Everywhere the farmer lost ground after the attainment of the peak and in 1954 and subsequent years, his relative position in some countries became as unfavourable as before the war. Data are available for comparing the prices received by farmers with those paid by them in a number of highly developed countries; examination of these reveals the same trends as those revealed by the relation of farm agricultural prices to wholesale prices.

Relations between price series cannot reflect differences brought about by changes in output or unit costs. Direct data relating to farmers' incomes, where available, are, therefore, the best indicators of the fortunes of agriculturists. It would appear from such data as are available in a few highly developed countries that, in these countries, after 1954, growth of output counteracted to some extent

the effects of the continued deterioration in the ratio of prices received by the farmer.

Statistical data for most measurements of relative income and consumption levels are ordinarily not available in the less developed countries. However, such direct or indirect evidence as is available from them points to an improvement in the condition of farmers in years immediately after the war. For example, the All India Rural Credit Survey found two indicators of the relative improvement of the position of cultivators during the late forties. The first was the low level of indebtedness in all surveyed villages in 1951-52 and the comparatively small proportion of debt of many years' standing; the second was the significant volume of net purchases of land made by cultivators from non-cultivators during the year of the survey, i.e., 1951-52.

Terms of Trade

In the absence of more direct data, one of the criteria that may be used for judging of the relative economic condition of agriculturists of certain regions or of growers of certain products, is the terms of trade for agricultural products in international trade. This criterion is specially important for those countries in which the fortunes of the agriculturists depend to a large extent on the production and export of a small number of agricultural products. It is agreed that the purchasing power of agricultural products on international markets declined steadily and was, during the inter-war period, on a lower average level than at any time during the previous half century. The gain in the post-war period was substantial but does not appear to have been maintained or stabilised. What is more important from our point of view is that the changing gains and losses from period to period are spread very unevenly over individual agricultural commodities and may thus bring about varying changes in the fortunes of the agriculturists of different countries.

Some commodities bore the brunt of the fall in prices during the depression of the thirties; movements in the post-war period have also been uneven. A recent examination of the prospects of Latin American trade divides the main agricultural

exports from Latin America into three groups. (FAO: Monthly Bulletin, March, 1958.) The first group consists of coffee, cocoa, bananas and wool. These are products for which there is an expanding world demand and in which prices, though not stable, may be expected to be maintained at a favourable level. The second group consists of sugar, wheat, tobacco and cotton. International trade in these is not expanding and Latin America's increased share in the trade is attributed to special factors such as the non-recovery of older exporters. The current terms of trade for the products of this group are much less favourable than those for the first and the prospects are not very hopeful. Maize and beef form a third group of commodities. World trade in coarse grains appears to be contracting rather than expanding and the prospects of the trade in meat and other livestock products are held to be uncertain, due chiefly to the importance of domestic supply in most importing countries.

Reference may also be made to a statistical examination of changes in the terms of trade and their effects on national income and trade balance in ECAFE countries whose results are relevant in this context. (ECAFE: Economic Bulletin for Asia and the Far East, May, 1957.) The chief of these are that during the period 1949 to 1956, countries exporting mainly primary products enjoyed the larger gains or sustained the larger losses through changes in terms of trade; the chief sources of gains were rubber and certain mineral products on the export side and textiles on the import side. The trade gains for the region rose to a peak in 1951, fell to one-fourth in 1953 and again more than doubled in 1955. Prices of primary exports and gains from trade fluctuated violently; the fluctuations were primarily created by changes in demand for exported products and there was no control in the hands of producer-exporters. These evaluations of future and past situations will make clear why in the agricultural programmes of the less developed countries emphasis is placed, wherever possible, on diversification of agricultural production or on selective expansion.

It is clear that in spite of diversity of conditions certain important

features of the situation are common to a large number of the less developed countries. These are a somewhat slow expansion of agricultural production and of trade in agricultural products, a lowered level of exportable surplus of foodgrains and greater dependence on imports of foodgrains, some correction of the price disadvantage of the thirties accompanied by great unevenness in the distribution of the gains and continued instability in relation to the volume and value of world trade in agricultural products.

II

Acceptance of the need for an active economic national policy on parts of governments of states is an important phenomenon in the post-war world situation. Governments of most less developed countries have become concerned with economic development in the post-war period and are adopting active measures towards bringing it about. In view of the existent dominance of agriculture in these economies, programmes of development naturally emphasise growth of industry and production of energy. However, agriculture cannot escape attention in these plans and policies. The rapid growth of population in these countries renders increased supplies of food urgent. In a number of these countries the first steps in improvement of economic condition of the mass of the people are apt to be accompanied by an increase in the per caput demand for supplies of food. And recent experience indicates the desirability of attainment of relative self-sufficiency in supplies of food. Most of the underdeveloped countries have thus to be concerned about increased food production internally. Secondly, and even more importantly, the less developed countries belong mostly to the class of "primary exporting countries" and depend for their foreign exchange resources chiefly on exports of agricultural produce. As the industrial development plans of all these countries depend essentially for their fruition on imports of capital goods, the ability to earn exchange through exports of agricultural produce is vital for these countries and this must lead them to take steps for increasing and diversifying agricultural production. In the long term, successful and sustained industrial development will itself

need a wider agricultural base. The fullest attention has thus to be paid to agriculture in the development plans of the less developed countries. The importance to be attached to agricultural development may be reduced to some extent only in those countries which possess an important alternative exchange earning asset such as oil.

Increasing the total agricultural base, diversifying agricultural production and making the farmer's activities more profitable have been agreed objectives in most national programmes. The agricultural base might be increased by extension of area or by increasing intensity of exploitation. There are still considerable unexploited areas in a number of the less developed countries. This is so in many countries in Latin America and Africa, and in countries like Malaya and Philippines in Asia. In countries where such extension of area is possible, provision of food for the growing population does not present great difficulties. In all the older, more settled areas, the problem is made intractable because the pressure of population keeps the individual unit of cultivation small and unless non-agricultural economic activity grows at a specially rapid pace further growth of population is apt to worsen the situation.

Stagnation in Yields

In recent years, among the less developed regions, it is only in Latin America that the percentage of the total active population engaged in agriculture has declined significantly, in this case from 59 in 1940 to 49 in 1955. In this region also, the gross product per worker in agriculture rose by 18 per cent between 1945-47 and 1953-55. (U N: Economic Survey of Latin America, 1956, p 106.) These figures represent considerable progress within a large region. Similar data are not available for all regions. As a contrast to the above, however, some data for the ECAFE region may be presented. The level of production per head of the agricultural population is very low in this region. But the really serious aspect of the situation is the stagnation in agricultural yields over the decades indicated by all available data. The proportion of those dependent on agriculture in those countries is among the highest in the world and a trend towards continuous industrialisation cannot be started and

maintained if, as happens in some of area usually involves costly one man fully at work on a farm will barely suffice to feed two persons. (U N: Economic Bulletin for Asia and the Far East, May, 1956. Article on Population and Food Supplies.)

In the older countries extension of area usually involves costly schemes of irrigation, reclamation, etc. Increase in per unit productivity may not require large outlays but can be brought about only through detailed and well-organised schemes of research, education and extension. One of the more rapid ways of increasing productivity of labour, that through mechanisation, is also not practicable in countries with small holdings and growing numbers supported by agriculture. Apart from the direct attempts at increasing area and productivity, programmes of agricultural development in the less developed areas have other highly important aspects. These are the reform of the rural socio-economic structure and the reorganisation of individual holdings included under the omnibus term "land reform", the programmes of making rural credit more plentiful and conveying it through institutional channels and making the marketing structure more efficient and beneficent and programmes of subsidies and of control, support and stabilisation of prices.

(To be Continued)

Higher Acreage under Jute

THE area under jute has gone up by 11.8 per cent, according to the all India first estimate of jute, 1958-59. The figure for this year is 1,647,000 acres as against the corresponding adjusted estimate of 1,473,000 acres for 1957-58.

The increase is largely due to favourable seasonal conditions at the time of sowing.

Sugar Production and Despatches

THE production and despatches of indigenous sugar amounted to 19.67 lakh and 15.98 lakh tons respectively upto August 15, 1958, in the current season, as against 20.20 lakh and 16.86 lakh tons respectively in the corresponding period of the last year.

The stocks with the factories on August 15, 1958, stood at 7.99 lakh tons.

Around Bombay Markets

Poised for Technical Correction

Thursday, Morning

ALTHOUGH some selected counters made further headway during the week under review, the performance of Dalal Street as a whole was rather patchy. Outside interest was small and it looked as though the big operators could not carry the public with them at the present levels.

Technically, the market is vulnerable. The rise has been spectacular and that without any important technical correction. In the upswing, Tata Steel moved up from 160.50 cum-right to Rs 174.50 ex-right and Indian Iron from Rs 18.56 to Rs 26.25 although towards the end of the week, they turned easy on heavy Calcutta bull liquidation. The rise in some of the Cotton Mill shares too has been very considerable. Century, for example, rose from the cum-right price of Rs 382 to Rs 457 ex-right and Svadeshi from Rs 165 to Rs 205.

Among other important counters which shared the rise, Belapur rose from Rs 252 to Rs 289.50 and Tata Loco from 137.50 to Rs 190.75. The rise in Shipping shares was no less spectacular. Great Eastern improved from Rs 19.24 to Rs 27.50 while Scindia advanced to Rs 22.68 from a low level of Rs 17.08. National Rayon also maintained its lead by recording a handsome rise to Rs 245.50 ex-right from its cum right quotation of Rs 211.25.

In view of this steep rise, market men had been expecting a technical correction any time. The behaviour of market leaders which stayed behind, the increase in activity on the decline and the fall in the volume of business on the rise—all these indicated that the market was in for a correction. A set-back in the coming weeks is, therefore, warranted and it should restore the market to better health and help it resume its major upward trend.

It is difficult to say, however, whether the reaction, if it comes, will be big and if it is big, how big it would be. In a secondary reaction, shares might lose as much as

for a reversal of the major trend itself.

Interest in Tata Steel was purely of a professional type. Most of the factors have been discounted and unless fresh developments take place the steels section will continue to be dull. However, no fresh incentives are likely to come in the near future.

The strength in Indian Iron was due mainly to Calcutta operators. Here too most of the factors have been discounted.

Cotton Mill shares were dull. Activity was confined to the few popular counters like Century, Bombay Dyeing, Kohinoor and Svadeshi. Century declined from Rs 453 to Rs 449.50 on balance mainly due to the Preference share issue. The directors have decided to seek the sanction of the Controller of Capital Issues for a Rs 1.25 crore Preference issue. The shares are cumulative and redeemable and carry a tax-free interest of 6 per cent. Another company in the Birla group, Gwalior Rayon, has also decided to issue Preference capital in the ratio of one share to the holders of every 50 Ordinary shares. The Century issue, however, is open to the public.

Hesitancy to go in for Mill shares seems to be due to doubts about the offtake of cloth. Operators prefer to await crop results and if the harvest is good, demand must pick up during the season. If any indications on these lines become available, Mill shares will find many supporters.

Among others in the group, Simplex fell by three points to Rs 175, and Kohinoor fell from Rs 285 to Rs 279. Svadeshi declined from Rs 203 to Rs 200.50.

Shipping Firm

Trading in the Miscellaneous section was notable for the firmness in Shipping shares. Both Scindia and Great Eastern met keen support and rose to new high levels. During the week-end they suffered a small set-back. Support earlier in the week was based on the hope of higher dividends but later, the market had begun to doubt whether the

on the outlook for the freight market in the coming months for tramp shipping which is an important source of income for Great Eastern.

Bombay Burmah fluctuated erratically on alternate spells of bear covering and liquidation but the trend seemed to be hesitant although the shares recorded a 10 point gain over the week. The directors are still unable to take a decision about interim dividend. Presumably they are awaiting formal sanction for their bonus share issue scheme. It is believed that next Wednesday's meeting of the Board might be in a better position.

With all factors discounted Tata Loco were dull and easy on balance. They closed the week at Rs 188.25 against Rs 191 of the previous week.

Reserve Bank Curb

Two important items of interest during the week under review were, first, the directive of the Reserve Bank advising scheduled banks against unrestricted advances against shares. This is apparently to check speculation in shares on the strength of bank advances. The second was the decision of the Life Insurance Corporation to invest its funds in the private sector. Its investments will be done also with a view to stabilise the market by supporting it during a slump and selling in a boom. If this is done cleverly—the operations are difficult in any case—the L I C will help not only the policyholders but also benefit the country.

Money conditions continued easy with call money at 2 per cent and house money at around the previous week's level. The Conversion Loan reached Rs 73.85, with buyers predominating. Business was done in 3½ per cent 1961 at Rs 100.20 and in 3 per cent 1959-61 at Rs 91.80 buyers.

Demand was good for both short and long dated loans. The new loans are quoted at their issue prices. The Reserve Bank is said to have sold about Rs 10 crores of them on tap.

The Guest, Keen Debenture issue has not come on the market yet. Response, however, is expected to be very good and it might be over-

September 6, 1958

THE ECONOMIC WEEKLY

CURRENT STATISTICS

BANKING RETURNS

Rs Crores

Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1521.90	1530.01	1539.91	1470.63
2. Rupee Coin	138.27	137.23	135.62	133.58
3. Deposits				
a) Central				
Government's	73.06	62.69	60.25	54.35
b) Banks'	101.39	106.36	109.73	102.80
c) Other				
Government's	20.52	25.31	24.40	8.19
Others'	113.45	113.38	142.67	108.58
4. Foreign Securities	174.68	179.68	179.68	360.52
5. Balances held abroad	12.54	10.10	13.06	19.34
6. Rupee Securities	1114.39	1124.32	1129.26	901.97
7. Investments	329.33	328.75	361.15	215.59
8. Loans and advances to Governments	12.90	12.78	11.22	37.28
9. Other loans and advances	50.03	49.89	55.52	74.86
Scheduled Banks				
1. Demand liabilities (net)	720.73	717.42	737.69	698.62
2. Time Liabilities	855.96	853.15	825.27	580.67
3. Cash on hand	37.77	39.14	33.12	38.95
4. Borrowings from Reserve Bank	2.59	4.56	9.67	41.99
of which against Usance Bills	1.93	3.28	7.80	37.04
5. Advances and Bills discounted	820.64	832.97	843.24	805.46
of which State Bank's	168.46	170.56	177.34	162.20
6. Invest. in Govt. Sec. of which State Bank's	543.86	553.81	536.93	370.35
of which State Bank's	237.98	233.74	225.71	184.92
Cheque Clearance	138.80	168.24	144.23	132.97

† For Reserve Bank and Cheque Clearance Week ended 29-8-58. Scheduled Banks Week ended 22-8-58.

Bombay Money Rates
(per cent per annum)

	22-8-58	15-8-58	25-7-58	23-7-57
Call Money	2 $\frac{1}{2}$ -2 $\frac{1}{2}$	2 $\frac{1}{2}$ -3 $\frac{1}{2}$	2 $\frac{1}{2}$ -4	3 $\frac{1}{2}$ -3 $\frac{1}{2}$
From banks	2 $\frac{1}{2}$ -4 $\frac{1}{2}$	2 $\frac{1}{2}$ -4 $\frac{1}{2}$	3 $\frac{1}{2}$ -4 $\frac{1}{2}$	4-4 $\frac{1}{2}$
From public	3-4	3 $\frac{1}{2}$ -4 $\frac{1}{2}$	3 $\frac{1}{2}$ -4 $\frac{1}{2}$	4-4 $\frac{1}{2}$
Three Months	2 $\frac{1}{2}$ -4 $\frac{1}{2}$	2 $\frac{1}{2}$ -4 $\frac{1}{2}$	2 $\frac{1}{2}$ -4 $\frac{1}{2}$	2 $\frac{1}{2}$ -4 $\frac{1}{2}$
Six Months	2-4 $\frac{1}{2}$	2-4 $\frac{1}{2}$	2-4 $\frac{1}{2}$	2-4 $\frac{1}{2}$

Bombay Bullion	15-8-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	106.19	105.00	104.25	107.57
Forward	106.06	105.19	103.75	107.39
Silver (per 100 tolas)				
Spot	182.50	181.37	177.50	181.99
Forward	183.37	181.25	179.50	182.51

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53=100)

Group and Sub-Group	WEEK ENDED	16-8-58	9-8-58	19-7-58	17-8-57
Food Articles		119.7	119.4	119.6	112.2
Cereals		113.2	112.4	110.8	106.8
Pulses		100.5	99.8	101.9	88.1
Fruits & Veg.		123.8	121.8	121.4	142.8
Milk and Ghee		109.8	110.1	110.5	109.5
Edible Oils		128.6	129.3	127.5	131.2
Fish, Eggs & Meat		116.0	114.6	110.7	101.8
Sugar & Gur		136.3	134.8	133.9	110.5
Others		153.0	154.3	164.5	132.6
Liquor and Tobacco		90.7	89.4	92.8	92.0
Tobacco		88.8	87.4	91.1	90.2
Fuel, Power, Light & Lubricants		116.5	116.5	116.4	115.2
Industrial Raw Materials		118.7	119.0	118.7	120.1
Fibres		111.7	111.6	110.6	121.3
Oilseeds		132.7	133.2	132.6	125.6
Minerals		107.3	107.3	106.2	109.3
Others		106.6	107.2	108.5	108.0
Manufactures		109.0	108.9	108.7	108.5
Intermediate Products		112.4	112.6	112.3	108.0
Finished Products		108.5	108.3	108.1	108.6
Textiles		105.5	104.3	103.7	107.9
Cotton		111.7	111.2	110.8	116.9
Jute		90.4	90.6	89.5	96.8
Woollen		105.9	105.9	105.9	103.0
Silk & Rayon		95.7	95.7	95.3	83.4
Metal Products		143.0	143.0	143.0	143.3
Chemicals		104.7	103.9	104.2	98.2
Oilcakes		135.0	135.1	137.3	113.0
Machinery and Trans Equipment		103.4	103.4	103.4	101.7
Others		113.5	113.5	113.5	110.5
All Commodities		115.7	115.6	115.6	112.0

ALL INDIA FINAL CROP ESTIMATES

	Area (000 acres)	Production (000 tons)	1957-58	1956-57	1957-58	1956-57
Cereals						
Rice	79,027	79,320	24,821	28,282		
Jowar	41,411	40,367	8,056	7,249		
Bajra	27,453	27,884	3,565	2,885		
Maize	9,762	9,197	3,064	3,009		
Ragi	5,897	5,831	1,716	1,715		
Small Millets	11,979	12,230	1,759	1,964		
Wheat	29,657	33,580	7,654	9,314		
Barley	7,531	8,726	2,175	2,827		
Pulses						
Gram	22,405	24,265	4,754	6,264		
Tur	5,598	5,686	1,396	1,954		
Other Kharif pulses	15,832	16,484	1,401	1,515		
Sugarcane*	5,021	5,057	6,367	6,751		
Oilseeds						
Groundnut**	14,457	13,450	4,271	4,200		
Castor	1,325	1,415	97	124		
Sesamum	5,263	5,446	363	442		
Rape and Mustard	6,050	6,311	905	1,026		
Linseed	3,318	4,156	271	384		
Fibres						
Cotton†	20,158	19,893	4,753	4,735		
Jute†	1,754	1,908	4,088	4,288		
Mesta†	726	733	1,211	1,478		

* in terms of gur. **nuts in shell. † lint in thousand bales of 392 lbs. each. ‡ 000 bales of 400 lbs. each.

Sources: Ministry of Food and Agriculture, New Delhi, and Department of Commercial Intelligence and Statistics, Calcutta.

THE ECONOMIC WEEKLY

September 6, 1958

INDUSTRIAL PRODUCTION

1957-58

Monthly Average

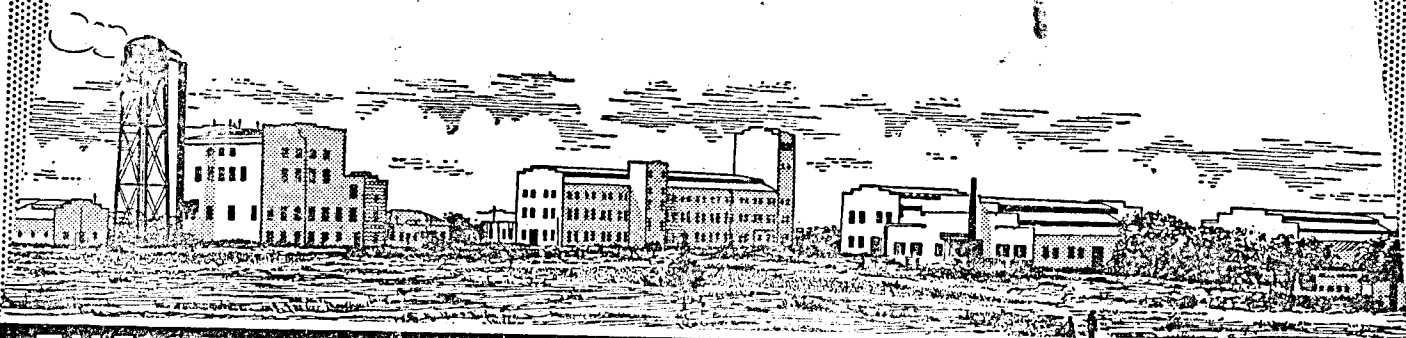
		May	Apr	Mar	Feb	Jan	Dec	1957	1956	1955
Consumer Goods :										
1)	Cotton textiles mn yds	420.4	407.8	405.6	391.4	436.5	438.2	443.1	442.2	424.5
2)	Woollen and worsted fabrics	1.5	1.2	1.7	1.4	1.6	1.6	1.3	1.4	1.2
3)	Matches 000 cases	—	45.5	41.9	46.7	49.7	50.3	48.2	51.3	51.3
4)	Soap 000 tons	—	9.2	8.8	9.2	10.3	9.6	9.3	9.2	8.2
5)	Electric lamps mn	2.4	2.3	2.4	2.5	2.5	2.6	2.7	2.5	2.0
6)	Hurricane lanterns 000	—	218.9	172.2	173.9	285.6	273.9	362.1	431.6	457.3
7)	Razor blades mn	28.8	31.3	28.3	28.5	23.9	21.0	28.0	22.1	14.5
8)	Sewing machines 000	—	16.8	16.0	15.9	17.1	17.8	13.9	10.9	8.5
9)	Vegetable oil products 000 tons	27.9	26.1	29.2	25.0	26.3	28.0	25.1	21.3	21.7
10)	Electric Fans 000	—	52.9	54.3	50.7	51.1	52.3	43.7	28.2	23.5
11)	Radio Receivers 000	16.3	17.4	15.8	14.7	16.2	22.7	15.9	12.6	6.8
I Raw Materials or Intermediate Goods										
1)	Cement 000 tons	533.0	539.5	575.5	495.3	594.8	587.3	466.8	410.7	373.9
2)	Coal mn tons	3.9	3.8	3.7	3.7	3.9	4.1	3.6	3.3	3.2
3)	Jute manufactures 000 tons	94.9	88.0	85.3	85.3	98.3	92.8	85.8	91.1	85.6
4)	Cotton yarn mn lbs	140.4	134.1	138.5	132.9	148.7	152.7	148.3	139.3	135.9
5)	Paper & paper board 000 tons	—	19.9	20.7	18.2	20.7	19.8	17.5	16.1	15.4
6)	Asbestos cement sheets	—	14.5	15.2	14.3	16.4	15.6	13.2	10.0	8.7
7)	Chemicals:									
i)	Sulphuric acid 000 tons	—	16.5	19.2	17.9	17.0	18.5	15.9	13.8	13.8
ii)	Caustic soda "	—	4.3	4.1	3.7	4.1	3.8	3.5	3.3	2.9
iii)	Soda Ash "	7.3	7.0	8.7	8.0	8.7	8.3	7.7	7.0	6.4
iv)	Chlorine liquid 000 tons	—	1.2	1.3	1.3	1.4	1.3	1.3	1.3	1.0
v)	Power Alcohol 000 gals	777.8	738.0	825.6	1009.7	954.4	997.3	844.8	855.9	869.4
vi)	Rectified Spirit "	—	450.1	507.0	472.7	539.6	517.9	424.6	350.8	429.7
vii)	Denatured Spirit "	—	299.5	297.6	274.7	344.7	325.7	289.2	281.9	249.1
viii)	Paints & Varnishes 000 tons	5.3	3.8	3.9	3.7	4.0	4.0	3.5	3.5	3.3
ix)	Rubber Products:									
i)	Footwear lakh pairs	32.3	29.9	27.0	29.4	37.9	37.1	30.8	30.1	29.1
ii)	Tyres:									
a)	automobile 000	85.5	78.1	76.7	77.9	90.9	84.8	82.4	78.2	73.5
b)	cycle "	761.5	704.0	665.1	650.9	742.7	612.2	596.0	526.7	479.0
iii)	Tubes:									
a)	automobile "	37.0	80.9	75.1	65.2	84.4	72.2	78.0	76.5	65.5
b)	cycle "	683.0	612.3	597.0	606.4	725.3	597.4	585.6	531.1	466.1
10)	Non-ferrous Metals:									
i)	Copper (virgin) tons	696.0	682.0	710.0	655.0	302.0	700.0	654.0	635.7	606.8
ii)	Aluminium (") "	719.0	663.0	685.3	625.8	703.3	630.9	647.6	541.7	602.1
iii)	Lead (") "	156.5	162.0	407.1	288.0	275.0	313.9	264.5	208.1	186.2
iv)	Antimony "	54.0	36.0	54.0	40.0	30.0	48.1	41.8	49.1	42.0
11)	Iron & Steel:									
i)	Pig iron 000 tons	—	168.4	160.8	159.8	162.6	160.2	149.1	150.6	146.4
ii)	Steel ingots & Castings "	—	157.1	151.1	146.3	164.5	154.7	142.9	144.8	142.0
iii)	Semifinished steel "	—	125.2	128.8	127.5	136.5	124.2	120.0	123.7	121.4
iv)	Finished steel "	—	111.2	115.6	108.6	116.8	114.7	112.2	111.5	105.0
III Capital Goods										
1)	Diesel engines Nos	—	1,730	1,789	1,956	2,055	1,742	1,387	1,001	852
2)	Power driven pumps 000	—	6.8	6.5	6.1	6.0	6.5	5.3	3.9	2.9
3)	Machine tools 000 Rs	—	2480.1	4001.1	3,565.2	3,963.9	2,473.0	2,090.4	1,001.9	620.0
4)	Twist Drills 000	93.7	103.3	190.0	207.8	218.2	222.5	188.2	129.1	64.9
5)	Calico looms nos	239	206	211	171	177	161	239	239	228
6)	Ring frames "	66	70	63	72	98	109	114	93	72
7)	Carding engines "	100	84	116	111	123	130	85	61	50
8)	Grinding wheels 000 lbs	236.5	212.6	222.8	182.7	244.3	234.3	271.1	207.6	119.9
9)	Arc welding electrodes lakh ft	—	191.1	197.2	181.8	117.0	172.4	177.3	156.3	100.8
10)	Dry cells lakhs	140.6	127.8	106.5	129.6	131.8	137.1	138.8	151.2	134.2
11)	Storage batteries 000	29.2	28.4	29.4	27.8	23.9	28.5	27.0	26.2	19.6
12)	Electric motors 000 HP	49.6	49.5	51.8	45.1	45.0	49.5	39.1	29.9	21.0
13)	Power transformers 000 KVA	—	97.0	113.3	97.1	101.3	114.0	101.6	76.6	47.1
IV Transport Equipment										
1)	Automobiles (total) nos	1,570	1,401	2,748	2,230	2,636	2,497	2,661	2,678	1,924
	of which									
i)	Cars "	482	471	697	461	640	842	967	1,082	791
ii)	Jeeps "	122	126	195	213	358	168	339	345	278
iii)	Trucks & Buses:									
a)	Petrol "	250	70	785	471	497	418	265	366	406
b)	Diesel "	690	713	1,055	1,054	1,098	1,060	1,039	828	385
2)	Bicycles 000	—	71.2	86.6	82.1	81.2	78.1	65.9	55.3	40.9
— = not available										
Source : Directorate of Industrial Statistics.										

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Welcome Revelation

IT is rather late in the day to ask who is responsible for keeping up the nation's food supply? Can one deny the precedent of the last 10 years? Can any civilized government disown its responsibility for feeding people? Surely, no government which depends on the people's vote would dare do it and yet both the Centre and the Government of U P have done it. And not only done it, but got away with it. That is, however, by no means the end of the story. In its present context, the story began with food riots in UP, the eastern districts of which have been known to be a depressed area. Some sort of mass movement was launched in order to make the Government act. This was followed by concerted, non-violent attacks on grainshops where food-grains, it was suspected, were hoarded, and the promulgation of Sec 144, arrests, among others, of MLAs, ending up with the most unseemly sights ever witnessed in any Legislature in India in the last so many years. Subsequent reports suggest that the food prices have come down a bit in UP, and that the UP Government has succeeded in unearthing some hidden stocks. However regrettable the manner and method adopted by the Opposition and an enraged public, where Constitutional methods had failed and protests had been suppressed or contemptuously turned down, direct action does appear to have produced some results.

Though in the Lok Sabha, steel helmeted policemen did not have to be called in to throw out recalcitrant Members, who insisted on discussing the very important problem of food administration in UP, the subsequent developments have been even more regrettable in some respects, but highly gratifying in other, and far more important, respects. While splitting hairs on the questions of Constitutional responsibility, the Lok Sabha stumbled on the fact, about which no one seems to have been aware of till then, that this responsibility may be implicit in every Ministry and every Department of the Government, both at the Centre and in the States, but it has not been made explicit anywhere in the Constitution, nor has it been made explicit in the country's administration. In other words, the apparatus for executing the policy of growing more food and for discharging the responsibility of feeding the people does not exist, nor has it been seriously thought of. This is an astounding statement to make and must be a disconcerting discovery for the Government at the Centre which has constituted itself responsible, albeit without owning the legal responsibility for it, not only for feeding the people, but also for implementing the Plan of which food production is an integral part.

Shri Ajit Prasad Jain brought a veritable hornets nest about his ears, while defending his own position in the Lok Sabha against Opposition attacks on the food situation in Uttar Pradesh through some statements which brought Centre-States relations into sharp focus. Shri Jain defended himself by claiming that for food production and food distribution, the main responsibility lay on the States. The Centre had been doing everything possible to share the burden devolving on the State Governments, but it was the latter who had to shoulder the greater part of the responsibility for producing food and making arrangements for its distribution. By implication, they had to take the major part of the blame for failures in these fields.

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The Speaker, after a good deal of pondering on the pros and cons of the Food Minister's contention, finally seemed to concur in the latter's assessment of the constitutional position. Earlier, on another adjournment motion on the same subject, the Speaker had suggested that the issue of constitutional responsibility should be clarified in the interests of all by Government, and Shri Jain only too eagerly welcomed the suggestion.

The position is that agriculture and all that is connected with its development (including, of course, the stepping up of production) are State subjects, while the Centre has constitutional responsibility for co-ordinating agricultural programmes and research. Trade and commerce is a Central subject, and therefore, the import of foodgrains can be done only by the Centre though the States can import or export foodgrains as among themselves, subject to restrictions imposed under the Central Sales Tax or other measures of legislation.

What is, however, apt to be ignored in this context is the history of developments in the last decade and more, which affords irrefutable testimony to the fact that the Centre has been an active partner—in fact, the dominating partner—in formulating policies and schemes for food production and distribution. The Planning Commission, for instance, takes the initiative in fixing targets for agricultural production, in issuing directives regarding land reform policy and so on, and the Central Government issues directions regarding the procurement of foodgrains and imports and the establishment of food zones etc. For these measures at the Centre the continued intractability of food problem during this period can have been—and is—mainly responsible. Nevertheless, the position has become so crystallised that both State Governments and the general public have come to regard it as something normal rather than in any way abnormal. In implementing the policy and programmes in this regard, the State Governments are, of course, the principal agents.

The position with regard to food is a case of hard facts and practical realities proving more insistent and

powerful than the niceties of constitutional theory and the rights of the Centre and the States though it is true that, under our Federal structure, the Centre has a very large concurrent field in which it can operate side by side with the States and also that here is a fairly wide field in which it can issue directives, exercise supervision and control etc over the States in the interests of national security and progress. If food is now a problem of such national importance, the Centre's initiative is amply justified.

This may be the Constitutional position. But it was revealing, indeed, when the Speaker also told the House that he had requested the Ministers of Food, Health, Irrigation and Education to submit to him a memorandum as to what, according to them, was the limit of respective responsibility of the Centre and the State Governments in regard to these subjects. But he had not yet received the memoranda from the Ministers concerned. Let this investigation be continued, for it is not a matter of hair-splitting or legal quibbling but a matter of great import. The results of investigation, pursued to the end, will bring out what vital links are missing in the apparatus for growing more food and distributing it equitably. They will also

O & M

O & M seems to be catching on, judging from its fourth Annual Report. It is no longer treated as an unwanted intruder by the various Ministries and Government Departments; its utility, we are told, is being greatly appreciated. This is by itself an achievement, for no one likes to be told how he should run his own show, and it speaks of the tact and understanding shown by O and M staff.

The function of the Organisation and Methods Division is to improve the efficiency of the administration. Its activities are summarised in the report and its achievements listed in an appendix running to several pages. This appendix shows the number of primary receipts received and disposed of in the Ministries/Departments during the year to

bring out what is wrong with our planning machinery which is only an enlarged form of the machinery for food production and distribution.

This will be by far the greater gain, if it is followed up and acted upon, as it is bound to be, under sheer pressure of circumstances. Another gain is the realization, which Pandit Nehru has already started acting upon, that food is a problem which cannot be tackled satisfactorily without the full participation of the public. It is not a matter which can be left to be exploited by any one political party. It is a problem to be solved on an all-Party basis, whether it is at the level of the fair price shops in a group of villages or in a ward of the Municipality, or at the State level or at the level of the Central Government. Sampurnanand has not responded to Nehru's brilliant gesture, but he will have to, and sooner he does it the better. UP is not the only State which is plagued by food scarcity. West Bengal is ready with a Famine Resistance Committee to start a campaign against the Government's mis-handling of the food situation. It is high time, therefore, that Nehru's move is followed up and followed up with no further loss of time at least in those States in which the food situation threatens to be acute.

March 1958. It is not possible to make out anything from the statement without knowing the nature of the primary receipts and the way in which they have been disposed of. But whatever the impact of the O and M Division on the various Ministries and Departments may have been, it has not yet been felt, outside the Secretariat. If a primary receipt moves any faster, rather than credit the O & M Division for it, the outside public would rather suspect improved efficiency of the contactmen maintained by the business houses in New Delhi.

Administrative delays are of three types, routine delays, delays due to wilful negligence and delays due to incompetence. The first relates to such items as recovery of rent from Gazetted officers in

occupation of Government residential accommodation, and progressing of pension cases, mentioned in the report. The O & M Division should be able to reduce delays in such cases. But that will not take us far. How to reduce delays due to wilful negligence and incompetence? Administration to-day is becoming more and more complex and technical. Every officer is asked to deal with problems for which there are no precedents to fall back upon. In such cases, it becomes difficult to take a decision on one's own responsibility. Naturally, references to outside authorities or to higher officers are made. Such references may not bring in any new light; but they take time, which is a guarantee against hasty action. In such a climate, negligence and incompetence are not only tolerated; they actually thrive. The middle line in the administration today is manned by overgrown clerks and a few emergency recruits. Most of them have lived a cloistered existence within the four walls of the Secretariat ever since they joined the Government. And their intellectual meat has been only routine files. This class contributes to a large extent to the frustration of the new-comer. They know all the nooks and corners of the Secretariat and all the devious procedures by which files can be held up with impunity. Can the O & M Division, by itself, do much in these matters?

An inter-departmental committee had been set up for re-codification and simplification of service rules and regulations years ago. Later, it was felt that the far-reaching changes brought about by a variety of circumstances during the years after independence called for not only a re-codification of the old rules, but also a comprehensive review, with a view to simplifying and condensing them and bringing them into conformity with the existing pattern of service conditions. The report says that a Committee with the Director of O & M as Chairman has been engaged in this work. But it is doubtful how far a departmental committee consisting of officers who are obsessed with their own rights and privileges could take a detached view of these problems. To them the 'Fundamental Rules' governing the service will remain fundamental, whatever may happen to the world outside.

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BRITISH OVERSEAS AIRWAYS CORPORATION

Weekly Notes

Calcutta Trams & British Capital

THE month-old Tramway workers' strike in Calcutta should end pretty soon, now that the dispute has passed, dramatically and by successive stages, from a mere labour dispute to a dispute regarding higher tram fares and, finally, to one about who should run the Tramways in Calcutta, and what should be the right policy for the management of public utilities. The fare increase, according to the Tramways Company, had nothing to do with the workers' demands. It had been decided upon quite some time ago, and knowing full well that the increase would be resisted by the public and remembering, no doubt, the violent agitations staged on the last occasion when an increase was proposed, the Chairman of the Calcutta Tramways Company had stated while announcing the increased fares, that the company took it "for granted that necessary protection will be given to its property in the event of any trouble."

The leaders of the trade unions which had sponsored the strike of the Tramway workers, lost no time in opposing the 'unilateral increase' of fares and urged the Government to take over the company under article 31 A of the Constitution, which empowers the Government to acquire any property for a public purpose on payment of compensation which is not justiciable. The Famine Resistance Committee, which has been formed to campaign against the Government's food policy, was asked to take up this issue also, and Dr B C Roy, who had faced much public criticism for having renewed the contract with the Tramway Company, instead of taking over the Tramways, published a letter he had written to the Chairman of the Company, protesting against "the unwisdom of introducing the increased fare scale immediately", and repeated the warning he had given to him "not to take this step at the present moment, but to decide the issue of the workers' demands separately without increasing the fare".

The Tramway Company has responded by asking Dr B C Roy to take over. It has done so not in a spirit of annoyance because the

West Bengal Government has refused it "necessary protection" "in the event of trouble", but because experience had made it amply clear to this British company that "in running a public utility concern, considerations arise which are in conflict with the normal running of a limited company".

The cases of the Calcutta Tramways are unique in several respects. It is not merely a question of public vs private operation of public utility undertakings. There has always been an under-current of resentment that Calcutta Tramways should be run by a British company and it is this resentment which came out into the open in an explosive manner when the Tramway fares were sought to be raised. There is no question about the quality of the service maintained by the Calcutta Tramways; it is by far the best in India and can compare very favourably with tramways anywhere in the world. A fractional increase in fares is also more than justified on economic grounds as was subsequently confirmed by an Expert Committee under the Chairmanship of Dr H L Dey. The Calcutta public had, of late, become quite impatient that tram services should be resumed, for the City's transport system has been strained to the breaking point by its suspension. Nor are critics of foreign management so sure that when West Bengal Government takes over, it will be able to maintain an equally good service. It is quite clear, nevertheless, that it is only the Government which can raise fares on the grounds of adequate maintenance and extension of public utility services though, when it comes to delivering the goods, the public is bound to be dissatisfied with what it gets. Yet, it will put up with it, but not with the foreign ownership and control of a public utility service. This does not necessarily put a new complexion on the question of participation of foreign capital in the economic development of the country. But it should make Morarji more careful about the claims he makes so thoughtlessly and deter him from entering into commitments which neither he nor his Government may be in a position to carry out.

What Can Monetary Policy Do?

THE current economic and monetary situation presents a paradox which is not new: why is it that our vast investment outlay fails to be reflected in consumer demand? The slackness, of which one finds evidence, cannot be explained entirely by the external deficit or the US recession. Those who look for an explanation of such things in the Report which the Central Board of Directors of the Reserve Bank has just submitted to the Central Government will be as much disappointed as they were in the earlier Report on Currency and Finance.

The Reserve Bank has acquired some experience in the use of selective credit control and it is, therefore, understandable that its Annual Report should play up the utility of this instrument. During the year ended June 30, the Report says: "the keynote of credit policy was vigilance in operation directed to maintaining the general restraint which was dictated by the basic inflationary trend of the economy, and, simultaneously, selective encouragement to sectors where development was constricted by lack of credit". If towards the end of the year, prices tended to move up, it was because of the decline in food production, and restrictions on imports. True, credit restrictions were imposed on food-grains and relaxed in the case of the cotton mill industry which had gone into a recession. But the Directors also candidly admit that, on the whole, "the character of slackness in the economy has been such that there was not much that monetary policy would mitigate".

Selling Abroad

THERE is impressive evidence that the Government of India is becoming export conscious. But can it be said of Indian manufacturers that they, too, have become equally export conscious and are as keen on selling abroad? True, various Export Promotion Councils have been set up. Manufacturers and industrialists have not been reluctant to serve on such bodies or even to go abroad on trade missions. But barring a handful of manufacturers who had been actively developing export markets for

their products long before Export Promotion Councils were set up, few have been really convinced of export possibilities or have shown any eagerness to explore them.

It is not in every field, however, that individual effort for export promotion can avail. Most traditional exports, barring cotton textiles, which has now come to be ranked with them, have to be tackled at the Governmental level and on altogether different lines. So, export promotion is confined largely to manufactures including, of course, textiles and it is not in all of them that home demand and the certainty of selling at a profit act as a disincentive which is difficult to overcome. It is, therefore, in regard to this range of products that selling abroad offers some scope and presents a challenge. Few have taken up this challenge in earnest. That an Indian advertising agency should think it worthwhile to explore the possibilities of marketing and selling Indian manufactures in East Africa, Egypt and West Asia and that too on its own, speaks much of the faith that publicity experts have in the efficacy of their own techniques and of the confidence which at least one of them has in the future of Indian industry.

Among important factors which hamper our export performance, even in commodities we can offer at competitive prices, is the practical absence of marketing know-how. Our Trade Representatives abroad have often complained in their reports about the indifference of Indian exporters to the possibility of studying and expanding overseas markets. To these reports are now added the very interesting comments of Shri S N Banerjee of Clarion Advertising. While visiting export markets in East Africa, Egypt and West Asia, he was reminded, of "the saying that European traders wrapped glass beads in velvet while Indians dressed up diamonds in rags". While other countries are making strenuous efforts to display their goods, establish close and stable trade contacts and make a study of consumer preferences, India is failing to capitalise on the good-will that undoubtedly exists for her in these countries. As a matter of fact, he found that our goods were being steadily pushed out, despite their competitiveness because of the unattractive terms

offered to trade agents, blame-worthy trade practices, absence of after-sales servicing facilities for engineering products, apathy towards study of consumer preferences and inadequate realisation of the need for advertising and sales promotion.

Since we are not in a position to spend lavishly or offer attractive credit terms, Shri Banerjee suggests that greater publicity should be given to our capacity to manufacture a wide range of engineering goods of which little is known in the countries which he studied. In addition to activities of Export Promotion Councils, he suggests, we could utilise the popularity of Indian films abroad by tagging on to them documentaries and publicity films and make better use of the show-rooms that we maintain abroad. Foreign students in the country could also be taken round our industrial enterprises, so that they may return home with vivid impressions of our capacity to produce the goods which their countries require. Above all, he emphasises, "an effective export drive depends primarily on the enthusiasm and earnestness that we are able to generate for it inside the country. It is a difficult task but extremely urgent..." This should be the spring board for launching the programme for selling abroad.

Calcutta Port and Hooghly River

THE Hooghly river has been silting up and the Calcutta Port has been going down. This is not a recent development, it has been going on for decades. The silting up of the river and the threat it constituted to Calcutta's sewage system and drinking water supply came up as a major problem in the early twenties. With the deterioration of the river, the water of the Hooghly has also been progressively becoming impure from the refuse flowing in from the industries and the bustees lining up its banks. It is also becoming more and more saline, because the flow is no longer able to push out the silt and stop the tidal waters from the sea. The threat to the City's health and water supply have, in recent years, been overshadowed by the threat to the port which is no longer navigable for ships even of medium size when they carry full load.

Much expertise has gone into the study of Hooghly's navigation prob-

lems and the maintenance of navigability of the river has become an extremely costly affair. The river has to be constantly dredged and the Bengal Pilot Service has to perform a tricky job indeed in piloting ships in and out of the port. Yet the Hooghly does not present a problem that is insoluble. The river can be revitalised and the port vastly improved, if only the flow in the river is augmented by a partial diversion of waters from the Ganga via Bhagirathi. The project of a barrage to secure just this has been discussed for many years. The Expert Committee which was set up to study it, took unconscionably long in concluding its labours; even so, it must have submitted its report more than three years ago and that report never saw the light of day.

Nothing catastrophic has happened in the recent past to revive public interest in the question, but the health of the people and the future of the port are of such vital concern to West Bengal that of late the public has been getting restive. The question is being asked by various public bodies and in political meetings: Why has Delhi been dilly-dallying with this project which is so vital not only to the people of West Bengal but also to the whole of India? Isn't the Calcutta Port of some importance in the industrial development of the country? No explanation has been given for this inaction. West Bengal has been extremely agitated of late and Ganga Barrage has come to be regarded as one of those cases of scandalous neglect of Bengal's problems by Delhi of which there are so many.

Thanks to the agitation for the revival of the project, the Government of India, according to the latest press reports, has been looking into the question once again. That is to say, in official parlance, the project is 're-engaging the attention of the Government', which means, however, no decision today or tomorrow, but a fresh round of technical examination, collection of data etc. etc. One of the alternatives which the Gokhale Committee had to examine and on which it had been asked to give its expert opinion was that of constructing a navigation channel from Farakka to Durgapur to connect with up to the navigation channel to the Hooghly which was a part of the D V C project. This, it was reported at

the time, the experts did not find feasible. There was no difference of opinion, however, regarding the feasibility of a project for the limited objective of diverting water from the Ganga to strengthen the flow in the Hooghly to push back silt into the sea and restore the navigability of the river. West Bengal, convinced that constitutional methods do not work, seems to be intent on pressing this demand more effectively, but apparently soaring food prices and higher tram fares can bring out people on the streets but not the slow subsidence of the river on which depends the economic life of the State and the health of the city of Calcutta and its industrial environs.

Rural Electrification

THE electrification of rural areas is of national significance, not to provide the village elite with what has been an urban comfort hitherto, but because it can help minor irrigation and small scale industries. The Central Government provides funds to States in order to implement this programme. So far these funds have been monopolised by State Governments or State Boards for rural electrification under their own auspices. This has led the Vice-Chairman of the South Madras Electric Supply Corporation, which claims to be the biggest distributing licensee in the country, to complain against a procedure which penalises licensees, who have done creditable pioneering work in this field, by expecting them to operate and expand at a very low margin of profit which keeps investors away. He suggests that Central Government assistance should be made available to licensees in proportion to the area covered and intensity of work expected of them, and that the margin permitted on State Board loans should be raised from ½ per cent to 2½ per cent.

Whatever the conditions imposed on Government loans to licensees, there is scarcely any justification for expecting them to expand in an atmosphere of constant uncertainty about the period of validity of their licenses. Rural electrification is a task of such tremendous proportions that, in the foreseeable future at any rate, State Governments or Boards can hardly credit themselves with the capacity to achieve it entirely on their own. The task requires so much experi-

ence and pioneering effort, and involves so much uncertainty about the load factor, that it would be a serious error on the part of State Governments and Boards to decline the cooperation offered by existing licensees. So long as private enterprise is allowed to exist in the electricity supply industry, what is the point in hampering its expansion?

Quemoy: A Changing Picture

A MIST the sounding of further threats and counter-threats over Quemoy, a number of fairly firm points have emerged during the past week. The United States is now apparently quite willing to let Peking know that it is not prepared to risk a major flare-up over the offshore islands. In fact, Mr Dulles's latest statement could not have been more candid. He has clearly stated that his Government would be prepared to "make concessions" to China—provided China renounces the use of force in the Formosa Straits. This is an open invitation to a negotiated settlement and it shows that America is clearly willing to buy peace in the Straits with the bait of the offshore islands. No wonder the Kuomintang Government is worried about the United States attitude, and the hastily summoned meeting of the Cabinet in Taiwan suggests that the tail will see if it is worthwhile trying to wag the dog. How seriously Taiwan's threats of "going it alone" should be taken, it is difficult to say at this stage. Evidently, they are not cutting much ice in Washington. Nevertheless they can seriously embarrass any negotiations between Dulles and Chou En-lai.

Taiwan's fears of a weakening American attitude on Quemoy are only confirmed by Dulles's new statement; they had already been initiated by the United States agreement to revive the ambassadors' talks with Communist China at Warsaw; and there is now the added fear on the part of Chiang-kai Shek that the Quemoy issue may be dragged to the United Nations General Assembly, where, the state of world opinion on the subject being what it is, an anti-Taiwan resolution may well be carried by the requisite two-thirds majority.

Meanwhile what can be Peking's motive in mounting the pressure on Hong Kong? It can hardly be that the intention is to threaten the

British colony with a fate similar to that of Quemoy or, possibly, Formosa; though, not taking any chances, Britain has been quick to move a battalion from Singapore to Hong Kong. China has sent two protest notes to the British charge d'affaires in the last few days, and in one of them it has accused Britain of associating itself with America's "efforts to create tension in the Formosa Straits" and warned that Peking's patience is not unlimited. The object of such veiled threats can only be to drive Britain to exert pressure on the United States to come to a speedy settlement with China on the offshore islands and thus reduce the immediate and apparently mounting threat to British interests in Hong Kong.

The Blue Waters

THE Sudanese Government's decision to despatch a special envoy to Cairo next week to try and secure a meeting with President Nasser over the Nile Waters dispute underlines its realisation that it cannot afford to antagonise Egypt beyond a point. Until now, the Sudan has taken a remarkably firm stand in the matter. It has refused to be tied down to the 1929 Nile Waters Agreement between Britain and Egypt, whereby it was agreed that no waters of the Nile would be diverted in Sudanese territory without previous permission from Cairo. Britain and Egypt were the condominium powers governing the Sudan at the time of the Agreement, and the Sudan itself was naturally not a signatory to the pact. With the precedent of his own action over the Suez before him, President Nasser cannot lightly dismiss the Sudanese stand as being illegal and unconstitutional.

The fact is that it is exceedingly important for the new development projects of the Sudan (which include an extension of the Gazira scheme) to draw water from the upper reaches of the Blue Nile. Egypt contends that the Sudan should have waited for an agreed settlement between the two countries before diverting the waters unilaterally; but the Sudan replies that the water is needed immediately and that it could not possibly consent to wait indefinitely while Egypt deliberately prolonged the dispute. It also points out that Egypt did not list the Nile Waters

Agreement of 1929 along with the other international treaties which it wanted the Sudan to endorse when it became free three years ago.

All this does not mean, however, that a negotiated settlement is impossible. The Sudan knows that if it pushes President Nasser too far, he might try and topple the present regime in Khartoum with the assistance of the considerable pro-Egyptian elements in the Sudanese population. Nasser, too, will not want at this stage to expand the area of turmoil in Arab Africa. In any case, he would rather befriend the Sudanese, if they let him do so, by means of a grand gesture. Only, he will not stand what may look like defiance of his leadership by the Sudan. With a bit of tact, therefore, it should be quite easy for the Sudanese Government to win the concession it has for the moment wrested for itself by unilateral action.

Our Delhi Letter

THE visit of Prime Minister Noon to New Delhi may well be a landmark in the history of the relations between the two countries, although the declared purpose is to ensure peace at the borders. If it is remembered that incidents along the undefined borders between the two countries have been continuous for quite some years now and that the importance given to them or the excitement created on both sides is largely a reflection of the state of Indo-Pakistan relations at the time, it should be apparent that the Prime Ministers' present round of talks would have to be slightly wider in their scope.

It may be noted that when in May 1955 (shortly after the incidents in Nekowal) three Pakistan dignitaries—Prime Minister Mohammad Ali, Dr Khan Sahib and President Iskandar Mirza came to New Delhi for a renewed attempt at rapprochement between India and Pakistan, the Home Minister of India and President Mirza negotiated an agreed scheme for maintaining border peace. The two Prime Ministers were just then exploring possibilities of solving the Kashmir dispute by means other than a plebiscite. The hopes, however, were soon shattered: a harassed Moha-

Belated and Slow

MR SOLOMON BANDARANAIKE has started, a little too cautiously, to create the conditions for the lifting of the three-month emergency in Ceylon. Press comment was made free some time ago and the censorship on news was also relaxed. Now he has released eleven Federalist and other detainees. But every step is being taken a little too belatedly for the best possible results. The release of the detainees has been on a rather limited scale, and many leaders of the minority and majority community still remain in detention. In any case, the freed leaders are not yet to be allowed to address public meetings, because their parties are still proscribed. No one would want, of course, to hustle the Prime Minister into ending an emergency which he might consider premature to lift for the fear that it might once again land the country into the sort of unpleasant and tragic

events of last May. Nevertheless it is necessary to recognise that the Government cannot rule for ever by means of special powers. Sooner or later, it must restore normalcy and give the normal civil liberties of the people back to them; and indeed the sooner that is done, the better it will be in the long run.

There is certainly a good deal of warrant for the criticism that if the Government, after three months of curfews, press censorship, preventive detentions and bans on public meetings, still considers the position risky, it cannot have much confidence in its ability (or will?) to find an enduring solution of the Opposition's grievances. What Ceylon needs now more than anything else is a political rapprochement with the minority community, and if Mr Bandaranaike is not to prolong the emergency beyond the point of danger, he must come out with a bold solution now.

Noon in Delhi

mad Ali surrendered to the aggressive section of the Pakistan press and platform and declared that he had not budged an inch from his Government's earlier stand and that ultimately the Security Council remained seized of the dispute. This was, inevitably, followed by an equally rigid speech by the Indian Home Minister, declaring that plebiscite was out of the question since conditions in Kashmir had changed.

The year 1956 saw a sharp increase in the number of border incidents—even extending to the occupation of each other's territory. The present tension along the borders also has followed a deterioration in Indo-Pakistan relations, of which the closure of missions in places like Lahore and Bombay was a sharp reminder. The problem for the Prime Ministers to tackle is, wider and it is certain that both Pandit Nehru and Mr Feroz Khan Noon know it. The friendly sentiments expressed by the two Prime Ministers in their speeches flowed from the recognition that the problem is wider.

There are reasons to believe that in the expression of these feelings, both the Prime Ministers were more sincere than what bellicose elements on either side of the borders would

be prepared to grant. If peace is essential along the borders, it is becoming essential in a general way also. From the viewpoint of Pandit Nehru, tension with Pakistan has been inflating our Defence Budget. The economic and political consequences of which can be disastrous in the long run. It is bound to lower the tempo of economic development. It increases our dependence, economically, on the great Powers and thus undermines the basis of India's foreign policy, which is almost an article of faith with our Prime Minister and with most of us. Indeed, it would be worthwhile for a student of India's foreign policy to study how our emphasis in foreign affairs has shifted in the last few years in relation to our economic situation. The food difficulties of 1950 and 1951 might have led to India's original note on Korea; today, the softness in the matter of Indonesia or the Lebanon can almost certainly be related to our foreign exchange crisis. Whenever the Prime Minister develops a stake in certain economic policies or programmes—as he had to in regard to the Second Plan since he had stood by it in the face of opposition from some of his respect-

ed colleagues like Dr B C Roy — their impact on foreign policy is bound to be felt. Yet, it must indeed be a very painful process for Pandit Nehru to spare the Plan and spoil our foreign policy. The only obvious way out of this dilemma is a drastic cut in our defence expenditure. Secondly, with the insecure nature of our Parliamentary Democracy almost universally acknowledged, a growing Defence Budget can be tolerated by genuine democrats only with a certain amount of uneasiness. The much-talked-of British tradition of the Army's aloofness from politics may prove a myth when newspapers regularly carry the news of the successes of the Army in politics in some neighbouring countries. Moreover, once the Defence forces are recognised as a factor in politics, politicians, with ambition and without foresight, will almost certainly begin playing to their tunes. The inter-relationship between the future of Indian Democracy and the relations with Pakistan is, however, manifest not only in the problem of the Defence Budget. A future Indian advocate of controlled Democracy will almost certainly play upon the one and only slogan which can mobilise the middle classes in the whole of North-West India—viz, the threat from Pakistan. If, in his lifetime, Pandit Nehru does not succeed in bringing about a rapprochement, the disputes with Pakistan will almost certainly prove as much of a handicap to Indian Democracy as it has already done in Pakistan. It is not unlikely, therefore, that a sense of urgency has dawned on a section of Indian leadership in this matter.

In regard to Pakistan, the factors making for a new approach are more deep-rooted, and not reflective of the greatness of a single mind. What must have been demonstrated unmistakably to the present rulers of Pakistan as well as to the non-League political parties in general is that if politics there is to grow around the hatred of India, an ultimate victory of the Muslim League cannot be averted, for none can beat the League in India-baiting. On the other hand, the political potentialities of a slogan of fraternalisation with India have remained unexplored. By all available indications, they are as great as, if not greater than, those the Muslim League has been exploiting all the

while. It is obvious that when Pakistanis become exuberant in welcoming Indian Sport Teams, they reveal some of their more deep-rooted emotional susceptibilities which have not yet been tackled in Pakistan. Coupled with the other advantages of friendship with India, this factor may bring about or might have already brought about a radical change in outlook in some quarters in Karachi. The President of Pakistan, it may be noted, had long talks with Ghaffar Khan recently in his own area!

Again, doubts have now entered the minds of all responsible Pakistanis as to whether the present pattern can at all be stable. In 1956, a noted American Professor of Politics, saw none in Karachi who thought Pakistan was going to stay: today, most of them are thinking of expanding Pakistan's borders through some means or other. While Noon has accepted the idea formerly advocated by his adversary, Quaiyyum Khan, of a federation with Iran, others are thinking of annulling the partition of Bengal and Punjab and incorporating them in Pakistan. What is more significant is not that someone wants to absorb West Bengal in Pakistan, but that it is being felt that Pakistan as it is today cannot go on. From this feeling, the simplest and the most logical conclusion can be one of the need of cordial relations with India—in fact, of several kinds of unions—a conclusion which cannot be publicly stated in the present framework of Pakistan's politics, but from which no right thinking man can escape. And those who believe that there is dearth of such men across the borders are as much mistaken in their assumption of a monopoly of wisdom for India as Mr Dulles is in his faith in his own righteousness.

The last of the most pressing factors for an Indo-Pakistan settlement is the realisation among Western powers, particularly U S, of the dangers of a continued conflict. For one thing, the most vigorous anti-Indians in Pakistan are tending to be anti-West. For another, the Baghdad revolution has come as a disturbing warning of the heavy liability undertaken in bolstering up an impossible regime. But, above all, from the Western viewpoint, India is more important. Once the possibility of a world war is ruled out, as it seems to have

been, the battle in South Asia has to be political and waged over a long period. And in this the chances of success for anti-Communists would depend on the chances of creating a conflict of interests between India and China. As long as Indian opinion remains obsessed with Pakistan, as it has been ever since the extension of U S military aid to that country, the inclusion of a portion of India's territory in Chinese maps would not excite the Indian public, in spite of the best propaganda efforts of outposts of anti-Communism in this country. The policy of creating Indo-Pakistan differences is, therefore, acting like a boomerang for the West, and there are other men in the U S State Department than John Foster Dulles!

While the need for an Indo-Pakistan settlement is thus recognised, what solution can possibly be sought baffles every one. For, it is apparent that, as in the case of border disputes, so in the case of any other dispute, no isolated solution is possible. Whether it is Kashmir or canal waters, minorities or evacuee property, any solution which may seem acceptable to one section in one country may not be so to another section today or to the same section tomorrow. Canal waters provide an illustration. Even if the World Bank Scheme is accepted, it cannot achieve a political solution in the long run simply because the Indus does not have enough water to satisfy the needs of both the countries. The programme of food self-sufficiency, to which both Governments are committed, would succeed only if the Indus basin in both the countries is properly developed. Hence, when Suhrawardy as Prime Minister complained that a decision on canal waters was no solution (a solution from which he and his Government had to retreat), he was stating a simple truth. It is not necessary to dilate on the subject—the solution has to be radical enough to bring about a change of hearts when a few acres this way or that or some more cusecs of water would not create formidable political problems for either the Indian or the Pakistani leadership. To think of such a solution, however, requires a breadth of imagination which it is difficult to find today, particularly on the other side of the border.

Economics of Chinese Achievement

A Reply

IN your issue of August 23, Mr Robert Terry has lodged a "protest" against my article "Surplus Manpower as Source of Capital: the Economics of the Chinese Achievement". He had better offered a 'criticism' rather than a 'protest', for, in the present context, the latter reflects pique rather than scholarly disagreement. Mr Terry has misunderstood the subject of my article to be "the roles of the individual and the state in economic and social development". Actually it was to examine the economics of the recent Chinese achievement in tapping surplus manpower as source of capital. The article discussed two of the major aspects of just this problem: the choice of fields for the investment of such labour and the problem of matching additional investment outlay by additional saving. One may not agree with the analysis but to say that I avoided "confronting the central issues" is really either to misunderstand the problem under examination or to be ignorant of the economic issues it involves.

Mr Terry has cast doubts about the facts cited by me because they have been derived from official sources. But everyone who writes on China derives his data that way. So does, for instance, the ECAFE for its chapter on "Mainland China", now a regular feature of the Annual Survey. This is not wrong either. In all countries, economic statistics are now provided, by and large, by government and quasi-government agencies. Moreover, the so-called independent sources are no more objective than the Government sources as they are, for the most part, organisations, institutions and journals run or subsidised by business, mostly big business, to present its view point and interests.

Mr Terry has discovered that I implied that Indian cottage industry consisted only of "antiquated handicrafts". And this despite the fact that I actually mentioned the local industries which could be considered to be such by implication: hand-spinning and hand-weaving; hand-pounding of rice and

the ghani-crushing of oil-seeds. Does Mr Terry hold that these are modern or semi-modern industries? I also gave a long list of the local industries now being built in China. Does he dispute that these are more akin to modern industry than to the antiquated handicrafts mentioned above? He has charged me with a predilection for everything Chinese. The fact is that he himself seems to suffer from a predilection against everything Chinese and so cannot help seeing "Red" in every thing favourable to that country.

Mr Terry does not dispute my observation that "China's annual increase in coal output exceeds India's total output" but thinks it an invidious comparison on the ground that I have taken no account of certain other factors. I did not go into these factors as these were irrelevant to the point that I was making, namely that it was to a considerable extent on account of the development of local coal pits mainly with surplus manpower that this year just the increase in China's coal output was expected to exceed India's total output. Indeed, information that has become available since this article was written substantiates this point even more forcefully.

Mr Terry has objected to what he calls "statistics of expectation". As usual, he cites no facts to indicate that these expectations were unjustified. His only argument is "we know from Indian experience that achievements do not always match targets". Actually, unfortunately for Mr Terry, developments since the article was written indicate that the expectations "threaten" to be overfulfilled by a wide margin.

I, too, am very sore about these figures of over-fulfilment though for a different reason. While Mr Terry is disturbed by China's success, I am dismayed by my country's stagnating agricultural output. Surprisingly enough, Mr Terry has claimed that I failed to answer "how surplus manpower is organised to achieve these stupendous gains". I wish he had read the article a

little more carefully and reflected on it a little less cursorily. It has been clearly mentioned there that the savings potential represented by outright and disguised unemployment has been tapped by the expansion of state investment in capital construction and that represented by seasonal unemployment by the expansion of cooperative investment. If there is unemployment, by definition, people do not have to be driven to public construction projects in chains. In China, as in India, people come to such projects voluntarily because they are paid more than their transfer earnings. Their grievance is not why there are so many of these projects but why there are so few of them. As regards cooperative investment, the motive is precisely the same as in the case of individual investment by a peasant proprietor: to add to income through improvements in owned land and cultivation.

Mr Terry has gone on to point out that cooperative farming is highly controversial. Naturally so. For the dispute about it is really a part of the larger controversy about the two paths of development: the socialist and the capitalist. But this dispute has by no means been decided finally, least of all in this country, in favour of individual farming so as to make it impermissible for me to say anything on the point. Indeed, the continued stagnation of food output since 1953-54 despite heavy public and private investment in agriculture has raised the issue most forcefully: in this country with a very poor per capita availability of land, is individual farming compatible with the required rate of increase in food output? Mr Terry has referred to the Minute of Dissent to the Report of the Patil Delegation. But I wonder if Mr Terry has thought it worth his while to study the Report itself and the observations of the Leader of the Delegation on the Minute of Dissent.

K S Gill

Chandigarh,
September 1.

Town Improvement In Old Calcutta

I HAVE just seen Sri Benoy Ghose's letter in August 23 issue of your Weekly at p 1106.

The chapter "The Rise and Growth of Calcutta in the Eighteenth and Nineteenth Centuries" at page 1 of the Census Report on Calcutta City has the following acknowledgement at the foot of page 1:

"This short account has been adapted, from pages 31 to 54 of H Beverley's Report on the Census of the Town of Calcutta, 1876. Appendices I to XIV have been prepared by Bepin Vihary Roy, late of the Calcutta Corporation."

I do not suppose anyone can think of a fuller acknowledgement. The word 'adapt' means in the Concise Oxford Dictionary, "make suitable (to or for a purpose), modify, alter". Anyone who cares to compare this Chapter with Beverley's original will detect quite a number of small omissions and alterations to suit modern post-1947 sensibilities and to connect references to Sri B V Roy's appendices.

As the adapter has no pretensions to scholarship and is consequently in a non-competing group and as he regards Sri Benoy Ghose as one of his esteemed acquaintances, he has no intention of taking any notice of the abuse Sri Ghose has chosen to employ in defence of his scholarship.

Ashok Mitra

8, Paul Mansions,
6, Bishop Lefroy Road,
Calcutta 20.

September 2.

POST SCRIPT

Since writing my letter this morning on Sri Benoy Ghose's letter published on August 23, I secured the August 16 issue of the Weekly and read Sri Basuraychaudhuri's letter at page 1081. I feel disturbed that Sri Basuraychaudhuri should have overlooked the clear acknowledgement and credited me with a piece of research not my own.

But I am amused at Sri Benoy Ghose's assertion on p 1106 that "Sri Mitra had never had any access to these Proceedings." I can only assume that Sri Benoy Ghose was never told by the Municipal Office that Sir Stuart Hogg had these proceedings copied out for his Corporation Record Room. I borrow-

ed the copies early in 1951 through the Chief Executive Officer. These copies should still be in the Corporation Record Room.

There has been so little research on a subject of such importance that it is possible to appreciate Sri Ghose's compliments to his own zeal. But he need not have answered for another.

A M

September 2.

Over One Lakh Bicycles Produced by Small Units

THE output of bicycles in the small-scale sector in the country crossed the one lakh mark in 1957. Production in the small sector, which started only in March 1956, was about 109,000 bicycles in 1957 as against about 22,000 in 1956.

There are 78 units in the small sector—22 in Punjab, 14 in Delhi, 10 in West Bengal, 9 in Uttar Pradesh, 8 in Bombay, 4 in Madhya Pradesh and 2 in Madras. Five units in Rajasthan, two in Mysore and one each in Andhra Pradesh and Orissa are to go into production soon.

There are 20 large-scale bicycle factories in the country which produced about 7.91 lakh bicycles in 1957 as against about 6.64 lakh in 1956 and 4.91 lakh in 1955. Of these big units, Uttar Pradesh and Punjab have six each, West Bengal three, Delhi two and Madras, Bombay and Bihar have one each.

The country can be said to be self-sufficient in its requirements of complete bicycles; self sufficiency in bicycle parts will be attained shortly.

GANDHI MARG

QUARTERLY JOURNAL OF GANDHIAN THOUGHT

July 1958

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From the London End

The Indian Finance Minister in London

MORARJI DESAI is little known in Britain and even where his name strikes some note of recognition he is more associated with prohibition and the somewhat parochial and specialised politics of Bombay than with the high position he has come to occupy in the Indian Government. His visit now to London seems to have shaken this almost general understanding. This gaunt figure of a man has suddenly been discovered by the British press, and more especially by 'Time' magazine, as the second most powerful person in India. Mr Desai himself has stated that he is 'third in seniority', though in what sense this was so he did not say.

Aid Mission Successful

In London the vast and elaborate facilities for publicity were made available to him—he appeared on television in a special programme to answer the questions of a distinguished panel of financial and political journalists and his press conferences were remarkable for their size. It is reported that the British authorities invited him to see some aspects of British life, and the aspects he saw have been widely publicized. It is, therefore, well to examine how far Mr Desai has been able to make the proverbial impact on British opinion not only in regard to his own personal position but, what is perhaps more fundamental, for securing Britain's sympathy and support for Indian economic and political policy.

On the strictly economic scale, Mr Desai's visit is regarded as an undoubted success, though most of the ground work was well completed when the principal Western creditors agreed at Washington to assist India in regard to the current year's commitments. That agreement in principle paved the way for the conclusive negotiations in London for a British loan of about £40 mn, though the interest and period of the loan still remains to be settled. It did appear from the Treasury statement on the Desai-Amory discussions that the British Government has now come round to agreeing that sympathetic consideration

will be given to India's foreign exchange needs for the remaining years of the Second Five Year Plan. This in itself is a matter of some significance. The British Government has never given any indication of serious interest in the Plan, and whatever interest has so far been shown has taken the character of alarm and anxiety lest the factors stabilizing sterling, in process of the Plan's implementation, become severely subverted.

Sterling Balances

What appeared particularly illuminating in the Anglo-Indian discussion to which Mr Desai, no doubt unwittingly, made reference, was the British agreement to a further scaling down of India's sterling balances from what appeared to be a previously agreed minimum of £150 mn to a new minimum of £105 mn. Apart from any considerations of the statutory currency cover required for the rupee issue in India, this agreement is of far-reaching significance to inter-sterling area relations. This concerns the possibility of the existence of firm undertakings on the part of the overseas sterling area to maintain a minimum of sterling assets and to only revise these minima by agreement with the banker. Some months back Mr Macmillan declared without equivocation in Parliament that the British Government had no plan or ever had any for exercising control over the disposal of the sterling funds of the overseas sterling area. In contrast to this, certain dark hints of some measure of British control being present were made during the recent Middle East crises and the threatened revolt in Kuwait. It was then indicated in various officially inspired writings that the ruler of Kuwait, though possessing some £300 mn in London, possessed little right to utilise this money, and was required to invest a minimum of £60 million annually in British securities from current sterling royalty payments. It was also indicated then that this was neither new nor unilateral—it was a practice involving other countries in the sterling area as well. This seems to be particularly true of Ghana.

Now in a more direct and unambiguous manner India's relation to the sterling area mechanism has been thrown into sharp focus: the crisis in the Indian foreign exchange position was not only reflected in the payments that fell due with embarrassing rapidity since the beginning of 1957 but also in the fact that the Sterling Asset Minimum was reached and that further drawings were impeded by Indian undertakings to the British Government. The Desai-Amory discussions established a new minimum to the Indian sterling balances and it is now as well that the Indian Government should announce the nature of Indian undertakings to the United Kingdom and how far this is relevant to the statutory cover to the issue of internal currency.

Evasive Answers

The British people meeting Mr Desai for the first time through the mass media of television, cinema newsreels and, of course, the daily press, have been particularly anxious to obtain from him some firm statement of his personal position in Indian politics and how he sees the world. This is by no means unnatural—the man likely to become the Prime Minister of an extremely influential power in Asia and the world is news in more than one sense. And here there can be little doubt that Mr Desai is very unlike Mr Nehru. Pandit Nehru is known for the tremendous power of his intellect and his considerable grasp of international relations. His easy and convincing ability to think aloud—a feature which makes his press conferences so full of stimulation and meaning—is something which Mr Desai lacks, at least for the moment. Indeed, Mr Desai has gone to the length of explaining that he only 'reflects inwardly'; and this he does when he has the time to escape to his spinning wheel.

The refusal on the part of Mr Desai to think aloud, while certainly not crucial to the fortunes of any statesman, can be unfortunate for public relations. His answers to questions are generally curt and uninformative. His ideas of peace

are almost pacifist in content and thus unhelpful in some of the more crucial international problems of our time. His artful evasions of what only in the most strictest sense can be called loaded questions leave the British public painfully ignorant of what goes on in his undoubtedly powerful mind. And yet what Mr Desai had to say on this first visit abroad was interesting in the light of what is understood as the broad purposes of Indian policy.

Foreign Policy Losing Edge?

There can be little doubt that the Indian policy of securing diplomatic solutions based on its own strategy of non-involvement has in the past year lost its edge, its brilliance and impetus. This is certainly the impression Mr Morarji Desai leaves in London. The fluid international balance which gave a unique place to the uncommitted nations and in particular to India, over much of the post-war years and especially since the end of the Korean war, has not altered greatly, except for the emergence of nuclear deterrents. What appears to have changed is the position of India in this balance, for there now exists a feeling in London that the gravity, some freely term it bankruptcy, of India's external economic situation has removed the basis for any new Indian initiatives in the diplomatic sphere. The growing tension in the South China Sea drew from Mr Desai little in the nature of even a hint whether Indian offices would be available to bring about such changes in the status quo as would at least temporarily satisfy China and the United States. Mr Desai was explicit in indicating that international presence on the part of any country was only meaningful in so far as it was sustained by power and stability, the implication no doubt being that such events as the Washington meeting of India's creditors was by no means conducive to Indian presence being manifested now.

In Commonwealth relations Mr Desai gave the impression, more by his brevity than anything else, that there remained little to be desired. To him the Commonwealth is as it was to Mr Nehru—an invisible association. The ability of a group of nations to arrange their relations on the basis of mutual interest with the over-riding proviso that it excludes any reference to intern-

al affairs was sufficient for Mr Desai to declare the Commonwealth to be a worthwhile and useful institution to be developed further. Though he regarded the racial riots in London and Nottingham as 'unfortunate', he gave the impression that this was one of those things that fell within the purview of 'internal affairs' and thus outside his field of calculation. The forthcoming conference in Montreal, according to Mr Desai, provided a further opportunity for discussion on economic questions, but he was careful not to state how far they would be of direct relevance to Indian problems.

Conviction Lacking

It is well known that Western sympathy, in so far as it existed in the past, for Indian strivings towards rapid economic development was invariably founded on the desire to maintain the balance between India and China. This sympathy has had little to do with the need, fundamental in itself, to overcome the overwhelming problem of Indian poverty. There can be little doubt that an important factor in the aid that has generally been made available to India has been the political arithmetic of the cold war. It is here that the most urgent, most vital need arises for Indian efforts to place the Second Five Year Plan in its true perspective before the audiences of the Western world. How far has the

Indian Finance Minister gone in this regard?

In the various opportunities I have had in seeing Mr Desai face British opinion, I gained the impression that apology and an attitude of being on the defensive had become the characteristic of Mr Desai's approach to public relations. He explained with almost embarrassing persistence the lack of Indian experience in planning techniques and in the formulation of targets for economic growth. He thought that economic growth should be rigidly confined to what he calls the 'people's capacity' and gave the impression that any State organized effort to increase the tempo of economic change was out of keeping with his doctrine of placidity and peace by which he instinctively stands. And this represents a serious problem. Neither India nor the other under-developed countries of the world need apologise for attempting to solve within a short space of time the problem of poverty and want. There exists every reason to claim the assistance of rich nations for such a task. The problem is to inform the richer parts of the world of this fact. There is no justification for being on the defensive or apologetic. Here, then, is a task for Indian public relations abroad. The 'impact' which Mr Desai had the opportunity of making in London certainly did not include this highly feasible approach and conviction.

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The Foreign Exchange Problem

Some Neglected Factors

'Vikram'

THE recent fast rate of fall in the foreign exchange reserves of the country has provoked thinking on the subject by professional economists. Like last year, the discussions in press and on platform centre on finding fault with either the private or the public sector. And as is usual in debates, where the main consideration is of winning a point, a comprehensive assessment covering all aspects of the problem is not attempted. Commercial policies of the economically advanced nations and their repercussions upon development efforts of those on the threshold of industrialisation is one case in point. It is proposed to discuss in this piece these exogenous factors and a few more that have not received much attention.

Whereas there is nothing strange about the tight foreign exchange position of the country, a necessary accompaniment of development programme anywhere, it is essential that maximum care is taken in the utilisation of available resources. Besides, no efforts should be spared to earn as much of foreign exchange as possible by way of exports. The country must gather maximum goodwill for her development ambitions, evoke confidence regarding enterprise and solvency of the nation and impress upon "donor" countries the advantages of economic integration through developing backward economies.

That in the matter of best utilisation of foreign exchange both the private sector and the public sector have laxed needs little emphasis. If the private sector tried to accomplish its programme, especially one involving imports in advance of the schedule, the Government is to be blamed for not drawing up and adhering rigorously to yearly foreign exchange budgets. Again, there does not appear to be proper co-ordination between the Ministry of Finance and the Ministry of Commerce and Industry. Otherwise, how else could liberal licensing policy be pursued during 1955? Perhaps the Government was tricked, into it, finding foreign exchange position easier at the end

of the First Plan, the main reason for which was lag in the import and investment programmes rather than any surplus earning.

While a closer scrutiny might indicate many fields where economies were possible in the use of foreign exchange, an important and major item comes up for immediate mention. It is true of all underdeveloped countries that whenever restrictions are imposed upon the freedom of the business community to invest, there starts a tendency to divert funds into constructional works. The greatest advantage of this is that such investments pass as development activities and no stigma or undue governmental objection attaches to them. And since a large part of these investments are import orientated (involving import of many constructional material) they aggravate the foreign exchange deficit.

The magnitude of this problem can be realised from the distribution of private investment under Second Five Year Plan over different heads. It will be seen that an investment of Rs 1,000 crores (a little less than 42 per cent of the total outlay in the private sector) is planned for construction. And if one adds the Governmental demands on that account, the figure would become staggering.

Not long ago Dr V K R V Rao drew attention to the priorities, or lack of them in the Plan, advertent especially to the massive constructional work going on in the country. Now it is the turn of anyone to explain the occurrence of foreign exchange crisis due to similar reasons.

Indications are not available from the Plan about the allocation of iron and steel, machinery and metal, hardware and other imports as between the different fields of the public and the private sector plan. The National Council of Applied Economic Research in its Occasional Papers No 1 gives the most likely breakdown of machinery and metal imports of the private sector for the remaining period

of the Plan by different fields. As estimated by the National Council some Rs 350 crores are planned to be spent on imports by the private sector for constructional work alone. This is out of the total current estimated imports of Rs 840 crores for all purposes.

It looks fantastic that the framers of the Second Plan, working under the shadow of impending foreign exchange deficit from the very beginning, did not give adequate thought to this problem. Here, not to speak of the use of imported articles in constructions, even motifs and designs are imported from the West. Not long ago, our guests from the Soviet Union, Bulganin and Khrushchev, while being conducted round the steel plants in the country pointed out that much economy could be effected in the use of imported iron and steel in these plants simply by deviating a little from traditional notions of construction of structures.

Another feature of the utilisation of foreign exchange reserves in the private sector is that first, it is not known what order of priorities has been drawn up for the private sector and second, whether those priorities operate in practice. It is for the Planning Commission to answer this question. Again, what guarantee is there that import of most goods on private account go into the scheduled lines of production? Chances are that these have partly been used for non-Plan investments.

Allied to its utilisation is the question of earning adequate amounts of foreign exchange. This is another aspect of this problem. In a country's balance of payments will be found the key to the growth of a developing economy. It is sad that in spite of our best efforts to promote exports, no substantial gains have been achieved; rather, recently there has been a small fall in export income. It will be of interest to know how much of this loss is due to recessionary conditions in the United States. In any case, there is need for robust dynamism in our export policy. In the face

of growing competition from substitutes, we might have to find new lines of exports, different from the traditional ones known so far.

The mention of balance of payment difficulties raises a host of issues. As observed in the opening paragraphs, there are certain factors entering into our immediate balance of payments problems the responsibility for which does not rest with the country. Such difficulties are written into the very system of relationships between developed and under-developed countries.

Time and again, primary goods producing countries have raised the issue of unfavourable terms of trade to which they have to submit. It is interesting that whereas a country like the USA will not mind paying huge sums to undeveloped and under-developed countries in the shape of grants and credits, it does not relish the idea of improving the terms of trade for them. Curiously enough this rot, instead of being corrected, continues to worsen as time passes.

India in this regard is in a peculiar situation. There is large 'must' demands of imports consisting of capital goods and industrial raw materials. Terms of trade have been against us since long and after devaluation of the rupee in 1949 conditions have deteriorated further. It will be seen in the table below that the index of terms of trade (1938-39 = 100) was 118.4 in the year 1948-49. It touched the all time peak in 1951-52, the year of the Korean boom, and has been going down ever since, with the exception of the year 1954-55, when it showed a slight improvement:

1947-48	123.4
1948-49	118.4
1949-50	125.9
1950-51	124.5
1951-52	153.6
1952-53	109.4
1953-54	109.4
1954-55	120.5
1955-56	113.1

Source: Reserve Bank Bulletin.

True, the pattern and composition both of our exports and imports has changed beyond recognition during and after the War and hence the index of the terms of trade with 1938-39 as base year may no longer be regarded as reliable or significant. The same trend, however, is found in the re-

vised index which has 1952-53 as the base year:

1953-54	100
1954-55	110
1955-56	103
1956-57	103
1957-58	97*

* Provisional, nine months only.

Source: Reserve Bank Bulletin.

While India should be happy for a fair amount of success so far in holding the inflationary spiral within the country, on the other hand, failure in the same direction by Governments in UK, the USA, and Western Germany inflicts increasingly heavier burdens upon her on payments account. An idea of it can be had from the comparison of price indices of these countries. With 1950 taken as 100, by 1957 wholesale prices index in UK rose to 143, a rise of 6.5 per cent per year; the index rose to 115 in West Germany and 118 in the USA, giving yearly rises of 2.2 per cent and 2.7 per cent respectively. As against this, there was a modest fall — about 1.2 per cent yearly on an average — in the wholesale price index in this country during the same period. In the face of such divergent movements in price levels in these countries, it is no wonder that many of our estimates of foreign exchange requirement during the Plan period have gone widely wrong.

Trade with West Germany

A NUMBER of measures have been adopted by Government for expanding India's exports to West Germany in order to reduce the gap in India's trade balance with that country.

During the first five months of 1958 India's imports from West Germany were valued at Rs 42.79 crores and exports at Rs 6.42 crores. In 1957, India's imports from West Germany were valued at Rs. 122.82 crores and her exports at Rs 16.22 crores.

A Trade Promotion Organisation is being set up in West Germany to help establish contacts and commercial relations between Indian exporters and German businessmen. A team of representatives of German business houses is to be invited to visit India and make a survey of the goods available for export and build direct contacts with Indian exporters. The West German market for various Indian commodities is being surveyed to enable Indian exporters to make full use of the opportunities.

The Government of West Germany has been approached for grant of additional import quotas for Indian goods including jute and cotton textiles. This should not be difficult, as 97 per cent of imports into Germany are practically unrestricted.

Retrospect: The Shifting Fortunes of Agriculture The Experience of Less Fully Developed Countries

D R Gadgil

PROGRAMMES of research and education are, in the long run, of fundamental importance. In the context of the actual fortunes of the agriculturist they assume importance when they come to affect his costs or his income. This is also true of any programme of rationalising layout or other re-arrangements of the holding. There is, however, one aspect of land reform which may immediately affect the fortunes of agriculturists. This is where, through the abolition of a superior holder or the reduction of levels of legal rent, etc, the outgoings of the agriculturists are reduced. It appears that the largest changes in the fortunes of agriculturists in this manner have been brought about in the centrally planned economies. China is the most important recent example. However, to a lesser extent the abolition of intermediaries and reductions of rent have taken place in countries like Burma, India, Pakistan, Philippines, Egypt, Turkey, Guatemala, Bolivia and Puerto Rico. The difficulty of assessing the actual change brought about by these programmes lies in judging of the effectiveness of actual implementation of legislation. Careful surveys have revealed large failures in this regard in particular areas.

Programmes relating to credit and marketing could improve, within a short time, the economic position of the agriculturist. They have the aspects of reduction of costs as of interest, commission, etc, borne currently by the agriculturist and of increasing receipts through greater and more effective outlay made possible by more ample and timely credit or through a better price obtained because of more orderly marketing. The results of credit programmes are comparatively readily recorded. These programmes have been elaborated in only a small number of the less developed countries and in 1955 the F A O judgment regarding them was no more than that "they have slightly augmented the flow of institutional credit to agriculture."

Agriculture, 1955, p 40.) The latest data indicate no great advance. Among the underdeveloped countries the amounts of institutional agricultural credit advanced in recent years appear significant chiefly in Turkey and Egypt in the Near East, Puerto Rico, Columbia and Argentina in Latin America and the Philippines, Ceylon, India and Indonesia in the ECAFE region. (F A O: The State of Food and Agriculture, 1957, Annex Table 16.)

Price Support and Stabilisation

The most considerable effect on the fortunes of the agriculturist is likely to be produced by measures of direct subsidies or by price support and stabilisation measures. Subsidies may be granted as part of a long term development programme for purposes such as the improvement of land or of irrigation source. In terms of current operations they are used chiefly for encouraging adoption of improved products or methods such as through subsidising prices of fertilisers, improved planting material, or tractor ploughing. Though useful in the implementation of certain plans, these subsidies do not represent amounts significant in the context of the total operations of a farmer.

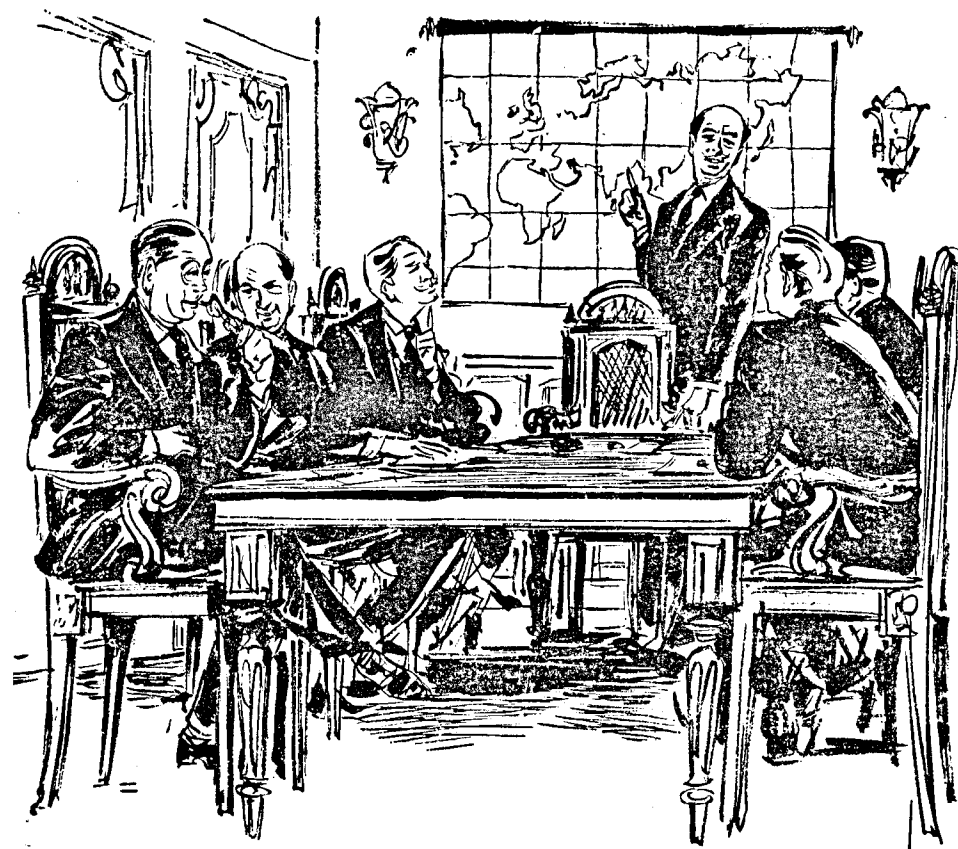
Price policy could affect materially the agriculturist's entire economic situation. The simplest objective of such policies could be the elimination of seasonal fluctuations. For example, reserve stocks of grain could serve not only as insurance against crop failure but could bring down very substantially the annual seasonal variation in prices.* Usually, however, the objective has a longer period in view and aims at obtaining a fair average price, over the years, for the produce. Where the commodity whose price is controlled is also an important export commodity the operation may amount to an in-

sulation of the domestic market, with internal prices being in some years above and in others below the international price level. Price stabilisation or support policies are fairly widespread in the less developed countries. Generally, the prices of only a small number of agricultural products, particularly those entering into international trade are thus controlled.

The governments of all the major Latin American countries like Argentina, Chile, Uruguay, Brazil and Columbia control prices. In tropical Africa, the outstanding feature is the operation of the Marketing Boards. For many years these Boards kept the domestic price of cocoa, for example, at a lower level than the international price, but also in years of depressed prices after 1954 were able to maintain them in some cases at levels higher than the international. Among the Middle East countries Egypt and Turkey have adopted price support policies. The Egyptian Government controlled both acreages and prices of wheat and cotton and used these for stabilising both farmers' incomes and export earnings. In Turkey, Government provides price support for a much larger number of agricultural commodities than in Egypt. Government sets prices at which it is prepared to buy any quantity of these agricultural products — particularly grains. This together with government organisation for storing and issuing grains has brought about a great increase in the production of grains in Turkey since 1950. In the underdeveloped countries of the E C A F E region, many of which are rice economies, price stabilisation or support policies for rice had been followed notably in Philippines, Ceylon, Thailand and Burma. In Burma, in particular, the elaborate price and marketing policy has been directed not only towards stabilising farmers' incomes but also towards obtaining resources for development of the economy. Where state marketing monopolies have operated long enough to build up their own reserves the stabilization

* For recent experience in South Korea supporting this view, see Economic Development and Planning in Asia and the Far East: Economic Bulletin for Asia and Far East, November 1957, p 6.





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operations have been fairly successful and have been maintained even in the face of falling international price.

The operations of these price policies must be considered as an extremely important new factor in the economy of the agriculturists. In the underdeveloped countries these policies cannot increase the share of the agriculturist in the total national product as the agriculturist is here the majority not the minority group. But, through any incentive effects that they have, they might increase total production and might increase the average real level of incomes through elimination of uncertainty and fluctuations. However, in view of the large variety of types of support policies and the variations in their administrative efficiency it is not possible to make any general statement as to their effects.

Commodity Agreements

It has been generally recognised that action by individual countries could not, by itself, prove adequate for stabilising the level of agricultural prices, and efforts at international action towards this end have been marked since the depression of the thirties. The considerable increase of government to government transactions during years of war and after, and fears of a depression in the immediate post-war period led to attempts at International Commodity Agreements on a much wider scale than before. The chief new feature of these was the attempt to associate both producers and consumers in one agreement. International Organisations like the F A O have actively backed the formation of International Commodity Agreements. It remains true, however, that the International Wheat Agreement and the International Sugar Agreement are the only two, which today affect agricultural producers in large areas in the less developed countries.

In the absence of international agreements primary exporting countries have attempted to secure their position by entering into bilateral agreements with the chief importing countries of their products. Burma has been one of the most active in seeking these. In regional terms the Latin American countries have tended to look to guaranteed purchases by the USA. The vital importance to economies of less developed countries of se-

cured export markets was recently emphasized by the agreements regarding sales of cotton by Egypt and Syria to the USSR. The possibility of mutual help among the less developed countries has been indicated by the Rubber-Rice Agreement between Ceylon and China.

Evaluation of State Policy

It is difficult to judge of effects of state policy, especially in the short run. Policy which brings about better distribution such as that relating to land reform and to cooperative organisation of marketing and credit may prove the starting point, may indeed be a condition precedent, of greater and more diversified production. The immediate betterment of the fortunes of the agriculturists through such policies is not, however, easily discerned. The effects of price support and stabilization policies are even more difficult to assess. For example, Burma has followed through many years a policy of a low stabilised rice price for the farmers and of canalising the gains of rice exports into development. India, on the other hand, has had no well-defined policy in this regard and has almost let things drift. Only a detailed, many-sided study of the situation in the two countries could lead to a firm judgment regarding the relative merits and propriety of the two different approaches.

In the post-war period social welfare policies have been responsible for improving the conditions of the people in a number of countries. However, significant programmes of social security, etc, have not been undertaken in most of the less developed countries and in countries like India and Pakistan expenditure even on education for the rural population gets surprisingly low allocations.

III

Agriculture and National Income

In recent years, use has been made of the national income data for obtaining some idea of the relative condition of agriculturists. Comparison of per caput incomes in Agriculture, Forestry and Fisheries with per caput incomes in all other occupations, taken together, shows that in all the less developed countries the agriculturist is relatively inadequately rewarded. As a rule, in these countries, the

per caput income in agriculture, etc, is less than 50 per cent of the per caput income in all other occupations and the percentage may be as low as 30. This percentage depends on a variety of economic considerations and it is not possible to generalise on its basis. In the present context, interest attaches to whether this percentage is increasing or not. In absolute terms, the income of the agriculturist, ordinarily, increases with an increase in total national income. In view of existing inadequacy of the earnings of agriculturists, it is important that the agriculturist's income should increase faster than the national income. The data for judging of this are scanty but those available indicate large variations in the situation. For example, it appears that in Turkey the per caput income in all other occupations was 30 in 1938, 51 in 1948 and 60 in 1952; in the Philippines, it varied between 29 per cent and 34 per cent between 1948 and 1952 without showing a definite trend. (FAO: Agriculture in the World Economy, 1955, p 54.) It is obviously dangerous to generalise on the basis of the data for a few years, especially in the case of income in agriculture. It would appear that in the years between 1946 and 1952 the trend in regions like Latin America, the Middle East and Africa was for incomes in agriculture to rise at a rate faster than the national income. The data after 1952 do not present a consistent picture. Fully reliable information regarding the occupational distribution of the population is not available for all countries and where available, it pertains only to particular years. It is necessary, therefore, to confine attention to movements of total income in agriculture instead of attempting to estimate per caput figures for studying trends after 1950.

Examination was made of the data for the six years 1950 to 1955 for some of the larger among the less developed countries in different regions in which the share of agriculture is larger than 25 per cent of the total domestic product. These were Brazil, Burma, Colombia, Egypt, India, Pakistan, Philippines, Thailand and Turkey. The examination revealed that in Brazil and Philippines, the share



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of agriculture (valued at current factor cost) rose continuously from 1950 to 1955 at a rate faster than the total domestic product and that consequently the share of agriculture in the total was larger after 1952 than in 1952 and earlier years. In all the other seven countries, the share of agriculture in the total in the years after 1952 was less than in the years before 1952. These data also indicated very large fluctuations in the value of the product of agriculture from year to year in some countries. In Burma and Colombia, in addition to Brazil and Philippines, there was a steady movement upwards in the value of both agricultural and total products between 1950 and 1955. In Turkey also, the movement was continuously upward except for a drop in the value of agricultural product in 1954. On the other hand, in Egypt, India, Pakistan and Thailand, there were variations in both directions from year to year and some of these variations were large. In interpreting these data, it is necessary to remember that differences in the pattern of production and in price support, etc policies would lead to differences in the situation of the agriculturists from country to country.

Vicious Circle

There are also other limitations of the data of total product of agriculture, in this context. For example, because of stratification within the agricultural community, the benefits and disadvantages might be very unevenly distributed among its members. For example, it has been reported that both in North and Tropical Africa agricultural activity which has proved specially profitable during the last decade has been concentrated in the hands of small groups of European settlers; overall indicators may mislead in relation to the fortunes of the bulk of farmers in such instances. Further, in a large number of underdeveloped economies the share of landlords, money-lenders and traders in the total product of agriculture may be substantial and this might become even larger in proportion in periods of instability. Surveys in such countries have revealed that primary producers fail to profit from temporary favourable changes and that the effects of an occasional very bad year may be felt by them

for a number of years afterwards, of openings in other occupations reinforces the other reasons for outward immobility. In the older, the poorer and the more populous of the less developed countries all the factors operate in a cumulative manner. Unless, in some way or another, the vicious circle is broken there is little prospect of the beginning of an upward trend, relative or absolute, in the fortunes of the agriculturist.*

(Concluded)

*Text of paper submitted to the tenth International Conference of Agricultural Economists, held at Mysore last month. Courtesy: ICAE

Anti-Hoarding Measure for Wheat

AS an anti-hoarding measure and with a view to bringing down prices, the Government of India has issued a notification applying sub-section 3(a) of section 3 of the Essential Commodities Act to Punjab in respect of wheat.

Government can now requisition stocks of wheat from traders in Punjab at a price equal to the average of the prices prevailing in the past three months.

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The South Madras Electric Supply Corporation Limited

Speech of Shri K A P Vishwanathan

THE following are extracts from the speech of the Vice Chairman Shri K A P Vishwanathan, delivered at the Eighteenth Annual General Body Meeting of The South Madras Electric Supply Corporation Limited, held on 27th August 1958, in the absence of Shri S Vaidyanatha Iyer, Chairman:—

The Corporation has kept up the usual progress in their expansion schemes and, as will be observed from the report, we have invested about Rs. 16 lakhs in capital expenditure and have added 40 villages this year making up in all 556 villages electrified. House Service connections now number nearly 46,000. There are nearly 2,000 Power Service connections and more than 6,000 acres of land are irrigated by nearly 2,000 pumpsets installed in the villages.

We were able to build up a fairly good stock of stores to the extent of Rs. 18 lakhs, particularly of poles, transformers and cables, at advantageous prices when import policies were liberal. With these stores stocks, supplemented by such purchases as are necessary, we expect to keep up the usual annual programme of about Rs. 15 lakhs of works.

Expansion: Statutory Duty

I also understand that the State Electricity Board, in coordination with the State Government and the Planning Commission of the Government of India are seized of the problems of finance of licensees and would come to our rescue shortly. You may naturally ask me why in the face of the power restrictions that are imposed on supplies and the serious situation that arises annually during summer months, involving almost complete shut-downs of supply, we should go on with expansion schemes. I would mention that this is a statutory duty cast on us as licensees and we have by ourselves no right of refusing to expand. Further, it is in the interest of Shareholders to maintain a steady pace of expansion so that distributable profits under the Supply Act may be kept up.

In fact this year too power restrictions were lifted in July as

Pykara storages got filled up, and we are assured that by end of September, Periar will go into operation and thus ensure a satisfactory year.

Dividend

As mentioned in the Directors' Report, this year's accounts reflect the repercussions of the revisions in the Electricity Supply Act. While the return on the capital base has been increased to 5½ per cent (i.e., 2 per cent over the Reserve Bank rate of 3½ per cent ruling on 1-4-1957), the capital base itself has been considerably reduced by the withdrawing from the base of consumer security deposits. The recommended dividends of 8½ per cent on Ordinaries has been possible with the carry forward balances of last year and a withdrawal of Rs. 9,571/- from the Tariff and Dividend Control Reserve built up as provided for in the Supply Act.

We expect that we will be able to keep up dividends at about this level in future years, as the adjustments made this year in the capital base fully reflect the requirements of the Supply Act.

Renewal of Licence

Our licence is to expire on 12th January 1962 and if the Electricity Board intends to acquire the Company they should give us notice by January 1960. There is, however, the Acquisition Act which empowers the Madras Government to acquire the licence any time by giving us four months' notice. My feeling, however, is that the Government may have no intention of applying the Act; nor is the Board likely to exercise their right of purchase, obviously for the reason that the Corporation has been rendering efficient and signal service to the public.

In this context I will be failing in my duty if I do not pay my sincere tribute to Messrs Seshasayee Brothers Private Limited, and to Sri V. Seshasayee in particular, for their devoted service in the stewardship of this Company. They have put this Company on the electrical map of India and we and our Engineers are held in high regard throughout the country. Sri Sesa-

sayee is one of the very few persons who have been honoured with the Companionship of the Institution of Engineers (Great Britain) for signal services to electrical industry. Sri V. Seshasayee, the Managing Director of the Managing Agents, is also not present at today's meeting under Doctor's advice. He is, however, giving full attention and guidance to the Company's affairs and desires me to convey to you his sincere greetings and good wishes.

I am sure you are all one with me in wishing Sri V. Seshasayee the best of health.

Your Directors Sri K. Chinnaswami Iyer and Sri T. S. Balasubramania Iyer, in respect of whom a shareholder had given notice for age exemption, have expressed their desire to retire as they feel that the provisions relating to age exemptions should be applied only in exceptional cases. I greatly appreciate their point of view. The Board has accepted their resignations at today's meeting and has recorded its grateful appreciation of their services to the Company in these many years of association with us.

Special Resolutions

I would invite your particular attention to the additional business before this meeting in the form of the various special resolutions tabled for your consideration. On the resolutions relating to the amendments of the Articles, no comments are necessary from me with regard to those relating to the stock exchange requirements.

As regards the restrictions the Company have recommended on the transfer of shares by seeking your approval to refuse transfers of holdings less than 30 shares to non-members, the object is mainly to prevent disintegration which has its evils. The interests of the Company and the shareholders are best served by the prevention of such disintegration. I trust you will agree with me and the Directors and pass the resolution accordingly. You may rest assured that this discretion will not be exercised arbitrarily.

Sri H. K. Ramaswami who has been associated with this Company for the past 14 years as Deputy Chief Engineer has joined the Board of Seshasayee Brothers Private Limited, but as hitherto, as a Director of Seshasayee Brothers (Private) Ltd., he will be primarily associated with the administration of the Corporation on behalf of the Managing Agents. On behalf of you all and on my own behalf, I wish him all the best.

Industrial Relations

Now a word about staff and industrial relations: It will be recalled that we had entered into an agreement on 15-4-1957 with the only Union then in existence, embracing various points including grievance procedure. That agreement is to ensure for a period of three years, i.e., till 31-3-1960. While the said agreement is in force, the Management was informed of the formation of another Union which has put forward demands which amount to a violation of the agreement. The Management had to turn down these demands which had led to some of them being referred to adjudication by the Industrial Tribunal. As the agreement must continue to govern the mutual relationship till 1960 on all such matters, the Management had to resort to the High Court on the question as to the validity of the reference for adjudication. Our writ petition has been admitted and interim stay of further proceeding before the Tribunal has been granted.

I must take this opportunity to emphasize, if necessary, the need for statutory control against existence of rival Trade Unions in a unit in an industry. The Government and the powers that be have often declared in the Press and on platform that they are in favour of one Union for one industry. It is desirable that declaration of such a policy must take a more concrete shape as early as possible.

The emoluments paid by this Company by way of salaries, Dearness Allowance and other benefits and amenities to the Staff and labour compare favourably with those obtaining in other Units of this Industry.

The Directors will always be happy to help the employees realise their ambitions consistent with their responsibility to the shareholders and the consumers.

I now move that the Directors' Report and Audited Balance Sheet as at 31-3-1958 and the Profit and Loss Account for the year ended 31-3-1958 be approved and adopted.

Note: The above extracts of the speech do not purport to be the report of the proceedings of the Eighteenth Annual General Meeting of the Company held on 27th August, 1958.

Ballarpur Paper Mills

THE Government of Bombay has sanctioned a loan of Rs 25 lakhs to the Ballarpur Paper

and Straw Board Mills Limited, Ballarpur, in Chanda district.

This is the second loan to the Company from the Bombay Government, Rs 90 lakhs had been lent to the mill earlier.

The loan is for the purchase and installation of machinery, plant and equipment for the manufacture of paper, for purchase of building material, for erection of factory and other buildings, as also to provide working capital for the mills, or for repaying loans taken by the company.

The loan, which carries interest at 3½ per cent per annum, is repayable in 17 annual instalments.

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Company Notes

Tata Steel Revalues Inventories

THE Fifty First Annual Report of the Tata Iron and Steel Company Limited indicates not merely the impact of expansion on its accounts but also a departure from its traditional conservatism in valuing assets. Gross block has risen phenomenally over the year from Rs 93 crores to Rs 147 crores and own resources (capital and reserves) from Rs 46 crores to Rs 55 crores. Revaluation of inventories at lower of cost or market value has added Rs 1.86 crores to opening stock, which has been taken to General Reserve No 1 consisting of profits already taxed, and a further increase of Rs 80 lakhs in value of closing stock has been included in the year's profit. This total accretion of Rs 2.66 crores is only slightly higher than the total dividend distribution of Rs 2.59 crores. While this inventory revaluation was long overdue—the delay in carrying it out is attributed to post-war expectations of a fall in prices—its implementation in 1957-58 has obviously been inspired by lower gross profits and restrictions on the utilization of development rebates for payment of dividend. In the event, net profits of the year have not sufficed even to pay the full dividend on preference shares, and an amount of Rs 2.07 crores has had to be transferred from General Reserve No 1 to maintain the dividend. This reserve, from which dividends would largely have to be paid over the next few years, stands at the end of the year at Rs 12.22 crores, including Rs 9.53 crores transferred from Plant Rehabilitation Reserve and will, therefore, suffice to maintain the existing distribution, if not improve it, till the company's 'frozen' reserves become available for distribution.

The expansion of Rs 59 crores in gross block during the year has been financed as follows: Rs 5 crores from capital, Rs 4 crores from reserves, Rs 39 crores from secured loans, including Rs 28 crores from the World Bank and Rs 11 crores from other banks, and Rs 6 crores from sundry creditors, not specified. Net block has nearly doubled from Rs 55 crores to Rs 105 crores. As a result of its expansion programme, cash and bank

balances have contracted from Rs 3.74 crores to Rs 1.52 crores. Call and fixed deposits with banks have, in the process, been reduced to nil from Rs 1.95 crores.

Net income from sale of products rose over the year by 8.6 per cent to Rs 48 crores, but expenses, net of expenditure transferred to capital account, rose by 24.5 per cent to Rs 35 crores, the rise being mostly under works expenses and materials consumed. The wage bill rose only slightly from Rs 6.71 crores to Rs 6.93 crores. Depreciation absorbed Rs 3.91 crores against Rs 2.47 crores.

Gross profit before tax thus shrank from Rs 8.90 crores to Rs 5.62 crores and as a percentage of sales turnover, declined steeply from 21.3 to 12.4. After providing Rs 2.79 crores for plant rehabilitation and development against Rs 2.60 crores, nil for development reserve against Rs 98 lakhs, Rs 90 lakhs for taxation against Rs 272 lakhs, net profit for appropriation amounts to Rs 1.93 crores, against Rs 2.63 crores. To calculate net earning per ordinary share, allocations to the above two reserves may be included, and taxation and preference dividend excluded; the figure this year then comes to Rs 17.70 after making a proportionate reduction for new shares. Distribution is Rs 8.25.

Sources of Finance

Compared to the last pre-Plan year 1950-51, Tisco's gross block is higher by the phenomenal figure of Rs 104 crores and investments have gone up by nearly Rs 3 crores. Of this total increase of Rs 107 crores in assets, sources of finance to the extent of Rs 91 crores can be easily traced. Paid-up capital has contributed Rs 20 crores, reserves Rs 13 crores, and borrowings as much as Rs 58 crores. The remaining Rs 16 crores must have been financed largely through the utilization of Rs 14 crores that accrued under depreciation, leaving a balance of Rs 2 crores which has come presumably from secret reserves now partially brought into the open by revaluation of inventories. Compared to 1950-51, gross revenue has gone up from Rs 30 crores to Rs 48 crores, an increase

of 59 per cent, while operating expenses have gone up from Rs 23 crores to Rs 38 crores, i.e., by 63 per cent. Gross profit before depreciation has consequently risen by only 41 per cent from Rs 6.75 crores to Rs 9.52 crores.

At the end of 1957-58, the company owed nearly Rs 37 crores to I B R D, Rs 10 crores to the Government of India and Rs 13 crores to banks. Interest payments during the year aggregated to a tidy sum of Rs 142 lakhs, against Rs 9 lakhs in the previous year. The loan liability to I B R D will ultimately rise to about Rs 51 crores since an additional loan from I B R D of \$ 32.5 million has already been sanctioned.

Two Million Ton Programme

The Two Million Ton Programme resulted in an unprecedented volume of construction activity throughout the plant during the year and it is, therefore, a pleasant surprise that the output of saleable steel declined only to 787,000 tons from 799,000 tons. The company is now in a position to make a higher grade of ferro-manganese for its own consumption as well as for sale. The production of agricultural implements has increased mainly as a result of improvements in operating practices. Two new coke oven batteries and three new furnaces for the steel melting shop were commissioned during the year. The refractories project is under way while the plant for recovering steel scrap from slag dumps has started operations.

The total number of trainees at the Tata Technical Institute is now 1,228. This Institute has done yeoman service in training personnel for the new steel plants in the public sector. The company has liberalised leave rules for labour and revised its production incentive plans. A joint committee has been appointed for job classification and evaluation. Its findings will form the basis for a revision of the wage structure.

During the year, the company donated Rs 177,000 for welfare and education and Rs 75,000 to Bihar and Orissa Pradesh Congress Committees.

Tata Locos Hire Purchase Programme

TATA LOCOMOTIVE continues to flourish on the profits of its Automobile Division. Its gross block has risen from Rs 13.52 crores to Rs 16.75 crores and net block from Rs 8.78 crores to Rs 10.07 crores. Cash and bank balances have declined from Rs 9 lakhs to Rs 3 lakhs, presumably as a result of higher investment. Sales turnover has expanded from Rs 21.45 crores to Rs 26.94 crores but gross profit margin has gone down from 5.4 per cent to 3.7 per cent. Profits before depreciation amount to Rs 2.28 crores against Rs 1.86 crores. Provision for depreciation has been raised from Rs 70 lakhs to Rs 1.29 crores which makes up the full amount allowed for income tax purposes. In addition, Rs 70 lakhs have been transferred from reserves to Depreciation to avail of the facility provided under the Income-Tax Act. Tax liability is substantially lower at Rs 6.49 lakhs against Rs 27.27 lakhs, and is accounted for in its entirety by provision for wealth tax for 1957-58, and incometax arrears for previous years. Despite this, however, net profits are only slightly higher at Rs 93 lakhs against Rs 89 lakhs, owing largely to heavy provision for depreciation. Net earning per ordinary share, after deducting preference dividend, thus comes to Rs 17.20 against Rs 16.40 in the previous year. Distribution has been raised from Rs 8 to Rs 9.

As in the case of Tata Steel, the company's reserves have been split into two parts, No 1 consisting of retained earnings and No 2 of other earnings. Out of the total distribution of Rs 51.85 lakhs, Rs 41.85 lakhs have been drawn from General Reserve No 1. This transfer, along with the transfer of Rs 70 lakhs to depreciation, are responsible for total reserves declining from Rs 106 lakhs to Rs 67 lakhs.

The Company's total indebtedness has increased by nearly Rs 2 crores from Rs 13.82 crores to Rs 15.51 crores and along with it, interest charges have increased by about Rs 29 lakhs to Rs 72 lakhs. To finance its scheme of hire-purchase of Tata-Mercedes-Benz vehicles, overdraft upto Rs 3.5 crores has been arranged with the Central Bank of India. The scheme appears to have been an instant success for the total value of hire-purchase contracts

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at the end of the year amounted to Rs 188 lakhs. Further expansion of the Automobile Division is proposed to be financed by the issue of 300,000 new ordinary shares of Rs 100 each.

Output of locomotives and spare boilers recorded an increase of more than 14 per cent over that of the previous year and exceeded the target set by the Tariff Commission in respect of both total outturn as well as indigenous content. The Railway Board has agreed hereafter to place order for complete locomotives only. Since September 1957, four months ahead of schedule, the Company's production has been proceeding at the rate of 100 locomotives a year.

The Automobile Division turned out over 7,000 vehicles during the year. This is to be stepped up to 12,000 per year. But though Government has approved the programme of expansion, foreign exchange difficulties have prevented its implementation. By October 1959, that is within four years, all parts of Tata-Mercedes-Benz vehicles, including the diesel engine, will be manufactured in the company's own works.

Steel castings are being manufactured in the Foundries Division since June 1957 while the alloy iron foundry is rapidly nearing completion. A new Welding Division has been created this year which will produce certain items of fabricated plant and equipment, among other things, for the manufacture of diesel hydraulic locomotives which the company hopes to build in the future. This project will promote more effective utilisation of some of the available plant capacity and labour force.

By the end of the year, Telco township will provide accommodation for 40 per cent of the workers in company-owned quarters.

Philips India

THE leading manufacturers of radio sets and components, Philips India, increased their sales from Rs 4.23 crores in the previous year to Rs 4.74 crores in 1957 and made a gross profit of Rs 46.40 lakhs against Rs 42.02 lakhs. The profit margin thus remained practically unchanged at 9.8 per cent. Provision for taxation, however, is higher at Rs 28.35 lakhs against Rs 20.50 lakhs due to wealth tax

liability for 1956 and 1957 and payment of tax on bonus shares issued before Philips India was converted into a public company towards the end of 1957.

Net earnings after tax are, therefore, lower at Rs 18 lakhs against nearly Rs 22 lakhs in the previous year. Dividend absorbs Rs 4.40 lakhs against Rs 12 lakhs, and Rs 13.5 lakhs are carried to reserves against Rs 10 lakhs. Reserves, however, stand depleted from Rs 23 lakhs to Rs 4 lakhs, as a result of capitalization by issues of bonus shares and payment of tax on them.

The gross block stands at Rs 89 lakhs and net block at Rs 56 lakhs. Despite import restrictions, the company's plans to manufacture electrical components in the new factory at Poona are going ahead satisfactorily. Future sales turnover, however, depends largely on availability of licenses for the import of essential raw materials and components.

Share capital now amounts to Rs 220 lakhs against Rs 25 lakhs only in the previous year. Of this, Rs 50 lakhs was issued for public subscription last year. The amount in share premium account is nearly Rs 39 lakhs. The ultimate holding company has no interest in the share capital but its subsidiary holds equity worth Rs 120 lakhs. Of the 23,000 public shareholders, 88 per cent hold less than 16 shares each, and another 10 per cent 16 to 100 shares each.

Caltex Refinery

THE Caltex oil refinery at Vishakhapatnam began processing of crude in April last year. During the eight months of its operations ending December 31, 1957, its income from refining amounted to nearly Rs 247 lakhs, on which it made a profit of Rs 82.84 lakhs, after writing off Rs 7 lakhs for various preliminary expenses and Rs 46 lakhs for depreciation. Its gross block stood at the end of the year at Rs 13.84 crores, and net block at Rs 13.38 crores. The company has no tax liability this year but has set aside nearly Rs 21 lakhs as taxation equalization reserve to meet future liability under this head. The balance of profit amounting to Rs 62 lakhs has been carried to reserves.

The company's share capital has risen over the year from Rs 225 lakhs to Rs 405 lakhs. None of this capital is held in India but a

THE ECONOMIC WEEKLY

debenture stock of Rs 2 crores was issued in this country in November 1955. During the period under review, its unsecured loans increased from Rs 550 lakhs to Rs 624 lakhs, including Rs 223 lakhs from Lloyds Bank; Caltex (U K) Ltd has provided the balance of Rs 401 lakhs against the entire amount of Rs 550 lakhs in the previous year. Total capital employed at the end of 1957 thus aggregated to Rs 13.11 crores, of which Rs 4.88 crores consisted of capital and reserves.

Hindustan Motors

THE sales turnover of India's largest automobile manufacturing company rose to Rs 10.46 crores during the year ended March 31, 1958 against Rs 10.03 crores in the previous year. The gross profit works out at about 1.8 per cent against 0.99 per cent, which compares rather unfavourably with the operations of other automobile manufacturers. The management attributes lower gross profits to the higher proportion of indigenous components in Hindustan vehicles. Though the company has provided Rs 225 lakhs for depreciation so far against its gross block of Rs 527 lakhs, unabsorbed depreciation still amounts to over Rs 140 lakhs.

After paying wealth tax for the two years 1956-58, and setting aside Rs 1.41 lakhs for development rebate reserve, net profit amounts to Rs 11.56 lakhs against Rs 9.93 lakhs. Preference dividend absorbs Rs 10 lakhs against Rs 6.75 lakhs, leaving Rs 9 lakhs to be carried forward against Rs 8 lakhs. Reserves now stand at Rs 21 lakhs against the paid up share capital of Rs 10 crores.

A bank loan of Rs 256 lakhs, taken last year, has apparently been fully repaid, but "Interest to Bank & Others" has risen nevertheless from Rs 9 lakhs to Rs 12 lakhs. Selling Commission and other Selling Expenses have risen from Rs 2.65 lakhs to Rs 4.13 lakhs.

The company has entered into an agreement with General Motors for assembly of Chevrolet cars and trucks and GMC and Bedford trucks and manufacture of one of the trucks here. The Directors, however, state with regret that "improvement in profit position of the company is dependent mainly on the grant of import license commensurate with its manufacturing facilities and price adjustment according to the increase in cost."

THE ECONOMIC WEEKLY

Around Bombay Markets

Erratic Movements Likely

September 13, 1958

Friday, Morning

DALAL STREET is in a cheerful mood. The technical setback which followed the Reserve Bank's directive to Banks to exercise vigilance and avoid making advances against big blocks of shares was short lived and the upward trend was resumed with full vigour. Except textiles, several industrials have recorded new high levels. The going is still good but the question is being asked, how long will the present upward trend continue?

Though the market's present outlook is optimistic, opinions are somewhat divided about the future prospects. There is, however, overwhelming evidence to suggest that barring unforeseen circumstances, chances for any sharp drop in values are remote. Money market conditions are distinctly easy. A few banks are reported to have reduced the charges on the overdrafts of their constituents by ¼ per cent and have simultaneously raised the limits. The boom in gilt-edged securities and the demand for debentures and Preference shares which it has stimulated, has resulted in downward revision of yield. With sustained rise, equities are not immune from this phenomenon. However there are pointers that money market conditions may stiffen to some extent after a month or so and hence prospects for any further sustained rise in investment values are to be discounted. The market might show an erratic tendency though a modest rise is not ruled out, in view of the bright prospects of foreign financial assistance.

Funds Flowing into Gilts

The bulk of the funds lying with the banks have found their way to investment in gilt-edged securities and treasury bills, while the new debenture issues of Guest Keen Williams and Dunlop Rubber and the forthcoming Preference as well as equity issues such as Walchandnagar Industries, Century Mills, Mahindra & Mahindra, Tata Loco, Orissa Cement, Jaipur Udyog etc will absorb a large part of the balance. It will not be surprising, therefore, if money rates harden somewhat in the next few days.

In view of the payment of interest due on 15th September, the 3

per cent Conversion Loan has gone up to Rs 74.20 while other dated Loans are also ruling firm. But it is considered likely that the market will offer resistance to the upward trend. Helped by the rise in Government securities, banks have also ruled steadier. Insurance shares are mostly flat while electrics have shed some gains as fresh buying seems to have dried up.

Sugar Marked Up

Among transport shares, shippings have turned somewhat dull after the recent hectic activity. The announcement of a dividend of Rs 1.80 in Great Eastern has thrown a damper on this section. Scindia have also turned lower and the market appears to be consolidating the gains. Tata Locomotive have been a steady feature while Premier and Hindustan Motors are somewhat dull.

Sugar shares have enjoyed a veritable boom on optimism over the results for the current year. The lead was given by Belapur which gained 20 points. The next favourite was Phaltan.

Tata Chemicals have provided a bright feature on influential buying and reached a new peak. Alembic Chemicals were just steady. Amar Dye and Indian Dye-stuff were neglected but Polychem had good investment enquiry.

Cement shares were mostly dull though prices have recovered modestly from the lowest levels recorded in the previous week.

Steel shares were in the forefront of the advance. Tata Steels touched a new peak, despite large scale realizing from a leading professional bull operator, with satisfactory output for the past month. The market is now looking forward to a steady rise in TISCO output as the expansion programme is to be completed by the end of December. However, investors are awaiting the Chairman's speech at the annual general meeting of the company which is due on 18th September. Rumours about the increase in steel retention prices have been recurrent but official announcement is still awaited. Indian Iron have also staged a fair recovery. The market, however, is wondering

when would the loans issues be decided?

Selective Support for Mills

Cotton textiles have lacked support in view of the increase in operating costs following the rise in dearness allowance of the workers. Domestic offtake failed to pick up while export performance is still far from encouraging. Hopes are still held that in view of the approaching Puja holidays and with the end of the monsoon, demand might broaden.

Bombay Dyeing have met with ample support at all setbacks on the assumption that the company would benefit from the scheme of export promotion which is in the making. Century met liquidation at bulges from well informed quarters. Kohinoor kept quiet after an early spurt.

Bombay Burmah have witnessed sharp swings. The bonus issue has been sanctioned and the shares will be listed ex-right from this Monday, as transfer registers close from 6th to 20th October for bonus issue. The interim dividend has been lowered to 6 per cent i.e. Rs 7.50 on fully paid up shares of increased capital. Shivrajpur gained further strength as these shares are also to be listed ex-right. Premier Construction were strong while Indian Copper were quiet. WIMCO staged a sharp rise on news that the company's new plant at Calcutta has started operation. Voltas were steady.

Far Eastern Situation Helps Bullion and Commodities

The Far Eastern situation continued to cast its shadows over bullion and commodity markets. Sentiment remains steady on apprehension that the situation may deteriorate. Otherwise all the commodity markets would have gone down in view of the favourable monsoon. During the week end, however, there were reports of excessive rains in certain parts of the country.

In view of the larger arrivals and slow offtake silver came down to Rs 186.25 from previous week's high level of Rs 188.31, while gold has receded to Rs 107.25 from Rs 108.50.

CURRENT STATISTICS

BANKING RETURNS					INDEX NUMBER OF WHOLESALE PRICES				
Rs Crores					(Base : 1952-53=100)				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago	WEEK ENDED				
					23-8-58	16-8-58	26-7-58	24-8-57	
1. Note circulation	1541.70	1521.80	1559.16	1485.86	Food Articles				
2. Rupee Coin	136.51	138.27	134.65	132.38	Cereals	120.1	120.0	119.8	111.8
3. Deposits					Pulses	114.3	113.2	111.5	105.8
a) Central					Fruits & Veg.	103.0	100.6	102.8	86.4
Government's	52.24	73.06	64.79	51.96	Milk and Ghee	126.8	125.5	123.8	151.5
b) Banks'	93.44	101.39	94.57	104.24	Edible Oils	107.4	110.4	107.8	108.5
c) Other					Fish, Eggs & Meat	130.0	128.7	129.3	129.0
Government's	14.71	20.52	16.02	6.88	Sugar & Gur	114.2	155.5	110.1	101.6
d) Others'	113.56	113.45	142.87	110.03	Others	136.4	136.3	137.3	110.1
4. Foreign Securities	169.68	174.68	179.68	345.61	Liquor and Tobacco	152.0	153.6	161.1	133.0
5. Balances held abroad	13.70	12.54	10.45	31.79	Tobacco	90.7	90.7	92.8	92.0
6. Rupee Securities	1129.39	1114.39	1139.23	917.87	Fuel, Power, Light & Lubricants	88.8	88.8	91.1	90.2
7. Investments	305.94	329.33	347.41	223.14	Industrial Raw Materials	116.4	116.5	116.6	115.0
8. Loans and advances to Governments	14.43	12.90	15.19	41.11	Fibres	118.9	118.8	119.4	118.2
9. Other loans and advances	53.51	50.03	53.45	65.04	Oilseeds	111.1	111.7	111.7	119.2
Scheduled Banks					Minerals	133.9	132.9	134.1	123.1
1. Demand liabilities (net)	720.18	720.73	720.98	697.17	Others	107.3	107.3	107.3	111.2
2. Time liabilities	857.95	855.96	847.11	597.03	Manufactures	106.5	106.8	107.3	107.8
3. Cash on hand	38.80	37.77	37.76	38.66	Intermediate Products	108.9	109.0	108.7	108.4
4. Borrowings from Reserve Bank	2.71	2.56	9.24	40.27	Finished Products	112.1	112.4	112.5	108.0
of which against Usance Bills	1.91	1.93	6.93	35.23	Textiles	108.4	108.4	108.1	108.5
5. Advances and Bills discounted	817.26	820.64	845.04	797.69	Cotton	104.0	104.2	103.7	107.8
of which State Bank's	166.24	168.46	173.94	159.23	Jute	111.5	111.2	110.9	117.2
6. Invst. in Govt. Sec. of which State Bank's	571.99	563.86	541.08	369.61	Woollen	88.9	90.4	89.4	96.0
Cheque Clearance	168.16	138.80	171.44	157.97	Silk & Rayon	106.9	106.9	105.9	103.0
† For Reserve Bank and Cheque Clearance Week ended 5-9-58					Metal Products	95.7	95.7	95.3	93.4
					Chemicals	143.0	143.0	143.0	143.3
					Machinery and Trans Equipment	105.9	105.9	104.9	98.2
					Oilcakes	103.4	103.4	103.4	101.7
					Others	136.9	135.0	137.5	113.3
					All Commodities	113.5	113.5	113.4	110.5
						115.9	115.9	115.9	111.5

FOREIGN TRADE OF INDIA

Year/Month	(Rs lakhs)	Imports	Exports*	+ or -
1952-53	669.95	577.37	—	92.58
1953-54	572.01	530.62	—	41.39
1954-55	656.32	593.57	—	62.75
1955-56	704.91	609.41	—	95.50
1956-57	841.58	600.51	—	241.07
1957-58	932.44	638.81	—	293.63
1956 : June	64.17	46.81	—	17.35
July	59.40	42.21	—	17.19
Aug	66.55	50.04	—	16.51
Sept	84.19	50.05	—	34.14
Oct	70.89	53.49	—	17.40
Nov	69.95	56.07	—	13.88
Dec	69.28	56.25	—	13.03
1957 : Jan	78.76	55.28	—	23.49
Feb	71.32	54.55	—	16.77
Mar	79.51	51.01	—	28.50
April	90.35	47.85	—	42.52
May	85.41	52.80	—	32.64
June	85.60	48.29	—	37.32
July	81.04	55.79	—	25.27
Aug	80.98	60.25	—	20.76
Sept	83.42	61.54	—	21.91
Oct	73.08	53.64	—	19.53
Nov	78.17	59.01	—	19.16
Dec	68.55	55.70	—	12.32
1958 : Jan	69.72	55.24	—	10.68
Feb	66.56	41.96	—	24.60
Mar	70.56	46.74	—	23.87
Apr	60.00	41.73	—	18.31
May	63.29	44.71	—	18.58
June	63.93	28.12	—	35.81

*Including re-exports Source: DCIS, Calcutta

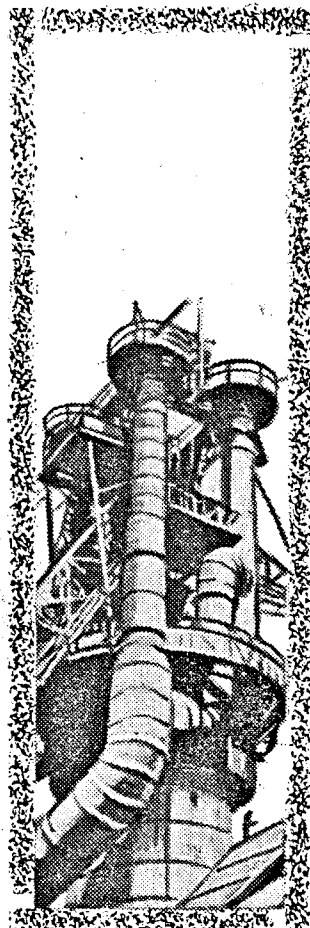
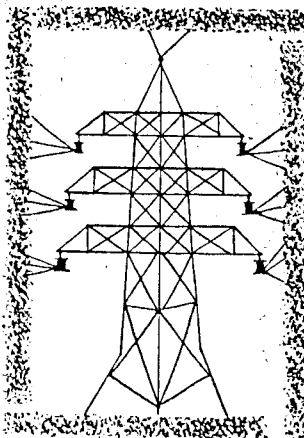
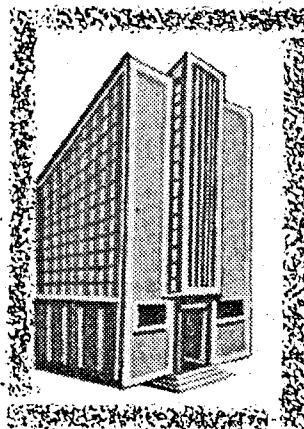
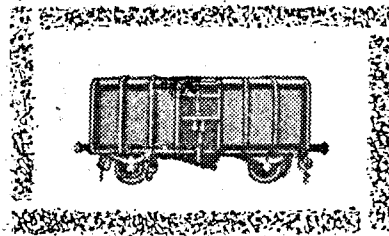
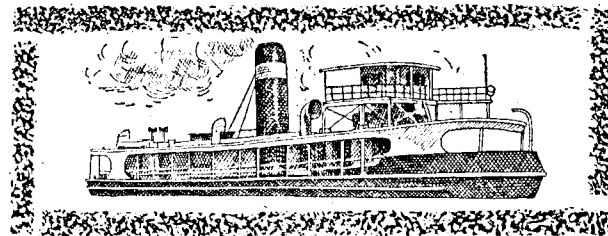
INDUSTRIAL PRODUCTION

	1958						Monthly Average		
	June	May	Apr	Mar	Feb	Jan	1957	1956	1955
I Consumer Goods :									
1) Cotton textiles mn yds	389.9	421.3	407.8	405.6	391.4	436.5	443.1	442.2	424.5
2) Woollen and worsted fabrics	—	1.5	1.2	1.7	1.4	1.6	1.3	1.4	1.2
3) Matches 000 cases	51.2	—	45.5	41.9	46.7	49.7	48.2	51.3	51.3
4) Soap 000 tons	—	—	9.2	8.8	9.2	10.3	9.3	9.2	8.2
5) Electric lamps mn	2.4	2.4	2.3	2.4	2.5	2.5	2.7	2.5	2.0
6) Hurricane lanterns 000	—	—	218.9	172.2	173.9	285.6	362.1	431.6	457.3
7) Razor blades mn	—	28.8	31.3	28.3	28.5	23.9	28.0	22.1	14.5
8) Sewing machines 000	—	—	16.8	16.0	15.9	17.1	13.9	10.9	8.5
9) Vegetable oil products 000 tons	—	27.9	26.1	29.2	25.0	26.3	25.1	21.3	21.7
10) Electric Fans 000	—	—	52.9	54.3	50.7	51.1	43.7	28.2	23.5
11) Radio Receivers 000	18.4	16.3	17.4	15.8	14.7	16.2	15.9	12.6	6.8
II Raw Materials or Intermediate Goods									
1) Cement 000 tons	505.9	533.0	539.5	575.5	495.3	594.8	466.8	410.7	373.9
2) Coal mn tons	—	3.9	3.8	3.7	3.7	3.9	3.6	3.3	3.2
3) Jute manufactures 000 tons	82.4	94.9	88.0	85.3	85.3	98.3	85.8	91.1	85.6
4) Cotton yarn mn lbs	128.0	140.4	134.1	138.5	132.9	148.7	148.3	139.3	135.9
5) Paper & paper board 000 tons	—	—	19.9	20.7	18.2	20.7	17.5	16.1	15.4
6) Asbestos cement sheets	14.7	—	14.5	15.2	14.3	16.4	13.2	10.0	8.7
7) Chemicals:									
i) Sulphuric acid 000 tons	—	—	16.5	19.2	17.9	17.0	15.9	13.8	13.8
ii) Caustic soda "	—	—	4.3	4.1	3.7	4.1	3.5	3.3	2.9
iii) Soda Ash "	6.3	7.3	7.0	8.7	8.0	8.7	7.7	7.0	6.4
iv) Chlorine liquid 000 tons	1.4	—	1.2	1.3	1.3	1.4	1.3	1.3	1.0
v) Power Alcohol 000 gals	818.4	777.8	738.0	825.6	1009.7	954.4	844.8	855.9	869.4
vi) Rectified Spirit "	316.1	—	450.1	507.0	472.7	539.6	424.6	350.8	420.7
vii) Denatured Spirit "	242.9	—	299.5	297.6	274.7	344.7	289.2	281.9	249.1
viii) Paints & Varnishes 000 tons	4.2	5.3	3.8	3.9	3.7	4.0	3.5	3.5	3.3
ix) Rubber Products:									
i) Footwear lakh pairs	27.2	32.3	29.9	27.0	29.4	37.9	30.8	30.1	29.1
ii) Tyres:									
a) automobile 000	77.3	85.5	78.1	76.7	77.9	90.9	82.4	78.2	73.5
b) cycle "	701.0	761.5	704.0	665.1	650.9	742.7	596.0	526.7	479.0
iii) Tubes:									
a) automobile "	32.1	37.0	80.9	75.1	65.2	84.4	78.0	76.5	65.5
b) cycle "	647.9	683.0	612.3	597.0	606.4	725.3	585.6	531.1	466.1
10) Non-ferrous Metals:									
i) Copper (virgin) tons	665.0	696.0	682.0	710.0	655.0	302.0	654.0	635.7	606.8
ii) Aluminium (") "	—	710.0	663.0	685.3	625.8	703.3	647.6	541.7	602.1
iii) Lead (") "	198.1	156.5	162.0	407.1	288.0	275.0	264.5	208.1	186.2
iv) Antimony "	56.0	54.0	36.0	54.0	40.0	30.0	41.8	49.1	42.0
11) Iron & Steel:									
i) Pig iron 000 tons	—	—	168.4	160.8	159.8	162.6	149.1	150.6	146.4
ii) Steel ingots & Castings "	—	—	157.1	151.1	146.3	164.5	142.9	144.8	142.0
iii) Semifinished steel "	—	—	125.2	128.8	127.5	136.5	120.0	123.7	121.4
iv) Finished steel "	—	—	111.2	115.6	108.6	116.8	112.2	111.5	105.0
II Capital Goods									
1) Diesel engines Nos	—	—	1,730	1,789	1,956	2,055	1,387	1,001	852
2) Power driven pumps 000	5.6	—	6.8	6.5	6.1	6.0	5.3	3.9	2.9
3) Machine tools 000 Rs	—	—	2480.1	4001.1	3,565.2	3,963.9	2,090.4	1,001.9	620.0
4) Twist Drills 000	118.8	93.7	103.3	190.0	207.8	218.2	188.2	129.1	64.9
5) Calico looms nos	180	239	206	211	171	177	239	239	228
6) Ring frames "	56	66	70	63	72	98	114	93	72
7) Carding engines "	105	100	84	116	111	123	85	61	50
8) Grinding wheels 000 lbs	—	236.5	212.6	222.8	182.7	244.3	271.1	207.6	119.9
9) Arc welding electrodes lakh ft	—	—	191.1	197.2	181.8	117.0	177.3	156.3	100.8
10) Dry cells lakhs	149.1	140.6	127.8	106.5	129.6	131.8	138.8	151.2	134.2
11) Storage batteries 000	31.1	29.2	28.4	29.4	27.8	23.9	27.0	26.2	19.6
12) Electric motors 000 HP	50.0	49.6	49.5	51.8	45.1	45.0	39.1	29.9	21.0
13) Power transformers 000 KVA	—	—	97.0	113.3	97.1	101.3	101.6	76.6	47.1
V Transport Equipment									
1) Automobiles (total) nos	1,710	1,570	1,401	2,748	2,230	2,636	2,661	2,678	1,924
of which									
i) Cars "	594	482	471	697	461	640	967	1,082	791
ii) Jeeps "	281	122	126	195	213	358	339	345	278
iii) Trucks & Buses:									
a) Petrol "	71	250	70	785	471	497	265	366	406
b) Diesel "	749	690	713	1,055	1,054	1,098	1,039	828	385
2) Bicycles 000	—	—	71.2	86.6	82.1	81.2	65.9	55.3	40.9

— = not available

Source : Directorate of Industrial Statistics.

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Debate or Diversion?

IT would be uncharitable to say anything harsh about the speech with which Shri Gulzarilal Nanda, Minister for Planning, started off the two-day-debate on the Plan in the Lok Sabha. Nandaji is evidently well-meaning and is so brimful of new ideas that they keep on spluttering every now and again. It is right and proper that the Planning Minister should be full of ideas, but who is telling whom and when? The attractiveness of the ideas, the touching naivete and enthusiasm with which they are expressed, and the indulgence with which they are listened to, would make one forget that the place was the august Parliament which decides the fate of the Nation; the occasion, a critical appraisal by the representatives of the people of the progress and shortcomings of the biggest national venture, which is to secure the people a higher standard of living and open out the possibility of a fuller life in the future; and the time, about the middle of the third year of the Plan when it is half way through. Nandaji forgot to tell the Lok Sabha what exactly it was that the Government started to do, how far it had succeeded, where exactly its calculations had gone wrong and how it proposed to set things right.

Nandaji does not say that the manner in which the Plan has been worked so far cannot make it a success and that, therefore, some radical changes are necessary in the method of implementation of the Plan. The 'great waste' of man power that he has discovered is not a new thing. It was there when the Plan was drawn up and finalised after a great deal of discussion. If the solution of the country's stupendous problem of poverty can be speeded up by giving a "revolutionary touch" to the utilisation of available man power, does he want to reopen the question de novo and start an altogether new Plan? The principal points made in his speech were: first, the avoidance of waste of 25 per cent of man hours through radical arrangements such as organisation of people's institutions; economy in expenditure; particularly in construction work, for which Rs 1000 crores are provided in the Plan; and changes in institutional arrangements, i.e., setting up of co-operatives, to mop up domestic savings and to stabilise prices in wholesale and retail trade.

Labour co-operatives for construction work and cooperative handling of the trade in foodgrains were obviously what Nandaji had in mind. Let us see what the Planning Minister is asking for. The economy in construction which he has in mind is presumably to be achieved by the elimination of contractors and handing over all construction works, whether for public buildings, dams, roads or canals, to labour co-operatives. The champions of the latter will insist that this can be done only by banning private contractors altogether, so that they may not sabotage co-operative construction by the well known methods of raising prices of or withholding raw materials, enticing away the better workers by offer of higher wages and corrupting the overseers and higher officials with bribery.

The elimination of the trader from the grain trade means more or less the same things. Earlier this month, the Rajasthan State Co-operative Seminar put up the proposal that "all trade in and production and distribution of foodstuffs, cloth, medicines, educational

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and building material and house construction should be put into the co-operative sector and appropriate legislation passed to give effect to this policy."

In the sphere of agriculture, it means recognition of organised leadership, which the officials are unable to provide, as the key to the primary causes of stagnation and the acceptance of its dominant role in revolutionising agricultural technology in particular and the rural economy in general.

Who will supply organised leadership and, in asking for it, though only by implication, is the Planning Minister speaking for himself or for the Cabinet of which he is one, among many other members?

The unfortunate effect — had Nandaji been not so innocent, one would have almost suspected deliberate design in all this—is to divert attention from the main issue which is: In what respects has the Plan failed and how can the mistakes be corrected and development

guided in the right direction? Before one can get an answer to this question, one has to ask: What is the apparatus for implementing the Plan? Does any such apparatus exist, or is the responsibility for execution non-existent, because the Constitution is federal, because there is no coordination between the States and the Centre and because the country has no Cabinet Government anyway as the Ministers go their several ways and refuse to share or assume responsibility?

Montreal Conference

THAT the first outcome of the Commonwealth Trade and Economic Conference which is now in session at Montreal, should be the decision by the United Kingdom to relax restrictions on a range of dollar imports, would appear to be a little surprising. The reason is Canada's desire to get closer to Britain. It may be recalled that the Canadian Prime Minister had actually proposed a Free Trade Area between the United Kingdom and Canada. It did not come off. But it has probably something to do with the choice of Montreal as the venue of the Conference for which careful preparations had been made at a meeting of the Commonwealth officials in London some time ago. Britain intended perhaps to relax restrictions on Canadian imports only, but since it cannot possibly discriminate between the two dollar countries, the relaxation had to be general.

Needless to say, Canada's desire to lessen its dependence on the United States and to have closer trade ties with the Commonwealth countries is neither the primary nor very important of the issues for which the Conference has been called. The prime object is to devise ways and means and common policies, if that is at all possible, to meet the situation arising from the emergence of the European Common Market and the increased competition from West Germany which the U K will have to face in consequence. It is understandable that the U K should want to safeguard its own position by its ties with the Commonwealth countries.

There is not likely to be any disagreement about supporting the

move by the United States and Canada for increasing the resources of the International Monetary Fund and the World Bank. The Conference is also likely to support the U S proposal for the establishment of an Industrial Development Association as an affiliate to the World Bank for granting low cost long term loans, to be repaid in local currency. This would make the proposal for a Commonwealth Investment Bank superfluous and not much support is likely to be forthcoming for this proposal.

No sterling decisions are likely as a result of this Conference. Consistent with the spirit of the Sterling Area and the Commonwealth, all that the Conference would do is to understand and discuss the common problems and disperse after making some informal gentlemen's agreements about coordinating the policies of the Commonwealth countries, strengthening Commonwealth trade and payments position and making resources available to the underdeveloped economies.

The primary producing countries of the Commonwealth are to raise the question of a stabilisation scheme for commodity prices. However, though this will be discussed at the Conference, it will also be recognised that such schemes cannot be operated without the active cooperation of countries outside the Commonwealth, particularly the United States. The United States recession and its effects on the Commonwealth countries' trade would have been one of the important items on the agenda, but since the United States is likely to have an upturn pretty soon, and since the U S imports have

not declined as much as was feared, this issue has lost some of its urgency.

The possible effects of the European Common Market on the trade of the Commonwealth countries are a much more complex problem. In fact, the main impulse to have this Conference came as a result of this European scheme. All the Commonwealth countries are interested in avoiding any undesirable effects of this European scheme and therefore would like to safeguard their respective positions by combining more effectively for trade and development purposes. The Free Trade Area and its effects on the Commonwealth countries cannot be examined with any degree of accuracy, as the scheme has not yet been properly formulated. Therefore no concrete proposals are likely to emerge at this stage.

The Ottawa spirit, however, no longer animates this meeting. The old programmes undoubtedly would be kept and their usefulness recognised. But this Conference would not accept any proposals to make the Commonwealth an inward looking, protective trade organisation. The whole purpose of this Conference is to seek ways of expanding intra-Commonwealth trade as well as trade between the Commonwealth countries and the outside world. The keynote of the Conference, as Mr Heathcoat Amory said, is "an expanding Commonwealth as a dynamic partnership, in an expanding world economy". Any particular regional scheme is neither in the interest of most of its members nor is it likely to find favour with the Fund and the other important outside countries like the United States.

FEW policies of the Bombay Government have had to face more challenges than Prohibition. Not only from the press and platform, but also from law courts, this policy or rather the manner of its execution has been exposed to frequent attack. Even initially difficult, its enforcement against those who might be inclined to drink has become still more difficult, thanks to a succession of judgments. The latest in this series, delivered by the Bombay High Court, has deprived the police of one of the weapons freely used by them hitherto—and illegally, it appears in retrospect—to intimidate and harass people suspected of having a drink on the sly. The police had hitherto power to force those suspected of drinking, to submit themselves to medical examination, though the result of the examination could by itself afford no conclusive proof as to whether the suspect had consumed prohibited liquor.

The latest judgment, given by the Bombay High Court on a revision application filed by an agriculturist of Nasik District, who was compelled to submit to medical examination, but who escaped by using force against the accompanying policemen, has made the position now quite clear. It has been pointed out in the first place that there is no statutory provision to render lawful any coercion that may be exercised or threatened by constables so as to get a suspected offender medically examined. Secondly, it has been established that the person so compelled would be justified in resorting to the right of self-defence against the force used by the police. In the Nasik case, the Court held that it was the constables who had initiated the assault on the accused by attempting to drag him forcibly to a dispensary. In doing so, the police were not discharging a lawful duty. Prima facie, the accused had the right of private defence against the action of the police.

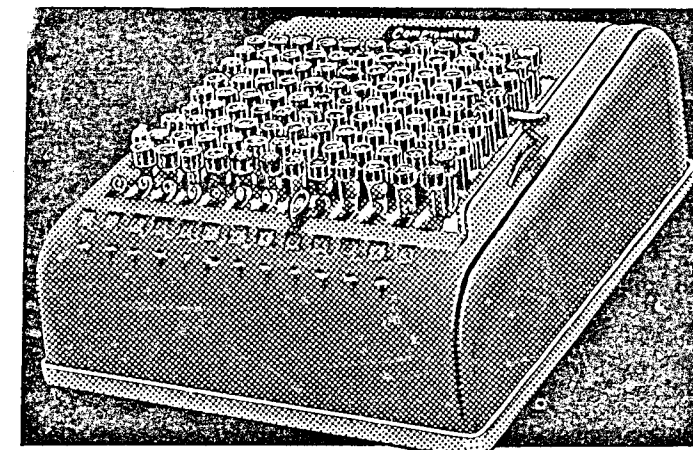
The Government may, of course, seek to circumvent the High Court decision by legislative action, as it has done on so many occasions in the past. But if it does, an important constitutional issue, now left undecided, is likely to arise, as the Court itself has hinted. This issue

Another Blow

revolves round provisions of Article 20 (3), of the Constitution, laying down that no person accused of an offence shall be compelled to bear witness against himself. The process of compelling a person to submit to medical examination, so that he could be proved guilty of the charge brought against him through the resulting evidence, may be construed to amount to testimonial compulsion, prohibited by Section 20 (3) of the Constitution. In the case in question, the Court did not think it necessary to give a decision on the issue. Nevertheless, it thought it fit to remark, "That question may fall for determination if the Legislature makes a provision requiring a person to

submit to medical examination so that the evidence so obtained may be used against him."

There is something intriguing in the lengths to which the police go or are obliged to go to enforce this one, not particularly praiseworthy, piece of legislation—Prohibition. If all the resource and zeal expended on this pursuit have failed to prevent the drink habit from spreading, as is only too evident to all but the wilfully blind, there must be something intrinsically wrong about that policy. In the circumstances, not to entertain even the slightest doubt on the efficacy of the policy argues for a mood of self-delusion which would be amusing, were it not so harmful to public interest.



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Weekly Notes

Indian Shipping Interests Win

THE main battles over the provisions of the Merchant Shipping Bill, which has now been passed by the Lok Sabha, were fought in the Select Committee. The views expressed by Indian Shipping interests found acceptance in that Committee. As a result, the definition of an Indian ship contained in the original Bill and found so obnoxious by Indian shipping magnates, was modified at that stage. Under the original Bill, any ship owned by a company registered under the Indian Companies Act would have had the right to Indian registration. To this, Indian shipping interests were violently opposed, their main contention being that giving foreign shipping interests a foothold within the country would ultimately lead to the destruction of Indian shipping. The Select Committee modified the provision so that at least 75 per cent of the shares in the company concerned would have to be owned by Indians, if the ship it owned could claim Indian registration. Thus the policy that has been followed in the shipping field since 1947 has been continued. The ideal, the Government of India had stated in 1947, would be to describe only those ships that were owned, controlled and managed by Indian ships. However, in view of the fact that some shares in many Indian shipping companies were owned by Pakistani, Ceylonese and Burmese citizens, a concession was made to such companies by permitting a 25 per cent foreign shareholding. As the Bill emerged from the Select Committee this 75 per cent minimum shareholding by Indians found a place in the Bill. In the Lok Sabha, an amendment moved by Shri Rajendra Singh (Congress) that the Government should have the power to vary this minimum percentage by notification was accepted. It was indeed a curious sight—the legislature insisting on vesting the Government with powers which it did not want! However, the Transport Minister, Shri S K Patil, gave an assurance that this power would be used, if at all, only to raise the minimum shareholding and not to lower it.

The Select Committee had also recommended a new provision,

creating a non-lapsable Shipping Development Fund and another for creating a National Shipping Board. The decision to create a Shipping Development Fund was announced by the then Transport Minister, Shri Lal Bahadur Shastri some months ago. This decision will now be given legislative sanction. Regarding the National Shipping Board, Shri Patil has given an assurance that the advice of the Board on matters of shipping policy will be generally accepted by Government. This will be certainly welcome to Indian shipping interests, who can thus play a more effective part in determining shipping policy.

Coordinating Plans in SE Asia

THE ECAFE working party on economic development, which has just concluded a two-week meeting in Bangkok, "believes", to quote a cryptic news report, "that Asian countries ought to know more about each other's development plans before embarking on their own projects of industrialisation". The report adds that "representatives from 18 countries, including Ceylon and India, also agreed that ECAFE's secretariat disseminate information about development plans of the region's countries and ask member Governments to give their co-operation". This is almost too good to be true, considering that the Economic Commission for Asia and the Far East, though an United Nations agency, has hitherto fought so shy of, and scrupulously avoided, this all important issue because of the many political complications which it involves.

Some sort of co-ordination in the patterns of development pursued by countries of South East Asia has been a crying need for these several years, during which these countries have struggled to go ahead with economic development. The economic plans of many of these countries are terrific absurdities; betraying neglect both of natural factors and economic principles, which cannot be explained away entirely by the overwhelming pressure of aspirations completely dissipating the possibility of achievement. There is the question of prestige involved: every new country wants to have a modern army,

navy and air force, foreign embassies galore and a streamlined industrial base with steel mills, atomic reactors and so on. The result is that there is no attempt to direct development along the most fruitful lines which have to be in terms of the comparative advantage of the country in relation to its natural endowments, if nothing else, leading on to some degree of specialisation. This is a task which the Bandung Conference could have taken up; but probably the time is not yet, nevertheless it will have to be taken up some day, if the Bandung spirit is not to die. It is not entirely true that trade between these countries cannot develop to any great extent because their respective economies are competitive rather than complementary. By acting together, they can get better terms for the primary products in which all of them are so much interested and can also retain for their home countries a large part of the profits of the foreign trade in these products which are still very largely drained away.

These are some of the preliminaries to be gone through. For long-term development in this area, as Dr Myrdal emphasised pointedly in his address to Members of Indian Parliament recently:

"Already it would be advantageous for countries in this region to consider their food and agricultural problems together, and indeed, work out a plan for the region as a whole; and

"It would be in the mutual interest of the countries of this region, if they could arrange their industrial protection as a regional protection and not simply as a national one".

These countries, according to Dr Myrdal, have much more valid economic reasons for 'a common market' than the richer countries of Western Europe, which, he said, "could have afforded to carry out such internal and external economic policies that they now would be in a position to open their boundaries towards the whole world for capital and commodity flows, instead of closing up among themselves in a union that fundamentally is nothing more than a 'rich man's club'."

Dr Myrdal feels that in ten fifteen or twenty years' time the idea of a common market in the under-developed countries of this region will impose itself on practical politics for still another reason, namely, the increasing difficulties these countries must experience to keep up the flow of their exports to the richer countries. "The traditional exports from this region of many primary products like tea, rubber, jute, cotton, etc have not expanded in pace with world trade and they face a bleak future."

Is it to these wider vistas that the ECAFE is at last going to turn its attention, and set its sights?

More Food Revelations

THE food debate in Parliament may not have helped considerably towards a better and wider understanding of the recurrent food problems. But it has served incidentally to light up a few dark corners. Minister for Food and Agriculture has officially admitted for the first time, after duly reiterating his long-held faith in land reforms, that these measures of social amelioration are at least partly to blame for the shortfall in agricultural production. Uncertainty about ceilings and consolidation of holdings, he stated, are preventing farmers (landlords?) from effecting permanent land improvements and putting in measure. The long drawn out proceedings connected with consolidation were particularly stressed by him as a responsible factor, but having already stepped on State corns by absolving the Centre of constitutional responsibility for the food problem, he understandably refrained from extending the criticism to the implementation of ceilings as well.

The Minister went on to say, "If there is any delay, we should do something to expedite it. If there is going to be an indefinite delay in the implementation of land reforms, perhaps it is better to have a sort of peace so that production may not go down." How can this be reconciled with the appointment of a High Power Congress Committee to expedite the implementation of land reforms—a State subject—is difficult to understand. If the Congress Party is eager to have 'peace' in the interests of higher food production, it should either be willing to give up its land reforms programme indefinitely or it should be prepared for

lengthening the period of uncertainty. It cannot obviously repose on the thorny horns of this dilemma for a long time.

The flexibility of the Second Plan, one has been given to understand frequently, is confined only to its targets, and does not extend to its basic objectives, of which land reforms is certainly one of the most fundamental. If these objectives, too, are now proposed to be modified, through, say, a 'peace' policy, there should, surely, be a less casual announcement of such a change?

Among the other interesting points in the Food Minister's speech is the revelation that in five districts of Western U P, unlike the rest of the country, land has been diverted from wheat to sugarcane. The quantitative effect of this diversion on these deficit States food problem has not been divulged by the Minister. He has reiterated his faith in the zonal system and shown satisfaction with the requisitioning of 5 lakh maunds of wheat by the Punjab Government out of the 10 lakh maunds that were reported to have been purchased by U P traders. Encouraged by the recent fall in the price of wheat and rice in Punjab and U P, he feels confident of holding the price line till December, when the new crop will start coming in, with the help of imports and the internally procured stocks of about 6.5 lakh tons.

Food Prices

PRICES both of wheat and rice have come down in many centres in U P and in Delhi. The decline has been appreciable and even pretty sharp in some cases—giving rise to expectations that the downward trend will be maintained. Several factors have been at work—there was the Reserve Bank directive for restricting bank advances against foodgrains, action under Essential Commodities Act for requisitioning hoarded stocks, and timely rains, encouraging hopes for a good harvest. Which ones of these have been most effective in reversing the trend of food prices? Apparently, action under the Essential Commodities Act, not so much action actually taken, but the belief now more seriously entertained than before that it will be taken. Now the Act has been on the Statute Book for a long time. The notification for applying the provisions of the Act for requisitioning

stocks had been issued but not been enforced, or enforced energetically, at least in U P. It was open to U P Government to take the wind out of the sail of the agitators by acting in time, instead of being hustled into taking action by public agitation.

The probable effect of the Reserve Bank's directive to banks to curtail advances against wheat—as in the case of most such directives—is nearly always impossible to judge, in the absence of data on stocks currently held with the help of the bank credit. According to the statistics of scheduled bank advances published in the latest issue of the Reserve Bank Bulletin, as on July 11, bank advances against wheat (other than to flour mills, which are not covered by the directive) amounted to Rs 2.38 crores compared to Rs 86 lakhs as on April 25, by which date practically all the wheat must have already come into the market. Advances against wheat reached their peak at Rs 2.77 crores on June 13. The geographical distribution of this figure is not available, nor is it possible to compare these figures with last year's published statistics in which advances against wheat were lumped together with those against all other foodgrains except rice.

Available figures, however, indicate that not merely are advances against paddy and rice nearly Rs 6 crores lower than last year, but that advances against all other foodgrains have also declined by about Rs 4.5 crores, making up a total decline of nearly Rs 10.5 crores from Rs 31.84 crores to Rs 21.53 crores. This may perhaps justify the presumption that if wheat stocks are being hoarded on a significant scale, scheduled bank credit has done little to help them—unless the Reserve Bank is in possession of data which indicate the contrary. But the directive does not explain how the trade in foodgrains is to be financed and to what extent credit under a prohibited head can be and is converted into credit under some other head, in order to finance legitimate trade or hoarding of stocks from profiteering.

Backdrop to Warsaw

THE Warsaw Conference between the Ambassadors of China and the United States, which was to explore the possibilities of a compromise and restore peace in East

Asia cannot be said to have opened under the most auspicious possible conditions. As Mr Jacob Beam and Mr Wang Pingnan sat down to their talks in the Polish capital's Mysliwiecki Palace, the situation in the Formosa Straits was drifting steadily towards dangerpoint. While President Eisenhower continued to talk confusedly about the prospects of a compromise with the Peking Government over the question of Quemoy, his broadcast of last Friday seemed to commit America more firmly to the defence of the offshore islands. By interpreting China's shelling of Quemoy as a springboard for further communist expansion in the area, the President appeared to be invoking the 1955 resolution of the U S Congress which had authorised him to defend these islands if he felt that to do so was essential for the defence of Taiwan. At any rate, that is certainly how the speech has been understood by the Kuomintang leaders, who now seem hopeful, perhaps prematurely, of carrying the war into the Chinese mainland with the active assistance and collaboration of the United States! The Taiwan Premier has already threatened that any attempt on the part of Peking to seize the offshore islands will be taken as a signal by his Government for bombing the mainland. But, though Taiwan's hopes of American collaboration in such a venture may be somewhat excessive at this particular stage, it might be a mistake to under-rate the possibility of the United States being dragged deeper and deeper into an attack on the mainland of China. A development which occurred on Monday was significant in this context. The whole day United States Air Force planes participated actively in providing an air convoy for the Taiwanese transport aircraft which were trying to drop supplies on Quemoy. Had a Chinese plane tried to intercept these American military aircraft, a clash between the two forces would have been inevitable, and could well have led the United States directly into the Formosan conflict from then on. Such a grim possibility in the future is strengthened, not weakened, by the fact that Washington's build-up of its nuclear and conventional striking force in and around Taiwan is proceeding apace.

President Eisenhower's speech

made a poor defence of the policy which has led his country into this explosive situation in East Asia. Peking's right to Quemoy, he indicated, was not seriously at issue; what was at issue was the "principle" of resistance to aggression. China had adopted a wrong method to take possession of the island, even if it was conceded that the island formed part of the Chinese mainland. Letting China get away with this sort of approach would amount to dangerous appeasement, etc. No weaker apology of American policy could have been advanced. If the offshore islands are in effect recognised to be part of mainland China, then how justified can be the Kuomintang-U S military intervention against Peking's move to take them over? Secondly, how sound can the objection to Peking's use of force be considered in the light of the 200,000 military troops stationed by KMT on these islands?

Britain's Role

NO less disappointing than President Eisenhower's policy statement is the British Prime Minister's refusal this week to go to Washington and personally dissuade the White House from blundering further over the offshore islands. Mr. Attlee fortunately displayed no such hesitation when a similar need had arisen to check the dangerous adventurism of General MacArthur. The argument that any open evidence of a cleavage between Britain and America would only serve to strengthen the position of the Communist bloc is far from convincing. The role of Britain in international politics should not be that of a blind camp-follower of the United States, but that of being its ally and friend in the real sense of that term. If it seems in London that Washington is pursuing a perilous path, then London should consider its duty to dissuade Washington from that course. It is pointless of Mr. Macmillan to emphasise again and again that the British Government has neither received any request from President Eisenhower to commit itself to the U S policy in East Asia, nor given any such undertaking. It is perhaps equally pointless of Mr. Gaitskell to ask Mr. Macmillan to declare that Britain will not go to war with China even if America does. The fact of the matter is

that if the United States were to get involved in a war with China, it would be exceedingly improbable that the operation would remain limited for any length of time, or that Britain could stand out of the fray indefinitely, even if it wanted to do so. The essential need, therefore, is not that Britain should threaten to stand aloof in the event of a Sino-American war, but that it should take every conceivable opportunity now to ensure that no such war is touched off. It is for this reason that Mr Macmillan's refusal to undertake a peace mission to Washington must be deeply regretted.

Recognition of China Inevitable

WHAT, then, at Warsaw? Happily, there is no cause for complete despair. Amidst all these dark and threatening clouds of conflict, there are still glimmers of some hope that the ambassadors' meeting may yield fruit. The United States defence experts have suddenly caught on to the fact that any agreement of nuclear disarmament between the West and the Soviet Union would place the West at a grave disadvantage if Communist China was not a party to it. So important is this point in western calculations that it would not at all be inconceivable if it led the United States to make a complete re-appraisal of its attitude to Peking. There is also the additional point that Mr Eisenhower has promised reference of the Formosan question to the United Nations if the Warsaw Conference ends in failure. How is Peking to be made a party to a world nuclear disarmament pact, or to a negotiation over the offshore islands in the United Nations, if it is not a fully recognised member of the world community? It is just possible that in view of these larger considerations, Washington may at last be willing to reconsider its opposition to Peking's membership of the U N. A basis of compromise in this respect would perhaps be the offer of U N membership to China in return for its agreement to the separation and independence of Formosa as a new country under the Kuomintang. But the chances of any such compromise are dependent strictly on America's success in preventing Taiwan from provoking a fullscale war with Chinese People's Republic.

Railways to Meet Plan Demand

THE World Bank contribution of \$100 million to meeting foreign exchange payments during the remainder of the current financial year, is made up of a loan of \$85 million to the railways and a release of \$15 million from the recent loan of 25 million dollars for electrification works in the Damodar Valley. This constitutes the Bank's part in raising \$350 million for India which will be made available before the end of the current financial year, with contributions from Canada, Germany, Japan, U K and U S A. The present arrangement throws some light on the sort of difficulties which a country has to experience in utilising loans which are 'tied' to specific projects and brings out the degree of flexibility which was allowed as an exceptional measure. The loan to the railways is to be completely disbursed by the end of the current financial year, and it will meet, according to the Press Release, "a large part of the payments already made or to be made" for railway equipment during 1958 and the first quarter of 1959. Both on railway programme and the programme of power development in Damodar Valley to be financed by the World Bank, considerable foreign exchange expenditure has already been incurred and partly the loan will, therefore, reimburse what had already been spent and the proceeds would be available for meeting other commitments which come up for payment in the next few months.

The Planning Commission's 'Appraisal' in last May had mentioned that the cut in the Plan and the slowing down in the tempo of development "may result in the additional traffic to be carried by the last year of the Plan being less than the original estimate of 61 million tons, but it may be more than 42 million tons" which was all that the railways could carry with their reduced financial allocation. It was subsequently given out that the additional freight that would have to be carried at the end of the Plan would be 48 million tons. In the 'Re-appraisal' just issued, the Planning Commission puts the revised estimates of traffic demands in 1960-61 at 168 million tons as against 181 million tons estimated in the Second Plan but there was nothing to indicate that

the target of fulfilment had been raised to this figure, though the gap had narrowed down from 18 to 6 million tons.

The Press Release announcing the second World Bank Loan to the Indian Railways says that it is now intended to increase freight capacity to 168 million tons from 162 million and that the railway programme had been revised to provide for this increase since July, when the Bank made its first Railway Loan. It goes on to say that "the additional increase now planned in freight capacity should be attained without adding substantially to the original estimates of total costs, and with an actual reduction in the foreign exchange costs. This will be achieved by improved operating efficiency and the postponement of certain less essential parts of the railway programme."

The position indicated in the 'Appraisal' was that though the provision for the railways remained unchanged at Rs 1,125 crores the cost of the programme which it was to cover had meanwhile gone up by Rs 100 crores and therefore, some projects might have to be postponed. The 'Appraisal' added that the railways had agreed to put forward proposals for a substantial saving of foreign exchange, but these were still awaited.

Letter to the Editor

The Shifting Fortunes of Agriculture

W ARTHUR LEWIS in his article entitled "The Shifting Fortunes of Agriculture" (The Economic Weekly, August 30, 1958) has opened up segments of yet another frontier that has generally been neglected in this country, if not in the West and the U S A. The article deserves, in this country, much more than a passing reference; more so, when we consider some aspects of National Economic Planning in India.

In the case of a number of commodities we find that a distorted price structure has become the rule rather than an exception. The venues of correction seem lost because our age-old attitude towards agriculture and agricultural commodities has been one of superiority complex, so that the initiative even in agricultural production has been wrested from the agriculturists

who have to yield to ulterior influences. This has made the situation peculiar in India so that it has become not a competition among the producers—from agriculture and industry—but of the people belonging to the latter sector and the voice of the agriculturists has been drowned. This is why, before anything is done in India, the agriculturists must be granted due protection.

(i) Even when the price of agricultural produce has been too high, the share of the agriculturists has been too little, even in monetary terms. The real return has been still lower.

(ii) In the determination of the terms of trade, the part played by the agriculturists has been insignificant in more ways than one and as a result, their interest has suffered the most.

(iii) The valuation of agricultural produce is in most cases arbitrary and the cost incurred by the agriculturist is either too much or too little; for the cost in money terms does not include all the sacrifices made by him in terms of loss of fertility, etc, contrary to what is possible in industry where every item of expenditure is provided for in pricing.

(iv) The benefits of progress are shared very unequally among different sectors of industry and agriculture and as a natural consequence, agriculturists very seldom share the comforts that our civilization has made possible. The result has been that the complaints of the agriculturists fall on deaf ears.

The solution does not lie in easy suggestions like "food is too cheap" or "fewer farmers"; there is no panacea for the problem. The measures which have had some success in sparsely populated countries may not answer the needs of the densely populated countries. A solution will have to be sought in a broad-based study of the realities of the situation. We must also appreciate that research on a body under rigor mortis is much like a musician's etude; to make it worth while we must be able to cure a disease without killing the patient.

Pareshnath Chatterjee

Quarter No T-14,
Fort William,
Calcutta—21,
September 9.

from the London End

The Overseas Sterling Area Problems of Trade and Finance

THE impact on world trade of the two to three-year check to industrial expansion in the West has so far been remarkably moderate. Broadly speaking, the volume of world trade in primary products has been maintained and even in the United States, in spite of the fall in output, imports have kept up fairly well. And yet some of the primary producing countries are facing the severest financial difficulties and this is particularly true of the overseas sterling area. The Commonwealth Economic Conference will have to attempt some assessment of these difficulties, though the belief is widely held in influential quarters that this Conference will solve nothing and that to one or two of the countries, participating in it, the Conference is more of an embarrassment than a help. Indeed, the American proposal to revise the liquidity provisions of the International Monetary Fund is interpreted in London as an astute and masterly as well as timely move to take the wind out of the sails of the Commonwealth Conference.

The export trade of the overseas primary producing countries of the sterling area has generally developed satisfactorily. For the years 1955-57, the value of their exports have grown at an annual rate of about 4 per cent. Now, however, for the first time since 1945, a sharp fall in the value of their exports is visualized. For the first quarter of 1958, a fall of over 7 per cent has been estimated, compared to a rise of 7.8 per cent in the same quarter of 1957. (Table 1).

Table I—Overseas Sterling Area
Indices of Exports, Quarterly

	Value	Price	Volume
1957 I	126	100	127
II	118	98	120
III	112	97	115
IV	115	93	124
1958 I	110	90	122
II	105	89	118

Source: National Institute of Economic & Social Research

The fall in exports was marked in practically all sterling countries, except for the Middle Eastern oil states and West Africa (where cocoa export prices have been well maintained).

Fall in Export Earnings

The National Institute of Economic and Social Research in a privately circulated study of trade prospects reviews the experiences of some of the overseas sterling area countries. It notes that in nearly all the primary-producing countries, a gradual reduction in imports to match the lower level of export earnings must be expected at least during the rest of 1958. It suggests that India is probably in the most critical position of all the major primary producing countries. In contrast, Australian imports have been stable at the high levels reached at the end of 1957, in spite of the decline in her export earnings.

The Australian current account deficit in 1957 was as much as £ A140 mn but the inflow of capital limited the drawing of reserves to about £ A65 mn. But the continued

expansion within the Australian economy, in spite of heavy losses in farm incomes, is likely to land that country into another crisis and as on previous occasions, there is expectation that a more severe restriction will be placed on imports by the end of 1958. In New Zealand, the raising of some £ 30 million in loans from Britain and Australia, have done little to the serious foreign exchange situation. In the first quarter of 1958 South Africa's trade gap rose to over £ 50 millions (compared to a more normal £ 20 millions) and this is no longer being covered by gold output. Thus, in spite of favourable capital inflows, the foreign exchange reserves have fallen by £ 24 million. The general position of the other countries of the overseas sterling area is no different in character to that of Australia, New Zealand and South Africa.

Impact on O S A

The overall impact of the change in world economic conditions on the overseas sterling area is best seen in their balance of payments as derived from British sources.

Table II
Sterling Balances of the Overseas Sterling Area & Others
£ million

End of Period	Total OSA	UK Colonies	Other OSA	Total All Countries
1953 Dec	2798	1093	1705	3494
1957 March	2917	1309	1608	3485
June	2925	1309	1616	3494
Sept	2790	1281	1509	3373
Dec*	2700	884	1816	3270
1958 March	2629	889	1740	3242
June	2624	886	1730	3271

*Ghana and Malaya are included in "Other OSA" as from Dec 1958.
Source: Economic Trends: August 1958.

Table III
U K Exports—Market Pattern
£ million

	1956	1st Half 1957	1958
To Primary Producing Countries	920	936	920
of which Sterling Area	736	751	735
N America	640	714	651
W Europe	229	272	236
Total All Markets	1584	1686	1597

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In the second half of 1957 the net deficit (both current and capital) of the overseas sterling area rose to the phenomenal figure of £ 344 million compared with £ 167 mn in the same period of 1956. The financing of this fabulous deficit took the form of gold sales in London but more important, of a heavy drawing of £ 226 millions on the sterling balances.

The foreign exchange pattern for the second half of 1958 emerges somewhat more clearly in the new quarterly statistics of the sterling balances in Britain. (See Table II)

In the first half of 1958 the OSA as a whole drew a further £ 76 million on their London reserves but as the data in Table II shows, this was wholly on the account of the non-colonial areas. Taking the full year from June 1957 to June 1958, the sterling balances of the OSA fell by a full £ 300 million. Imports into the OSA in the second half of 1958 are expected to fall sharply notably in New Zealand, India and Pakistan.

Position of U K

It is here, however, that the inter-locking position of the U K comes into sharp focus. There can be no doubt that the British surplus on current account has remained the dominant factor in the substantial monthly additions to the London gold and dollar reserves. The London and Cambridge Economic Bulletin estimates the U K current account surplus for the first half of 1958 at as much as £ 145 mn—a level truly surprising. But the reasons underlying

this surplus are not found anywhere in the performance of British export industries; indeed U K exports in the first half of 1958 have been falling rapidly and in June last were some £ 50 million below those of June 1957. The explanation for the U K surplus is found in the difficulties and deficits of the OSA, i.e., in the terms of trade. Between June 1957 and June 1958, the U K terms of trade improved by a full 10 per cent—accounted for almost wholly by the fall in the import prices of food-stuffs and basic raw materials. Now, it is known that a one per cent improvement in the U K terms of trade represents for Britain a net gain equal to about £ 40 mn—the 10 per cent improvement between June 1957 and 1958 has, therefore, brought Britain some £ 350-400 million of what some term “unearned income.”

This represents the first and possibly the more crucial of the inter-locking positions of Britain in sterling area trade. The other concerns the market prospects for U K exports. In Table III some data are given on the pattern of U K exports in recent years.

It will be seen that the primary producing regions take some 60 per cent of U K exports and the OSA some 50 per cent. In the first half of 1958, the U K exports to the main markets were already running well below the level of a year ago and were almost back to the 1956 level. What is remarkable is the relative stability of the OSA as a market for the United Kingdom. But there are grounds for believing that this stability

may be short lived. Demand in Australia continues strong but in view of the possibility of further import restrictions this year, it is unlikely that U K exports to that market will continue to increase. New Zealand's import restrictions had already begun to affect British exports in the second quarter of 1958 and Indian imports from Britain have been falling in spite of large U K deliveries of military aircraft. The recently imposed restrictions on import credits in South Africa will certainly have a depressing effect on U K exports to that market also. There is thus a prospect of a decline in U K exports in the second half of 1958.

Background to Montreal

Various official estimates of U K trade prospects have been made and all these tend to suggest that the industrial recession in the Western world is only now appearing to have any sharp visible impact on world trade. The decline in exports to primary producing areas has now begun and will become more pronounced. One estimate forecasts that U K exports in 1958 as a whole might be 5 per cent less in value compared to 1957 but that by the end of 1958, exports may be running at 7-8 per cent below the 1957 average. The OSA is expected to be the market in which the fall will be sharpest. Against this background has to be seen what the Commonwealth Finance Ministers, and the British Government in particular, are or will be planning to do about sterling area trade.

Book Review

An American Looks at Russia

Rukmini Kadaba

‘INSIDE RUSSIA TODAY’ is a truly remarkable book,* though readers of the “inside” series have come to expect from Mr John Gunther a very high standard of presentation of facts and judgment of events and persons. As in the case of other books in the series, this is a gigantic effort which could only be expected from a countryman of the Statue of Liberty and the Empire State Building. Yet the book is as absorbing as any detective novel, which indeed it is to most readers, what with the colossal ignorance about the Soviet Union. Gunther has done a signal public service to his country. This book should go a long way in undoing the harm which Dulles has done. ‘Inside Russia Today’, which incidentally is bound in red just as ‘Inside Africa’ was bound in black, is an extremely realistic, objective and fair-minded book.

Again and again, Gunther emphasises the imperative need for co-existence with the Russians, notwithstanding their many failings, weaknesses and eccentricities. He has tried to impress on his countrymen forcibly two fundamental things, namely, that the Russians are strong, and not weak and that they do not want war. Although many changes have occurred in Russia since Stalin's death which is why Mr Gunther has added the word Today to the title of the publication, he makes it clear that the Russian people are solidly united behind their government and are quite determined to make their country as strong as possible, particularly vis-a-vis the United States.

In fact Gunther is often times very loudly complimentary to the Russians. He calls them a ‘magnificent’ people; he considers that even under Communism, the Russians are “the most human-human beings in the world, perversely attractive and fascinating without end.” He has also brought out vividly the magnificent achievements of Russians in the field of science, technology and education. He pays a well-deserved compliment to the

Russians particularly for the development of the Sputniks, the challenge of which, Gunther remarks, the Americans should have faced with better grace and realism. The Sputniks, with which in fact the book begins, have obviously influenced Gunther's thinking a great deal and have imparted a sense of sobriety.

Obviously Gunther does not like the Communist system and considers the American way of life superior to the Russian way. But he is careful to give many analogies between the Russian ways and the American ways. That is to say, repeatedly, after pointing out a Russian weakness or a drawback, he immediately refers to a similar thing in the United States. Another very significant point which Gunther brings out is that many of the qualities of the present-day Russians are less due to Communism as such as the character of the Russian people. For instance, their toughness and sense of secrecy have been characteristic of the people for ages.

There is a fairly detailed account of the process of de-Stalinisation, though superficially one might get the impression that under Khrushchev there is a return to Stalinism. There is a significant lessening of tension and much greater freedom of expression. There is a fairly long description of the tussle between Khrushchev on the one hand and Malenkov and the others of the old guard including Molotov. Gunther raises the fundamental question if the new look in Russia is genuine and answers “Yes”. He remarks that the reforms that have occurred so far are perfectly genuine, if limited in scope.

Gunther's observations on the social patterns in Russia are most interesting. It is very significant that in respect of the attitude towards the family and similar matters, a substantial reversion to conservatism has taken place. It is by no means easy to obtain divorce in Soviet Union to-day, the divorce rate being lower than that of the United States. As is probably well known, the percentage of jobs held by women is astonishingly high, be-

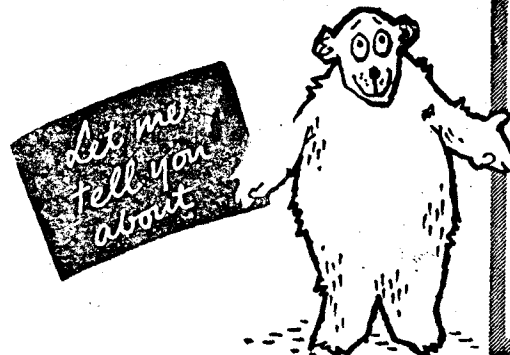
ing about 45 per cent. It would be a surprise to many to read that Soviet children are encouraged from the earliest days to respect their fathers and mothers. The education and care of children has the highest priority. As may be expected, Gunther has also covered in some detail Russian ballet and theatre as also Soviet literature. Incidentally it is interesting to know that the Russian playwrights are paid so much per act, which is a reason, he thinks, why most Soviet plays are very long. Like-wise poets are paid by the line.

Gunther's treatment of the Soviet economic system is however very disappointing. He devotes barely twenty-five pages to the subject which is of such paramount importance, particularly to countries which have embarked on ambitious economic planning. The growth of industrial output in the U S S R is particularly phenomenal though it is hard to believe, in spite of Gunther's authority, that industrial production doubled between 1951 and 1956. Unemployment does not exist in the Soviet Union; as a matter of fact, the shortage of labour is acute. The vast scale of investment is made possible by an extreme sense of austerity and plain living. The Soviet Union does permit private ownership, the ownership being most common in respect of homes. Disparities in income are fairly pronounced.

The most significant chapters of the book, from the point of view of international relations, are the last two, “The Russians Gamble for the World” and “Peace, Co-existence, and the United States”. The latter chapter is an extremely realistic one. Gunther is very understanding of Russia's fears of the West; she has been invaded by the West fourteen different times in hundred and fifty years, whereas the U S has been invaded only once in her whole history. Gunther makes a sincere plea for endeavouring to live side by side with the Russians peacefully, as much in the interest of America as that of the world.

To conclude, ‘Inside Russia’ is a most stimulating and instructive book which will for long remain an

*Hamish Hamilton; 1958. Pp 591. Price 25 Shillings.



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authoritative guide to Russian politics and policies. There is also an extremely valuable bibliography as well as a short appendix on Soviet personalities.

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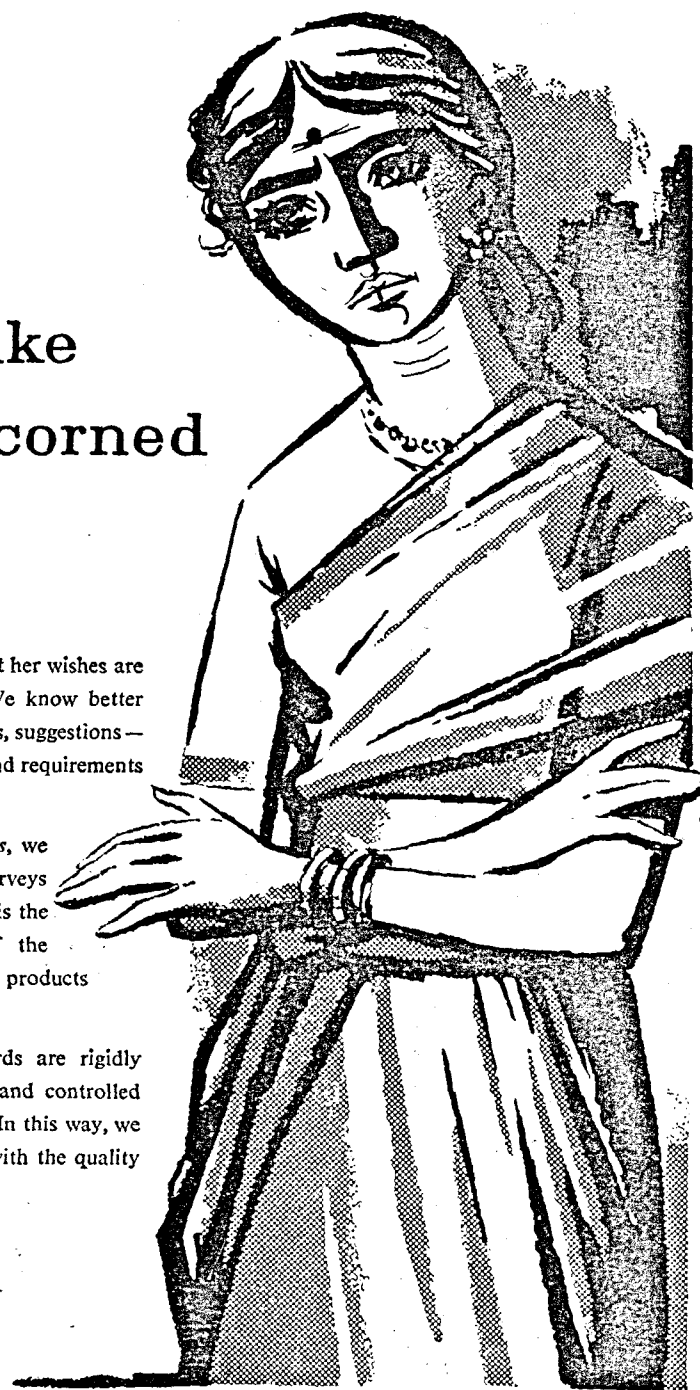
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East Pakistan Border Troubles

K C Chakravarty

IN the absence of a thoroughly surveyed, properly demarcated and adequately defended frontier, there cannot be any peace between East Bengal and India. Even if Pakistan and India had the closest friendly relations, disputes would have arisen. The dividing line between Tripura and Cachar on one side and East Pakistan on the other is unscientific and unnatural. No big mountain or river, nor any geographical barrier separates East Pakistan from India. The frontier runs haphazardly through paddy fields, grazing grounds, fishing ponds, small rivers and forests. Sometimes one part of a village falls in one State and the other part of the same village falls in another. The homestead of one peasant is in one State but his paddy fields are in another. If his grazing grounds are in the vicinity of another State, very often he will find his cattle being stolen. Every monsoon the rivers in this side of India, change their course and new islands in the rivers arise. Over fishing rights in rivers and lakes which change in shape and size in different seasons, parties even belonging to the same community and to the same State frequently quarrel and fight. Even when India was one, lawlessness prevailed over these areas but in those times, the local police could handle the situation.

The partition has created additional difficulties. The culprit from the adjoining State comes and carries away the harvest. As soon as he slips back into his State, the police of the other State cannot do anything. Very often the police of one State helps the culprits of his State and the police belonging to the opposite State fights against the police of this State. From a fight between individuals, it has become a fight between the police forces of both the States. Not only that, behind the culprits comes now the armed border force leading to exchange of gun shots. Reprisals and counter-reprisals continue and in short, the same old lawlessness with new international complications, prevails over this border line of some six hundred miles between East Pakistan and India.

In all such disputes, the advantage is always with the Muslims. While the Muslims are poor, illiterate, rough and violent, the Hindus are literate and cunning, weak and relatively well-to-do. In hand-to-hand fighting and in rioting and loot, the Hindus individually fare very badly. Therefore, since the Pakistani Muslims are usually the gainers in forcible occupations of disputed land, cattle-lifting etc, the Pakistan Government encourages lawlessness. At least the Pakistan Government does not seriously intend to maintain law and order in the border.

The Hindus on the border were once prosperous and resourceful; they now suffer from disabilities which are not their own creations. Once both Hindus and Muslims used to live side by side. But the Islamic State of Pakistan has successively and successfully squeezed out the Hindus, the secular State of India has encouraged the Muslims to stay. Not only that, the Muslims of East Bengal have been encouraged to migrate to this side of India where the liberal Assam Government is offering them domicile. While the Hindus of East Bengal, who migrated and settled on the Indian side of the border, find life and property insecure and are forced again to leave their homes and fields, the Muslims on this side of secular India are completely secure. They live on the bordering villages inside India, in compact areas where physically they are a majority. The Pakistani Muslims do no harm to them. After the Partition, they have en masse joined the Congress although they were, almost all, fanatically Muslim Leaguers. They have captured seats in the legislature. The local bodies are overwhelmingly dominated by them. Some of them are Ministers in the Assam Cabinet. The Muslim element in the Assam administration, particularly the police, still continues large.

This has introduced an element of insecurity to the whole of lower Assam, which, until recently, was not appreciated by our Congress leaders including Nehru and Pant. Without declaring war against India and with peace on all other

fronts, if the Pakistani army penetrates into Tripura or Cachar or both, India will not be able to resist and these areas, the whole of it, can be occupied in seven days by Pakistan. These areas are small pockets, badly linked through upper Assam with the rest of India by a single metre gauge railway line which runs through the hills and jungles of North Cachar. Tripura has virtually no link with India except by air. In the monsoon, breaches normally occur and if the railway line is dislocated for some time, reinforcements from India cannot reach Cachar, North Cachar, again, is Naga infested and through the Muslim intermediaries inside the Indian border, the Nagas have actually established contact with East Pakistan.

The West Bengal border, however, is not so vulnerable in this sense. Border disputes and skirmishes may take place on the West Bengal border but the Pakistani army cannot invade West Bengal, because, in that case the Indian army can enter into East Pakistan and occupy Dacca in 15 days. On the Tripura-Cachar side, the climate and communications are such that the Indian army may find it difficult to move. The fifth columnist Muslims and the hostile Nagas can complicate the situation in a serious way. The gravity of the situation, unfortunately, is not generally understood by our pacifist Congress leaders.

Although Tripura and Cachar are vulnerable and the probability of Pakistani occupation of these areas cannot altogether be ruled out it is difficult to believe that Pakistan wants war with India. Except a few fanatics, nobody in Pakistan wants war. To any observer in East Pakistan, it is evident that the masses of the people there do not want war. Rather, they are afraid of India. Their impression is that India is militarily four times stronger and the Indian army can enter into East Pakistan from all sides and occupy the country in less than 15 days. East Pakistan has its rivalries with West Pakistan, the country is industrially backward, the people uneducated. Their leaders are divided and they

Regions and Regionalism in India

B Subbarao

I

AFTER the advent of freedom to India, the demand for uni-lingual States, on the basis of the pattern laid down by the Indian National Congress, has been subjected to a reappraisal, specially due to the intensity of the demand. This has raised in the minds of many people certain apprehensions. Only recently, an academic study of this problem and the conception of the Indian unity has been taken up in earnest. So in this paper, it is proposed to analyse the familiar slogan of unity in diversity. India is a vast sub-continent with a good deal of cultural and environmental diversity. While, on the one hand, the Indo-Pakistan sub-continent has been marked off from the rest of Eurasia by natural frontiers, the country within these limits is cut up into a number of river basins separated by ridges of hills and forests. Any text book on Indian geography will give an account of the physical regions. (Spate O K H. 'India and Pakistan—A General Regional Geography', London, 1957; second edition.) During the course of history, the regional epicentres or foci developed a strong individuality. As a result of the movements of peoples and cultures within this sub-continent, we see the operation of two opposite forces. One represents the horizontal movement of certain cultural traits resulting in broad affinities or resemblances and the other represents the vertical forces within the constituent units which give a unity or personality to the region. These two may be described as the centripetal and centrifugal forces or as Pan-Indian and regional forces respectively. The interaction of these two forces has led to what we generally describe as unity in diversity.

This naturally raises the question of the nature and character of Indian unity. From the earliest period of recorded history, the geographic personality of the Indo-Pakistan sub-continent was clearly recognized by the writers, philosophers and political thinkers. The series of immigrations that characterize our history from the earliest times, have fostered and forced large scale migrations with-

in the sub-continent. These movements certainly helped in the emergence of a large degree of cultural unity. Simultaneously some of the regions, on account of their strength, tried to enlarge their dominions and thus released political forces to supplement the other cultural agencies. This struggle between the regions among themselves, and attempts at political unification of the sub-continent, have succeeded in varying degrees. If these attempts have not succeeded completely, owing to the magnitude of the sub-continent and the strength of the regional forces, one is not justified in saying that the idea of achieving political unity was not there. In all our traditional thinking, the land from Himalayas to the sea—a setu himachala paryantam—was always conjured up as a homogenous land worthy of conquest by any king, to be brought under one umbrella, as the Indian idiom put it. Kautilya was the first writer on Indian polity to embody this concept and described the whole country as a Chakravarti kshetra. Simultaneously we find the other writers and political thinkers developing certain institutions and rituals to give a sort of a legal sanction to the kings of Aryavarta to extend their kingdoms. This ideal or 'Aryavarta consciousness', as Munshi put it, remained very vital throughout Indian history.

As a result of the Pan-Indian forces, we see a spread of basic technology and material culture (pottery, tools, weapons, architecture etc.). In the field of language, religion and philosophy, we see the greatest evidence of the cultural unity. Srinivas characterized the Indian unity as mainly religious and has described one of the main agencies as 'Sanskritization'. The chief means employed was the Sanskrit language which enjoys great prestige. (Srinivas, M N. The Nature and Problem of Indian Unity, 'Economic Weekly', X, No 17, April 26, 1958.)

Operating simultaneously with these cultural forces were the inherent strength and vertical unity of the centrifugal forces of the regions. If one recognizes this his-

torical struggle, one can easily understand the current controversies. The rise of nationalism in general, and in Asia in particular, has given a new meaning and urgency to the centripetal forces which have given a new form to the old 'Aryavarta consciousness' by advocating a monolithic concept of Indian unity. If one looks at it from this point of view, one fails to find any solace from history. Frankly, Indian unity was never completely political in character. But in the changed context of national and inter-national problems, one can aim at an organic unity. For this, a frank recognition of these two forces in Indian history can bring about their healthy reconciliation. With the advent of the Parliamentary democracy, new power relations have emerged. This problem will be discussed later.

II

For a clear understanding of the strength of the regional forces, we should understand their genesis. In one sense, civilization may be defined as the gradual emancipation of man from the clutches of natural environment by a slow process of analytical understanding and advance of technology. Thus in any society, the influence of environment is inverse to the former's technological progress. In a very broad sense a region develops according to its agricultural potentialities, considering the social and other consequences of food production.

In recent years, Indian archaeology has thrown new light on the first large-scale, agricultural communities in each of the physical and cultural regions of India. (Subbarao, Bendapudi. 'The Personality of India—A Study in the Development of Material Culture in India and Pakistan', Baroda, 1956.) If one recognizes the environmental diversity of this continent from arid deserts to deciduous and evergreen forests, one can easily recognize the agricultural potentialities of some of the river basins with an optimal rainfall and favourable physical environment areas where large scale agricultural communities can live and grow. On account of their contiguity and easy intercommunica-

are unable to form any stable ministry. By an armed hostility with India, they certainly do not want to add to their internal difficulties.

East Pakistan is suffering miserably in the economic field and the present border troubles are the offshoots of their economic plight.

A flourishing smuggling trade has developed in the border and Pakistan, correctly or incorrectly, thinks that this smuggling trade is the cause of all her suffering. Import restrictions have raised the prices of goods of foreign origin abnormally high in India. A wrist watch worth Rs 80, if smuggled into India, can easily fetch Rs 160. One pound of betel nuts worth annas six, when smuggled into India, brings at least Rs 2. Similarly many articles of daily consumption are extremely rare and costly in Pakistan. A pound of salt worth one anna on this side of the border is sold for eight annas in Pakistan. The result is that the smuggling has become so attractive and alluring that both Hindus and Muslims, Indians and Pakistanis, are freely participating in it. East Pakistan has few manufacturing industries; its primary products have practically no outlet and the producers, in the absence of an outside market, get a very low price. The people as producers, consequently, have become poorer. As consumers again, they have to pay a high price for most of the necessities of life. The cause of their suffering is economic but their Government tries to apply political and military remedies. For all the economic ills from which the unfortunate people suffer, the blame is always laid on India. Patriotic Pakistanis think and preach, in season and out of season, that no Pakistani should buy and consume Indian paper, matches, cloth, salt, soap, medicine, etc and that no Pakistani should sell his jute, betel nuts, fish, eggs, vegetables etc to India. This 'boycott India' sentiment in Pakistan has brought Pakistani economy to its miserable plight. As the producers of primary goods are unable to sell in India, their income has miserably fallen and as consumers' goods from India cannot reach Pakistan, their prices have risen abnormally high. A correct solution would be to expand trade with India. Although that would improve Pakistan's position, her leaders think that,

relatively, India would gain more. A country restricts its imports in the interest of its industries—which is understandable, but no country seeks to restrict the market for its own products. Patriotism in Pakistan today consists in restricting her market, lest any extension of the market may benefit India as well.

Pakistan, therefore, is bent on preventing smuggling. Her police and customs officers are corrupt. The armed border force is equally unreliable. She has consequently requisitioned her regular army.

In the long run this will be a ruinous policy for Pakistan. If her regular army with machine guns and mortar is to prevent smuggling over a land frontier of some six hundred miles, Pakistan would become bankrupt in no time. But immediately it is paying dividends. First, because the attention of the people has now been drawn to the border disputes with India and it has silenced opposition internally. Secondly, indiscriminate firing at strategic points has stopped the smugglers.

Today the Pakistani army is concentrating along the Indian border. They are not merely preventing smuggling. They are also shooting at Indians in the Indian villages. They are helping their nationals in forcibly occupying Indian villages. While some Indian lives are lost and considerable Indian properties are damaged, this has improved morale in Pakistan. Pakistani leadership today is divided and the

leaders themselves do not know what they really want. Pakistan's smuggling problem is insoluble. The police and the frontier force could not check it. True, by engaging her regular armed forces, Pakistan has met with temporary success. But the initiative is passing away from the politicians to the army leaders. Civil authorities in the border districts of Pakistan are helpless and useless. The anti-smuggling operations have vastly strengthened the hands of the army leaders.

When policies are formulated not by the politicians but by the generals, and executed not by the civil authorities but by the soldiers, war is not far away and the real danger lies in this. Nobody will be surprised if a coup d'etat takes place in Pakistan as it has taken place in Iraq.

Tea Production in Africa

Total production of tea in Africa is a little more than ten per cent of that of India. In 1956 production of tea in Africa was estimated at 74 mn lbs compared with 670 mn lbs in India. In the main tea growing regions of Africa, viz, Kenya, Nyasaland and Portuguese Mozambique production has doubled within the last ten years. Tea trade in India believes that one of the principal reasons for this rapid rate of growth is the diversion of resources of British companies who have shared in building up the vast estates in India and Ceylon to Africa.

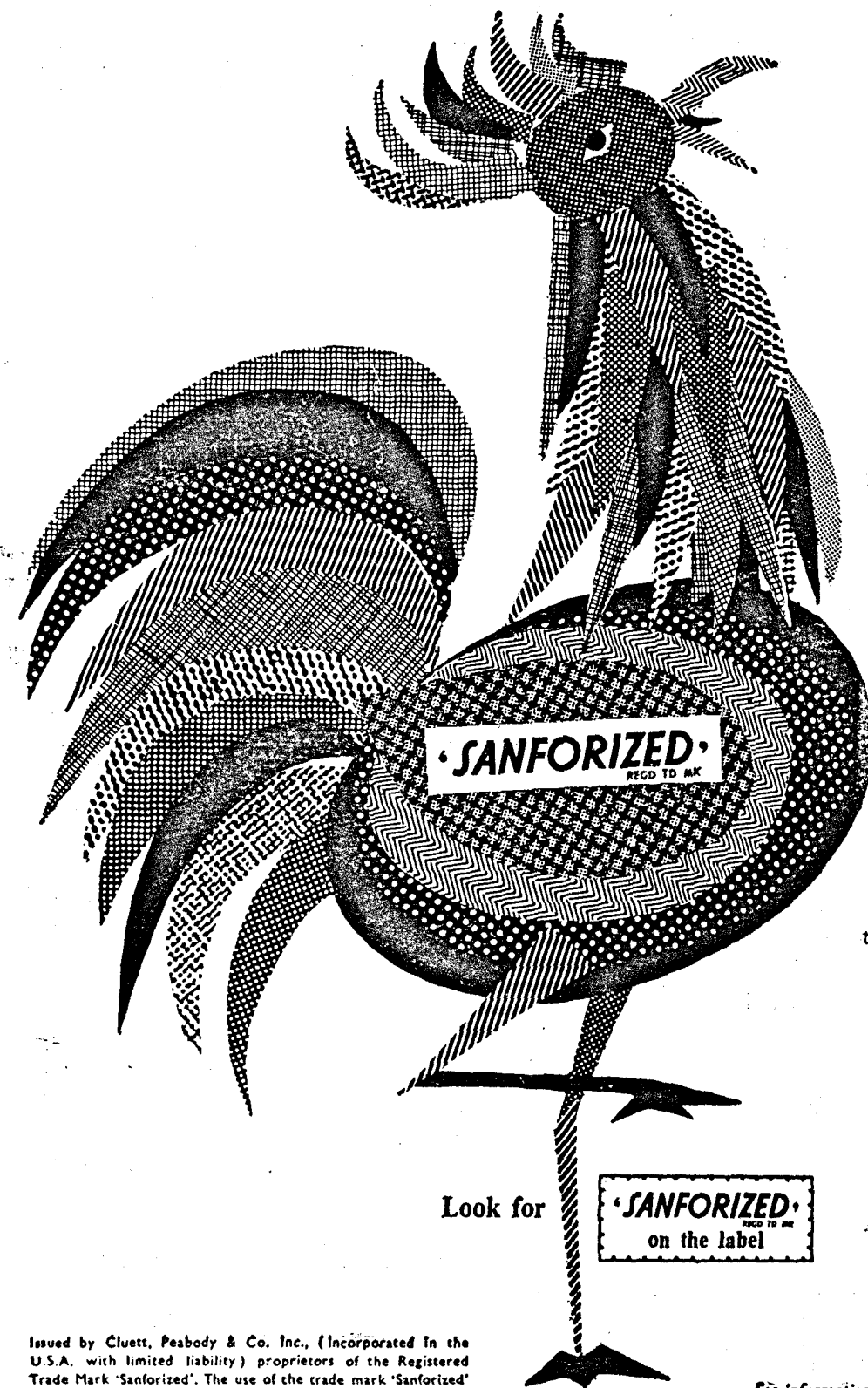
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tion, certain traits tended to connect the various regions along the trans-continental highways. Enough contacts between them were found to substantiate certain horizontal movements. As our studies are yet based on techniques of pottery, it is not possible to go into the details of the sequence of cultures in the various regions. But it is enough to illustrate these movements in space and time. While the Indus basin was colonized by the Harappans about the 3rd millennium B C, the first large-scale agricultural communities of Tamilnad, at the other end of the communication system, belong to the Iron age, which can be dated to the middle of the 1st millennium B C. This data is based on analysis of the excavated remains from more than forty sites.

In addition to this, availability of cul de-sacs in the forested hills in the sub-continent, has enabled the isolation of the earlier folk. Thus the pattern of development of material culture in India can be defined as the horizontal spread of higher cultures displacing and isolating the lower in space, at different economic stages and at different periods. It is the operation of these two vertical and horizontal forces, and the influence of the consequent time-space co-ordinate in the horizontal spread, that has resulted in a palpable difference in the cultural milieu of the first large scale agricultural communities in each of the physical regions. Of course, to an archaeologist, ceramic differences constitute index criteria. Archaeology provides a sort of physical framework of this regionalism, in that it can demonstrate the horizontal movement of technology and other material relics. There is no doubt that the new communication system facilitated this process. We see the remarkable fact that with the advent of copper and bronze the movements become rapid. This pace is accentuated still further by the advent of iron. By about the 3rd century B C we see a wide homogeneity in pottery, tools etc, from the Gangetic basin to Tamilnad.

A remarkable coincidence emerges in the political history in the Mauryan Period. We see that this rapid economic and technological advance in the Gangetic basin coincides with the attempts at imposing a political unity on the sub-continent with the Nanda and Mauryan

rule in the 4th and 3rd centuries preceding the Christian Era. With this, we see the operation of a new political force to supplement the other Pan-Indian agencies. Let us see the operation of some of these agencies:

1. Technology and material culture;
2. Religion and philosophy;
3. Language and Race; and
4. Political forces.

The Indus basin, on account of its proximity to the Old World Cradle, gets the full impact of the Western Asian Urban Civilizations from the end of the 4th millennium BC. About the middle of the 2nd millennium BC, the advent of the Sanskrit speaking Aryans led to the destruction and displacement of the earlier civilization and the direct expansion of these Aryans into the Gangetic basin. About the same time, we see clear evidence of a movement from the east of Austro-Asiatic elements from S E Asia (in a Copper Age-Neolithic complex), and further movements from the west. At the present stage of our knowledge we are not in a position to define their exact relations, but we see the emergence, at the same time, of new Chalcolithic communities in Central India, who combine very significantly, some late Harappan traits (probably from their survivors) with those of Iranian and Gangetic-valley settlers before the advent of the Aryans. Similarly we can trace the movements of these Chalcolithic cultures of Central India into Northern and Central Deccan upto Mysore. Here they supplied copper and bronze to the Neolithic agricultural communities of the Krishna basin. One can see the climax of these technological advances with the appearance of iron which results in a much greater homogeneity in material culture about 4th century B C over the whole sub-continent. This is a case of one diverse base giving rise to unity in material culture.

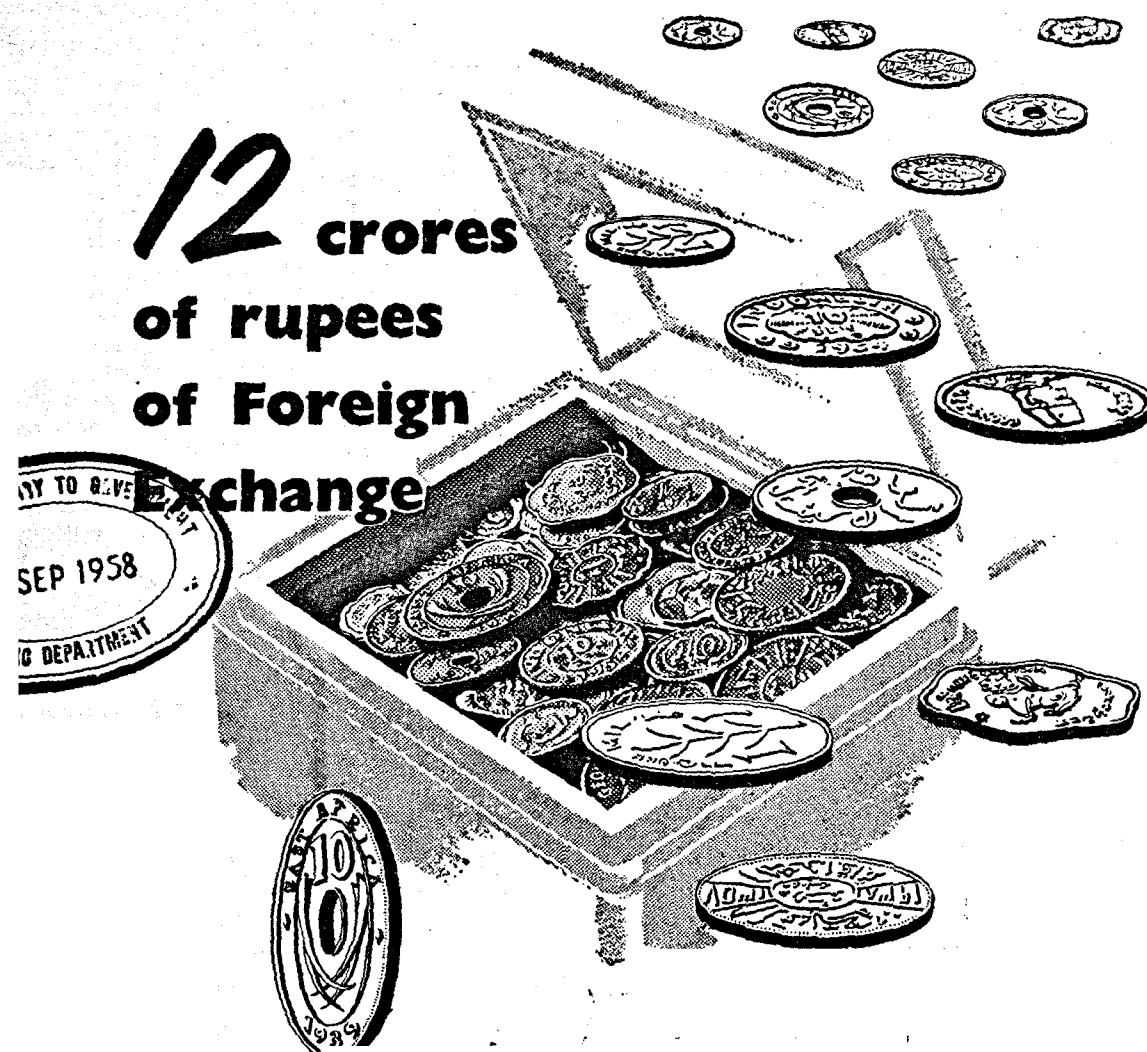
This phenomenon can be beautifully demonstrated in the sphere of religion and philosophy. Vedic religion and philosophy were rapidly transmitted through the agency of the Sanskrit language and literature. Here again one sees the vertical and horizontal forces in what Srinivas calls Regional Hinduism and All-India Hinduism. Yet it must be said to the credit of Hinduism, that more than any single agency, religion and philosophy

have given a greater cultural unity to this sub-continent.

Unfortunately studies in the Languages and Ethnology of India have not made sufficient progress, particularly the application of modern techniques. But, what little we know again points to the existence of four main families of languages in India: Indo-Aryan, Dravidian, Austro-Asiatic and Sino-Burman. Through the centuries of continuous movements of peoples and cultures, we see two strong tendencies. One was a fragmentation and diversification of these four main groups of languages into a large number of modern vernaculars through Primary and Secondary Prakrits, with the Sanskrit remaining always as a sort of dignified literary dialect or language. At the same time, as opposed to the regional forces represented in this diversification, we see at the same time the emergence of close affinities in syntax, structure, and accent among the various regional languages by a long period of co-existence and contacts.

Similarly in the field of Ethnology the recent analysis by Bernard Cohn (India as a Racial, Linguistic and Cultural Unit, 'Introducing India in Liberal Education,' Chicago, 1957) of the studies of Risley, Van Eickstedt, and Guha shows again the existence of about four or five main ethnic elements mixed with varying proportions in each of the physical and linguistic regions of India. The earlier view of Von Eickstedt that we have major language-cultures rather than racial cultures is also supported by Cohn and Sunitikumar Chatterji. Cohn summarizes his study as follows: "...we might say that, even though historically and contemporaneously there is tremendous diversity physically in India, there is, roughly speaking, a physical type which is Indian."

Finally, how did these forces operate in the field of political history? As we have already seen, the operation of the other unifying agencies were opposed by the regional forces. The other patent fact is a persistent attempt made throughout Indian history to superimpose political unity on the geographic and cultural entity. The first such attempt (at imposing a unity) was that of the Mauryans, who were benefited greatly by the



Our country still needs substantial foreign exchange for successful completion of the Second Five Year Plan. In this time of stress the Sugar industry's achievements last year have been a welcome development. For the first time, large quantities of Indian sugar have been exported to China, Malaya, Singapore, Burma, Ceylon, Aden, Iran, Saudi Arabia, Sudan, East Africa, the United Kingdom, North Vietnam and other countries. Indian sugar has secured a place in the world market. Now the task is to maintain it permanently. Geographically, India is within easy reach of a number of sugar importing countries. In quality, too, Indian sugar compares favourably with sugar produced in other countries. What is needed, then, is greater co-operation between the consumers in the home-market, our industrialists and the Governments.

Today the White Sugar Industry provides scope for Indian capital investment of more than

100 crores of rupees; it provides employment to over 1,40,000 skilled and unskilled workers and 3,600 university educated men, their total earnings representing 5% of the national wages and salaries; it supports 20 million cultivators; it constitutes 12% of the total value of production of major Indian industries; it contributes over 65 crores of rupees (@ Rs. 13.19 per maund) in levies to the national exchequer.

It offers even brighter prospects for the country. With a lighter burden—with some of its present day handicaps removed—this industry can contribute to achieving a more stable national economy. Its upward trend of production can continue to meet the needs of a growing home market and yet leave a surplus for export in order to earn foreign exchange.

sample for home market with surplus for export too	1956-57	1955-56	1954-55	1953-54	20.26 LAKH TONS
	18.00	12.00	13.00	10.00	

Indian WHITE sugar ...

vital to India's national economy

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unification of the Punjab by Alexander, and of the Gangetic basin by the Nandas. We see that this vast political fabric was supported by a well-developed hierarchy of officials, from the king to the village (Gramani), and a net work of communication system. Asoka planted his inscriptions on stone at crucial points along the highways. We get an exact picture of the functioning of the Mauryan Empire from Oxus basin to Bengal and from Himalayas to the 13th degree N latitude in Kautilya's Arthashastra and the accounts of Megasthenes. This political move was curiously helped by the evolution of certain political concepts like Samrat, Chakravarti, Ekachchattradhipati, in the few centuries on either side of the Christian Era. We also see the development of elaborate coronation rituals. Are not the Rajasuyas and Asvamedhas the political sanctions behind the imperialism inaugurated by the Nandas and the Mauryans? This ideal remained a vital force in Hindu political theory and it was the ambition of every ruler to become a Samrat. It is amusing to find in the inscriptions of the historic period of Indian history even small rulers making highly exaggerated claims about the extent of their empires. They performed Asvamedha sacrifices as evidence of their might. Indian tradition is full of kings who achieved this glory.

Going through Indian history in a rapid survey, one finds that the practical realization of this vital ideal suffered set backs owing to the strength of the regional forces. In the 2500 years of corroborated history of India, there was a semblance of political unity in this sub-continent during short spells of Mauryan, Khilji, Mughal and the British rule, and today after the advent of Independence. The rest was a long, dreary story of struggles between the various kingdoms. But as Day has shown, there was tendency, for the various kingdoms—at least the nuclear areas—to coincide with the natural regions. The eastern and central India highlands (Tribal areas—the ancient Gondwana) and the extreme tip of the peninsula remained outside the pale of any strong central power. Similarly Vindhya managed to separate or localize the histories of the Northern India and the Deccan peninsula. Another such semi-perennial border is provided by

the Aravalli line extending from the mouth of the Gulf of Cambay to the Delhi gap. Thus during very long periods, lower Indus basin and Kathiawad have been cul de sacs in absorbing the refugees of the Indo-Gangetic basins.

To sum up, while centralized empires like those of the Mauryas, Satavahanas, Guptas, Harsha, Mughal and British were short-lived, the ancient kingdoms like Kosala, Magadha, Avanti, Lata, Saurashtra, Kalinga, Andhra, Maharashtra, Karnataka, Chera, Chola, Pandya, existed, under one name or other, under one ruler or other.

Thus our history shows that we have never achieved political unity in the true sense of the term. The physical regions become cultural regions due to long periods of political isolation and periodical coincidence of political and cultural areas, particularly during the periods of internecine wars and external invasions. One of the most apparent indices of this regional force is language, which in itself reacts on other modes of thinking. The most remarkable fact in the history of Indian languages is the designation at all stages of these languages and dialects, by the name of the region where they were spoken. During the long period of Indian history, from about 700 to 1300 A D, the fragmented political history of this sub-continent has led to the emergence of the Tertiary Prakrits or the present vernacular languages in the North and the other Dravidian languages in the South, again by a process of fragmentation and diversification.

Thus it can be seen immediately that political events and history have not been able to efface or transform the regional and linguistic diversity of India. The best example is Northern and Central Deccan, where the former state of Hyderabad is a direct descendant of the Muslim states of Bahminis, Sultanates of Golconda and Bijapur and the Mughal Empire in the South. Yet 600 years of Muslim rule have not suppressed or modified the three-fold linguistic division into Telangana, Marathawada and Karnataka.

III

Thus we have seen that the Pan-Indian forces were always weaker than the Regional forces. The former had their maximum impact of

technology, religion and philosophy, and in a way, we may state that this geographic entity had a vague cultural unity. The failure of the political forces seems to me to be fundamentally due to the kind of relations prevailing between State and society in Pre-British India. The role of the village community is often emphasized. But for our purposes an analysis of this relationship is very important in view of the fundamentally new concept of power relations. The smallest constituent working unit was the village. In the past, the political authority of the State and the moral authority flowing from the social status in the village were harmonized by the hereditary village officials, who transferred their loyalty to the rulers whoever they might be. The stability at the village level was assured since the authority of the State was limited to the collection of the revenue. Thus this power relation can be stated as an inverted pyramid with very little power flowing to the lowest levels of the society. In addition to this, functioning of the smaller caste and kinship groups also made the society independent of the State. This has enabled a continuous evolution of the linguistic and cultural areas, in spite of political States cutting across these regions occasionally.

What about the present and the future? This power relation has been fundamentally altered with the adoption of the Western type of Parliamentary democracy with adult franchise. The highly centralized political structure of the past represented by the inverted pyramid has been set right and now we have a broad-based political structure with the power infiltrating to the smallest village and the individual voter. This change in the political structure gives a new source of power to the regional forces. The real source of danger, if any, comes from the new political consciousness of the cultural areas.

Probably this is responsible for the popular opinion that regionalism and nationalism are opposed and self-contradictory. But taking a long range view, we need a new understanding and adjustment of these power factors.

In the West, where the modern concept of Nation and National State have their birth, the industrial and economic revolution pre-

ceded the political revolution and final emergence of Nationalism. Hence there is a better understanding of a larger interdependence among the various communities. The best example is that of England, Wales and Scotland, constituting Great Britain. The Industrial revolution facilitated by their imperial exploits, knit them together. Unfortunately for India, political revolution preceded the industrial, with all its consequences.

With the development of modern welfare State and the universal acceptance of planned economy and the increasing encroachment of State over the individual and the groups, we can, and we are developing a new counterpoise to the regional forces. It is very necessary to recall, that while the centrifugal forces have been reinforced by a new political and power consciousness, the centripetal forces themselves have acquired a new strength by the concept of nationalism and national consciousness. Thus there is already a new system of checks and balances. This would enable the recognition of the larger economic and cultural interdependence. The operation of the political power relations in the interim period will be regulated by the balancing of powers between the Centre and the states.

IV

Thus we see that there is a logical pattern in the evolution of Indian unity. In one sense, it can be argued that the process of unification started by technology and 'sanskritization' was accentuated by the new technology from the West and 'Westernization'. With the struggle against European colonialism and the new conception of Nationalism, we have come to a stage when the conception of a national State within a federal frame work is desirable and possible to evolve fairly rapidly.

In the new context one need not take a gloomy view since some of these dangers have been anticipated by the Indian Constitution. The creation of the zonal councils, large inter-state water and power projects, and the constitutional obligation to refer inter-provincial disputes to arbitration go a long way in keeping under check the new regional forces. Hence the need is to build up a new organic unity by a

free operation and frank recognition of the Pan-Indian and regional forces without assuming any incompatibility between the two, in the light of the checks and balances provided under the Constitution. A few suggestions are made below for furthering the cultural integration of India.

1. A graceful recognition of the personality of linguistic and cultural regions. (This process has nearly been achieved except in the case of Bombay.)

2. The Indian Constitution is already a strong federal structure and regional and economic planning should be the entire responsibility of the Centre. The system of federal finance and taxation already has to a great extent made the states dependent on the Centre.

3. We have already discussed the genesis of the linguistic, cultural regions. Due to the operation of various historical and cultural forces, some of the major river basins have been divided. Hence the zonal

councils could be reorganized into a sort of Macro-regions, which cut across some of the present Micro-regions. For example the entire Gangetic basin or the entire basins of Krishna and Godavary, can be welded into wider economic regions, keeping the political identity of the culture regions.

4. Improvement of communications would break the barriers between the various smaller territorial groups.

5. One of the prime agencies of centripetal forces has been described as sanskritization. These forces can be strengthened by the development of a new class of national literature and a more free interchange and translation of the various regional literatures into one another.

6. Industrialization has already resulted in the concentration of new middle classes in urban centres. The wide mobility of Indian labour and the new cosmopolitan centres ensure an additional safeguard.

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From the Chair

The Tata Iron and Steel Company Limited

Speech of the Chairman Mr J R D Tata

THE following is the speech of the Chairman Mr J R D Tata, delivered at the fifty-first Annual General Meeting of the shareholders of The Tata Iron and Steel Company Limited on Thursday, September 18, 1958:—

Ladies and Gentlemen,

Before I tell you something about matters of direct concern to us, I shall, as usual, take a little of your time to refer to one or two subjects of general interest in the economic sphere, for our destinies are affected just as much by economic developments and trends in the country and by Government policies, as by events in our own backyard.

Foreign Exchange Crisis

By far the most serious development in the country's economic life in the past year has been the accelerated depletion of our foreign exchange balances which, standing at Rs. 746 crores in March 1956, are, today, below Rs. 185 crores. How serious the situation is can be judged from the fact that we need some Rs. 560 crores merely to meet our known commitments upto the end of the Second Plan. Allowing for a minimum reserve against the note issue and taking Rs. 50 crores as the minimum practical working balance, we must somehow raise an additional Rs. 425 crores between now and March 1961 to honour our commitments.

It is easy to be wise after the event and much could therefore be said, and has in fact been said, about this crisis, but to me the most surprising thing about it is not so much that it happened at all but that it was not foreseen at least two years ago. Little purpose, however, would be served by adding to the spate of comment and criticism already voiced on the subject in the last few months. Our Finance Minister is now abroad engaged in delicate discussions with the World Bank and the Governments of a number of countries. Our sincere wishes accompany him on his mission.

Even assuming that all our commitments under the Second Plan

are fully met, the position thereafter will remain a grim one. Having used up practically the whole of our foreign reserves accumulated at such sacrifice in the war years, and having in addition drawn heavily upon the future, any surplus we may be able to earn is likely, for many years, to be absorbed in the servicing of our foreign debt. Unless, therefore, we can greatly increase our earnings in foreign exchange and also attract long term foreign investments, we shall not only be unable to finance the foreign component of new development projects but will also have to exercise such a tight control over current imports that industries depending on imported raw materials and components will be hard put to it to maintain normal operations. The present plight of many steel-consuming industries whose allotments of steel have been slashed to a fraction of their requirements shows how stony the road to further industrialisation may be in the future.

Never before has it been more necessary for us to be practical and realistic in our approach to economic problems and, in the process, to be willing to shed some of the prejudices and dogmas which have so heavily coloured some of our thinking in the past.

The basic ingredients of further progress should be clear by now. First, it is imperative that we become self-sufficient in food. How vital that is can be judged from the fact that since 1946 we have had to spend Rs. 1,000 crores of precious foreign exchange to buy food in addition to the Rs. 300 crores worth generously gifted to us by the U. S. and others over the same period. There would be no foreign exchange crisis today if we still had that Rs. 1,000 crores in hand. Second, we must generate a sufficient annual surplus in our total balance of trade to pay for essential imports and to service our foreign debt.

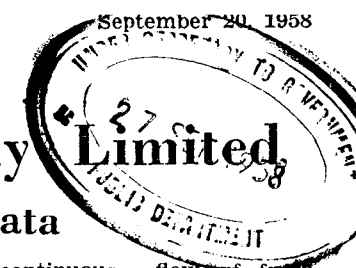
Any further major expansion of our economy thereafter, particularly in the industrial field, will depend mainly on our ability to en-

sure a continuous flow of fresh capital. Except for such success as we may achieve in bringing into use some of the accumulated and hidden wealth in our country, the amount of fresh savings from within India will clearly not be adequate to finance development of the magnitude, and at the rate, required. It must be supplemented by investments and loans from abroad which would, in any case, be required to provide foreign exchange for imports of new capital equipment.

One of our main tasks, therefore, will be to induce our own people and people in foreign countries to invest in productive enterprise in India. This cannot be achieved unless we realise that capital flows most readily in directions where safety and opportunities of a good return and appreciation are greatest. If Puerto Rico has made such astounding progress in the last ten years and if Canada and other countries in the American Continent can attract all the capital and all the constructive enterprise they need, it is for the simple and obvious reason, constantly ignored or misunderstood in our own country, that it is made welcome and allowed both a safe harbour and an attractive return.

If our Government and our Parliament, while by all means protecting the under-privileged, providing the maximum welfare services within our means and ensuring equal opportunities for all, were to let it be known that India was a land of opportunity for constructive and honest enterprise, where those who risked their savings or their surplus capital could reap a fair reward, we would see such a flow of capital from within and from abroad and such an upsurge of economic activity as would transform our land and our people's way of life in a few decades.

The surest way, on the other hand, to drive Indian capital out of sight and to discourage foreign investment is to continue with those elements in our economic philosophy and policies which have done so much in the last ten years or so to



inhibit or penalise enterprise and initiative. I would mention in particular the excessively complex and rigid control imposed on industry under various enactments, the crushing burden of individual and corporate taxes, excise duties and other imposts, often of a discriminatory character, which we choose to call an integrated system of taxation but which in fact merely saps the will to work and the willingness to take risks and, finally, the ideological attitude of hostility and mistrust towards private enterprise.

Future Steel Capacity

One matter of future economic policy of special interest to us is the question of the further expansion of the steel industry under the Third Five Year Plan, which, I understand, is at present under the consideration of the Planning Commission. While the matter still seems to be at an exploratory stage, it is probable that decisions will be taken in the course of the next twelve months and I therefore think it appropriate to record my views on the subject here today.

With India's large reserves of raw materials for steel making and her plans for rapid industrialisation, there is obvious scope as well as need for the continued expansion of the steel industry. There could be no disagreement on that but the question at issue is the rate of such expansion and its order of priority in relation to other industries. Over-emphasis on steel production in our future Plans would prove a costly mistake, and I wish to sound a note of warning against allowing the steel industry to run away with too great a proportion of whatever total resources will be available in future plan periods. That this note of alarm is not unjustified may be judged from the fact that in the Explanatory Memorandum on the 1958-59 Budget laid before Parliament as recently as March this year, the Third Plan target for steel production was stated to be of the order of 15 million tons per annum involving an increase in annual capacity of 9 million tons.

Even assuming a substantially lower expenditure for the expansion of existing plants than that incurred on the three Government steel plants, the total cost of such additional capacity would not be

far from Rs. 1,500 crores, of which something like Rs. 700 crores would be required in foreign exchange, as the heavy machine building plant to be put up by Government at Ranchi will not be ready in time to fabricate any substantial part of the new steel-making equipment.

We may rely on our strong and realistic Finance Minister to support only those schemes of industrial development that can be justified on such practical considerations as availability of finance, demand in India and abroad and a sound order of priority as between one industry and another, but as some of these factors seem to have been consistently overlooked upto now in regard to plans for the expansion of steel capacity, it may be appropriate for me to draw attention to the fact that of all engineering industries steel manufacture requires the largest capital investment per rupee's worth of output and per worker employed. Put in another way, its annual output and the number of men it employs are the lowest per rupee of capital invested.

If it is suggested that surplus steel capacity could be profitably used to earn foreign exchange from exports I would point out that there is already a surplus of steel capacity in the world, so that there is not likely to be an export market at all. But even if there were, all that could be earned in foreign exchange on steel exports would be about Rs. 500 per ton, whereas we could earn or save three to four times that much per ton of products made from steel.

In view of my life-long association with the Steel Industry no one would be more pleased than I to see India one of the great producers of steel in the world, but a little practical thinking makes it clear that we would be better off if, for a while, we had less steel plants but more secondary and finishing industries using steel and if we made more trucks, cars, machine tools and capital and consumer goods of all sorts in preference to making raw steel, for, in return for the same amount of capital investment, we would thereby create much more wealth, earn and save more in foreign exchange, provide more employment and generally build up a more balanced and productive economy.

In the context of the continued shortages of financial, technical and managerial resources which we must assume will exist for the next ten or fifteen years, it is supremely important that in our development plans priorities are based not on prestige but on a down to earth assessment of all relevant factors including the annual output and return per rupee of investment, foreign exchange earned or saved, value to the economy as a whole and employment.

Accounts

Coming to our own affairs, and, to begin with, to the results for the year embodied in the report in your hands, I must apologise to the shareholders for the difficulty they must have had in following the accounts. Apart from the shock some of you may have suffered at the staggering increase in capital expenditure you may well have been bewildered by some of the entries in the balance sheet and in the profit and loss and appropriation accounts, and by the unexplained disparity between some of the 1957-58 figures and those of the previous year. I shall do my best to make matters clear to you when answering your questions, but at the outset I should like to explain that if company accounts in India have become the most complicated and the most unintelligible in the world, our thanks are due to the Indian Companies Act (1956), to our much vaunted integrated tax structure, and to its interpretation by the authorities concerned.

Apart, however, from these unnecessary complications imposed on us, comparisons between many of the figures for the two years have been vitiated by such factors as a change in the mode of valuation of stocks and by the effect of the enormous expenditure on the expansion and modernisation programmes, on allocations to taxation, depreciation and rehabilitation reserves.

Discounting these special factors, the essential fact to be noted from the accounts is that our operations for the year have resulted in a profit which is about Rs. 1½ crores lower than in the previous year, due almost wholly to the lower production and despatches of saleable steel and other products,

and that this reduction in profit was compensated by a large reduction in taxation, an upward revaluation of the stocks of raw materials and semi-finished and finished products, and by the writing back to profit of excess provisions made in previous years.

While the set-back in our profits is naturally to be deplored, there is no cause for alarm. The situation will retrieve itself automatically when the new plant goes into full production which, barring unforeseen troubles, should be by the end of the current financial year. In the meantime, taxed reserves are adequate to ensure that the shareholders' dividend will not be affected.

Golden Jubilee

A happy event for us during this year was the celebration at Jamshedpur on the 1st of March of the Golden Jubilee of the Indian Steel Industry and the town of Jamshedpur. The Government of India were good enough to issue a special postage stamp on the day bearing upon it the portrait of Jamsetji Tata superimposed on a view of the Works and Prime Minister Jawaharlal Nehru, busy as he is, made the gracious gesture of coming himself and taking a prominent part in the celebrations. He dedicated the 200-acre Jubilee Park created by the Company for the benefit and pleasure of the workers and people of Jamshedpur, and unveiled the statue of Jamsetji Tata presented by the employees, associates and friends of the Company. In the course of his speech that afternoon, and again at a mass meeting of the citizens of Jamshedpur later the same day, the Prime Minister paid a heart-warming tribute to the memory of J. N. Tata and said some kind things about the services rendered by our Company to India. We are deeply grateful to him both for his presence and for his words of appreciation and encouragement.

All told, the celebrations were a great success, enlivened by the presence of the Governor and the Chief Minister of Bihar, the present Union Finance Minister and many other distinguished guests from far and near, and by the enthusiasm and gay spirit with which the citizens of Jamshedpur, consisting principal-

ly of our employees and their families, participated in, and reacted to, the occasion.

The special warmth and sincerity of their traditional homage to J. N. Tata two days later, on Founder's Day, was in striking contrast to the hatred, violence and hooliganism stirred up a few weeks later by the Communists during the serious labour disturbances of last May to which I shall now refer.

Labour

When I addressed you last year, I referred at some length to the worsening labour situation at Jamshedpur and the neighbouring areas and in particular to the signs of a well-laid Communist plan to acquire control over labour in the whole of the area which I called the industrial heart of India. The fast-moving events of subsequent months, culminating in the strikes and mob violence at Jamshedpur in May 1958, confirmed the correctness of the picture I had drawn of the situation.

I shall not take your time with a detailed review of the events that led to the strike and of the strike itself. The facts are well known and have been ventilated in the press and in Parliament. In addition, we have brought out a brochure called "The Story of a Strike" which gives a full and documented account of this sad chapter in our Company's history. If any shareholder is interested, we shall gladly send him a copy in either the English or the Hindi version. Today I shall only draw attention to some of the highlights of the drama which overtook Jamshedpur last May, the ultimate result of which was that 4 men were killed, 114 persons were injured, over 400 men were dismissed or discharged, Rs. 25 lakhs of wages were lost to our employees, while 335,000 man days of work and 45,000 tons of steel valued at Rs. 2½ crores were lost to the country.

The essential fact about this strike was that it was not a dispute between the Company and its employees. It was, in my view, a determined and premeditated attempt by the Communist Party to acquire power by force at Jamshedpur as part of a bigger plan to control the whole of the labour field in the Indian heavy industry. Jamshedpur, with its great complex of engineering industries grouped around

India's biggest steel plant, was a bastion which must be conquered at all cost for, without it, control over other industries in that part of the country would be precarious.

As a first step, the existing recognised INTUC Union had to be ousted. The Communist leadership probably thought that the preliminary process of agitation and localised action which they had carried on at Jamshedpur during the previous year had so softened the opposition that one hard push would be sufficient to topple the whole edifice of relationship between the Company and its employees had their Union, founded on years of good will, negotiation and successive agreements.

If this well-prepared plot failed utterly, it is because the Company stood firm and the Government of Bihar which, from the start, had a clear understanding of the issues at stake, dealt with lawlessness, coercion and violence with a strong hand. An important contributory cause was the good sense of the men themselves who wasted no time in rejecting the Communist leadership as soon as they realised its true significance.

A notable feature of the strike, which need surprise only those who refuse to recognise the consistent nature and pattern of Communist action in democratic countries, was the cold-blooded resort to violence and mob action. If it had not been for the firm stand taken by the Government of Bihar many more lives would have been lost in the wave of terror and crime unleashed on Jamshedpur to break down all opposition.

In this connection, it may be pertinent to recall the tragic events which took place only a year previously at Gua, centre of the neighbouring mines of the Indian Iron and Steel Company. By a coincidence the judgement in the criminal case that followed was delivered by the Sessions Judge of Dhanbad only a few days after the abortive assault on Jamshedpur had been launched. As reported in the newspapers at the time, the Judge sentenced the Communist leader of the Action Committee to transportation for life and twentyone of his colleagues and followers to terms of imprisonment ranging from five years to life for their alleged part in an attack by a mob armed with

deadly weapons against the office of the recognised Union resulting in the death of some of its office-bearers and wounding of others.

Another notable feature of the Jamshedpur struggle needs to be stressed. When events began to go against them at Jamshedpur, the strikers did not hesitate to interfere with certain operational measures—the lack of which would have caused such serious damage to the coke ovens and blast furnaces as to have required upto a year to repair. This was nothing less than sabotage which was countered only in the nick of time and which, if successful, would have resulted in prolonged unemployment for thousands of workers and in the loss of hundreds of thousands of tons of steel to the country, apart from immense financial loss to the Company. I may say that, since the strike, a number of individual cases of attempted sabotage of the new plant have been discovered. The high degree of technical knowledge and skill displayed and a certain similarity of pattern make it clear that these were not isolated acts of disgruntled individuals but part of a well-conceived and executed plan.

The pattern is only too clear for those who are not blinded by the unending stream of literature and propaganda, most of it imported, to which the people of this country are subjected. While the Communists profess adherence to constitutional and non-violent means, love for the Five Year Plans and support for all-out production, their relentless pursuit of power continues unabated, under a cloak of respectability, and, when it suits their immediate objective, whether in the political or labour arena, they do not hesitate to use and provoke violence, and to sabotage industrial production.

As is to be expected, the Communists leadership has not taken kindly to the reverse to their plans for Jamshedpur, as can be seen from the strident campaign of vilification against the Company, and Tatas generally, in the communists and pro-communists press. Since May there has been a continuous stream of party leaders from various States visiting Jamshedpur, while it is reported that considerable funds have been made available to the Jamshedpur Mazdoor Union. They may be expected,

therefore, to continue their efforts at causing trouble at Jamshedpur and there is no room for complacency either on the part of the Company or the Tata Workers' Union or the State Government.

Thirty years of labour peace at Jamshedpur had perhaps dimmed to some extent the realisation that sound labour relations and enduring cooperation need unremitting vigilance and effort, particularly on the Shop floor, as well as the maintenance and constant use of good channels of communication between management, supervisory staff and labour. The recent events, tragic as they were, will have served a useful purpose if they have helped to clear away the weeds of habit and complacency and exposed some of the underlying deficiencies previously concealed.

The task of establishing and maintaining good industrial relations is particularly difficult in India, in comparison with highly industrialised countries where the workers are well-educated and disciplined and where unions are strong and responsible. With fifty years of industrialisation behind us, however, I feel it is time for the trade union movement in India to mature and organise itself on the lines followed with such success elsewhere. By and large, Indian trade unionism is still weak in organisation and finance and retains a primarily agitational character. Instead of concentrating on constructive work within the union membership and at the conference table, union activity in India still takes mainly the form of provocative speeches at mass meetings. The movement has been further weakened, and in fact almost destroyed, by the endless struggle for power between three politically affiliated groups.

A heavy responsibility devolves on Indian trade union leaders who, helped by the striking change in the attitude of management to labour problems throughout Indian industry in recent years, and by the consistently pro-labour attitude of the Central and State Governments, have a great opportunity of constructive service to the growing mass of India's industrial workers. There is, unfortunately, no sign as yet of an improvement in the situation and we may rely upon the militant AITUC group to keep the cauldron boiling, for, as we have

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seen at Jamshedpur and elsewhere, labour unrest and disruption of industrial production are essential weapons in the armoury of the Party to which the AITUC is affiliated and from which it derives its financial resources.

Two Million Ton Programme

I regret to say our hopes of completing the Two Million Ton Programme substantially by the 31st May have not been fulfilled. In retrospect, it would now seem that the original completion target dates were somewhat optimistic. The position today is that the Coke Ovens came into operation in January 1958; the new Blast Furnace, one of the biggest and most modern in the world, will be blown before the middle of next month. All the seven new Open Hearth Furnaces of S.M.S. 3 which formed part of both the M.E.P. (Modernisation and Expansion Programme) and the T.M.P. (Two Million Ton Programme) are in production. The first two started operations in March 1957 and the last one in July this year. Two of the three Bessemer Converters at S.M.S. 3, which, under the steel making process adopted, are essential to the achievement of the full rated output of about 1.3 million tons of ingots per year, will be commissioned in a few days and the third will be commissioned in October. Of the three new Rolling Mills, the 46" Blooming Mill rolled its first ingot on the 18th of August. The Sheet Bar and Billet Mill is expected to be in operation in November and the Medium and light Structural Mill by the end of December.

Although it will have taken us quite a few months longer than the thirty in which we originally hoped to complete the project, the addition in three years of a million tons of capacity under Indian conditions and taking into account the many unforeseen difficulties and set-backs encountered is not an inconsiderable achievement. Our thanks are due to Messrs. Kaiser Engineers for the great effort they have put, and are putting, into the job and in particular to Mr. Edgar Kaiser, President of the Kaiser Group of Companies, who took the trouble to come out personally to India earlier this month and spent a week at Jamshedpur to help solve some current problems and ensure the earliest possible completion of the project.

THE ECONOMIC WEEKLY

Apart from the delay in completing the programme and in fact to some extent because of it, we are unfortunately faced with a substantial increase in capital cost. A year ago, the revised estimate of the total capital expenditure to be incurred over the quinquennium 1955-60 on the Modernisation and Expansion Programme, the Two Million Ton Programme, ancillary projects such as the Ferro Manganese Plant at Joda, normal replacements and renewals and on the Company's investments in subsidiary or associated projects such as the Indian Tube Company and Belpahar Fire Bricks, was Rs. 118.7 crores. Today the figure has risen to as much as about Rs. 133 crores, the increase being due to a number of factors including: the addition of new items or improvements to existing ones, the operation of escalation clauses in respect of purchased plant, the delay of six months or so in construction involving the maintenance at Jamshedpur, at Company's cost, of many thousands of men, and increases in prices of our own steel, freight and the like.

These increases in capital costs have put a severe strain on our financial resources, already burdened by the additional taxation introduced in the 1956-57 Budget, by the labour troubles of May, and aggravated by the much lower output of steel in the last two years as compared to the original estimate. All these factors have adversely affected our ways and means position either by increasing our expenditure or decreasing our revenues. Because of the easier conditions in the money market and the high credit worthiness of your Company, we hope to secure our increased requirements of finance from short-term borrowings. It is a sobering thought that we are likely to end the current financial year with total long and short-term borrowings of about Rs. 75 crores, excluding Government's Rs. 10 crore special advance.

Ever since the completion of the greater extensions at Jamshedpur after the First World War, your Company had, over the years, painstakingly built up its financial position notwithstanding continuous capital expenditure on its plant, until, on the eve of the present programme of expansion, its liquid assets exceeded its current liabilities

by about Rs. 8 crores. Within four years we shall have got into debt again to an extent which would have frightened us out of our wits twenty years ago. Times have no doubt changed, but your Directors' and Managing Agents' conservative instincts in matters of finance have remained, and it will be their endeavour over the coming years to reduce as rapidly as possible the heavy burden of debt incurred in our expansion and modernisation schemes.

One aspect of the problem which will have to be faced by the Directors and by yourselves from time to time is the relationship between the share capital of the Company and the capital invested in the business. There is an unduly wide disparity between the share capital of Rs. 30 crores and the total amount of about Rs. 135 crores invested in the business. The disparity will be still wider next year when our expansion projects are completed. From many points of view, it is desirable that the share capital of the Company should not lag too far behind the figure of its nett bloc. If we are to bring down our load of debt to manageable proportions in the course of the next few years, it is clear that we must make fresh issues of capital as suitable opportunities arise. If and when proposals for an issue of capital are made to you, your Directors will bear it in mind that in these difficult days the capacity of shareholders to produce additional money is limited, and also that any fresh issue should from the start be assured of a fair return based on current equity yields.

While we shall be carrying for some time an uncomfortably large load of debt, the servicing of which will put us to considerable strain for some years, there is little doubt of our ability to bear it, as our capacity to earn will have grown in proportion. At the same time, it would be prudent to temper optimism with caution and to conserve our resources as best we can, for our increased revenue potential will, for some time, be subject to a number of uncertainties.

For instance, we do not know as yet how much the new wage structure is going to cost us annually, nor how long the new plant will take to settle down, nor how the labour situation will develop. So

long, however, as Government continue to fix prices on a basis which includes adequate provisions for replacements and expansion and for a fair return on capital employed, I see no reason why we should not continue to make steel as cheaply as anyone in India and why, therefore, shareholders should not continue to look to the future with confidence.

Before closing, I would like, on your behalf, to offer a special word of thanks to the members of the Management and the Supervisory Staff at Jamshedpur who met a most difficult and, at times, dangerous situation with fortitude and devotion to duty, working round the clock in their efforts at first to keep the plant running and then to close it down without damage. Our thanks are also due to the thousands of workers who resisted the campaign of threats and violence directed at them and at their families and who worked steadfastly during the strike or tried to do so as long as they could, often at great personal risk. I am sure the shareholders will join me in expressing our warm appreciation of the exceptional services these officers and men rendered to the Company at a critical juncture in its history.

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

BOMBAY'S PROFITABLE STATE TRANSPORT

BEFORE the Planning Commission pulled up the States and called a halt to their programme of nationalisation of road transport, Bombay had already gone so far ahead that there could be no turning back. Nationalisation of passenger transport was completed in the State during the year ended March 31, 1957. The desirability of extending this process to transport of goods is an idle question today, though nationalised road transport has enabled the State Road Transport Corporation to earn handsome profits for the public sector.

The Administration Report of the Corporation, which has come out nearly 18 months after the close of the financial year—double the maximum time permitted to companies registered under Company Law—shows a doubling of net profit from about Rs. 85 lakhs in 1955-56 to Rs.

171 lakhs in 1956-57. This represents a rise in profit margin on revenue receipts from less than 8 per cent in the previous year to nearly 15 per cent. Net surplus retained after payment of interest on capital to Union and State Governments has climbed up phenomenally to nearly Rs 113 lakhs, from Rs 26 lakhs in 1955-56 and less than Rs 2 lakhs in 1954-55, despite transfer of some profitable routes to Mysore

after reorganisation of States.

That operational efficiency has improved is indicated by the fact that while revenue expenditure increased during the year from Rs 8 crores to Rs 8.20 crores, revenue receipt went up from Rs 10.83 crores to Rs 11.58 crores. Number of routes operated increased by 10.72 per cent to 1,880, route mileage by 12.62 per cent to 46,559 and average daily mileage run by 13.21 per cent. Pas-

sengers carried, however, rose even more by 15.06 per cent and though the average carrying capacity per vehicle also expanded slightly because larger vehicles were used, the possibility of some increase in overcrowding is ruled out only because it is not allowed under the rules! This is a point on which the Report is silent. The Corporation's entire fleet now operates on diesel.

How far the bad condition of

roads in the State inhibits transport development can be realised from the fact that the percentage of bad and Kutch roads in operation has remained constant at 56.74, which, along with ageing of the fleet, has raised the accident rate slightly. There had been a suggestion from official quarters some time back that the Corporation would be made partly responsible for road improvement in the State. Whether any action has been taken on that suggestion is not known, but the Report at any rate has nothing to say about it. Since the Corporation now has a cash balance of nearly Rs 2 crores and investments aggregating Rs 5.4 crores, and has the largest single vested interest in road improvement, there is no reason why it should not be made to bear at least a part of the responsibility for making roads better fitted for modern transport.

The Corporation's passenger fleet appears to be overburdened with as many as 10 different makes. There may be some historical explanation for this heterogeneity but, surely, the Administration Report could be expected to throw some light on essays, if any, in standardisation? Are not such things important for a nationalised undertaking than a profusion of coloured charts on glazed paper, showing, among other things, the expansion of refreshment rooms, stalls and cloak rooms?

BURMAH-SHELL REFINERIES

THE profits of Burmah-Shell Refineries have been adversely affected by reduction in duty protection with retrospective effect from 1st October 1956 and increased cost of maintenance of plant and other assets. 'Income from refining' has declined by Rs 2.40 crores to Rs 14.07 crores, which partially reflects the reduction of duty protection. Profit before taxation has declined from Rs 9.42 crores to Rs 5.86 crores; as a percentage of 'income from refining', it has gone down from 57.2 to 41.7. Taxation takes away Rs 1.63 crores against Rs 3.10 crores, leaving a net profit of Rs 4.24 crores against Rs 6.32 crores. As a percentage of own capital (share capital plus reserves) employed, this represents a decline from 29.0 to 17.7.

Gross block has risen slightly from Rs 24.91 crores to Rs 25.75

crores and net block from Rs 21.28 crores to Rs 22.08 crores. Current assets have declined by Rs 1 crore to Rs 7.21 crore but loans and advances have risen impressively from Rs 6.46 crores to Rs 9.22 crores mainly under 'Sundry debtors' over three months old. Cash is lower at Rs 11 lakhs against Rs 33 lakhs.

The share capital, all of which is held abroad, remains unchanged at Rs 13.82 crores but reserves have gone up from Rs 8 crores to Rs 10 crores. The company issued 5½ per cent debentures in India in 1954 redeemable in 1965-69 to the aggregate value of Rs 8 crores. It has

unsecured loans totalling of Rs 60 lakhs against Rs 37 lakhs from parent companies. There is no loan from bankers.

Out of Rs 4.29 crores available for distribution, Rs 3.87 crores have been distributed as dividend, Rs 1.80 crore are carried to reserves and the balance of Rs 42 lakhs is carried forward against Rs 5 lakhs in the previous year.

The company's future prospects depend on changes in cif values of refined products, while it will have to bear a heavier tax liability in coming years since benefit of additional depreciation allowances would not be available.

In the matter of the Companies Act, 1956

A N D

In the matter of sections 397, 398, 399, 404 and 403 of the Companies Act, 1956,

A N D

In the matter of Richardson & Cruddas Ltd.

By an order of the Calcutta High Court in the above matter, dated the 23rd April 1958, the undersigned has been confirmed as Special Officer to take charge of the affairs of the Company and manage the same.

The Special Officer is collecting materials for a report to the Calcutta High Court as to the shareholding in the above company. He will be grateful if parties holding share scrips will please notify to him the following particulars by the 31st October, 1958 :—

PARTICULARS

1. Face value of scrips.
2. Serial number of scrips and distinctive numbers of the shares.
3. Date and signature of Directors on scrips.
4. Any letter or document or evidence showing when the shares were registered or purported to be registered by the company.
5. The title of the holder to the scrip, the name of the last transferor, date of acquisition by the present holder, and any other material particulars regarding the devolution of the shares.

A true copy of the scrip, together with any endorsement thereon, certified by the party applying should accompany the particulars. Original scrips should not be sent. It is proposed to arrange for inspection of the original scrips on behalf of the Special Officer at a later date.

The statement of particulars should be addressed to:—

"The Special Officer,
Richardson & Cruddas Limited,
Post Box No. 965,
Calcutta"

and superscribed "SHARES".

Dated this 26th day of August, 1958.

D. N. MITRA,
Special Officer.

Who wants

more food ?

My basic job is to assist in raising this country's food production from its present low level—so low that we have to buy abroad.

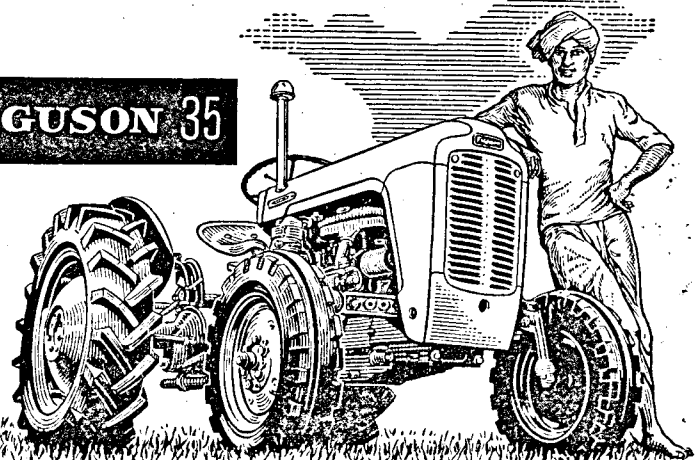
The extent to which I can help is very often not realised—it certainly is not realised enough.

Whether it is wheat or rice—gram or grass—sugar or groundnuts—whatever it is, only I can reliably and economically :

- Have the soil ready for the rains or water,
- Prepare the best tilth to suit the crop,
- Sow quickly and well on the right day,
- Give the crop attention whilst it grows,
- Harvest at the right time,
- Do, in time, all those never-ending duties such as agricultural haulage, soil conservation, water distribution and so on— which mean the difference between shortage and enough.

M ECHANISATION
EANS
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EALS

FERGUSON 35



MASSEY-FERGUSON (INDIA) LTD., BANGALORE
Incorporated in the U.K. — Liability of Members Limited



The dress of the people...



The pretty Rajasthani women are sophisticated performers and their art has its roots in the myth and symbolism of India's ancient rural traditions. Their whirling skirts express the gay abandon of their elegant dance movements.

Costumes, whether they are for folk dances or for dainty wear, vary all over the world. Climatic conditions, natural materials available, religious demands and individual ingenuity are some of the factors that determine the dress of a people.

Many varied costumes are worn in India but different costumes need different qualities of cloth. The Mafatlal Group of Mills manufactures a wide range of cloth for everyday use in all parts of the country.

SHORROCK, Ahmedabad. NEW SHORROCK, Nadlad. STANDARD, Bombay. NEW CHINA Bombay. SASSOON, Bombay. NEW UNION, Bombay. SURAT COTTON, Surat and Dewas. MAFATLAL FINE, Navsari. GAGALBHAI JUTE, Calcutta.

MAFATLAL GROUP OF MILLS



CLOTH FOR THE NATION

Mafatlal's other interests include Sugar and Dyestuffs

MAFATLAL HOUSE, BACK BAY RECLAMATION, BOMBAY 1.

Steels Touch New High

Thursday, Morning

DALAL STREET continues to forge ahead in tune with Lyons range. Investors are in a happy mood though the taxation structure remains unchanged while prospects of any relief in the next budget look far fetched. With the stepping up of the Plan expenditure once again by Rs 150 crores, whatever hopes were held about the Wealth Tax on companies being removed must now disappear altogether. A small cut in the tax on bonus shares and on dividends is the only hope left. On the other hand, as a result of the labours of the Direct Taxes Administration Inquiry Committee, there is every likelihood that tax collection might be tightened. One of the questions confronting this Committee so far as investors are concerned is stopping the present system of refund on tax free dividends along with the reduction in tax on joint stock companies. It is still too early to say as to how the Tyagi Committee will handle this issue. The procedure for refund is cumbersome and causes much waste of time for Income-Tax authorities but the small investor gains something from it.

Prospects of getting adequate loans to bridge the foreign exchange gap for the rest of the Plan period have heartened the market. The conciliatory attitude of the Government towards the private sector has helped the market even more, to stage a broad based advance. However, as hinted last week, conditions of cheap money are likely to pass in the next few weeks as demand for funds increases.

The upward trend in gilt-edged market seems to have been halted and it is considered probable that the vigorous upward trend in equities witnessed for the past few weeks might also meet with resistance.

Inquiry in Debentures and Preference shares continues but banks, insurance and public utilities have remained quietly steady. Cotton mills shares have lacked

drive as advices from cloth market are far from encouraging. Bombay Dyeing, however, has remained in the forefront on aggressive support on hopes that the concern might benefit from the export promotion scheme which is in the making. Century followed suit but at higher levels encountered realising pressure. Kohinoor was listed ex-dividend. Steel shares were in the limelight but after a steady rise of 6 points, Tata Ordinary was called to a halt as speculators were inclined to wait for the Chairman's speech at the Annual General Meeting this afternoon. Indian Iron, being listed ex-dividend locally, moved up in sympathy.

Shipping shares were in turn steady. Tata Locomotive were a bright feature. Automobile shares were a shade better but Hind Cycles met some selling on some misgivings over the forthcoming dividend. Sugar shares were buoyant all round. Tata Chemicals were keenly inquired on ideas of encouraging working results for the past year. Cement shares were generally sluggish.

Bombay Burmah after being listed ex-right moved up further. Shivrajpur was also boosted up on confident expectation that the dividend would be maintained on increased capital. Premier Construction met keen demand on hopes that the bonus share scheme might be revived. Wimco were firmly held.

Cotton

Commodities Ease

COTTON has been going down and March 1959 hedge contract touched a new low at Rs 648. Bearish sentiment has been accentuated following Indian Central Cotton Committee's estimate of a crop of 57 lakh bales for the new season, increase in carry over of cotton to the tune of 4 lakh bales, apathetic export demand and slow movement of cotton piece goods. The crop outlook is favourable for the market and as such, the Cotton Advisory Board

has recommended an export quota of 275,000 bales for the new season, including 50,000 bales of 13/16" staple of Punjab old crop.

The Board has suggested the abolition of export duty of Rs 50 per bale by a majority of one vote. It is doubtful however whether Government will act on this recommendation promptly. Exports of cotton including Zoda and Yellow Picking for the season 1957-58 amounted to 278,983 bales as against 301,512 bales. Cloth production by mills for the first eight months of 1958 has decreased to 3,276 million yards from 3,580 million yards last year while yarn output has decreased to 1,103 million lbs as against 1,179 million lbs last year.

Oilseeds

ON the oilseeds exchange, castor-seeds as well as groundnuts' new crops have lost some ground on favourable weather reports while export business continues to be negligible. Linseed old crop however ruled firm on account of the bull grip. Export of castor oil for the first eight months amounted to 10,878 tons, cotton seed oil 2,383 tons, groundnut oil 198 tons, Kardi-seed oil 1,209 tons and linseed oil 10,266 tons. Exports of groundnut oilcake expeller variety were considerably higher at 19,119 tons and extractions 28,381 tons.

Bullion

Bullion Listless

THE bullion market has been listless. In view of larger arrivals and slow offtake, silver lost further ground to Rs 185.50 while gold was steadier at Rs 107.25 after early recession to Rs 106.87.

The Madras High Court's pronouncement on the Sea Customs Act did not deter the market but it appears that the withholding of supplies of Kolar Gold for the past two months has helped the market to some extent to present a steadier tone.

It may however be noted that unauthorised arrivals still continue to remain unaffected.

CURRENT STATISTICS

BANKING RETURNS				
	Rs Crores			
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1542.45	1541.70	1550.72	1480.31
2. Rupee Coin	137.12	136.51	135.57	133.11
3. Deposits				
a) Central				
Government's	60.54	52.24	63.59	52.86
b) Banks'	92.16	93.44	95.28	104.60
c) Other				
Government's	11.00	14.72	16.82	6.16
d) Others'	113.56	113.56	144.65	109.95
4. Foreign Securities	169.68	169.68	179.68	345.61
5. Balances held abroad	14.68	13.70	14.85	28.23
6. Rupee Securities	1129.39	1129.39	1139.23	916.87
7. Investments	302.77	305.94	339.05	223.14
8. Loans and advances to Governments	17.44	14.43	15.44	44.50
9. Other loans and advances	50.54	53.51	51.52	63.7*
Scheduled Banks				
1. Demand Liabilities (net)	715.72	720.18	715.00	696.75
2. Time Liabilities	850.30	857.95	847.47	601.84
3. Cash on hand	37.47	38.80	37.51	37.65
4. Borrowings from Reserve Bank of which against Usance Bills	5.96	2.71	6.79	30.51
5. Advances and Bills discounted of which State Bank's	4.52	1.91	5.54	28.35
6. Invest. in Govt. Sec. of which State Bank's	578.01	571.99	546.03	366.59
Cheque Clearance	157.34	158.16	137.41	184.65
† For Reserve Bank and Cheque Clearance Week ended 12-9-58 Scheduled Banks Week ended 5-9-58				
Bombay Money Rates (per cent per annum)				
Call Money	5-9-58	23-8-58	8-8-58	6-9-57
From banks	2½-3½	2½-3½	2½-2½	3½-4½
From public	2½-4	3½-4	3½-4½	3½-4½
Three Months	2½-4½	2½-4½	2½-4½	2½-4½
Six Months	2-4	2-4½	2-4½	2-4½
Bombay Bullion (In Rupees and nP)				
	18-9-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	107.37	108.87	108.19	107.31
Forward	107.66	107.25	106.06	107.65
Silver (per 100 tolas)				
Spot	185.50	185.31	182.50	184.37
Forward	186.06	186.19	183.37	184.62

COTTON STATISTICS						
MILL CONSUMPTION						
	(in '000 bales of 392 lbs each)					
	June	May	Apr	Mar	Sept 57—June 58	
Description:						
Indian	324.5	360.9	348.7	354.3	3,685.3	
Foreign	42.8	46.4	42.9	47.6	473.0	
of which American*	17.8	23.1	21.1	18.3	212.3	
Egyptian	3.6	4.6	4.0	5.8	54.8	
E. African	12.2	9.9	7.3	14.8	122.6	
Sudan†	8.7	9.5	8.4	7.4	72.2	
Total	367.3	407.3	391.6	401.9	4,168.3	
Consumption in corresponding periods a year ago:						
Indian	360.6	401.8	410.0	399.6	3,896.4	
Foreign	42.9	45.5	44.6	46.4	471.8	
Total	403.5	447.3	454.6	446.0	4,368.3	
* Includes United States and Mexican Cotton.						
† Includes both Sudan Egyptian and Sudan American.						
MILL STOCKS OF COTTON						
	(in '000 bales of 400 lbs each)					
	June	May	Apr	Mar	Feb	Jan
Indian:						
1957-58	1286.3	1329.4	1324.8	1298.2	1195.8	1020.0
1956-57	1432.9	1421.4	1329.9	1221.9	1151.9	1126.5
Foreign:						
1957-58	161.0	149.8	139.8	147.1	162.0	169.2
1956-57	220.8	216.4	206.0	200.0	182.3	171.4
COTTON IMPORTS						
(in bales of 392 lbs each)						
From Sept 1 to Aug 28						
Description	1957-58	1956-57	1955-56*			
Americans	126,076	307,422	8,270			
Sudans	68,626	56,934	104,060			
Egyptians	46,236	37,940	182,780			
East Africans	108,713	116,817	202,244			
Pakistani	—	—	117			
Other varieties	884	4,485	9,308			
Total	350,535	523,593	508,779			
* Sept 1 to Aug 22.						
COTTON EXPORTS †						
(in bales of 392 lbs each)						
From Sept 1 to Aug 28						
Destination	1957-58	1956-57	1955-56			
U K	13,925	24,330	59,811			
Continent	22,133	23,787	84,803			
Hong Kong	19,086	37,411	33,106			
China	—	3,437	57,484			
Japan	162,484	168,212	297,688			
U S A	8,461	2,374	3,676			
Other Countries	926	1,079	2,926			
Total	227,015	260,630	539,494			
† Excluding Zoda and yellow pickings.						
— = nil.						
Source: East India Cotton Association						

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53=100)

Group and Sub-Group	WEEK ENDED			
	23-8-53	16-8-58	26-7-58	24-8-57
Food Articles	120.1	120.0	119.8	111.8
Cereals	114.3	113.2	111.5	105.8
Pulses	103.0	100.6	102.8	86.4
Fruits & Veg.	126.8	125.5	123.8	151.5
Milk and Ghee	107.4	110.4	107.8	108.5
Edible Oils	130.0	128.7	129.8	129.0
Fish, Eggs & Meat	114.2	155.5	110.1	101.6
Sugar & Gur	136.4	136.3	137.3	110.1
Others	152.0	153.6	161.1	133.0
Liquor and Tobacco	90.7	90.7	92.8	92.0
Tobacco	88.8	88.8	91.1	90.2
Fuel, Power, Light & Lubricants	116.4	116.5	116.6	115.0
Industrial Raw Materials	118.9	118.8	119.4	118.2
Fibres	111.1	111.7	111.7	119.2
Oilseeds	133.9	132.9	134.1	123.1
Minerals	107.3	107.3	107.3	111.2
Others	106.5	106.3	107.3	107.8
Manufactures	108.9	109.0	108.7	108.4
Intermediate Products	112.1	112.4	112.5	108.0
Finished Products	108.4	108.4	108.1	108.5
Textiles	104.0	104.2	103.7	107.8
Cotton	111.5	111.2	110.9	117.2
Jute	88.9	90.4	89.4	96.0
Woollen	105.9	105.9	105.9	103.0
Silk & Rayon	95.7	95.7	95.3	83.4
Metal Products	143.0	143.0	143.0	143.3
Chemicals	105.9	105.9	104.9	98.2
Machinery and Trans Equipment	103.4	103.4	103.4	101.7
Oilcakes	136.9	136.0	137.5	113.3
Others	113.5	113.5	113.4	110.5
All Commodities	115.9	115.9	115.9	111.5

INDUSTRIAL DISPUTES IN INDIA

Year/Month	Disputes	Workers involved	Working days lost
1953	772	466,607	3,382,608
1954	840	477,138	3,372,630
1955	1,166	527,767	5,697,848
1956	1,203	715,130	6,992,040
1957	1,248	640,871	4,982,229
1958:			
May	137	65,037	549,582
June	153	71,047	4,439
July	150	100,335	529,151
Aug	138	64,767	2,173
Sept	184	130,667	922,685
Oct	150	113,404	819,619
Nov	138	59,451	499,636
Dec	145	65,881	407,166
1957:			
Jan	155	129,791	405,805
Feb	124	57,833	269,041
Mar	113	42,516	287,650
Apr	161	66,724	414,535
May	163	76,337	455,037
June	153	106,234	734,545
July	198	96,715	764,308
Aug	205	146,511	821,211
Sept	232	148,148	842,508
Oct	222	110,548	533,206
Nov	175	61,498	358,979
Dec	155	84,881	512,381
1958:			
Jan	145	58,402	354,185
Feb	133	87,130	342,205
Mar	167	91,489	818,824
Apr	153	92,271	490,816

Sources: Deputy Commissioner of Labour, Government of Bombay, and Labour Bureau, New Delhi.

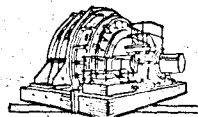
WORKING CLASS COST OF LIVING INDEX

(Monthly Average or Calendar Months)

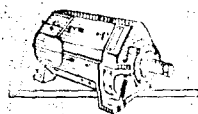
(Base: 1949 = 100)

	Bombay		Calcutta		Delhi		Kanpur		Madras		All India (average)	
	F	G	F	G	F	G	F	G	F	G	F	G
1955	110	110	90	92	97	99	68	78	96	99	92	96
1956	117	115	98	98	112	109	81	89	110	111	105	105
1957	123	120	106	105	117	114	87	94	113	116	112	111
1956: June	119	117	99	99	108	107	79	88	113	113	106	106
July	117	115	101	100	112	109	85	91	115	114	107	107
Aug	121	118	102	100	116	111	87	93	117	115	110	109
Sept	116	115	102	101	115	112	86	93	114	114	109	108
Oct	119	117	102	101	121	116	87	94	111	112	110	109
Nov	118	116	102	101	123	117	87	93	113	114	111	110
Dec	118	116	102	102	120	115	83	91	113	115	110	109
1957: Jan	117	116	100	100	118	113	83	91	113	115	108	107
Feb	118	116	99	100	118	114	84	92	112	114	107	107
Mar	117	116	101	100	118	114	83	91	111	114	107	107
Apr	117	116	100	100	116	112	81	89	111	114	108	108
May	121	118	102	102	119	114	85	91	110	114	111	110
June	124	121	106	105	119	115	86	93	112	115	113	112
July	126	122	107	106	119	115	90	96	113	116	113	112
Aug	126	123	110	108	123	118	93	98	113	115	115	113
Sept	125	122	111	109	115	113	91	97	111	115	115	114
Oct	125	122	110	108	115	113	91	96	113	116	113	113
Nov	129	125	111	109	114	112	89	96	120	121	116	114
Dec	128	125	109	107	111	110	85	93	119	121	113	113
1958: Jan	127	124	106	105	111	109	83	91	118	120	112	111
Feb	126	127	104	104	110	108	81	89	118	120	110	110
Mar	127	124	104	105	110	108	82	89	116	119	110	110
Apr	131	127	105	105	109	107	85	91	116	119	112	111
May	132	127	105	106	110	108	87	93	117	120	114	113
June	133	129	109	107	114	111	94	98	118	121	115*	114*

Recd late

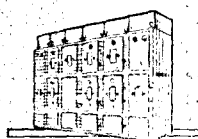


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Rolling Mill Motors
for Steelworks

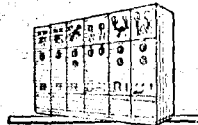


MOTORS
150 h.p. type MDX Motors

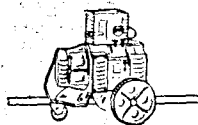
IN INDIA'S STEELWORKS



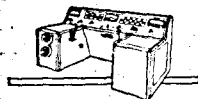
SWITCHGEAR
Type AIB Switchboards



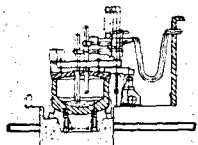
PLANT
Mercury Arc Rectifiers



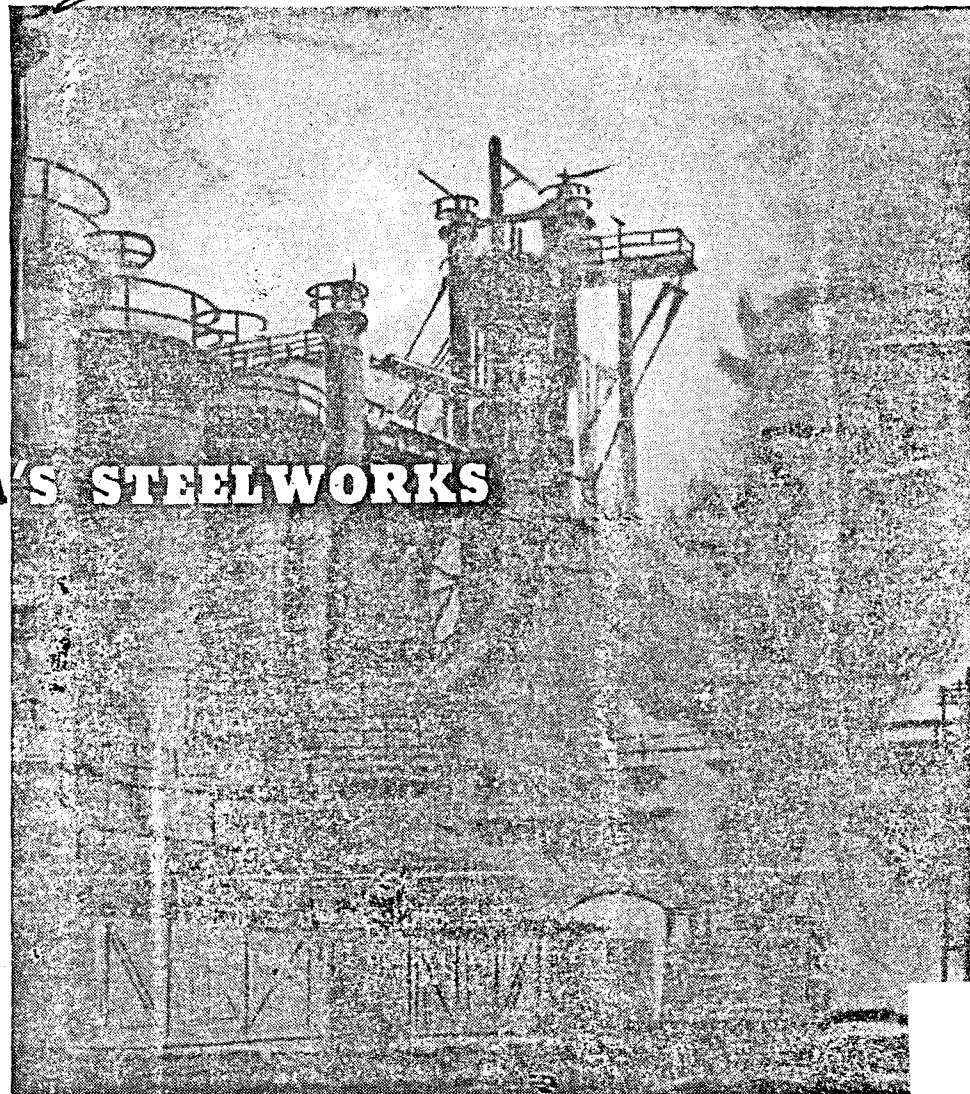
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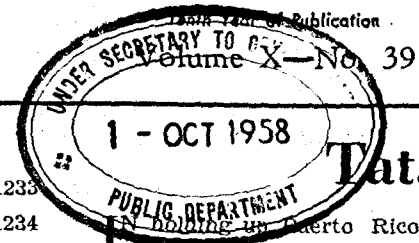
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Tata on Steel

When Shri J R D Tata visited Puerto Rico as a model to India in his address to the shareholders of the Tata Iron and Steel Company, Shri J R D Tata has not been very kind to the Americans who have shown such generous appreciation of our economic difficulties and come to our aid. Morarji at a pinch may be persuaded to waive the objection to developing large scale manufacture of rum in this country—removal of moral inhibitions costs no foreign exchange—but would it be sporting to let our under-employed and not-so-remuneratively-employed millions to invade the United States in search of jobs? If New York is finding it difficult to accommodate Puerto Rican emigrants, how would U S react to emigration from India on a proportionate scale? The example of Canada is no more helpful. For, unfortunately, this country has been populated for some years longer and so the frontiers have disappeared, but in Canada they are still expanding.

However well-meaning J R D's general observations, they indicate a lack of acquaintance with Indian reality which is rather surprising, even after making due allowance for the irritation he must feel for Governmental interference with freedom of enterprise. One would almost believe from his speech that it was sheer perversity rather than anything in the objective situation which drives a Government into intervention. He should know the circumstances better, which impose such colossal responsibilities on the Government—the Constitution, the democratic set-up and the necessity to adjust to these circumstances. Controls breed controls and it is not easy to draw the line and decide where to stop. But do all controls manifestly thwart enterprise and only help the interest of non-industrialists in the country?

True, a target of 15 million tons of steel for the Third Plan may be unrealistic, but does it follow that all expansion of the industry should be ruled out or that no effort will be made to develop the lighter industries which utilise steel as raw material? Perhaps, J R D's guidance for better integrated development of steel manufacture in the country, particularly the manufacture of alloy and light steels for which the Government programme has been unduly slack, would have been invaluable. For even the layman knows that the production of mild steel by itself will not take the country very far. But J R D had nothing to say on this.

The gravamen of Shri J R D Tata's charges is against "those elements in our economic philosophy and policies which have done so much in the last 10 years or so to inhibit or penalise enterprise and initiative." This would give the impression that for the last ten years the country has been going down. But has private enterprise fared so very badly during these ten years, particularly the organisations with which Shri J R D Tata happens to be associated? The picture he presents is certainly not that of the reality of India in 1958. If it is useless to produce steel without simultaneously developing those industries which utilise steel as a raw material, does it not itself call for a measure of integration in planning? And, more particularly, if the Government is to ensure equal opportunities for all—which J R D accepts as a legitimate policy to follow—can it do so without some interference with the pattern of utilisation of resources that may be profitable to enterprise

in the immediate future, but will not ensure the building up of the foundations of an economy in which alone one can talk of opportunities without stretching the word beyond the verge of decency?

Not to speak of equal opportunity for all, even so elementary a service as the provision of free primary education, which has been made obligatory under a Directive of the Constitution, it has not been possible to carry out in practice.

Bias Against Tax Evaders

THE questionnaire which has been sent round by the Tyagi Committee on the Administration of Direct Taxes indicates a certain bias. The bias we have particularly in mind is one that has some thing laudable about it. The bias is against evasion of taxes and is directed against evaders of taxes and also those who help in or abet tax evasion. This one discerns from the manner in which some questions have been posed by the Tyagi Committee. Take, for instance, the question asked in the very introductory part of the questionnaire which solicits opinion about incorporating penal provisions punishing the faulty officials of the Department:

Question No 6—"It has been suggested that a provision on the lines of Section 13(3) of the Income Tax Act, 1952 of the United Kingdom, be incorporated in all the Direct Taxes Acts. What are your views in this regard?"

Section 13(3) of the U K Income Tax Act, 1952 reads as under:—"An inspector or surveyor who :-

- (a) wilfully makes a false and vexatious surcharge of tax; or
- (b) wilfully delivers, or causes to be delivered, to the General Commissioners a false and vexatious certificate of surcharge, or a false and vexatious certificate of objection to any supplementary return in a case of surcharge; or
- (c) knowingly or wilfully, through favour undercharges or omits to charge any person; or
- (d) is guilty of any fraudulent, corrupt or illegal practices in the execution of the office;

This is because free primary education means more teachers, more food and more clothing. Can an economy of five million tons of steel sustain it? The bar to the expansion of steel production has been just this: lack of long term planning and adequate thought to the country's long term needs. The country has already paid dearly for such short-sighted policies in the past which delayed by years the expansion of the industry. It will

shall, for any such offence, incur penalty of one hundred pounds, and on conviction shall be discharged from his office".

In the section on Tax Evasion many more questions (perhaps the largest number is addressed on this subject) are asked about the ways whereby evasion could be checked. There again the Committee poses some questions with regard to strengthening the penal provisions against tax evaders themselves. The following questions are of interest in this context:

Q No 88 "Do you consider that the maximum quantum of penalty leviable under section 28 of the Income Tax Act and under the corresponding provisions of the other Direct Taxes Acts should be increased to three times the tax sought to be evaded?"

90. "Do you consider that the penal provisions of Sections 51 and 52 of the Income Tax Act and of the corresponding provisions of the other Direct Taxes Acts should be tightened up? Do you agree that deliberate concealment of income, wealth, expenditure, gift or estate should be made a criminal offence punishable with imprisonment of a deterrent nature?"

92. "Do you consider that the following measures will assist in reducing the extent of evasion :-

- (i) modifying the present provisions of Section 54 of the Income Tax Act and of the corresponding sections of the other Direct Taxes Acts, so as to enlarge the scope of disclosure of information by the Department; and
- (ii) publication of names of persons who are penalized

pay equally dearly for not utilising the opportunities, which were undoubtedly present, for setting up a basic heavy machine building industry which would have enormously reduced our costs in terms of foreign exchange of the future expansion of the steel industry. Industrial leadership in this country can ill afford to lose sight of the wider perspective. If it does, it will lose what little effectiveness it might have had in the past.

for concealment of income, wealth, expenditure, gift or estate?

If you agree with these respective suggestions, please indicate the extent to which such further disclosure may be permitted and the categories of persons in respect of whom such a publication may be made".

It is quite possible that one is reading too much into the manner of the Tyagi Committee's questions. One might be accused of deliberately putting in the heads of the Committee members ideas which perhaps never occurred to them. But just in case the above way of interpreting the trend of the questions is incorrect, this would only be unfortunate. And here one might say that one of the important lacunae in our tax legislation is that it is almost ineffective against tax evasion of the deliberate and organised type precisely for the reason that the penal provisions in a tax law are very weak. One thing that is usually not realised is that the penal provisions in a tax law have to have a certain correspondence with the burdens which a tax impose. A small penalty would not deter evasion if the tax saved by evasion were large. In India, however, while the rates of income and super taxes combined have nearly doubled in the past decade or two, penalties enforceable under the law have remained more or less the same. There is need also for penalties like imprisonment and public exposure not only from the strictly revenue point of view but also to cleanse our body-politic where black marketers and tax-dodgers can use their ill-gotten money for obtaining direct or indirect political power.

Agreement on Deposit Rates

THE "All-India Inter-Bank Agreement on Maximum Rates for Interest on Deposits" which was announced last week will come into operation from 1st October. It applies to all banks incorporated outside India and to Indian scheduled banks having deposits of Rs 5 crores or more. In all 37 banks have signed the agreement. The two State banks, the State Bank of India and the State Bank of Hyderabad, and two banks from Kerala, Palai Central and Travancore Bank have, however, kept out. Even so, the agreement covers 66 per cent of the present deposits of all scheduled banks. If the deposits of the two State banks are excluded, the coverage would be found to be even wider.

The agreement prohibits deposits 'at call' altogether. Deposits must now be for a minimum period of 7 days or shall be subject to a minimum notice of 7 days and interest on money deposited for less than 3 months shall not exceed 3½ per cent. The maximum rate of interest on time deposits for 3 months and over has been fixed at 4 per cent. These rates have actually been prevailing for some time and the tendency has been downwards. So the banks will be put to no strain in giving effect to the agreement. However, the next busy season will be the testing time.

The agreement allows a margin of ¼ per cent over the maximum for the smaller banks. Indian Scheduled Banks having deposits of less than Rs 25 crores (but not less than Rs 5 crores) are similarly allowed a latitude of ¼ per cent interest per annum for term money. No allowance, however, has been made for regional differences, e.g. for banks in smaller towns. This appears to have forced the Kerala banks to keep out.

A serious lacuna in the agreement, however, is the exclusion of inter bank borrowing from its purview. Growth of inter-bank borrowing has been quite phenomenal in recent years and particularly so, since the Reserve Bank imposed restrictions on credit. Between June 1957 and June 1958 inter-bank borrowing increased by Rs 45.61 crores while, on the other hand, borrowings from Reserve Bank declined by Rs 47.14 crores. A lower rate for inter-bank borrowing may have had some influence in

bringing about this transformation but by itself it cannot explain this new tendency.

The inter-bank call money market is a peculiar feature of the Indian money market. The asset item of the scheduled banks under the heading 'Money at call and short notice' comprise mostly of money lent inter-bank. Formerly the borrowers were invariably the Exchange banks but recently the big Indian banks also borrow in this market. Inter-bank loans are absolutely unsecured and hence the item differs from its counterpart in the U K. Money at call and short notice in the U K relate to loans to discount houses and stock brokers against pledge of bills or short dated government and other securities. This market seemed to have gained an impetus after statutory deposits were introduced. But in recent years the borrowing banks had come to rely on this market not only for maintaining their statutory deposits with the

Reserve Bank but also as a regular source for augmenting their resources and the rates on such borrowing came into line with the rates paid on other deposits. These rates had some relation with the Treasury bill rate at one time but when Treasury bills were stopped the rate began to soar and touched the record height of 3½ per cent in August last year at a time when balances with the Reserve Bank in excess of statutory minimum amounted to Rs 52 crores and 'Money at call and short notice' to Rs 31 crores. This clearly suggests that the rate operating in this market depends not only on the abundance or scarcity of money available but also on the tactical position of the big lending banks in the market. Such behaviour of inter-bank call money rates does not do any credit to the banking community and does call for restriction from outside, if the inside forces are unable to exert a corrective influence.

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Weekly Notes

Cambay Oil Strike

WHEN oil is struck the right thing to do is to cross ones fingers and hope for the best, for as Malaviyaji told Lok Sabha that however successful the strike in Cambay, it was premature to say that oil had been found in sufficient quantity to ensure successful commercial exploitation. In damping the enthusiasm of the Members of Lok Sabha, Malaviyaji was wise, for one can never tell in these matters. There are two features about the strike in Cambay which suggest tremendous possibilities. One is that oil has been struck at a depth of around 6,500 feet which compares very favourably with the average depth of more than 10,000 feet at which oil has been located in Assam and proved to be suitable for commercial exploitation. The second feature, also important, is that it is a gushing well which has been struck. That is to say, if further drilling in this area confirms the findings of the test wells so far dug, extraction would be economical in that it will not require expensive pumping operations.

Today, Shri K D Malaviya must be the luckiest among all the Ministers of the Central Government and it is not surprising that the supplementary demands for his Ministry should have been passed by the Lok Sabha without a murmur. The strike, whatever the eventual outcome, should push oil exploration right into the heart of the hard core of the Plan. So long both the Natural Gas and Oil Commission and the Minister in charge of oil explorations had many critics. It is no secret that the Planning Commission never looked kindly on the proposal for extending these activities, though in fairness to the Commission it should be noted that allocation for oil exploration has been increased in the 'Reappraisal' from Rs 11.35 crores in the 'Revised Plan provision' to Rs 19.94 crores which is the provision now proposed 'on the basis of discussions with the Ministries'. After this, Malaviyaji should have his hands more than full. He will have the best

wishes of his countrymen for the success of his mission abroad for enlisting technical and other assistance in Moscow, Warsaw, Vienna, Zurich and Bucharest. Apart from consultations with Soviet experts, some of whom had visited India to advise the Government on the exploration of oil in Cambay, Malaviyaji would also be meeting the Italian Government Oil Chief. The latter should prove useful for the Italian Government sponsored Oil Corporation has been extremely enterprising in this field of late, not only in Italy but also in Iran. It is to be hoped that after this most auspicious beginning, Malaviyaji will give up, however reluctantly, his other love, viz, propagation of birth control and give single minded attention to this promising field.

Planning Commission — Its Role and Status

IN the two day debate on the Plan in the Lok Sabha, a Parliamentary Correspondent writes, disappointment at the present state of affairs found unrestrained vent in carping criticism of the Planning Commission and its functioning and in the demand for the scrapping of it and for the resignation of the Planning Minister. But did anything emerge which could be regarded as concrete and constructive? The Planning Minister's reply, the Correspondent goes on to say, sought to answer the criticism made and all the points raised. Whether he succeeded in carrying conviction to, and disarming, all critics is more than one can say, but this much seems clear that while his defence of the Planning Commission helped to weather the storm, the big question remains: what is the Planning Commission's real and legitimate role and where and at what point the line of demarcation should be drawn between the Commission's and the administrative Ministers' sphere of responsibility? The Estimates Committee's evaluation of that role and its criticism of the composition and functions of the Commission are relevant in

this context, though all the suggestions made by the Committee may not be practicable.

Though the Parliamentary Correspondent failed to get a more definite cue, there is one perhaps in an administrative decision which would have normally passed unnoticed, but which may be significant in the context of discussions in the recent past, about the status and role of the Planning Commission, pinpointed in the Estimates Committee's Report on the subject. The decision is a very simple one of raising the status of the official who had been looking after the Planning Commission's Secretariat, to that of an Additional Secretary. This is a promotion which, probably, the official concerned is more than entitled to, in view of his very distinguished services. But that apart, it means that nominally, the Planning Secretariat still continues to remain under the Secretary to the Cabinet and, therefore, if one is willing to stretch the point, it is the intention of the Government that the Planning Commission should continue to be a 'shadow cabinet' with functions and responsibilities deliberately left a little vague. This will, in effect, continue to maintain for it a status which probably it could not claim as a purely advisory or recommendatory body.

This had already been indicated when the last two additions were made to the membership of the Planning Commission. With these appointments, the Planning Commission has now officially shed whatever claims it had hitherto of being a body of experts. Expert competence has now been deliberately given up to make room for more weighty political representation and greater concessions to the Congress Party. This may be one way of silencing the criticism which found expression in the Estimates Committee's Report, though, perhaps, not a very effective way. But it certainly is no answer to the valid points raised by the latter Committee.

Not in Public Interest?

INDIAN currency notes circulating abroad came up for discussion in Parliament last week. The Jharkhand Party leader suggested that if imports of these notes were causing such heavy loss of foreign exchange to this country which it could ill afford and further encouraging the smuggling of gold, why not stop it? This could be done without in any way depriving the countries in which these notes circulate as part of their currency and, therefore, without spoiling our good relationship with them, by issuing a different kind of note or marking Indian currency notes as valid for circulation in these countries alone. The illegal transactions which result in the importation of these currency notes will then be automatically stopped. This was only a suggestion from a private member and it met its usual fate—no response from the Treasury Benches!

Far from giving any heed to this question or even admitting that the import of currency notes presents a sizeable problem for the Government, Shri B R Bhagat, the Deputy Minister for Finance, declined to tell Parliament how much Indian currency was converted every year into sterling in Aden and other West Asian countries as "it would not be in public interest" to do so. It would not be in public interest either to let this drain continue and to leave this leak open indefinitely. For if net imports of currency notes and therefore the volume of gold smuggled from the Persian (now Iraqi) Gulf countries reached the record figure of Rs 45 crores in 1957, the figures up to July now available suggest that the total for 1958 may not be any smaller. In fact, the net imports of currency notes in the first seven months of the calendar year have already exceeded Rs 25 crores. If imports continue at the present rate, the total for the year may well break last year's record. It is to be hoped that the Government is at least conscious of the problem and it would either institute proper exchange control on currency notes circulating in these countries and issue in exchange notes which are marked for circulation in these areas, so that conversion of notes arising from illegal transactions may be automatically stopped at the source. If the Government

rejects both these, it should not take too long to come out with a more satisfactory solution, if it has one up its sleeve. Otherwise it may be forced in the end to adopt a course which the bullion market would like best—gold imports to beat the gold smuggler—in order to stop this leakage. That would indeed be the worst of all the solutions one could think of. Fortunately, at the moment, there are deterrents at work.

Speculation on Gold Bond Quashed

DELHI is now believed to be less impervious to bright business ideas. Not only is everyone in the Secretariat airing his own pet scheme of export promotion, highly speculative proposals emanating from business quarters, particularly in Bombay, have now a better chance of being considered, if not actually acted upon. But to the spate of new ideas, there has lately been some conscious resistance arising, no doubt, from the welcome help and consideration received from the World Bank which is, it is hoped, likely to be extended by the International Monetary Fund also, when hard-hearted international bankers are in due course initiated into the realities of developmental financing. But on the question of dealings in gold except at the official price and strictly for augmenting monetary reserves, Delhi has to be particularly wary. And this realisation seems to have dawned. The Planning Minister, Shri Gulzarilal Nanda, quashed all speculation on the possibility of Government buying gold at the current free market price or issuing bonds redeemable in gold. Speculation on this subject which had been lukewarm, had been greatly enlivened by the Finance Minister's statement earlier in Parliament that the Government was "actively considering" the issue of gold bonds. Even if the IMF agreed, the Planning Minister said, the Government could hardly be a party to paying the price for gold which was not in line with the official price. This was to be expected and is understandable, but Nandaji's argument against the issue of gold bonds is puzzling. The reason why the Government could not issue gold bonds, one would have thought, was its unwillingness or inability to assume a responsibility which it

may not be in a position to discharge. True, in contracting a foreign loan also, the Government assumes responsibility for repayment in foreign currency which it has to acquire over a number of years by taking appropriate financial and monetary measures. For repaying a gold loan also, the Government has to make similar arrangements for repayment. But there is an important difference in that for discharging a foreign loan, it is enough to have foreign balances, but for repaying in gold to the domestic bond holders, gold will have to be acquired abroad for non-monetary uses which is against the basic principles of international currency arrangements, to which India has been a consenting party.

Nandaji's argument, however, was different. He said that "if a promise was given to return gold for gold, those who had invested their savings in gold would be benefited at the expense of those who had invested in Government securities and small savings." Or, in other words, Government does not want investment in gold to be made more attractive than investment in productive assets. This is very curious indeed, for gold in the hands of the Government would surely be used most productively since it will pay for capital goods needed for development. While allowing a free market to function, the Government has made it possible, as a matter of fact, for investment in gold—an unproductive investment—to yield far better returns than in investments in industrial securities in the last few years. To quote from a recent pamphlet:

"Already, there are people who are heard to say with a sigh that they would have done better if they had invested their wealth in gold instead of in industry. Such investment in gold or jewellery would have meant a private gain and a public loss. The price of gold after touching Rs 77.75 in 1952 rose to Rs 109.04 in 1957, a rise of 41 per cent. Today gold is quoted at around Rs 107.00. A substantial capital gain naturally would have accrued to any one who in 1952 invested his savings in the metal. From 1952 to 1957 the Reserve Bank's all-India index for variable dividend industrial securities (revised series, base, 1952-53=100) moved up by 20.20 per cent

only". —'Incentives for Industrial Expansion', L N Welingkar.

Warsaw Deadlock

ALL the pessimism expressed in these columns last week about the possible outcome of the Sino-American talks at Warsaw has been unhappily justified. The conference had made so little progress by Monday last that its total collapse seemed imminent on that day, and it would no doubt have occurred but for the wise decision to put off discussions until Thursday. And as the talks resumed late this week, the prospects of an understanding between the ambassadors of the two countries seemed as dim as ever.

On the whole, the United States can be said to have emerged from these talks as the more stubborn party of the two. Peking had offered over the week-end to renounce force against Formosa for a limited period, if that would help the possibility of a settlement. This was a major concession on the part of Peking, considering that China has always held the Formosan question to be a domestic issue, on which it was not necessary for it to renounce the use of force. But the United States failed to see this point and insisted, most unrealistically, on an unconditional renunciation of force by China.

Such an expectation at this stage is little short of ridiculous. The most that can immediately be expected, and that American diplomacy should aim at, is an interim cessation of hostilities in the Formosan Straits, in the hope that the voice of reason might prevail once the booming of guns had been suspended. A dim realisation of this fact was on occasion manifest at Warsaw this week, but the issue of an immediate ceasefire was unfortunately bogged down in a futile debate over the first step. America asked for a ceasefire first, and talked vaguely of the possibility of the evacuation of Quemoy, and presumably the other offshore islands, as a subsequent step; while China wanted the evacuation actually to start before ceasing fire. Both positions were unduly rigid, and it is a pity that a solution could not be found along the lines of a limited period of ceasefire during which America would undertake to have the offshore islands evacuated. Perhaps such a solution is inevitable before long

—if there is to be a solution at all—and, may be, that Washington has been inhibited from suggesting it at this stage because of its fears that KMT China might not play ball. The Taiwan Premier has again reiterated his uncompromising opposition this week to any idea of de-militarising the islands or neutralising them under U N control; and Mr Dulles cannot possibly risk a rupture with Taipei at this stage.

When the talks resumed at Warsaw on Thursday, China had apparently suggested widening their scope at a higher level. Evidently it wants some other nations to join in, though it has not so far named any particular country. If the Indian proposal for the seating of China in the United Nations had been accepted this week, the type of conference Peking has in mind would have become unnecessary and the discussions could have naturally moved to the United Nations, where, indeed, is exactly where Mr Dulles says he wants them. But in view of the General Assembly's extremely unfortunate and unwise decision to keep Peking out, the chances of a fruitful reference of the Formosa issue to U N become exceedingly remote. Will China agree to recognise the United Nations as a fit forum for these negotiations when the United Nations refuses to recognise China? Even Mr Dulles cannot seriously believe that Chairman Mao will send a special spokesman to plead his case in an assembly where Nationalist China occupies a superior place.

Here, again, there is no logical argument why America should reject the type of conference which Peking is said to desire. If Mr Dulles is willing to take the issue to the U N Assembly, then it must be assumed that he has no objection to throwing open the talks to the rest of the world—in which case would it not be more sensible to devise an international forum in which Peking could participate without embarrassment or loss of prestige?

Shri Krishna Menon was not indulging in some melodramatic hyperbole when he told the General Assembly this week that the situation in the Formosa area was far more dangerous than most countries seemed to think. The fact is that over the past five weeks

America has got more and more deeply drawn into Chiang Kai-shek's insane ambitions against the Chinese mainland. Today the position is potentially so risky that the slightest accident could involve the United States in a direct war with Peking. American fighters are giving dangerous cover to KMT supply planes to Quemoy. American forces are deliberately violating the 12-mile limit of Chinese waters, and there is no undertaking whatever that the more explosive three-mile limit will also not be violated; and, finally, American planes have been clearly instructed to follow any Chinese plane that attacks them right into the mainland. The danger is that even if the Chinese planes have no intention of attacking the American fighters, an American fighter might easily become the inadvertent target of the fire directed against the KMT planes whom the fighters are giving cover. That has only to happen, and with the policy of "hot pursuit" coming into action, Chinese and American airmen will be involved in a direct clash.

These grim possibilities are clearly visualised in an ever-expanding circle in Britain, and it is heartening to see that British opinion is consequently hardening against American policy in East Asia. It is to be hoped that Britain will not hesitate to restrain the hand of Mr Dulles from blundering further. This restraint might make a world of difference to the entire situation at this time.

Wanted: More Newsprint

ACCORDING to a short feature on the subject issued by the Press Information Bureau, the annual demand for newsprint in India went up from an actual consumption of 37,000 tons before the War to 80,000 tons estimated in 1957, and it is likely to go up to 100,000 tons by 1960-61. During 1957, however, to quote the same source, imports of newsprint added up to 55,649 tons. This was supplemented by production of newsprint during the year to the extent of 14,489 tons. Is it to be presumed then that the internal demand could be met only partially—to the extent of 70,000 tons as against 80,000 tons? It is possible that carry-over from the previous year's stock relieved the situation somewhat; but the note does not

throw any light on this point.

Adequate supply of newsprint, as may well be imagined, is a matter of the keenest interest to all newspapers. But whatever the stock position of the bigger papers may be the decision recently reported in the press regarding a change of policy in regard to the supply of newsprint to small consumers must cause very great concern to such of the smaller newspapers as are fastidious and are keen on maintaining uniformity in the quality of newsprint used by them, particularly those using glazed and bleached newsprint, without which their make-up and quality of production would suffer. The press report was that 'in future, instead of issuing licences for the import of newsprint, the requirements of small newspapers should, as far as possible, be met from ready stock imported by Government on rupee account'. For large papers, paradoxical though it may appear, the quality of newsprint is not perhaps as important as quantity.

There is, however, a brighter side to the otherwise depressing newsprint situation. Firstly, the only newsprint manufacturing concern in the country (the Nepa Mills) has at last succeeded in bringing up its production to the sizable figure of 14,487 tons in 1957 from a production of only 2,563 tons in 1955. What is more, a second newsprint unit, with an annual capacity of 30,000 tons, is still mentioned as one of the probabilities in the remaining period of the Second Plan. "To augment internal production, the Second Plan", to quote the actual words used, "envisages the establishment of a second newsprint production unit." What is 'envisaged' in official communications is not, of course, what is always meant or intended to be arrived at within the time schedule mentioned.

A cursory glance at the 'Re-appraisal' made by the Planning Commission, issued last week, did not indicate whether this particular scheme was included in the investment allocated for the remaining period of the Plan or not. In any case, if it is one of the projects to be taken by the N I D C, the allocation made for it, if any, will not be shown separately, but since the Plan provision for the N I D C has been raised from Rs 55 to 71.4 crores and the foreign

exchange part of this allocation has also been revised upwards from Rs 25 to 26.4 crores, there is, perhaps, still some hope. It may be noted in passing that the foreign exchange allocation of N I D C has gone through many ups and downs. In the 'Appraisal' issued in May, the Planning Commission had reduced the allocation to N I D C from Rs 55 to 53 crores while the foreign exchange part of the allocation had been raised curiously from Rs 25 to 38.5 crores. The latter has now been revised downwards to the figure quoted above.

The second newsprint plant, it had been decided, would use bagasse as its raw material and the location of the project at Shakkarnagar in Andhra Pradesh was decided upon in order that the plant might have plentiful supply of this raw material from the Nizam Sugar Factory. The latest report of the N I D C for the year to June 30, 1958, however, has little to say about the second newsprint plant which justifies the hope that it will come up by 1960-61.

Letters to the Editor

Irrigation Rates

I FAIL to see any contradiction between the two statements which Sri Reddy has quoted in his letter in the issue of 16th August. His second quotation is clear and unambiguous statement of what I consider to be the proper basis for fixing the water rates and this is the net additional income to the farmers as a result of irrigation.

The first statement quoted by Sri Reddy was meant as a criticism first of the lack of scientific enquiry into the additional cost and returns on farms which have benefited by irrigation facilities and secondly, of the practice in some projects, of using net income rather than 'net additional income' as the basis for water rates.

I hope this would clarify any doubts Sri Reddy may have about my position.

P R Rao

New Delhi,
September 18.

Irrigation in India & China

IT is generally believed that Indian achievement in the field of irrigation has surpassed that of any other country in the world. In

a recent article published in your esteemed journal, it has been claimed that "India to-day has the largest irrigated area in the world" ('Irrigation Problems' by P R Rao, August 2).

Indeed, a similar claim has been made in 'India—a Reference Annual 1957' compiled by the Research and Reference Division, Ministry of Information and Broadcasting, Government of India. The publication says: "The total irrigated area in India exceeds that of any other country, and constitutes about a fifth of the country's cultivated area,"—page 275.

However, it is China in reality which occupies the pride of place in regard to area under irrigation. This claim is also supported by the F A O Year Book, 1957 issue of which, Part I, gives the respective irrigated areas in China and India for 1954 as 31.6 and 21.7 million hectares.

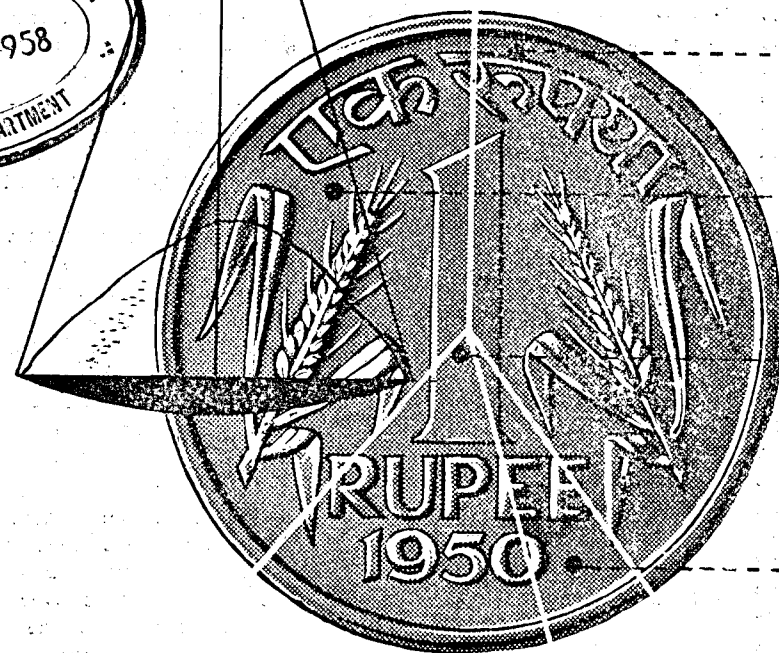
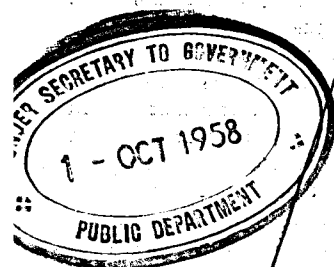
It has been estimated that at the end of the third quarter of 1957—the last year of China's first Five Year Plan—total irrigated area stood at over 84 million acres, as against the Plan target of 80 million acres. (Liu Shao-Chi, 'Peking Review', June 3, 1958) As a matter of fact, already by the end of 1952, area under irrigation in China had risen to 60 million acres, from 39.4 million acres before liberation. Thus, even in 1952, irrigated area in China was greater than our 1954-55 figure of 54 million acres by about 6 million acres. By September 1957, irrigated area in China had exceeded that in India by more than 19 million acres.

Of course, if we were further to take into account the area under irrigation in China at the end of April, 1958, we would find our country far outdistanced. It is estimated that by April 1958, irrigated area in China had shot up to 142.5 million acres or more than 47.6 per cent of the total area under cultivation, as against 31.4 per cent of the total cultivated area in 1957 (Liu Shao-Chi-Op. Cit. and Report on Fulfilment of National Economic Plan For First Quarter of 1958—'China To-day', New Delhi, May 10, 1958).

S A N

Calcutta,
September 22.

For every rupee of sugar you buy..



40 nP.
for Statutory
Cane Price.

38 nP.
for Excise and other
production levies.

16 nP.
for manufacturing
expenses including
Salary, Wages
and Packing.

6 nP.
for overhead charges
and profit subject
to taxation.

Now that there is enough sugar to go round, you can buy as much as you like—thanks to the magnificent job done by the Indian White Sugar Industry.

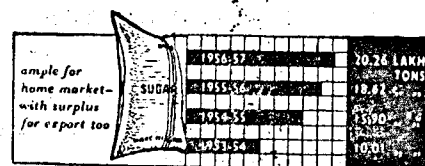
Consider the price! High? Low? or Fair? This is a point to be mooted upon. Every consumer certainly has a right to examine the cost structure. And here it is laid bare! It may, however, prove interesting, for example, to know that the percentage of profit of the sugar industry is small—much smaller, in fact, than many people think it to be. And believe it or not, the percentage of profit is on the decline.

At the moment, however, with every rupee you pay for sugar, you make a large contribution to the Government to meet the needs of the Second Five Year Plan to which every sugar-consumer is a beneficiary. The consumers of white sugar as well as those connected with the White Sugar Industry are doing their best to meet the growing requirement of the country and

the Government despite the fact that the cost structure of sugar has undergone radical changes.

Today the White Sugar Industry provides scope for Indian capital investment of more than 100 crores of rupees; it provides employment to over 1,40,000 skilled and unskilled workers and 3,600 university educated men, their total earning representing 5% of the national wages and salaries; it supports 20 million cultivators; it constitutes 12% of the total value of production of major Indian industries; it contributes over 65 crores of rupees (@ Rs. 13.19 per maund) in levies to the national exchequer.

It offers even brighter prospects for the country. With a lighter burden—with some of its present day handicaps removed—this industry can contribute to achieving a more stable national economy. Its upward trend of production can continue to meet the needs of a growing home market and yet leave a surplus for export in order to earn foreign exchange.



Indian WHITE sugar ...

vital to India's national economy

THE INDIAN SUGAR MILLS ASSOCIATION

Nigeria's Independence

AT the end of this month there commences in London a Constitutional Conference which is expected to prove decisive for the future of Nigeria, the largest of the purely Black African states now under British control. The Conference will have to face the unanimous Nigerian demand for political independence by 1960 and, assuming a favourable British attitude and the absence of last-minute snags, there is every prospect of a powerful new state emerging on the African continent—another dynamic factor in world politics.

Nigeria certainly has all the promises of becoming a state of some power and significance. It is probably the largest of Britain's colonies in Africa with a population of over 35 million. It is relatively rich in resources and occupies a position of some eminence on the Atlantic seaboard of the continent. All these factors should enable Nigeria to exert a powerful influence on the contiguous colonial territories of France, Belgium and Portugal and in the process, Nigeria may come to rival the aspirations of Egypt in the Sudan and further beyond. More than that, a natural affinity with Ghana in policy and outlook should enable Nigeria to set up a new West African political framework, which may form the pivot of African nationalism and so cast an uneasy shadow over the white regimes in South, Central and East Africa. All these go to show how crucial the London Conference will be to the future of the African continent.

The approaches to Nigerian independence have not been easy. There has not always been any clear understanding among the Nigerian political leaders and parties about their essential purposes and more important, the rich diversity of peoples and linguistic groupings that constitute the fabric of Nigerian life has at times been distorted to throw up the possibility of creating an intractable Minorities problem and to diverting certain Nigerian political elements from the struggle for independence. Back in 1953 the British Colonial Office, for reasons of its own, changed the complexion of the unity of Nigeria by creating three unequal "regions" each of which contained a dominant tribal

or linguistic group. These regions were scheduled to be set up by 1956 as administrative units within a Nigerian Federation and certain powers of self-government were given to the Western and Eastern regions. The Northern region, the largest of the three, remained under the direct control of the Colonial Office. Only the minimum of powers were given to the Nigerian Federation in Lagos and what with each of the regions' dominant linguistic groups setting up its own political parties, the essential unity of the Nigerian nation was shaken. By 1956 the Western and Eastern regions secured their independence, but the larger Northern region was to be granted a similar status only in 1959. This "independence" was however a purely internal arrangement since there was an understanding that by 1959 an agreed Constitution for a free Nigerian Federation would be framed.

In May last year, leaders of various shades of Nigerian political opinion met in London with a view to securing the independence of the Nigerian Federation on the basis of a mutually agreed Constitution. The political leaders, however, found themselves so sharply entangled in the web of the minorities question that they lost sight of their much earlier publicized demand for independence and so made it possible for the British Colonial Secretary to declare his inability to agree to the fixing of 1959 as the year for the transfer of power. The British Government, he stated, "was very much guided by the way the country faced up to the question of minorities." For this piece of guidance, the British Colonial Office appointed a Commission made up

of purely British representatives to "ascertain the facts about the fears of the minorities and to propose means of allaying these fears" and further to suggest the necessary safeguards to be included in the Constitution. And so the 1957 Constitutional Conference proved a failure.

The present Conference must therefore be viewed against this background. It will now have before it the recommendations of the Minorities Commission as well as that of the Fiscal Commission. More important, there is the demand that 1960 be set as the date for the transfer of power. The remarkable feature of this Conference is the British stand, which is now apparent, against the further balkanisation of Nigeria and the decision to confine the Federation's constituent elements to the existing three regions with a possible fourth by including the British trust territory of the Cameroons. The Minorities Commission was evidently impressed by the demand for Nigerian nationhood and unity; it found that the existing regions would not willingly surrender any of their newly won powers to regions or States created for particular Minorities. The Commission found that in the Nigerian situation the only safeguards that can reasonably be made available to the minority groups was the grant of greater coercive powers to the Federal Government, that is, to take the control of the police force out of the hands of the Regions and place this control in the hands of the Federal authorities.

At the same time, the Commission felt that minority rights should be written into the Constitution. This

Elections to the Nigerian Regional Houses of Assembly

	Regions		
	Western	Eastern	Northern
Total Population (000's)	6,613	7,782	17,714
Area (square miles)	45,396	29,482	281,782
Seats of Political Parties			
NCNC*	32	64	—
Action Group	48	13	—
Northern Peoples Congress	—	—	102
Others	—	7	29
Total	80	84	131

*National Council of Nigeria and the Cameroons.

highly justifiable and reasonable recommendation will, if accepted, bring about a balance of powers between the regional and the central authorities and thus prevent the emergence of what would virtually be three Ghanas. The British Government now appears to have accepted these recommendations, though the statement of some of the Nigerian political leaders are so equivocal as to reflect an absence of clarity on their part. The Fiscal Commission was concerned with the distribution of financial powers between the regions and the centre and somewhat unfortunately, it recommended vesting of greater money-raising powers to the Regions thus giving the central financial authorities little opportunity for pursuing a national economic policy. At the same time, it devised a complicated system of revenue allocation to the regions. It is now understood that the British Government intends to suggest suitable amendments to the Fiscal Commission's recommendations so as to increase the financial powers available to the Federal Government.

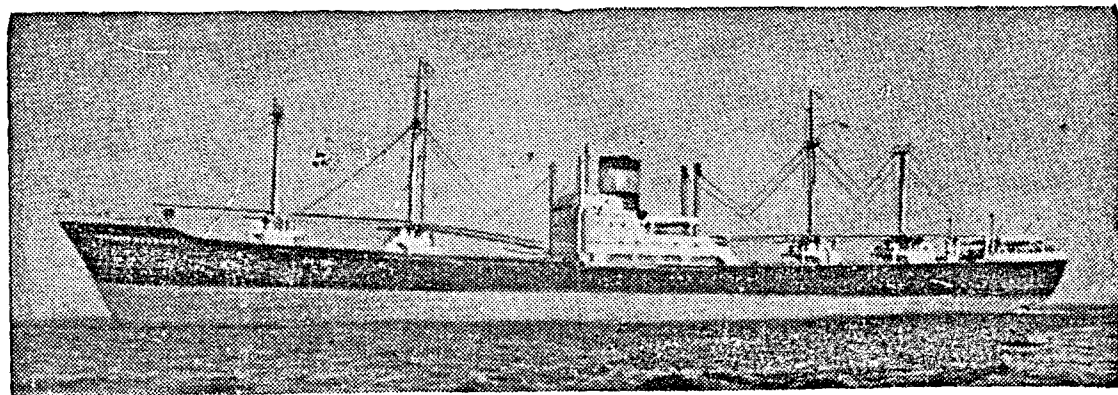
This commendable change of heart on the part of the British

Government now makes the question of Nigerian independence by 1960 depend almost wholly on how far the Nigerian political leaders are prepared to accept the recommendations of the Minorities Commission. And here the complexities of Nigerian politics appear to occupy a position of some importance. In the Regional elections of 1956 no one single party emerged powerful enough to exercise influence in all the three regions.

In the Western region, the Action Group is dominant, while in the Eastern region, the National Council of Nigeria and the Cameroons is in power. In the Northern region, none of these parties have any place and the Northern Peoples Congress almost wholly controls the House of Assembly. Thus while all the political parties desire Nigerian independence, none of them have emerged sufficiently strong to represent a united Nigerian personality. The best of the parochial parties is the NCNC under the able leadership of Dr. Azikiwe. Dr. Azikiwe has accepted the recommendations of the Minorities Commission and has gone so far as to state that constitution-making and the securing of all-party agreement can be solved

without difficulty, once the date of Nigeria's independence is conceded by Britain. In contrast, the leader of the Action Group has denounced the recommendations of the Minorities Commission and in particular, the provisions for Federal control over the police force. He now demands that the Constitution of the Federation must first be agreed to before the question of independence is considered. It is believed that there was some sort of alliance between the NCNC and the Northern Peoples' Party.

Irrespective of minority fears, there is every reason for desiring a considerable unity of the Nigerian people. It is only such a unity, in an environment of free political action which independence provides, that can enable Nigeria to leave her imprint on the African continent and so lift it out of the century old morass of colonialism and inferiority. This understanding and problem is the crux of the London Conference and it can now only be hoped that Nigerian political leaders concerned will not once again allow themselves to become enmeshed in purely sectarian conflicts and so lose the independence that is at hand.



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Book Reviews

Co-Partnership and Co-Determination

S D Punekar

The Case for Industrial Partnership. By G D H Cole. Macmillan & Co Ltd, London, 1957. Pages 121. Price: 7s 6d.

The Politics of German Co-Determination. By Herbert J Spiro, Harvard University Press, Cambridge, Mass. 1958. Pages 180. Price: \$4.

WORKERS' association with management may be at various levels (unit, region, industry or nation) and may assume different forms depending upon the extent of participation. Ranked according to responsibility, the association may be in the fields of negotiation and consultation; health and safety measures; social and cultural activities; production and productivity; supervision of working conditions; audit, accounts and financial control; profit-sharing; recruitment and dismissal; management by workers; and full control of the works by the workers alone. Different countries have achieved different levels of association, determined by the traditions of the people, the development of industry, the strength of collective bargaining and the nature and policies of the governments. Joint Consultation in Great Britain, nation-wide collective agreements in Sweden, Works Committees in France, Works Councils in Belgium, joint regulation of industry in Netherlands, collective bargaining in the U S A and Canada and Co-determination in Western Germany are some of the important forms assumed by workers' participation in management. India's developing economy, which is being built up within a socialist framework, can move towards industrial democracy, with genuine schemes of workers' participation. One of the main objectives of the Second Plan is "reduction of inequalities of income and wealth and more even distribution of economic power". This objective can be achieved by increasing association of workers with management.

The experience of other countries in the field of workers' association with management may provide us with guidance and the Government of India realising this, appointed a tripartite study group to visit six European countries, to study the existing conditions there and to submit a report with recommendations. The findings of the study group can

now be supplemented with two recent publications, which are reviewed below.

G D H Cole, the high priest of guild socialism, has advocated, in his forty-fourth book, industrial democracy, as involving a measure of real participation by the workers in the control of industry. According to Cole, workers, who contribute their labour to an industry, give the best thing they have to give in the way of serving their fellowmen and they have a right to be treated as responsible members of the team in which they play their part. However, they have no recognised status as members of the working community; they are still only hired hands, with no status of partnership in the enterprise. By partnership, Cole means a status, "which protects the worker from being dismissed, except on account of some fault of his own sufficient to merit dismissal, without being at the same time transferred to partnership in some other enterprise in which his services can be appropriately used or, in default of such immediate transfer, being maintained on the strength of the enterprise he is learning until an appropriate transfer can be arranged and, in the meantime, receiving any training that may be needed to fit him for his new employment." (p. 22). Thus partnership means: first, an assurance that the worker will not lose his status as a producer-partner save by his own fault; second, his right to have an alternative job of equal status; third, in the absence of such a job, his right of being trained for a new partnership; and fourth, guarantee of income to the worker during the interval in the change of jobs.

Cole makes another, radical suggestion when he says, "Nor should a worker be liable to dismissal from his employment for an alleged fault of his own without being accorded a right of appeal, which should be to a jury of peers—that is, of his fellow-workers" (p. 26). One more radical suggestion is about "collec-

tive labour contract" by which Cole desires to get foremen and supervisory workers elected to their posts by the groups that will have to work under them. These supervisors should be, subject to certain safeguards, removable by those who have elected them (p. 39).

The book bristles with such radical ideas, for which convincing reasons are given. After all, most of the concessions which are now being enjoyed by labour as part of their normal conditions of work and living were considered once upon a time as radical demands. Cole may be considered as a prophet, when the proposals made by him in this book are implemented in action.

Spiro studies, from a political angle, the novel and controversial experiment of co-determination conducted in West Germany in the steel, iron and coal industries. Co-determination signifies the granting to organised labour of a substantial share in the management of industrial enterprise. As such it has been a measure of industrial democratization, as well as an important step in labour-management relations. Spiro traces in detail the development of the principle of co-determination since 1946, brings out its ideological points, explains the legal enactments and their operation and illustrates with the help of four case studies based on observations in different companies.

Though the problem of co-determination has been studied mainly from its impact on German politics, its other aspects, economic, sociological and legal, have not been neglected. Spiro's contribution is of particular value to those who do not read German and have therefore no access to information relating to this interesting experiment.

To encourage registered labour cooperative societies to take up construction work, the Central Government has authorised the Central Public Works Department to award projects costing less than Rs 5,000 to labour cooperatives without calling for tenders.

Men and Oil . . . I

THE GEOLOGIST



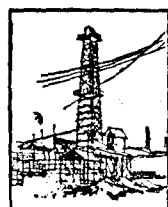
Geologists are people whose main business in life is to know rocks, to work and live among them. In the oil industry they look for certain types of rocks that hold oil.

In 1865, a Government geologist was sent to the coal areas of Assam. He reported the presence of several oil shows south of the Dihing river and advised testing, by experimental boring, those near Makum. A well was drilled there in 1867, followed by more wells at Makum and Jaipur. Several of these wells

yielded a little oil but went dry in a short time. But in 1889 the first well at Digboi was drilled and the Assam Oil Industry was born.

Geologists still play an important role in the Assam Oil industry. They decide the new locations, examine the rock cuttings during drilling and guide the industry in its search for more oil.

At present, the Geological Department of the Assam Oil Company is manned entirely by a number of well qualified and highly experienced Indian geologists.



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Kharif and Rabi Campaigns in Uttar Pradesh

Robert Terry

Faced with another food crisis, even in the usually surplus western districts, the Government of Uttar Pradesh is challenging old problems with new techniques. During the Kharif season, it organised all possible resources into a campaign to increase yield.

Preparations are now in full swing for a better campaign during the Rabi season. The Chief Minister will kick it off on October 2nd by a radio broadcast. Meanwhile, the Centre, noting the example of U P has started an India-wide Rabi drive and eight other states are organizing campaigns.

THE campaign idea is not new.

U.P. first tried it in 1951 in an effort to raise yield by supplying to the kisan both more seed and more enthusiasm. Only one department—Agriculture—sponsored what was basically a publicity effort. Because the cultivator himself did not actively participate, Government officials could not affect the heart of the problem of change—attitudes. The Grow More Food Campaign failed. This failure led to fresh efforts in new directions by contributing to the concept of Community Development. During the First Five-Year Plan, Community Development efforts tended to result in more amenities and buildings, rather than more production from more people. Community Development efforts now concentrate on increasing production, and therefore income, by working with and educating the cultivator. Some progress is evident.

Advance Planning

"But we saw that things were just not moving fast enough in producing more food," explains Shri Satish Chandra, ICS, U P's present Development Commissioner, "so we decided that a concentrated and co-ordinated effort by all departments was necessary." The Campaign idea sprang from UP's past experience, and from cooperative thinking at all levels of the Planning Department. This decision is a natural development of the philosophy of extension education underlying the Community Development programme. The present U P Campaigns stress:

- (1) thorough advance planning and coordination among the several departments concerned—irrigation, Agriculture, Cooperatives, Information, Education, Panchayat Raj, and Planning (or Community Development);
- (2) detailed organization of supply lines;
- (3) formation of Action Committees and assignment of specific responsibilities at all levels;

(4) thorough training of administrative and field workers; and

(5) use of all communications media to reach the cultivator with the right information, in the right place, and at the right time. The difference between 1951's Grow More Food Campaign and the present efforts was summed up by an official as follows: "That was a propaganda drive, but this is an educational effort; the key to that one was action by government officials, but this is based upon action by the people."

The Campaign Begins

U P began planning its campaign in January 1958. The key-notes were: decentralization, clearly stated short-term goals, emphasis upon several specific improvements in concentrated areas of Blocks, people's participation, thorough training, and leadership by the men of the 'Front Line'—progressive cultivators, Pradhans, and Gaon Sathis.

The Kharif Campaign was announced on February 18th, and commenced on May 1st. In March, officers of state and regional staffs attended a two-day training camp to consolidate their knowledge and organize their attacks on the five items: Japanese Method of Paddy Cultivation (JMPC), green manuring, bunding around fields to preserve moisture, sowing of seed in lines, and top dressing with fertilizers.

Action Committees, a key organizational feature, enlist active participation of members and propagate information about organization, supplies, and timing. Members of State, regional, and district committees are mostly officers, charged with coordinating the efforts of their departments. But members at the block and village levels are mainly village leaders: progressive cultivators as well as elected Pradhans, Panches, and Sarpanches. In time, these action committees will include tubewell operators and thok-

dars, the men responsible for controlling rationing of canal water.

In early April, each region called its district level officers, BDOs, and ADOs (Agriculture) for a two-day camp. In turn, each district trained ADOs, Panchayat Secretaries, overseers, and other village level government servants. Each block then trained its Gram Sevaks, Gram Sevikas, Pradhans, Sarpanches, school teachers, and Farmer's Forum members.

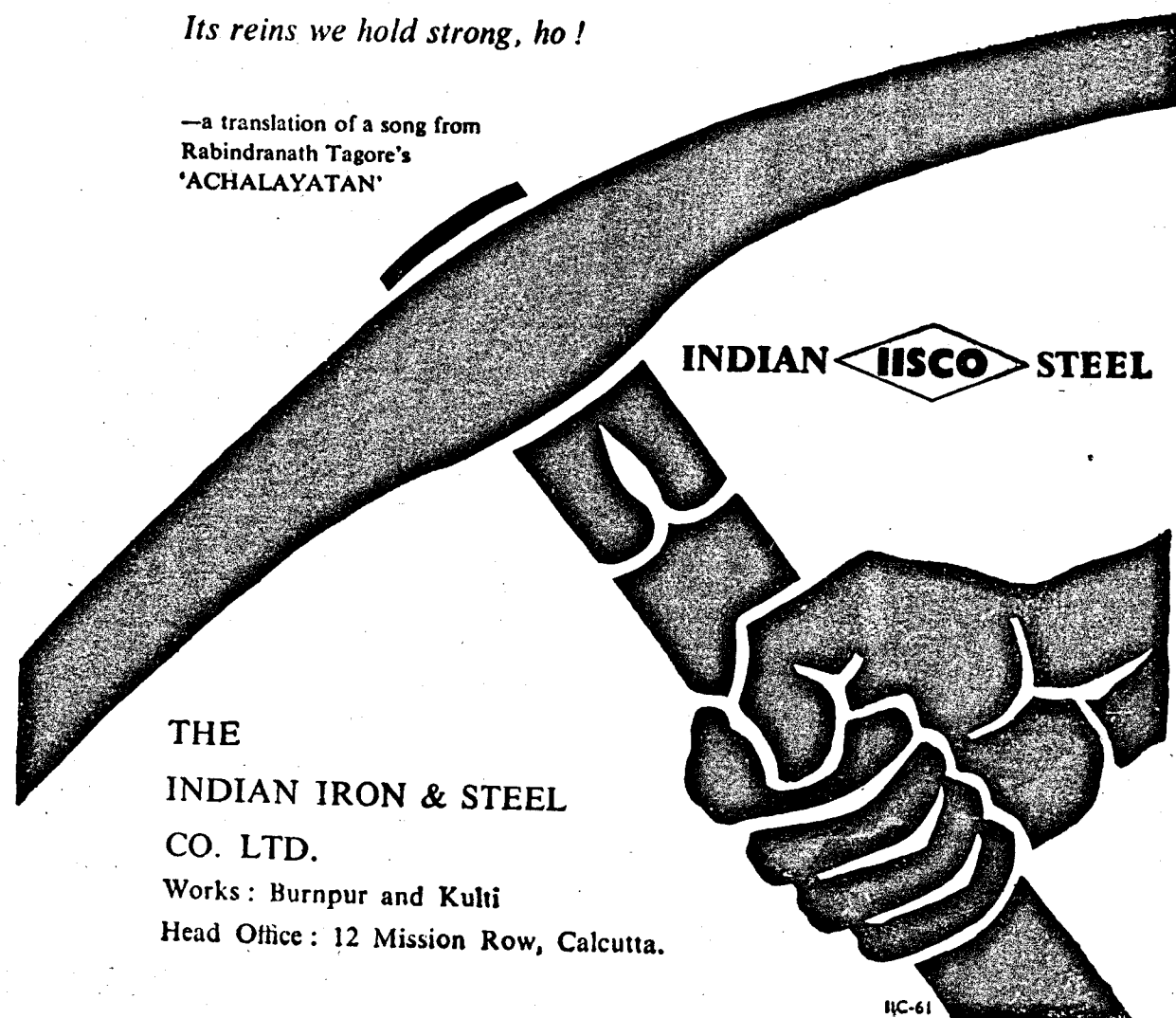
Lastly, at the first of 'front line' level, Gram Sahayaks—village leaders—chosen by the villagers and VLWs for their enthusiasm, youth, good reputation, and progressive outlook, gathered for a three-day Village Leader's Training (VLT) Camp. The VLT Camp, similar to America's Farmer's Institutes, was first tried in India in Bhopal in 1954 in the form of family camps. The Union Ministry of Community Development refined the idea and in mid-1957 issued suggestions for their establishment as a central feature of rural development efforts. "The VLT Camp," said one Planning worker, "is the dynamic new feature of this campaign." Two or three ADOs, the BDO, and the VLW, staffed the VLT Camp held in each VLW circle. During April, headquarters, regional, and district officers constantly roamed the countryside making surprise visits to these Camps. They inspected training programmes and demonstration plots, and looked for signs of genuine participation by progressive farmers.

A short but comprehensive handbook of Campaign talking points, published by the Bureau of Agricultural Information, was added to the battery of teaching aids. During the action phase of the Campaign, from May 1st onwards, All-India Radio's stations at Lucknow and Allahabad broadcast two or three programmes of advice and information weekly.

Following the VLT Camps, the VLWs and Panchayat Secretaries

*The hard iron lay dead in slumber deep
And we stirred it to life, ho !
In the dark depths of a million years it lay hid
And we stirred it to life, ho !
Tamed by our strong hands
It sings to the tune we eall.
Its silence of long years have we broken, ho !
The dead doth stir with new life today
And rushes forth the wide world to conquer.
Fearless with our two hands today
Its reins we hold strong, ho !*

—a translation of a song from
Rabindranath Tagore's
'ACHALAYATAN'



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held four publicity meetings in each village to generate interest and maintain personal contact with cultivators.

Target-Setting

The target-setting process—a crucial problem in stimulating increased yields, and of the philosophy underlying economic development—began with the cultivators themselves. The VLW, considering the particular conditions of his circle, made an initial estimate in talks with the cultivators—for many of whom the very concept of targets is new. Village leaders and block officers then reviewed these estimates in meetings of Gram Sabhas and the Block Advisory Committee. Then the BDO, with an eye to the figures suggested by regional and state headquarters, drafted his block targets. The District Agricultural and Planning Officers in turn reviewed these before forwarding them to the regional level. In theory, a meeting of minds between the cultivators and the state planners occurred somewhere in this process.

In practice, the BDOs reported that VLWs tended to make cautious estimates, either to ensure fulfilment, or because the idea of attempting to increase yield is still strange to many cultivators. BDOs therefore tried to jack them up. In one instance, state headquarters fired back a block's figures with the comment: "The targets fixed by you are extremely low and are not commensurate with the staff posted in the block. I would be grateful if you would suitably increase these targets so that they may become realistic." A few other such cases occurred in the state. In this instance, the BDO personally met the officer who issued this polite blast at a regional seminar, and satisfied him that the targets did, in fact, reflect the actual conditions of the block. This instance demonstrates the spirit of the Campaign, and the importance of field trips by officers posted above the village level.

After this lengthy but essential process, Gram Sahayaks discussed their targets again at the VLT Camps. They were encouraged to make statements or individual pledges to achieve specific targets to impress upon them the purpose of the Campaign.

Action and Follow-up

At this point, the writer moved from office to field to watch this theory being practiced during the action and follow-up phases of the Kharif Campaign, and the planning and training phases of the Rabi Campaign. Since these observations were made in Almora, they will in some degree reflect conditions peculiar to the Kumaon Hills. But the design of the Campaigns is the same throughout UP.

The major problem and a key factor for success is organisation. Since the field problem is not to stage an agricultural breakthrough by introducing one major improvement, but rather to convince cultivators to adopt many small improvements, the organizational problem is complex. A BDO summed up the keynote of both organization and education: "Formerly, targets were not broken down below the block level; now we are indicating to both villages and families—in detail and in advance—the targets which they helped to set." All contacts with the cultivator aim to practice two principles: repetition is the most effective teaching technique, and people do best what they know how to do and what they know is expected of them.

Many blocks had to campaign without all their VLWs, whether due to vacancies, sickness, regular leave, or absence for in-service training. This causes special difficulties where poor communications make it impossible for the remaining VLWs and ADOs to spread out over a larger area, let alone cover their own assigned territory well. Since this is a recurring problem even during normal periods, the Planning Department wanted to create a reserve manpower pool, but was baulked by lack of money.

Many cultivators accept the idea of increasing yield, but many hesitate to try new methods. One rebuffed all attempts by a VLW to win him to line sowing and wider spacing of paddy shoots. "If I plant fewer shoots in the same area, how can my yield go up?" he asked. "No, I can produce as much by my way." But when the VLW appeared at the field just as he was about to transplant, the cultivator acquiesced: "If you take the trouble to come to me

here now, I'll try your method, but only part of it—the line sowing."

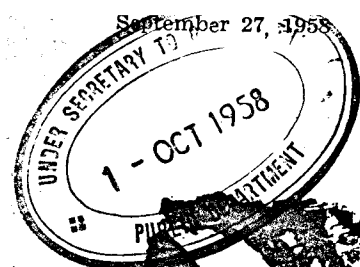
Women's Work in Kumaon

Fragmentation saddles the VLW with more problems. Instead of convincing one cultivator to try an improved method, he must approach ten cultivators of ten small plots in one field. He consumes ten times as much energy and time to contact ten diverse personalities in the hope of producing an improvement which will at best be uneven. And if, for example, the cultivator of an upland plot refuses to adopt proper drainage practices, all the lower plots are injured.

The peculiar socio-economic conditions of certain areas and the campaign emphasis upon target breakdown to the family level has produced a new departure in women's work. In the Kumaon Hills, a deficit area with growing population, most men emigrate for employment, leaving women to till the fields. To improve agriculture, Planning workers must deal mainly with women. The response to this challenge is a series of three in-service training periods of one month each over a period of two years for the 35-odd district, block, and village level women Planning workers of Kumaon. An intensive introduction to practical agriculture supplements their previous training in social education suited for the home. The trainees now report that their effectiveness, with men as well as with women, has sharply increased. Consequently, the basic syllabus for all women SEOs—whether assigned to plains or hill blocks—now gives greater emphasis to agriculture.

Evaluation

Evaluation, continuing and critical, has been a major strength of India's Community Development Programme since its beginning. It is essential to the success of a campaign, both during it, in order to respond to unexpected conditions, and after it, in order to improve the next one. The short-term goal of any campaign is naturally to increase yields. But experience teaches that change in the cultivator's outlook must precede changes in his practices. He must have a mental picture of new and better ways in order to

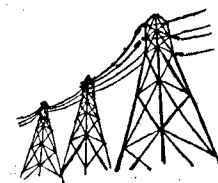


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want to change. So a campaign's long-term success is revealed by the extent to which village leadership emerges and cultivators continue to practice improved methods. The major results of a campaign are measured during the next campaign or season. If it has succeeded, Gram Sahayaks take up responsibilities more quickly and cultivators adopt other improved practices more readily.

To the query "From your experience during the Kharif Campaign, what change in technique or emphasis do you recommend for Rabi?", several BDOs answered: "More follow-up; every corner requires personal attention of VLWs and ADOs." VLWs replied: "I need either more time or a smaller area to give enough personal attention to each cultivator." An ADO added: "Slogans are easy to pass out; but the cultivator is more impressed by explanations of how new methods will bring economic gain; that requires more time than the VLWs now have to give." Another ADO commented: "Some Gram Sahayaks came because they considered themselves as chosen agents of the government, and therefore entitled to special helps in the future. Because government began development programmes by giving aid, people now ask, automatically, 'What will government do for us?' As a result, we have tended to create a beggar mentality in the cultivators. This must be changed."

"My main problem," said one BDO, "was the VLT Camps. The Campaign started a bit too late for detailed preparations...the organization of supply lines was good. Our main success was in fixing specific targets for each cultivator and VLW. We had three times better results from our staff because of advance planning.And next time?...We must use the channels of communication of the village-level institutions—schools, youth clubs, and the informal groups which spring up around teachers, college students, and returned military men—to extend our message."

No Crop Reporting

Statistical evaluation in the Kumaon Hills is difficult because no organization of crop reporting officials exists. Shri C D Deshmukh recently underscored the

general ineffectiveness of crop reporting, and the resulting difficulties in formulating food policy. Increased production can be estimated by factors applied to the amounts of each form of improvement—fertilizers, bunding, composting, etc. The rise or fall of imports required for a region gives some indication: but this is complicated by the factor of increased consumption.

Some district officers reported lack of cooperation by other departments, particularly by traditional cadres. Planning Department workers face a continuing problem of trying to spread their spirit of dedicated service, even outside of 'office hours', to other departments without irritating them by the enthusiasm of the new dispensation. But state-level officers say that they are satisfied with the rate of increase of co-operation.

The current evaluation by state officers gathered from their tours and reports is that the Kharif Campaign has been successful, considering the major blow dealt by the late monsoon, which injured paddy nurseries. Unusual floods have plagued western U. P. Some observers cite the cause as obstruction of drainage by the many embankments thrown up by new roads, rail lines, and canals. Rainfall, as during the past several years, continues to be erratic. Rough estimates by eye now indicate 60 per cent achievement of JMPC and line sowing targets, but only 25-30 per cent of bunding.

"Our main problems are not with the actual extension work in the fields, but with coordinating the efforts of all departments. Smooth coordination has been an important achievement," concludes an experienced field worker. Another said: "Community Projects started with enormous drive and enthusiasm. Lately this has been drowned in paperwork and red tape. But this Campaign is recovering that former spirit. You rarely find the Development Commissioner and other officers at Lucknow; they are dashing about the State making surprise visits and spot checks."

In June, A P Jain and S K Dey were told of the Campaign. At a subsequent meeting in Delhi, the

U P leaders explained its details to Development Commissioners from other states. Jain subsequently announced the decision to launch an eight-state campaign during the Rabi season.

Prime Minister Nehru has noted U P's efforts, and S K Dey commented: "The U P Government has readily given a lead which is worth emulation."

Preparation for Rabi Campaign

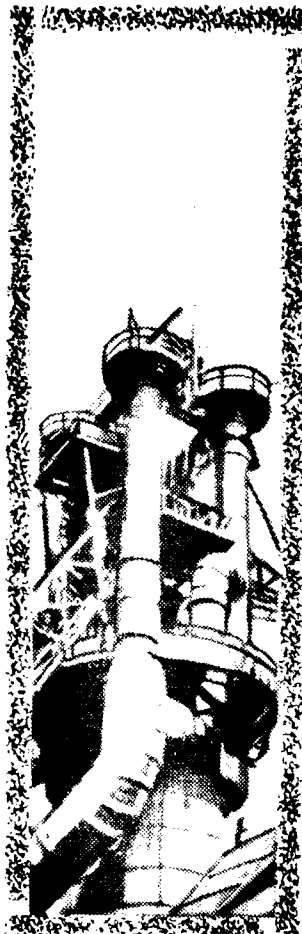
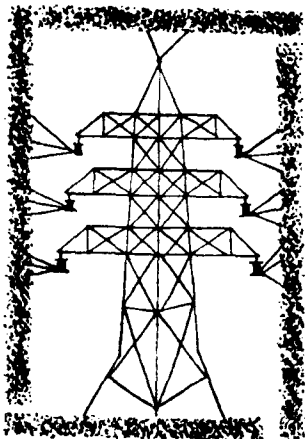
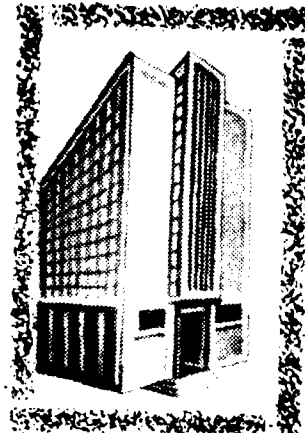
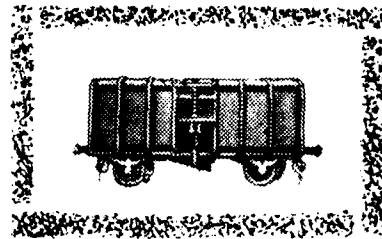
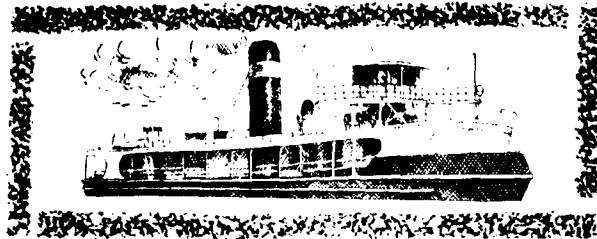
But even while faced with unexpected difficulties during the action phase of the Kharif Campaign, the U P planners noted their successes and shortcomings and in June issued their programme of preparation for the Rabi Campaign. Since the Campaign concept was fresh in the minds and experience of all, attention was shifted from organization to education. The Rabi Campaign also focuses upon five major items—(1) U P method of wheat cultivation, (2) self-sufficiency in Rabi seeds, (3) line sowing, top dressing, weeding, and intercultural, (4) increased double cropping by sowing legumes, and (5) composting, preservation and utilization of cattle urine—and five minor ones—(1) bunding, (2) ploughing to fields immediately after harvesting early paddy and maize, (3) popularization of Rabi oil seeds, (4) sowing on contours and bunds, and (5) fruit tree plantation and vegetable growing.

The principal improvement over the Kharif effort concerns selection and training of Gram Sahayaks. During Kharif, the VLT Camps could not be planned properly; some BDOs reported evidence of that disease peculiar to planning, 'targetosis', noting that Gram Sahayaks in some circles were chosen with an eye to the quota rather than their qualities of leadership; in poorer regions, since villages could not provide food for fifty guests, the ideal length of three days was whittled down to two, and some Gram Sahayaks could not attend. The budget per camp in both Campaigns was Rs 10 only.

Rabi Solution for Kharif Problems

These Kharif problems have produced Rabi solutions: more detailed planning, more concentration upon teaching, and more careful selection of Gram Saha-

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yaks. Although some did not turn out well during Kharif, the VLT Camps uncovered some unsuspected local leaders who are making the Rabi Campaign smoother already. The goal is to train fifty Gram Sahayaks per VLW circle, totaling five hundred per block. The state-wide total for both active (Phases I and II) blocks and shadow (to be activated shortly) blocks is about 2,50,000. The Gram Sahayaks are supposed to pass the Campaign message on to ten or twelve families each. Throughout U P, they are to cover a population of 25 lakhs, or one fourth of its agricultural population.

The pattern of organization and training for Rabi parallels that of Kharifs. This writer attended preparatory meetings, training camps, and evaluation seminars at all levels. The spirit throughout was of cooperation, patient consideration of technical problems, and awareness of the essentials of extension education. A District Agriculture Officer, speaking to an ADO during a planning meeting, illustrated the technical difficulties in areas where valleys are tropical and their hilltops are temperate: "You press seed No 770; but it's delicate; although it gives high yield, it shrivels at the least puff of hot wind; an ADO in Garur pushed it, and was then berated by an angry cultivator who was left without food for his family; our popularity with the villagers depends upon right recommendations."

Participation in Discussion

At district training camps, an ADO from each block presented a detailed VLT Camp syllabus, which was then discussed by all to effect improvements. Of equal importance to Rabi preparations is Kharif follow-up by top dressing, tree plantation, bunding, and gul making. Lucknow again issued a booklet of talking points, but this time several training centres transposed this outline into an attractive, illustrated, cyclostyled handbook.

At block level, the Block Advisory Committee discussed these preparations, making minor amendments according to the conditions of particular villages. Although by the nature of the problem the BDOs took the lead in these discussions, the representa-

tives of villages participated actively. A similar spirit prevailed at block staff meetings, where they concentrated upon foreseeing and answering in advance unusual questions which Gram Sahayaks might later pose. VLWs reported no major difficulties, and much enthusiasm over the Rabi Camps.

Educational Approach

The general spirit of the five camps visited by this writer impressed him favourably. Most of the Gram Sahayaks chosen came, and most listened attentively. In several cases, they composed Campaign songs to their traditional folk melodies, a technique which may, on thorough study, prove valuable. In discussions among cultivators and Planning workers as they sat in circles in school-rooms or under trees, opinions were freely forwarded and disputed. Officers sometimes faced difficulties in answering criticisms and questions of cultivators who knew their land and its problems better than these advisors. Ten years ago officers would not have been present in remote villages, let alone sitting with peasants and accepting their criticisms. The confidence, personal understanding, and greater knowledge of each other's problems created by such human encounters may well prove to be the most valuable result of these Campaigns.

But despite the emphasis upon educational approach, there was a general tendency to lapse from the discussion technique back into the lecture-from-a-platform style. When this occurred, the Gram Sahayaks either dozed off or slipped out to start their own discussions at the local tea shop. One VLW, watching such a group gathered around a hookah, commented: "We lack the technique for organizing discussions in the real sense." Since they were not participating, they felt no compulsion to remain, and thus some important teaching was lost—and just at the point where it was finally to have become effective. Adopting the unfamiliar group discussion technique is admittedly difficult, for the tradition of officers speechifying to villagers is well-established. Since the group discussion method embodies a new philosophy of human relations as well as a new technique, time is required for

it to be established. But for the same reasons, it is one key to success in community development.

The rabi camps appeared to be a definite improvement over the Kharif camps. "We learn as much from them as they from us," commented one ADO, "and perhaps more." A Deputy Development Commissioner phrased the value succinctly: "We must develop our human resources; otherwise our efforts to develop material resources will fail as our buildings and roads crumble away on foundations of sand."

Achievement and Potential

The target-setting process is not satisfactory to all. The aim is for VLWs to "set your own targets". Some field observers think that 'targetosis' has been cured, but others feel that "the pressure of campaigns is making us concentrate again on targets instead of on people." But state officers have noted the tendency of field workers to fix low targets, and also deplore the amount of time, bargaining, and distracted attention, consumed by the present system. Furthermore, targets and achievements presented as absolute statistics of acreage or maunds do not give to the reader the relationship between accomplishment and needs. For this reason no statistics are included in this article.

Consequently, the Development Commissioner is exploring a new concept: indication of achievement as percentage of maximum potential. If, for example a block's maximum potential for JMPC is 10,000 acres, a year's target of 2,000 acres would be expressed as 20 per cent. If these 10,000 acres are to be converted to JMPC by the end of the Second Plan period, yearly targets would be stated in percentages. Field workers presently strive to achieve targets which often are unrealistic, and in any case show no relation to the field situation; he sees each effort as a 'crash programme' instead of as one step in a phased, long-range programme of improvement. In addition to facilitating the task of analysts, this system would clarify the field worker's problem by setting it in the framework of a five- or ten-year programme.

Detailed evaluation of the Campaign technique is currently under

way by U P's Department of Agriculture, its Planning, Research and Action Institute, and the National Sample Survey. PRAI, an independent research-cum-action body, has played a notable role in the evaluation of U P's development programme. Dr Rama Das, the Director, from reports now coming in from his five field evaluation teams, seconds Shri Chandra's current estimate of the Campaign effort: "The message seems to have reached every cor-

ner of the state. Now it remains to be seen how effective it has been."

U P has decided to conduct campaigns during every season for the remainder, at least, of the Second Plan period. 2,50,000 Gram Sahayaks are being trained this year; the goal for next Kharif season is 5,00,000. The Planning Department aims to achieve 100 per cent of maximum potential improvement by the end of the Second Plan in six items: JMPC, UP

method of wheat cultivation, green manuring in monsoon fallows, legume planting, bunding, and line sowing. "We cannot yet say that Planning is a people's programme," admits Shri Chandra. "It is a government programme. Our emphasis during the next three years is on agriculture, to increase production, therefore income, and therefore—we hope—people's participation. Without reservation, I am optimistic about our present efforts and future prospects."

Commodity Taxation as Anti-Inflationary Measure

Mahesh Bhatt

ALL types of taxes are anti-inflationary in so far as they reduce the income of the taxpayer. However it is recognized that various taxes differ in their anti-inflationary effects and their influence on incentives. As a general rule we can state that any tax is anti-inflationary if it reduces money demand more than it curtails the supply of goods and services. The more the tax reduces spending and the less it cuts production, the more anti-inflationary it is. This leads us to a consideration of the impact of the commodity tax on spending, incentive to work and on costs.

At the outset it may look paradoxical how a tax which raises prices can be anti-inflationary. The obvious difference between the inflationary price rise and price rise due to a commodity tax is that in the former case there is increase in both commodity and factor prices while in the latter case there is merely increase on the level of commodity prices. The commodity taxes are anti-inflationary because they drive a wedge between prices paid by consumers and total returns to producers—with the difference going to Government. By absorbing purchasing power, these taxes, like others, keep prices from rising as much as they would in the absence of effective direct controls. If real Government expenditures and wage rates do not rise, prices are higher and available civilian supply in real terms and factors incomes is unchanged. The net effect is a reduction in excess

The author is thankful to Mr Ralph Turvey of London School of Economics for valuable criticism and suggestions.

income and inflationary pressure. In contrast, an ordinary price rise increases factor incomes, which support additional money demand, and propel the inflationary spiral. It is important to note that a commodity tax can limit inflationary pressures only so long as it does not generate equivalent factor price increases; if it does, its effects become essentially the same as those of inflationary price increases.

Income Effects

The analysis of anti-inflationary effects of a commodity tax can be carried out in the terms of income and substitution effects.

To start with if a general sales tax is imposed the substitution effect will encourage savings—and discourage spending—by altering the relative gains from the two uses of income. The strength of this effect will depend upon the rate of tax and acceptance of the belief that its use is temporary. (J F Due. The Sales Tax as Anti-Inflationary Measure. 'Public Finance', 1951.) If the tax payers believe that tax will remain in use permanently, or for a long period of years, the effectiveness in inducing persons to postpone consumption is weakened. But still there may be some reduction in total consumer spending since the advantage of saving for purposes other than future purchase of taxable goods is increased—relative to the consumption. The accumulation of savings for emergency reserves, old age, protection of heirs, purchase in the future of non-taxable goods (such as house) or expansion of business is rendered more attractive, relative to consumption than before. If tax is regarded as a temporary measure, strong incentive is given to postpone the pur-

chase of durable consumption goods until the tax has expired.

Furthermore as E Carey Brown (Analysis of Consumption Taxes in Terms of the Theory of Income Determination—E Carey Brown, 'American Economic Review', 1950.) has suggested, if the public has a certain type of money illusion, commodity taxes may restrain real consumption more than income taxes, even though the marginal propensity to consume is the same in all income classes. Brown defines a pure money illusion as existing when consumption expenditures are a function solely of disposable money income. The consumption tax is assumed to be shifted fully in higher prices, and the base of the tax is assumed to be consumer outlays before inclusion of the tax in price (real consumer outlays) since there has been no reduction in money personal income, no change in the amount of money consumer expenditures will take place after the tax is imposed. Since there has been no reduction in money personal incomes, money savings will not be drawn down. Money consumers expenditures having remained the same and prices (inclusive of consumption tax) having risen, real consumers outlays, measured in pre-taxed prices will be reduced exactly by the amount of the tax collected at any given level of money incomes. If, on the other hand, consumers' disposable incomes were reduced by additional income taxes, their consumption outlays would fall by a fraction equal to the marginal propensity to consume out of that part of their incomes. With a marginal propensity to consume of less than one, income taxes would reduce real consumption less than an

equal amount of commodity taxes and would therefore be less anti-inflationary. Given the assumptions, this ingenious thesis seems to be valid. Its practical significance depends on how closely the necessary assumptions approximate reality.

Substitution Effect

In a case of an excise tax or a general sales tax with exemptions, substitution effect will increase the consumption of untaxed commodities. Here the strength of substitution effect will depend on the elasticity of the demand for the taxed commodity or commodities. If the demand for the taxed commodity is elastic, a tax on it will shift the demand to untaxed commodities. We may call this type of the tax—demand shifting commodity or excise tax (Hart and Brown, (1) Defence without Inflation (2) Financing Defence.) This will increase the inflationary pressures on the prices of untaxed commodities. As far as mopping up of excess purchasing power is concerned, the case for demand shifting type of commodity tax as an anti-inflationary measure is weakened. However this type of commodity tax will still have net anti-inflationary effect if the commodity on which the tax is imposed is in short supply, the production of the commodity cannot be easily expanded and the untaxed commodity or commodities are relatively abundant or their supply can be easily increased. For example, suppose the increased income in a given country increases the demand for mill-made cloth. Assuming textile mill industry having no excess capacity, this increase in demand will increase the prices of mill-made cloth. Increased supply can only be met by expansion which may increase the need for capital which is again inflationary. In these circumstances suppose an excise tax on mill-made cloth is imposed. Assuming further that there exists a handloom industry having excess capacity and the expansion of which requires less capital—this will increase the demand for handloom cloth. Thus the net effect of this type of demand shifting excise will be anti-inflationary. Of course the effect will depend to a great extent on the rate at which the levy is imposed and the average cost per unit in the two industries.

If the tax is imposed on commodities whose demand is inelastic, consumers would keep on buying in the face of a price rise. Substitution effect will be very weak. Consumption will be maintained by reduction in purchase of untaxed commodities or by reducing saving or by reduction in both. Where a commodity is in absolutely inelastic demand, a tax upon it is equivalent to an income tax of the same amount. This type of excise may be termed demand-absorbing. These commodities will be mainly necessities and such levies fall heavily on the lower income group, whose marginal propensity to consume is greater. On equity grounds this may not be desirable but as far as its anti-inflationary effects are concerned, it has distinct merit, particularly in severe inflation.

Incentive to Work and Earn

The substitution effect may lead individuals to prefer leisure and lessen the incentive to work. Income effect may encourage individuals to work harder. As the burden of the commodity tax will be particularly heavy on the lower income group, the income effect will have a definite effect on incentive to work. A commodity tax by raising the monetary costs of a given level of living, will encourage people to work harder to maintain old living levels. But on the other hand, the sales tax reduces the real gain, in terms of taxable goods, from the additional work and thus has a discouraging effect as well, if marginal income is used for consumption. Even in this case it can be said that the marginal income desired for saving or for expenditure on non-taxable items is not directly affected by the tax, and work to obtain such income is not discouraged. Moreover, with an income tax the earnings of additional income directly and immediately creates additional tax liability; with a sales tax, additional income gives rise to additional tax liability only if sums are spent on taxable goods. Workers are likely to ignore the tax on purchases in considering whether or not to work less.

For the same reason that it is a smaller deterrent to extra work, the sales tax is not so likely to induce laxity in managing the affairs of an unincorporated business, although it is doubtful that income tax increases have significant effects in inflationary periods. Profits pro-

spects are so good, despite the tax, that the latter is not likely to be strong deterrent. It is possible that an excise or a commodity tax, by reducing demand, may adversely affect the incentive to invest and expand on the part of the business firms.

Wage Increase and Taxation

In our previous analysis of the commodity tax as an anti-inflationary measure, it was assumed that money-wages remain constant. However, even if we remove this assumption, the commodity taxes will have anti-inflationary effect. In actual practice we find that indirect taxes are extensively used by Government in many countries in which escalator clauses are widely or even generally used. This implies that in spite of escalator clauses, there must be some release of resources; otherwise indirect tax in such situation would be absurd. The possible explanation is that although there may be rise in wages, the fixed income groups are not compensated for the imposition of indirect taxes and their consumption is reduced. Secondly, in spite of compensatory system, there are lags between price changes and wage adjustments. Thirdly, there is another possibility—by being compensated for the indirect taxes, the workers' nominal income is increased, and it so happens that income taxes are imposed on nominal rather than real incomes. Thus increase in nominal wages may push some workers' income into taxable income. The net result will be slightly anti-inflationary.

We have not considered the effects of expenditure out of the tax proceeds. If this expenditure is directed towards development projects, as soon as the flow of goods starts it will have anti-inflationary consequences. Of course the type of investment will have to be taken into consideration.

On the whole, the direct anti-inflationary effect of a commodity tax is probably greater than that of an income-tax increase.

Sugar Production and Despatches

Production and despatches of indigenous sugar amounted to 19.68 lakh tons and 17.04 lakh tons up to August 31, 1958, in the current season, as against 20.21 and 10.00 lakh tons respectively in the corresponding period of the previous year.

From the Chair

Tata Locomotive and Engineering Company Limited

Speech of the Chairman Mr J R D Tata

THE following is the speech of the Chairman, Mr J R D Tata, delivered at the thirteenth Annual General Meeting of the shareholders of the Tata Locomotive & Engineering Company Ltd. on Wednesday, September 24, 1958.

Ladies and Gentlemen,

The Annual Report and Accounts before you reflect the progress which the Company continued to make during the year under review. The construction programmes have proceeded apace. All the buildings have been completed and most of the plant and equipment installed. The total output of locomotives and diesel commercial vehicles and their indigenous content have both exceeded targets. The Steel Foundry is steadily building up production and the Alloy Iron Foundry is just coming into operation. The improved results of the year's operations have enabled your Directors to recommend an increase in the dividend on ordinary shares from Rs. 8 to Rs. 9 per share. Even with the increased rate of dividend paid this year, the average return of 2.7% to the ordinary shareholders over the whole period of their investment is still well below what they are entitled to expect. The annual bonus to the employees has been raised from one-and-a-half months' to two months' basic wages, an increase of 33.1/3%.

For the benefit of members who may not be aware of it, I may explain that the somewhat involved procedure followed in disposing of the profits for the year and in declaring the dividends has been adopted because the income-tax authorities do not treat dividends as free of tax unless they are expressly shown in the accounts as paid out of taxed profits, whether of the year of account or of previous years.

As stated in the Directors' Report, the profits for the year were wholly accounted for by the Automobile Division. The Foundry Division started making castings in June 1957, initially for our own use, and production began to build up only towards the end of the year. The new Welding and Fabricating

Division was hardly in production during the year. As regards the Locomotive Division, about which I shall have something more to say later in my speech, while its operations yielded no profit, it may be noted that, in addition to bearing in full its legitimate share of plant and general overheads, it earned full depreciation and development rebate.

Issue of Capital

I had indicated in my speech last year the need for raising additional finance to meet the heavy commitments for capital as well as operating purposes. Since then, the progress made by the Company and the improvement in the investment market have rendered it both possible and desirable to make a fresh issue of equity capital. As you will see from the Notice of the Meeting and the Directors' Report, it is proposed, subject to the sanction of the Controller of Capital Issues, to raise Rs. 3 crores of additional capital by the issue at par of 300,000 new ordinary shares of Rs. 100 each in the ratio of three new ordinary shares to five existing ordinary shares.

Locomotive Prices

As mentioned in the Report, the expansion of the Locomotive Division of the Company was completed well ahead of schedule and production at the rate of 100 locomotives per year is being maintained. The prices fixed by the Tariff Commission covered deliveries only upto 31st March, 1958. The price for locomotives delivered after that date had to be fixed by negotiation with Government. Although the Company's present offer represents a reduction in price of over Rs. 52,000 per unit as compared with the price of the previous period, no agreement could be reached and it has been mutually agreed to refer the matter to the arbitration of Mr. J. N. Majumdar, ex-Judge of the Calcutta High Court, as Sole Arbitrator.

Lok Sabha Debate

As the shareholders are aware, the prices paid to us for locomotives under our Agreement with the Rail-

ways was the subject of an important debate in the Lok Sabha in September last year. The debate took the form mainly of an attack on our Company, although the Railway Board were also criticised for having entered into a long-term Agreement with us on terms allegedly favourable to the Company and for being too lenient in its implementation. The Company was charged with low production, high costs and even with taking unfair advantage of the Agreement to the detriment of the Railways. Facts and figures were quoted in respect of an earlier period when operations were still hampered by construction and development activities. The rapid progress subsequently made towards achieving full production and reducing costs, notwithstanding many unforeseen difficulties and obstacles, was totally ignored.

Perhaps the most regrettable feature of the debate was an attack on the Tariff Commission, who had made an exhaustive inquiry into the operations and costs of the Company, with the assistance of a foreign expert selected by the Railway Board, and had come to conclusions different from those sought to be drawn by the movers of the debate. Their findings were challenged and the members of the Commission were charged with partiality in favour of the Company. The preservation of public confidence in such statutory bodies as the Tariff Commission is almost as vital to the stability of a Democratic State as the preservation of public faith in Parliament and Courts of Law. Upto now their competence and integrity have rightly been unquestioned in our country, and I hope it will be appreciated that an attack on the integrity of the Tariff Commission and similar institutions undermines Democracy itself, almost as much as would an attack on Law Courts and Legislative bodies.

In order to correct the one-sided picture which this debate might have created in the public mind about our operations under the Agreement with the Railway Board, we published a booklet in Decem-

ber 1957, giving the full facts about Telco and also issued press statements. I have no wish to reopen this controversy now, but I must express regret that subsequent to the debate the Public Accounts Committee of the Lok Sabha has, in its report on Railway Appropriation Accounts for the year 1954-55, repeated some of the old charges against the Company based on the production and costs of years ago without recognition of the vastly different situation prevalent at the time the report was issued.

It is perfectly true that the Railways have paid higher prices for locomotives and boilers purchased from us in the initial years when production was low and manufacturing costs higher than those at which they could have been imported; similarly, costs at Chittaranjan in the first years of production were also higher than the corresponding import prices. As output rose and efficiency improved, costs have come down in both factories to a level which today compares favourably with import prices other than the subsidised prices quoted by some countries. The Chittaranjan Works were completed about two years earlier than the Telco Works and it is natural that they should have reached their lowest costs correspondingly earlier. While, according to a recent statement of the Ministry of Railways and Transport, their costs have risen since 1956-57, Telco costs are still declining and the Railways will get the full benefit of such reduction in the current and coming years.

For anyone to find fault with the inability of newly established industries to supply their products from the very start of their operations at prices equal to or lower than the lowest import prices, particularly where, as in the case of the dying steam locomotive industry, such prices are clearly uneconomic or subsidised, is to ignore elementary industrial realities. The principle of production to essential young industries and the consequential acceptance for some years of higher indigenous costs has been so well recognised and approved a part of our country's economic policies for the last thirty years or more that I am surprised such an uproar should have been created over the normal working of this same principle in the case of locomotive manufacture.

While it may not be possible to convince all our critics, the fact that, contrary to the complaint that the Company has made large profits out of the Railways, it is actually supplying locomotives at no profit or even at a loss, will, I hope, at least convince some of them that the Agreement is not so favourable to the Company and unfavourable to the Railways as it is alleged to be.

Automobile Division

As indicated in the Report, the progress of the Automobile Division has been most satisfactory. Despite several adverse factors including shortages and delays resulting from the acute scarcity of foreign exchange, the phased programme of indigenous manufacture has not only been fully maintained, but has been exceeded by a significant margin. The parts and components which are now being made at Jamshedpur and for which we shall not have to depend on imports hereafter, include the complete frames with springs, all sheet metal parts, the front and rear axles and the complete transmission including the gear box. The only important item left now is the diesel engine for the manufacture of which preparations are well advanced. With the arrival on site of most of the machine tools and equipment for the Engine Shop and the completion of the Alloy Iron Foundry which has just started operation, the final stage of our programme of manufacture should be completed according to plan, by the end of October 1959, or even earlier.

Already, within four years, we have achieved both the highest indigenous content as well as the highest output of all manufacturers of commercial vehicles in the country, despite the fact that we were the last to enter the field. This striking and gratifying progress has been made possible by a number of factors. We have not only invested in the most modern plant and highly specialised machine tools but we have built up a team of engineers and workers to use the equipment to the best advantage. We have made sure that our processes and techniques will be equal in every way to the best found in the most modern factories abroad and that the productivity of our labour will be high. We have had the benefit of splendid collaboration from our

Housing

As mentioned in the Report, over 40% of the Company's staff are now housed in Company-owned quarters; but since the Company's Works are situated in an area where other suitable housing is scarce, we shall have to continue enlarging our township to provide adequate accommodation for the majority of our staff. Substantial additional housing will be required also for the additional staff we shall be engaging for the expansion of the Works in the next few years. Therefore, to the extent that our resources will permit, the growth of the colony must go hand in hand with the growth of the Works. To meet the additional expenditure, we have requested the Government of India for assistance under the Subsidised Housing Scheme for Industrial Workers.

Labour

At the end of my speech last year I had referred to the deteriorating labour situation at Jamshedpur and to the illegal strike accompanied by violence, in August 1957, organised by the communist-led Jamshedpur Mazdoor Union as part of a campaign of disruption in most of the industrial establishments in Jamshedpur in preparation for the assault on the main target, namely, the Tata Iron and Steel Works.

As most of you are aware, this campaign came to a head in May this year in the Steel Works and the town of Jamshedpur and erupted in an orgy of violence. Thanks to the firmness of the Steel Company's Management, the strong action taken by the Government of Bihar to re-establish law and order and to the good sense of the men themselves, the communists failed to achieve their main purpose which was to oust the long-established INTUC leadership and to place themselves in full control of all labour at Jamshedpur. So far as our Company is concerned, we suffered only one day's stoppage as part of the backwash of the main struggle in the neighbouring Steel Works. In view of the illegality of the strike which took place in our

Works during the pendency of adjudication proceedings, the Company had no option but to take deterrent disciplinary action against the principal offenders. The labour situation in our Works returned to normal immediately and is better today than it has ever been. Discipline is being maintained, the men are working well and their morale is high.

Unfortunately, we have not up to now been able to re-establish as good relations as we would like to have with the Telco Workers' Union. After the failure of the Jamshedpur Mazdoor Union to capture the Labour Movement at Jamshedpur, the Telco Workers' Union has made special efforts to re-establish its leadership and control amongst our workers. I must confess I am disappointed at some aspects of this effort on their part as I feel that the way to acquire support and loyalty from the workers is by sustained constructive work and not by keeping them in a state of agitation through the maintenance of continuous disputes with the Management over minor points. I hope, however, that with mutual understanding, we shall in due course re-establish cordial relations and co-operation with the Union. Our men are amongst the highest paid in the industry. Besides good wages, they enjoy excellent conditions of work in a factory equipped with the best of modern machinery; they live in a beautiful township which provides them with high standards of housing, medical facilities and other amenities. They have a fine and safe future before them with varied opportunities for further training and advancement and the relations between them and Management have, on the whole, been excellent. Despite the intensive agitation to which they have been submitted during the last year, a great majority of them have maintained an independent outlook and a high morale.

In closing, I should like, on your behalf, to welcome our new General Manager, Mr. R. G. da Costa, and to offer our thanks to him and the able team of our officers and workers whose initiative and efforts were mainly responsible for the years' excellent results.

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

University of Bombay Department of Economics

WANTED one Senior and two Junior Research Officers in Monetary Economics in the grades of Rs. 500-25-800 and 300-25-600 plus D. A. and Provident Fund. Applicants must possess a good postgraduate degree and a research degree or have special research work in the subject to their credit. Higher starting salary may be given in deserving cases. Posts are tenable for five years. Eight copies of application in the prescribed form should reach the Registrar, University of Bombay, Bombay-1, on or before the 20th October, 1958.

The forms and further particulars may be obtained from the Registrar.

T. V. Chidambaram
UNIVERSITY REGISTRAR.

Bombay,
22nd September, 1958.

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Around Bombay Markets

Erratic Movements Set In

Thursday, Afternoon

AS indicated last week, erratic movements have commenced on the stock market. Price swings have been sharp and both ways. The market firmed up in the initial stages but met with a sizable setback on unloading by bull operators. As soon as these offerings dried up, the market once again staged a recovery under the lead of Tata Steel and Tata Loco but on the last day of the settlement period, heavy liquidation by a prominent bull operator in Tata Steel unnerved the market and barring Indian Iron, the entire industrial list suffered a moderate setback. The new Investment Committee of the Life Insurance Corporation which held its first meeting on Tuesday afternoon is reported to have bought Government Securities and Bombay Municipal Debentures to the tune of Rs 2 crores, while purchases of preference shares, electric, bank, and a few industrial equities have also been effected. This no doubt heartened the market to some extent but the enthusiasm proved short lived. Towards the end of the week, there were rumours of purchases of Indian Iron by L I C but these were not confirmed in well informed circles. Calcutta operators are reported to have made large purchases of this scrip in expectation of an early decision on the issue of bonus shares, and the quotation was pushed up to Rs 26.50 from Rs 26.

As hinted, the market is now likely to meet resistance in any fresh upward trend. After the recent sharp rise, there is likelihood of a further modest setback in values as the technical position is not reported to be healthy. Though most short sales have been covered up and bull operators have booked profits, the bullish craze may not easily relax its grip. However, most of the bullish factors have been discounted at the present level of prices and, as such, follow-up support is not expected to be forthcoming. In the new settlement, Tata Steels, Tata Locomotive, Century are to be listed ex-dividend.

The gilt-edged market has already entered a dull phase as the

demand for bank funds is expected to increase from next month. Banks are not interested in making fresh commitments. Bank shares were steady to firm while Electric scrips spurted on reports of L I C purchases but subsequently reacted partially. New India was a steady feature.

Tata Steels as well as Indian Iron recorded new peak levels for the year so far. Textiles followed the upward trend reluctantly in view of discouraging advices from the piece-goods market. Recent gains were completely erased as the market received a damper from the observation of the Chairman of Bombay Dyeing that there was no intention whatsoever to increase the capital. Century which received some fillip on rumours of better earnings also came down. Swadeshi dropped to a new low level after several weeks while Kohinoor also relapsed.

Tata Locomotive was a bright spot but as the earnings for the current year are not likely to show any notable increase and as the shareholders are to be asked to subscribe to new capital of Rs 3 crores at a stroke, the feeling turned somewhat hesitant.

Premier Construction which had been a bright spot on hopes of bonus issue dropped by 10 points from the highest levels. Bombay Burmah was a soft feature. Scindia Steams met with selling pressure at every rally. Sugar shares also reacted from the recent peak levels. National Rayon met with the same fate while Voltas which had been boosted up on hopes of an easier foreign exchange situation reacted partially.

Prices Crash

Cotton prices have crashed down to a new low level after a lapse of more than a year. The debacle is attributable to excellent crop prospects as well as apathetic demand from spinners. The expected export quota for new cotton as well as relief in export duty have failed to materialise so far. The general feeling is that even if an export quota is announced, overseas buyers would not be

too eager to take up large commitments though exporters are picking up moderate quantities on the spot market in anticipation, I C C March which was selling at Rs 666 three weeks back has come down to Rs 633 and it looks that so long as activity on the cloth market does not revive, the cotton market may not be expected to stage any notable recovery.

Selling Pressure

The oilseeds market is encountering selling pressure. Though the set-back is not material, buyers are hesitant as very little export business is passing at the moment, while new crop prospects are also good. The new groundnut crop in kernels is estimated at 24 lakh tons against 21 lakh tons last year. The sowing of castor seeds is still to commence.

Stock Offtake

The bullion market received some impetus from the Far Eastern situation, but the best levels could not be maintained due to larger arrivals as well as slack off-take on account of 'Shradha' days.

Prices of Gram, Gram Dal, Barley and Peas

THE Central Government has issued an Order under subsection 3(a) of Section 3 of the Essential Commodities Act 1955, enabling it to fix the prices at which gram, gram dal and barley should be sold. The Order applies to the States of Madhya Pradesh, Punjab, Rajasthan and Uttar Pradesh.

The Notification issued in this connection will remain in force till mid-December.

Another order has also been issued under the same Section of the Essential Commodities Act enabling the Government to fix the prices at which peas can be sold in the State of Uttar Pradesh. This will also remain in force till mid-December.

The Notifications have been issued with a view to controlling the rise in prices and preventing the hoarding of the commodities mentioned, in the respective States.

CURRENT STATISTICS

BANKING RETURNS					INDEX NUMBER OF WHOLESALE PRICES				
Rs Crores					(Base : 1952-53=100)				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago	WEEK		ENDED		
					6-9-58	30-8-58	9-8-58	7- -57	
1. Note circulation	1529.73	1542.45	1550.72	1473.36	Group and Sub-Group				
2. Rupee Coin	138.52	137.12	135.57	134.60	Food Articles	121.1	121.4	119.4	109.6
3. Deposits					Cereals	115.0	115.5	112.4	108.7
a) Central					Pulses	103.6	104.8	99.8	83.3
Government's	53.18	60.54	63.59	49.05	Fruits & Veg.	122.2	124.9	121.8	128.9
b) Banks'	98.18	92.16	95.28	97.83	Milk and Ghee	109.1	109.1	110.1	110.2
c) Other					Edible Oils	130.2	128.9	129.3	127.7
Government's	20.83	11.00	16.82	11.28	Fish, Eggs & Meat	114.1	116.4	114.6	103.5
Others'	113.88	113.56	144.65	111.28	Sugar & Gur	136.1	135.8	134.8	109.7
4. Foreign Securities	169.68	169.68	179.68	336.55	Others	157.6	157.6	154.3	131.9
5. Balances held abroad	15.31	14.68	14.86	23.38	Liquor and Tobacco	90.5	90.7	89.4	92.7
6. Rupee Securities	1129.38	1129.38	1139.23	925.93	Tobacco	88.6	88.8	87.4	91.0
7. Investments	301.07	302.77	339.05	194.71	Fuel, Power, Light & Lubricants	115.9	115.9	116.1	115.0
8. Loans and advances to Governments	13.08	17.44	15.44	44.21	Industrial Raw Materials	118.8	117.7	119.0	115.1
9. Other loans and advances	54.69	50.54	51.52	73.02	Fibres	109.0	109.1	111.6	114.1
Scheduled Banks					Oilseeds	134.0	132.5	133.2	120.5
1. Demand liabilities (net)	729.27	715.72	717.42	700.68	Minerals	107.3	107.3	107.3	109.5
2. Time Liabilities	845.93	850.30	853.15	612.16	Others	106.0	106.7	107.2	107.4
3. Cash on hand	39.92	37.48	39.14	37.63	Manufactures	108.8	108.7	109.0	108.6
4. Borrowings from Reserve Bank	2.58	5.96	4.56	28.30	Intermediate Products	111.4	111.0	112.6	106.9
of which against Usance Bills	1.71	4.52	3.28	26.78	Finished Products	108.4	108.3	108.4	108.8
5. Advances and Bills discounted	811.86	815.67	832.97	789.50	Textiles	103.7	103.9	104.3	103.5
of which State Bank's	165.13	104.96	170.56	158.09	Cotton	111.7	111.7	111.2	117.4
6. Invst. in Govt. Sec. of which State Bank's	548.59	578.01	553.81	375.62	Jute	82.2	87.9	90.6	98.4
Cheque Clearance	161.78	157.34	163.24	152.06	Woollen	105.9	105.9	105.9	103.0
					Silk & Rayon	95.7	95.7	95.7	83.2
					Metal Products	143.0	143.0	143.0	143.3
					Chemicals	108.8	108.1	105.0	98.5
					Machinery and Trans Equipment	108.5	103.4	103.4	101.7
					Oilcakes	135.0	133.6	135.1	110.8
					Others	113.8	113.6	113.5	110.5
					All Commodities	116.4	116.3	115.6	110.0

FOREIGN TRADE OF INDIA

(Merchandise Value, Rs lakhs)				
Year/Month	Imports	Exports*	+ or -	
1956	808.73	613.46	— 195.27	
1957	1,025.82	642.85	— 382.97	
1956 July	59.40	43.03	— 16.37	
Aug	66.56	51.30	— 15.24	
Sept	76.90	51.06	— 25.84	
Oct	70.47	54.33	— 16.14	
Nov	69.96	57.47	— 12.49	
Dec	69.36	57.95	— 11.39	
1957 Jan	78.00	55.27	— 22.73	
Feb	70.60	54.44	— 16.16	
Mar	79.41	53.94	— 25.47	
Apr	89.40	47.85	— 41.55	
May	85.38	52.83	— 32.55	
June	86.23	48.34	— 37.89	
July	81.13	55.79	— 25.34	
Aug	80.98	60.25	— 20.73	
Sept	83.29	61.55	— 21.74	
Oct	73.07	53.64	— 19.43	
Nov	78.18	59.02	— 19.16	
Dec	66.58	54.59	— 11.99	
1958 Jan	66.05	55.27	— 10.78	
Feb	66.21	54.44	— 11.77	
Mar	70.56	46.73	— 23.83	
Apr	60.00	41.73	— 18.27	
May	63.24	44.71	— 18.53	
June	63.93	28.12	— 35.81	
July	66.79	54.31	— 12.48	

*Including re-exports

Source: DCIS, Calcutta

PLAN OUTLAYS FOR 1959-61 AND 1956-61

Original Allocations (1956-61)		Outlay (1956-59)		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 'A'		Outlay (1959-61) Part 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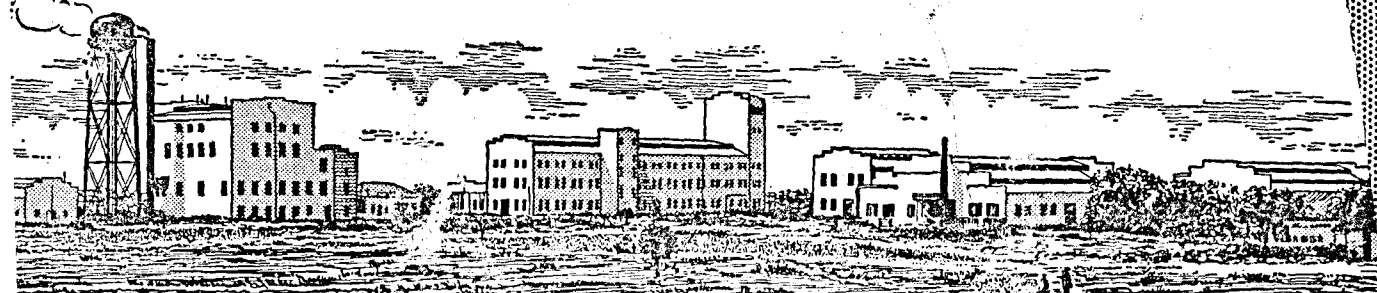
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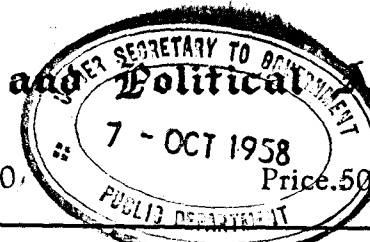
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Fund-Bank Meeting

THIS is the first time that the Annual Meeting of the Fund and the Bank will be held on Asian soil. Neither of these institutions lack knowledge of India. In fact, this country has the closest relations with both of them and, for the past several years, there have been continuous exchange of visits of the officials of the Reserve Bank and the Finance Ministry on the one hand and those of the Fund and the Bank on the other. But the Annual Meeting is altogether a different affair. As many as 66 countries will be participating in this meeting and the delegations sent out by each country will be led by the Finance Minister or the Economic Minister of the country concerned, and a hand-picked team of top financial experts and officials. Among the observers would be the representatives of a number of international institutions like the Bank of International Settlement, GATT, EEC and several agencies of the United Nations. Besides the official delegations, a large number of special guests, from the front rank of industry and finance in Western Europe and America, have also been invited to attend.

For many members of this vast assembly, it will be their first exposure, however brief, to a country and people very much different from those they have been familiar with. They will be brought into direct contact with problems vastly different from theirs, and, also, with ways of thinking to which, by virtue of their upbringing and mental make-up, they have for long been resistant.

This exposure and an exchange of views, which the meeting will make possible, would be an immense gain both for this country and for the others, the mutual dependence between whom has been growing over the past few years, a dependence which bids fair to increase much faster in the years to come. All these visitors will be pitched forth, in a way, into the heart of the struggle, and will have an opportunity to watch at first hand the endeavour that has been going on to lift this country from stagnation and arrested development to a stage where self-sustained economic growth may be possible. The magnitude of this task, in which this country is engaged, is colossal, and its complexity and ramifications are equally vast. A brief exposure may not be enough to induce sustained thinking and understanding, but it should be stimulating and at least initiate the process and set it going.

India is happy to have this opportunity of playing host this year to the Fund and the Bank, as also IFC, for their Annual Meeting, for she has not only benefited greatly from these institutions, but she also happens to be one of the five major shareholders. But in many respects, her position is somewhat different from that of the other four.

India has accepted a socialistic pattern of society as her professed goal, she stands for neutrality and remains uncommitted. It has taken her years of sustained effort, pursued steadfastly, and at considerable risk to her own interests, to have her position accepted and to win recognition for the rightness of her stand. India's economic plans did not, perhaps, have to overcome the same degree of resistance, but she does find herself sometimes in an awkward position when U N agencies, which profess

to promote harmonious international economic relations, tend to identify themselves with the system of free enterprise, and the tenets of this doctrine impinge dangerously on its policies. It will be something of a shock, perhaps, for the distinguished visitors to find that the majority of Indians do not look back nostalgically to the golden age of Capitalism when the flow of international capital was free and unimpeded. Even in its heyday, such capital did not flow in equal abundance, nor with equally fruitful results, to over-populated and underdeveloped countries. The bulk of such capital went to areas of scarce population, along with a steady outflow of emigrants from Europe.

That is not to say that India does not need or want foreign capital. That she does and will continue to do, in much larger volume than she has received so far, if the planned development on which the country has launched is to attain its consummation. That will not be with the successful accomplishment of the Third or the Fourth Plan, but may well take even longer. Until economic development and social change has gone on far enough, to ensure steady, self-sustained growth, the need for capital will remain enormous and urgent. Naturally, therefore, India's attitude to the functions and policies of the international financial agencies, capital import and to the problems of balance of payments is necessarily influenced by her own requirements which are not much different from those of other underdeveloped countries which have similarly launched upon programmes of economic development.

It is for India, therefore, to put up her case and the case of the other underdeveloped countries before this august assembly in New Delhi. How far have the Fund and the Bank appreciated our problems and in what respects do we need a modification in their attitudes and policies? The Bank has been extremely active and helpful. Its initiative in getting together India's creditor countries to come to our aid at a time when we were faced with an immediate payments problem has been most creditable. Its assistance, so far, has been generous and substantial.

Even so, some of its policies call for modification. The project approach has conspicuous merits from the point of view of the Bank, but has not sufficient experience accumulated to suggest the need for change? When the Bank is generally satisfied about the soundness of the plan which a country has undertaken and in the execution of which it has shown responsible competence, in such circumstances, surely, a large measure of liberalisation is called for not only in the amount of assistance it can give, but also in the basis of its loans as well as the method of their disbursement. Even when the Bank approves of a project, the borrowing country has no assurance or certainty that it can draw upon the funds which may be eventually made available. This is so very necessary for it to go ahead with confidence.

Moreover, it is not enough for balanced growth to provide the foreign exchange components of the particular projects which the Bank may approve and decide to finance. Planned development invariably generates some indirect or induced demand for imports which has necessarily to be met, if the tempo of development is not to be slowed down, which will, in most cases, give a sharp jolt or set back to the entire economy. The articles empower the Bank to give such loans but they have been given only to the integrated development project in South Italy.

At bottom, the problem of international finance is that of syphoning off surpluses from where they accumulate to the other parts of the world where they are most urgently required and where they can be most fruitfully employed. This is the job for both the Bank and the Fund. How best the task can be shared between them is a matter of convenience though this is not how international bankers look at the problem. The Bank has been doing this job by selling its bonds in the world capital markets wherever they can be placed successfully. There is nothing to prevent it from tapping the central reserves of the countries which have sizeable surpluses directly. The Fund can do the same and borrow in order to augment its resources.

It is gratifying to note that the

Fund also has gone some way towards appreciating the problems of underdeveloped countries. This it has done in so far as it has recognised that the reduction in India's monetary reserves was deliberately planned in order to finance development, though it was "perhaps greater or more rapid than had been anticipated." Nevertheless, the temporary payments deficits which the Fund feels it should be called upon to meet are still the conventional ones—seasonal, cyclical or emergency.

The sort of deficit which an underdeveloped country bent upon development has necessarily to face does not yet figure among its accepted canons. This rather puzzles the underdeveloped countries who smell danger in the Fund's homely advice of monetary discipline when the resources of the Fund are made freely available under the all-embracing criteria of emergency to some countries to save them from the consequence of their aggressive misadventure which seem to others to be entirely inconsistent with the fundamental tenets of the United Nations. The irony of it is that Keynes, the leading sponsor of the Fund, had wanted the institution he had in mind to use its resources for the 'financial blockade of international delinquents'. This is not to suggest, by any means, that the Fund's articles have so far been interpreted in any way or applied in practice to the detriment of underdeveloped countries. But while proposing a substantial increase in the resources of both the Fund and the Bank, which is certainly called for, it would be appropriate to add a proviso. It is the underdeveloped countries which may have more occasions to avail of these resources in the future than the others and the policies of the Fund need to be modified to meet their special problems. The Fund had been inactive to outward appearances for a long time before it was whipped into activity by the Suez crisis. This period of comparative inactivity, we have been assured, was used to get its working methods fully organised. But it has yet to evolve a clear line of policy to meet the balance of payments problems of developing economies which want to pull themselves up.

Commonwealth Looks Outwards

BRITAIN chose to announce at the Montreal Conference some fresh measures for stimulating the flow of capital to Commonwealth countries. This was calculated to mollify those Commonwealth countries which have suffered a fairly severe decline in their terms of trade, and from which, incidentally, Britain has gained a part of the increase in her foreign exchange reserves. Britain is, in fact, better placed today than at any time since the war to invest large amounts abroad. Though British spokesmen have accepted the need of price stabilisation for primary products, they have—understandably, in view of the necessity for international collaboration in the matter—been unable to offer anything in practical terms to the suffering members, except for a sop to Australia in the shape of an offer to consider joining the International Wheat Agreement and indictment of restrictions placed by the U S recently on imports of lead and zinc.

The British Chancellor of the Exchequer utilised the occasion for reeling off the figures of British capital which has flowed into sterling Commonwealth countries in recent years. In no sterling country in the Commonwealth has the proportion been less than two-thirds, and there are some in which it has been as high as five-sixths of the total. Following up this recital of past performance, the Chancellor announced that subordinate authorities like public utility undertakings of underdeveloped member countries would now be allowed to borrow in London for 'very urgent' needs. So far this facility was open to Governments only. His Government has also decided, he added, to supplement World Bank assistance for such basic services as transport, power, etc, by initiating a system of Commonwealth economic assistance loans. A 'major departure of policy' contemplated is the proposal to offer credits under Export Credit Guarantee at the U K Government's borrowing rate plus a management charge of ¼ per cent, a rate which would also apply to economic assistance loans. These proposals amount to creating a nucleus for an export-import bank for the Commonwealth which in

addition to financing needy countries would also help Britain face competition from Germany and other rivals.

Dependent as overseas members thus are on Britain for capital and as the largest single market for most of their exports, little would have been achieved had they—especially Australia and New Zealand—insisted on firm guarantees for their agricultural products. This would, in any case, have been inconsistent with the declared intention of the members of the Montreal Conference to expand the area of multilateral trade and not to make overt bargains. In her eagerness to protect domestic agricultural interests, however, Britain has clearly acted in a manner that is less than fair to her partners from the antipodes, who would now be forced to alter their economic structure in the interests of a perverse multilateralism which will continue to shelter high-cost European agriculture at their expense. The Conference has, nevertheless, expressed itself in favour of price stabilisation measures with the collaboration of powerful non-Commonwealth countries like the U S, while Britain has reaffirmed her intention of keeping her doors open to imports of manufactured goods from underdeveloped countries. Such measures have been talked about off and on for a number of years but without much success. The entry of the Communist bloc into primary markets may now, however, induce some sense of urgency and unity in setting up a stabilisation mechanism. The latter announcement should help scotch Lancashire protests which have, at times, sought to create the erroneous impression that Britain alone is paying the price for free Commonwealth trade.

The Conference has been completely successful in one thing, however, viz, in bringing Canada closer to the sterling area. Canada's exports have for the last two years been hindered to such an extent by the disposal of U S surplus commodities that she has been compelled to cultivate sterling area customers. Britain has obliged her by liberalising her imports of dollar goods and expects in return a reduction of her unfavourable

balance with Canada through larger exports to that country, which the latter has already reciprocated with binding of import duties and larger quotas for British products. The closer association of Canada with the sterling area should help increase the flow of dollars into the area's reserves and also make available larger grants and loans to its needy members. Canada's Finance Minister has undertaken to double her subscription to the World Bank in addition to increasing her quota for the International Monetary Fund and contribution to Colombo Plan funds by 50 per cent each.

The emphasis on mutual consultation and avoidance of bargaining at the Conference has blossomed into a final decision on the ultimate full convertibility of sterling which, for the first time, obliges Britain to "take into account the interests of the Commonwealth as a whole" before confronting her partners with a fait accompli as she did with devaluation in 1949. The timing of convertibility, however, will naturally depend on the pace of increase in gold and dollar reserves and the success which attends export promotion.

The Montreal Conference did not throw much light on the future of Imperial Preference as one of the binding links of Commonwealth trade. No change is contemplated, it has been explicitly stated, in the structure of preferential duties either in the near future or even when the European free trade area is established. In post-war years, these duties had become so intertwined with discriminatory currency practices that removal of the latter with successive doses of multilateralism is bound to uncover their continuing importance for all the partners in a greater or lesser measure. The coming into effect of the European Common Market by then would, therefore, raise a number of problems in reconciling free trade with Imperial Preference. How these would be solved has still to be investigated fully. In the meanwhile, the Commonwealth (and Empire) has decided to take the plunge into expanding world trade by deciding to re-open the doors it had endeavoured to close at Ottawa.

Weekly Notes

Belated Spurt for Fertilisers

WAS it the fatal fascination for steel which prevented the Government from going in for production of fertilisers in a big way? By now it is pretty obvious however, that the same short-sightedness which delayed the development of steel by so many years, also inhibited energetic action in the case of fertilisers. True, superficially, one may also blame it on the mistaken policy of reserving the manufacture of fertilisers to the public sector on purely ideological grounds, as was done in the Industrial Policy Statement of 1956. Fertilisers, however, were not included in the Schedule 'A' which specified the industries which were to be "the exclusive responsibility of the State", but in Schedule 'B' which were to be "progressively State-owned, but, at the same time, private enterprise will be expected to supplement the efforts of the State in these fields". There was nothing in the industrial policy statement, therefore, to prevent the manufacture of fertilisers in the private sector, though it is common knowledge that the Government did turn down a proposition from the latter quarter. The circumstances under which this decision was taken, the terms and conditions subject to which the offer was made, or even whether it was a firm offer at all, on these questions there has been much speculation, but not much light has been thrown on them.

Just as the development of steel was put into cold storage in the beginning of the First Plan because the Government was scared of repeating another Sindri scandal and the advisors of the Government were misled by the easier supply situation in world markets, in the case of fertilisers, also it is quite possible that similar factors were at work. Government did not and could not anticipate the demand that developed in the last few years. That the Indian peasant would take so avidly to the use of chemical fertilisers was unbelievable; when it began to show up, both agricultural experts and others were sceptical. The situation, however, has changed so

unexpectedly that Government finds itself faced with demand which it cannot meet. Even tea plantations, top foreign exchange earners, will get only 50 per cent of their requirement.

Ministers Differ

ANYWAY, it is better late than never. Government has at last given a high priority to the manufacture of fertilisers and "thought it advisable to take the help of the private sector also in the setting up of new factories". Speaking at the Annual Meeting of the Fertiliser Manufacturers' Association, Shri Lalbahadur Shastri expressed confidence that the Plan target of 3.80 lakh tons of Nitrogenous fertilisers would be achieved even though later than 1961. The Food Minister did not seem to agree. He conceded that Sindri production could be augmented and that new plants might also be set up at Nangal, Rourkela and Nivelli but the planned targets of the other factories, he challenged, had not moved beyond the paper stage. Even the contracts for the import of the needed machinery, he said, had not been signed.

Poor Shri Jain, he is heckled when there is food shortage but does not have adequate pull to get enough fertilisers or the necessary foreign exchange, and production of fertilisers is someone else's responsibility. Anyway, however slow the progress, it is not ideological difficulties which is any longer holding up the fertiliser programme, for Shri Lalbahadur Shastri made it clear that the Government had decided to seek help of private enterprise—Indian and foreign—for setting up more fertiliser factories.

Passeth Understanding

THE Planning Commission published a Memorandum on the Appraisal and Prospects of the Second Five Year Plan only last May. And within a period of four months now, the Commission has come out with its Reappraisal. This shows how alert and watchful the Commission is! Of course, at this rate, how many re-appraisals there would be, one has only to guess.

The size of the public sector plan, according to the Reappraisal, would

have to be Rs 4,650 crores, to realise the real targets of the Part A of the modified Plan (of Rs 4,500 crores) of the Appraisal. This is the Part which is a 'must'—Part B is detachable and is to be taken up only if resources permit. The total resources, however, are now expected to be between Rs 4,300 to Rs 4,350 crores instead of Rs 4,260 crores. Thus, the resources gap is now wider—Rs 300 to 350 crores, instead of Rs 240 crores mentioned in the Appraisal.

The Reappraisal makes it clear that the gap in the resources concerns only internal resources. "In view of the efforts which have been and are being made to obtain foreign exchange resources, the central problem in the present reappraisal of the Plan is the magnitude of international resources" As in the Appraisal, here also, we are not told what exactly are the specific physical internal resources, which are proving a bottleneck to the Plan implementation. That there can be no shortage of financial resources, should be clear to any country with a central bank. Then, what could be the internal resources, which are proving inadequate for the task? This question remains unanswered in this Reappraisal.

The level of the required additional foreign exchange resources has been raised from Rs 500 crores to Rs 560 crores on the assumption that more than normal imports of food would be financed through aid received under P L 480.

The Reappraisal, at the end, gives the real physical targets that would be attained by the end of the Plan-period. It mentions that the original Plan targets would not be realised in any branch of the non-agricultural sector; the real targets that would be attained would be lower than the original targets in respect of irrigation, power, industry, minerals, transport and communication. After mentioning all these, the Reappraisal comes to the surprising conclusion that "in the non-agricultural sectors, the increase in national income may be close to the level suggested in the Plan" (p 20). Like the peace of the Bible, this logic of the Commission too "passeth understanding".

The Unlikely Coup

FEW things in politics are utterly unambiguous; but one of these few is a coup d'etat. When a coup takes place, it is easily and universally recognisable. Not so, however, in the case of last week's developments in Burma. Seven days after the civil administration gave way to the army, there is still no clear answer to the question: Was it a coup?

Those who say it was, point out the undeniable fact that the U Nu Government had been steadily exciting the disapproval of the army in recent months. The soldiers, who had to do the actual task of hard fighting against the insurgents, naturally disliked the extremely liberal terms on which the Prime Minister sought to win over the rebels to a parliamentary and democratic mode of opposition. Army hostility mounted further when the newly legalised Communist party declared candidly at its first convention that its aim would be to impose a one-party rule on the country. Worst of all, the rebel surrender was far from complete; and of the 3,000 or so arms that the insurgents were expected to lay down, less than 700 were actually relinquished.

As far as the soldiers could see, this was offering the country to the Communists on a silver platter. Their threat in the jungles had not ended; and they had been given an additional, legal foothold in politics. What was more, the split in the ruling AFPFL was driving U Nu to rely more and more on Communist or near-Communist support. In the circumstances, there was only one thing left to do—and that was to remove U Nu from the helm of affairs and let the army take over.

It is a plausible theory, and may well be right—except that it has one serious flaw. General Ne Win seems to have played too passive a role for such a part. No sparks flew in Rangoon last Friday, even in speech, let alone action. So much diplomatic finesse in a military coup seems incredible.

Was it, then, not a coup at all? Are appearances deceptive and has the General agreed to intervene temporarily at the invitation of U Nu himself? The supporters of this theory declare that the Prime Minister got scared of the

extreme-left supporters he had marshalled behind him; and feeling that they were getting out of hand, summoned the army. That, again, is not impossible—except that that again has a flaw. A serious one. Would the Communists and their fellow-travellers, seeing that U Nu was giving way at the knees, have kept on driving him relentlessly towards utter collapse? Surely the Communists would not hasten the fall of the only man in the Government who seemed to them to be playing the game?

Divided AFPFL

ANOTHER point which militates against the acceptance of this theory of U Nu having himself summoned the army to take over from him, is that his own faction of the divided AFPFL was only recently denouncing "bad Army officers" for dabbling in politics. This would seem to suggest that the Prime Minister was fearing a joint conspiracy by the AFPFL Opposition and the army. In these circumstances, to take the army into confidence would have been to invite a Trojan horse.

Still another theory is that General Ne Win himself took the initiative in asking U Nu to quit, in an endeavour to restrain and forestall the "hot-heads" in his own ranks who were getting out of hand. How far that is true, it is impossible at this stage to say. But even this possible explanation suffers from the grave defect of over-simplification. It assumes that General Ne Win himself was not particularly keen on the coup (for in this case it must have been a coup) but that he helped to throw U Nu out merely to oblige a small but mutinous group under his command. If that were so, would not the General have rather appraised the Prime Minister of this embryonic danger within the army and sought a necessary change in policy? Would not U Nu himself have preferred, if such were indeed the facts, to remain in power with the support of the army rather than abdicate with its support?

Clearly it is impossible to get at the truth at this stage. It lies buried in too much speculation, and will not emerge until the "inside story" of the 72 hours immediately preceding U Nu's broadcast of last Friday breaks out. But for the moment, there are two features of the developments to welcome and

two to fear. It is gratifying that the coup, if it really was one, has been bloodless; equally gratifying that the army's promise of a general election is not in the vague tradition of such promises, but specifically for April next year. The first danger, however, is that democratic processes are usually more difficult to restore than to suspend; and the promise of a Summer election is a promise, while army rule today is a fact. Secondly—and this is the most serious question of all—how will the Communists react to this dramatic development? It must be borne in mind that they have still not disbanded in the forests and that their strength is still great enough to tempt them to launch another era of blood and arson in the country.

There is only one happy ending this story can have. The army keeps the peace and holds the elections as scheduled and steps aside; and all this time the Communists in Rangoon as well as in rebel areas co-operate. But that sounds like asking for too much.

The Fifth Republic

THE French referendum has in no way upset foregone conclusions. The people of France have voted overwhelmingly for the new Constitution, not because they necessarily approve of its provisions—most of them have hardly bothered to study them—but because the choice placed before them was De Gaulle or Chaos. In playing for safety they may well have run into serious danger; it does not depend entirely on the General's intentions. But as far as his people are concerned, they have voted themselves cheerfully into what they regard as restricted freedom. But they do not know what they are in for.

Three surprises came, however, from the African territories of France. What accounts for so excessive a poll in Algeria? Obviously the number of Muslims who voted "yes" was vastly more than anyone had expected. This will no doubt be taken in Paris as indicating that not all—by no means all, in fact—the Algerians pine for complete independence. Perhaps the nationalists made a grave mistake in boycotting the poll; if they had mustered all their strength to promote a negative vote, they might have tipped the scale against the General. Perhaps the conditions created by the French in Algeria

were such that it was more practical for the nationalists to abstain.

But most likely of all, the explanation may be that the referendum looked materially different from Africa than from Paris. The French at home were voting for what they hoped would be political stability and General Charles de Gaulle, the hero of Lorraine; but the Africans were presented with a choice between political independence or seeming economic ruin. The second surprise is that the little state of French Guinea accepted the challenge and opted to be sovereign. The third is that, while this decision of the Guinea was known a number of days before the polling, the rest of French Africa did not catch the patriotic infection and follow suit.

However, there is no doubt they will. French Guinea has only to prove itself viable—and it is sufficiently well endowed in basic wealth to be able to do so—and the others will take the plunge. Nor indeed will Guinea have to rely entirely on its own resources for its success to stand on its feet. Every one of the newly free African States will rally to its aid. And so will the rich and power rivals of the cold war.

Letters to the Editor

'A Bitter Lesson'

THERE is an easily identifiable reference to some observations of mine in regard to foreign exchange in the first paragraph of an article entitled 'A Bitter Lesson' on page 1098 of the August 23, 1958 issue of your journal 'The Economic Weekly'. I do not know how the writer gathered the impression that I disclaim even constructive responsibility for the mismanagement of the nation's foreign exchange in 1956.

As I understand the term, constructive responsibility is something short of personal responsibility and is relevant vis-a-vis an authority to which the responsible official is accountable, e.g. a minister to the Parliament. The acceptance of constructive responsibility results normally in the resignation of the minister concerned. Where a minister has already resigned there is nothing much to be gained by a minister denying constructive responsibility. What remains impor-

tant, however, is personal responsibility for the correctness of the historical record.

It is this latter, i.e. the historical record, that I am anxious to set right, if necessary after a judicial enquiry. A minister who has paid whatever penalty prevails in regard to constructive responsibility is, nevertheless, or, indeed, all the more so, entitled to have a fair in-

Seamen and Shipping Bill

ALLOW me to express through your columns the amazement of a layman, unversed in the ways of Parliamentary procedure, at the spectacle of cheerful casualness with which the 461-Clause Indian Merchant Shipping Bill was chopped away Clause by Clause in a matter of some ten hours and bundled off to the upper House as though it were of no more importance than a carcass of chilled meat.

One fails to understand how, after months and months of frantic controversy that had raged over just one item, that of foreign participation, when the Government had finally accepted the old provision of 25%-75% ratio and the flames had all but died down, the matter could not only be revived in the House, but engage its attention for 75% of the time as well. We, the representatives of seamen and officers who had come to Delhi in the hope that now perhaps the Government will be able to see wood for the trees and pay some attention to the grievances of seamen and officers who and whose rights were vitally affected by many provisions in the Bill, carry back with us memories of unashamed lobbyism in the interest of capital coupled with studied indifference to all interest of labour.

This Bill was highly momentous from the point of view of maritime labour, both officers and men, and I may assure you, Sir, that maritime labour is quite unconcerned as to how much of the profit he helps to earn goes to whose pocket. In fact we know from bitter experience that every time a British owned vessel changed hands on this coast, the manning scale was invariably lowered, the new Indian owner taking advantage of the fact that there is no fixed manning

vestigation made of personal responsibility. This is what has been denied to me. I am one of those who believe that a man should be man enough to take his medicine!

C D Deshmukh

University Grants Commission,
Old Mill Road
New Delhi-2.
August 29.

scale laid down by the Government. Today an Indian vessel of 9000 g.r.t. employs far less men in all the three categories of seamen than a British owned ship of 7000 g.r.t. engaged in a similar trade. The seamen are unconcerned, therefore, about Foreign Participation.

As for national emergencies and divided loyalties and other clap trap, if a Sovereign National Government cannot safeguard these by careful legislation and executive action and has to be guided like a child by 'patriotic' vested interests in formulating major policies of State, then that Government has surely something of a major ailment.

"Home Trade" Officers, some 300 of whom are vitally affected by the new definition, had to be content with just a gesture of goodwill from the jovial and well meaning Shri Raj Bahadur who waived the whole thing aside with patronising good humour. Clause 150, whose fate the Trade Unions of seamen all over India were awaiting with bated breath was brushed aside by the formidable Shri S. K. Patil who at once confessed that he was a great friend of labour but offered the strange excuse that since most of our seamen were engaged by Foreign Shipowners, an award that went against these owners, if implemented, may induce them to recruit labour elsewhere. This was told to people who do not understand, in the first place, why adjudication should be compulsory to start with, because in voluntary adjudication the acceptance of an arbitrator's award is an agreed basis for a beginning.

But 'the aye-s have it'.

Lokesh C Ghatak,
President, Seamen's Association,
Bombay
September 20.

Frustration of the Opposition

(From Our Parliamentary Correspondent)

IF the last week of the monsoon session of Parliament closed with an exciting debate on the Privilege motion sponsored by Shri M R Masani in the Lok Sabha alleging contempt of Parliament by the Chief Minister of Kerala, it commenced with the Rajya Sabha putting the Second Five Year Plan on the mat. The Planning Minister, while covering more or less the same ground as in the Lok Sabha, added the spicy after-thought that the 'Reappraisal' by the Planning Commission, was a somewhat superfluous document, which could well have remained unpublished. By estimating that the Plan outlay was going to exceed by Rs 150 crores the earlier estimate of Rs. 4500 crores, the document had placed the Commission in an invidious position. Shri Nanda was sure that it would not exceed the latter figure but he was not sure whether it would attain even that.

The critics who regard the Plan as over-ambitious could now say that the Commission was trying to lay too many eggs without counting the number of those which could be effectively and properly hatched. Apart from the expected shortfall of external or foreign exchange resources, the fulfilment of the target outlay is dependent on vital internal factors, such as the rate of savings, the extent to which tax evasion can be curbed, the part which the States would play in raising the resources falling to their share, the ability to hold the price line and control the inflationary tendencies. A concession to these critics was the assurance, which Shri Nanda vouchsafed, that it was proposed to keep deficit financing to the limit of Rs 1,200 crores during the Plan period, implying thereby that if a situation arises where the limit had to be exceeded, the preference would be more towards limiting the outlay on the Plan than to finance it by printing more currency.

A few other points made by Shri Nanda may be mentioned. First, he was not happy about the cut in the provision of Social Services by about Rs 135 crores but that is unavoidable if the "core" of the Plan is not to be touched. Second-

ly, there would be some increase in the provision for agriculture, mainly in the States' outlay, which involves appropriate recognition of the signal importance of agricultural production as the base of the Plan structure. Thirdly, employment opportunities will diminish, though an effort is proposed to be made to rectify the deficiencies in this sphere—another one in which the 'Reappraisal' had sadly tripped—by necessary adjustments. Lastly, there cannot be a reduction in Plan expenditure without retarding the pace of development so far reached and without compromising the pace of future progress.

Motion on Kerala

The privilege motion on the Kerala Chief Minister's telegram, the debate on which was ultimately held over till the next session, far from being an isolated move, was the culmination of a series of attempts by the PSP and other groups to raise the question of law and order in Kerala in Parliament. In a sense it was an extraordinary motion. Apart from the fact that it is the Chief Minister of a State who is sought to be put in the dock, it involved two other vital constitutional questions—which had been implicit in the diverse moves and counter-moves on Kerala that were continuously proceeding throughout the session—one, pertaining to Centre-State relations, and the other, whether an official communication, marked confidential, from a State to the Central Government, is or is not a privileged document.

The last would provide an interesting issue for the Parliament or the Privileges Committee to decide, when the motion is finally voted upon. However, every question on the delicate and ticklish subject of Kerala, becomes essentially a political and partisan affair and this happened in the case of the Masani move also. The Communist group, after trying almost every parliamentary device to shortcircuit a debate on the privilege motion, both before and after the Speaker had ruled in favour of its admissibility, staged a walk out. It must be said that the Home Minister displayed sincere and good-intentioned anxiety to prevent the debate and

even a section of the Congress party showed genuine worry over it, either from considerations of official propriety or from the less commendable motive of avoiding a debate which would soon turn into a boomerang by encompassing the situation in some other Congress-governed States other than Kerala also.

On the whole therefore it was fortunate that when a debate did supervene, it was on the somewhat limited issue of privilege in respect of Nambudiripad's telegram and not a general, free-for-all discussion on law and order in that State, a number of efforts to raise one having been made earlier. Perseveringly and deftly the Speaker kept out such a debate, which would naturally have become a competition in recriminatory and acrimonious exchanges, in which Congress Governments in the other States would have been as much in the picture as the Communist Government in Kerala.

Monsoon Session

The session just closed was dominated by two issues, Kerala and food,—the Second Plan, and its 'Re-appraisal' which came in for incisive criticism at the hands of both Houses, being a close third. Food was the target for continuous attack and defence, against a background of rising food prices and a deteriorating food situation in Uttar Pradesh, Bihar and West Bengal in particular, and a State-wide satyagraha by opposition parties in Uttar Pradesh, and latterly in Calcutta. The price situation in these States continues to be a source of anxiety, though the worst seems to have passed.

A significant outcome of the food crisis which figured in debates and adjournment motions in Parliament was that the initiative in that regard was taken over by the Prime Minister. As a sequel, the Food Minister escaped from being bowled over by the inexorable onrush of Parliamentary criticism. Secondly, it raised the food problem into an all-party and non-partisan problem. The Central Consultative Committee of Members of Parliament on food, set up at Pandit Nehru's instance, has not indeed made any

brilliant or spectacular contribution to the solution of the problem, but it took the wind out of the sails of carping critics and pivoted attention on the central fact, which even the Prime Minister confessed to have overlooked, that increased food and agricultural production was the *sine qua non* of the success of the Plan and of national progress.

As for Kerala, it kept constantly popping in and out of the Parliamentary scene, and he would be a bold prophet who could assert that we have heard the last of the issue. There was the usual debate in both Houses on foreign affairs, and much concern was expressed in parliamentary circles first over West Asia and then on the Formosa developments. It may be noted in this context that when Pandit Nehru is on the scene, foreign affairs loom large, but when he is not present at Delhi, interest therein preceptibly wanes.

Adjournment and Walk-out

The session was notable for the large number of adjournment motions tabled (but not admitted) and the number of walk-outs staged by Opposition parties. The walk-out technique, which has been fairly familiar to the Lok Sabha, invaded the precincts of the Rajya Sabha too at the last session—when, probably for the first time, the Communist group had recourse to that step under the leadership of the irrepressible Shri Bhupesh Gupta. As regards adjournment motions, so great was their proportion that the Speaker, after vainly trying to restrain members from giving notice of them or raising them even without giving notice, indicated in clear terms the conditions that must govern such motions. While having to refer to a matter of definite, urgent public importance, which is, of course, the principal condition, they should not refer to matters within the jurisdiction of State Governments or outside the purview of the Centre. The fundamental point is that immediately an adjournment motion is admitted, it takes on the complexion of a motion of 'no confidence' to which different criteria and rules apply. On the other hand, if members want to draw attention to certain matters urgently, there are other devices and ways open to them, and these are more appropriate for raising a debate or compelling Government to make a state-

ment. The procedure indicated has nothing particularly new about it but it underscores important considerations relating to such motions.

A deeper significance, however, can be read in developments in this connection. It strikes observers of the parliamentary scene that adjournment motions and walk-outs are now a regular part of the parliamentary technique of Opposition parties, particularly the Communists. With a numerical strength comparatively insignificant in relation to the monolithic bulk of the official party, these methods come in very handy to them in registering their protest against Governmental doings or policies or in bringing to the notice of the public their own viewpoint.

As things stand, there is little prospect of any one opposition party displacing the Congress from the

Treasury benches in the near future, at least at the Centre. None of the parties, singly or in combination, can, ordinarily speaking, exercise any restraint or influence to any degree on the policies and working of Government through mere debate or argument or constructive criticism except when the latter itself chooses to be so influenced. As a means of demonstrating their disapproval of Government, and probably even as a means of wooing the electorate, the walk-out and adjournment motion, the latter despite the knowledge that there is little chance of any such motion being admitted, are therefore freely resorted to by the Opposition groups. The true import of these apparently constitutional manoeuvres lies in the fact that they point to the sense of frustration growing in Opposition ranks.

In the matter of the Companies Act, 1956
A N D

In the matter of sections 397, 398, 399,
404 and 403 of the Companies Act, 1956,
A N D

In the matter of Richardson & Cruddas Ltd.

By an order of the Calcutta High Court in the above matter, dated the 23rd April 1958, the undersigned has been confirmed as Special Officer to take charge of the affairs of the Company and manage the same.

The Special Officer is collecting materials for a report to the Calcutta High Court as to the shareholding in the above company. He will be grateful if parties holding share scrips will please notify to him the following particulars by the 31st October, 1958 :—

PARTICULARS

1. Face value of scrips.
2. Serial number of scrips and distinctive numbers of the shares.
3. Date and signature of Directors on scrips.
4. Any letter or document or evidence showing when the shares were registered or purported to be registered by the company.
5. The title of the holder to the scrip, the name of the last transferor, date of acquisition by the present holder, and any other material particulars regarding the devolution of the shares.

A true copy of the scrip, together with any endorsement thereon, certified by the party applying should accompany the particulars. Original scrips should not be sent. It is proposed to arrange for inspection of the original scrips on behalf of the Special Officer at a later date.

The statement of particulars should be addressed to:—

"The Special Officer,
Richardson & Cruddas Limited,
Post Box No. 965,
Calcutta"

and superscribed "SHARES".

Dated this 26th day of August, 1958.

D. N. MITRA,
Special Officer.

From the London End

Capital Loans under 'Export Credit'

THE British statement at Montreal on the organisation and terms of the future supply of British capital funds to the Commonwealth and Empire gives the impression that some significant departure from the existing policy is being contemplated. It is now intended to employ the Export Credit Guarantee Department to channel government-to-government loans, and this follows the recent up-grading of the E C G D, making it directly responsible to the President of the Board of Trade and more closely linked to the general economic policy of the Government.

Tied to British Exports

The previous policy on Commonwealth investment and capital flows was explicitly outlined in a White Paper ('The United Kingdom's Role in Commonwealth Development', Cmd 237, July 1957) issued just over a year ago which declared that the Government "does not envisage government to government loans as a normal means of assisting independent Commonwealth countries". It found that the existing pattern of private investment in government loans (raised on the London capital market) and in productive enterprises, goes some way to meet the manifold needs of these countries. Now, given the following interpretation of the Montreal announcement to be correct, independent countries may seek credits from the British Government under the Export Credit Guarantee Act; here the E C G D merely acts as an agent of the British Treasury and this new function is distinct from that where the E C G D covers export insurance risks.

The particular sections of the Export Credit Guarantee Act, which enable the E C G D to undertake the function of negotiating capital loans on behalf of the Treasury, establish the condition that the purpose of the Act, i.e., export promotion, will be adhered to in all circumstances. This, therefore, means that the British Government's decision to countenance government-to-government loans as a departure from the recently pursued policy has in fact been motivated by the need to maintain a high level of exports. For it follows that

all loans issued under the Montreal announcement will be rigorously tied to purchases in Britain. This is to be contrasted with the relative freedom of the Commonwealth countries to expend in any way the proceeds of sterling loans raised either in London or resulting from private capital inflows. This departure in British policy should be understood, therefore, against the background of British export aims and of the present weakening of many of Britain's traditional export markets.

Better Loan Prospects

The British policy of employing the E C G D as a channel for capital loans does, however, possess certain compensations. The servicing of loans raised in Britain through the E C G D is going to be considerably cheaper than such loans being raised directly on the London capital market. Under the Montreal scheme, loans raised by Commonwealth Governments through the E C G D will bear an interest charge equal to that which the U K Government would have to bear for its borrowing on the London market plus a handling charge of one-quarter per cent. It is estimated that at ruling rates the maximum which a Commonwealth borrower would have to pay is 6 per cent. Had Commonwealth borrowers gone direct to the London market, the service charge would be in the region of 7½ per cent, if not more.

Another possible compensation is the opportunity now afforded to countries like India, Pakistan and Ceylon, who would find in the normal course of events a most embarrassing lack of response from the London market for any loans they float, to go direct to the British Government for some of their capital needs. Indeed, given the knowledge that ECGD loans will be tied to U K exports, such loans can be negotiated with the minimum of publicity and no doubt with greater informality. It is as yet not clear whether the Treasury will undertake new borrowing on the market to match each loan the E C G D makes. What is likely is the passage of an 'enabling' Act in the next session of Parliament which would empower new Treasury bor-

rowings for the purposes of the Export Credit Guarantee Act. Then the machinery of finance for the E C G D will become clear. It is reported that the Indian loan of £38 mn. was negotiated in accordance with the new functions of the ECGD, and that this came out of a fund of £250 mn which the ECGD has for advances to foreign Governments.

German Countermove

While there can be little doubt that this British move will now find other capital exporting countries increasingly employing the principle of tied loans on a government-to-government basis, it is as well to note that in practice it is strongly implied in the financing that has taken place in Western countries under the general aegis of 'export credit'. In Western Germany a consortium of commercial banks has for long been pursuing a system of credit lines for short-term exports, and it is estimated that since the establishment of the consortium in 1952 up to the end of 1957, DM 6,410 mn of West German exports were made possible as a result of short-term export credit being made available. But there has been a new development in German export finance which may prove of some importance to long-term credit. This is the reappearance of the Kreditanstalt für Wiederaufbau (the Reconstruction Loan Corporation). The KfW had in the past operated with Marshall Aid counterpart funds. More recently it has become the Bundesbank's (the Central Bank) instrument for supplying medium and longer-term credit for one or two special purposes; for example, to help finance the German steel mill in India and exceptional credits to Turkey and Yugoslavia. It is now announced that KfW will raise DM 200 mn by the issue of bonds and will also have DM 250 mn placed at its disposal by the Federal Government. Part of these funds is being used for Indian steel projects and part is earmarked for extending loans against exports for periods up to 10 years.

The West German response to the Montreal decision has been prompt. Germany, keenly aware of

the share of world trade it has won and bent on maintaining its relative position as a trading power, has now indicated its own plans to finance exports and guarantee private investment in the under-developed parts of the world. Professor Erhard, the Minister of Economics, has now announced the strengthening of KfW functions and the setting up of a fund of DM 1,000 mn to guarantee private investors against the political risks of putting German money in overseas ventures. Of the risks he mentioned was nationalisation, another was devaluation and exchange restriction. But true to the spirit of not treading on the toes of the private investor and the individualistic character of German capitalism, Professor Erhard has warned that only in exceptional circumstances would his Government consider giving loans to other Governments.

Coming back to the British position, the use of ECGD does not by itself mean that any major change of investment policy has taken place. Mr Heathcoat Amory, British Chancellor of the Exchequer, made it clear at Montreal that it was unlikely that the outflow of British capital funds would exceed £200 mn a year. At the same time, there is every reason to believe that the bulk of this capital will be exported as private investment, and of this, as is the experience of the past, well over 75 per cent will be directed to the white dominions in Central and South Africa and Australasia.

The introduction of ECGD into the scheme of foreign investment appears to be governed by Britain's export aims and the unfavourable trends in British exports have certainly forced the Macmillan Government to take the initiative in export promotion now.

DUNLOP DEBENTURES OVER-SUBSCRIBED

The issue by the Dunlop Rubber Co (India) Ltd, of Rs 1 crore 6½ per cent Debenture Stock 1968/73 at par has been substantially over-subscribed and the Application Lists were closed at 9-30 a m on Friday, 26th September.

As a result of the heavy over-subscription, the Company is considering the basis of allotment to be adopted.

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The Fund and the Bank

The International Monetary Fund and the International Bank for Reconstruction and Development were set up at the end of the war to restore and ensure the conditions under which trade and capital could flow freely in order to promote economic development and raise living standards all over the world.

Both have come of age and their resources have to be augmented and functions enlarged, if they are to fulfil adequately, in the changing conditions of the times, the purposes for which they were set up 12 years ago. With the problems of the underdeveloped countries coming to the fore, the Fund needs some hard rethinking about the suitability of the criteria it has hitherto followed for assisting the balance of payments difficulties of these countries. The payments problems which a country bent on quick development has to face have not yet been adequately appreciated by the Fund, despite the pragmatism and understanding with which it has usually approached them in the past.

WHEN the Fund was set up on December 27, 1945 it had only 39 members. Not only did the Soviet Bloc keep out from it, many other countries which accepted the Fund's basic ideals of maintenance of freer world trade and international equilibrium also held aloof, e.g. Sweden, Switzerland and New Zealand. Along with the Soviet Bloc, in somewhat strange company, the last two still remain out of the Fund, but the membership steadily increased to 67, or 66, counting Egypt and Syria as one. Subsequently, Libya and Spain have also joined and the membership has now been raised to 68. The regional distribution of the countries which are members of the Fund is as follows:

Europe excluding Turkey	18
Latin America	20
Afro-Asia	27
North America	2
Oceania	1

After a short initial burst of activity following its inception, the Fund almost went to sleep from 1949 to 1955 when Marshall Aid was in operation and accumulated war balances of creditor countries were being reduced. These processes helped serve some of the purposes Keynes had in mind for his ICU, though it necessarily involved 'personal' relationships between lenders and borrowers and continuance of fairly severe exchange restrictions. It is only since the latter half of 1956 that the Fund has really become active, its most conspicuous transaction in 1956-58 being the drawing of \$ 561 mn and a standby of \$ 739 mn arranged by the U.K.

Uneven Participation

The Fund's total resources, consisting of members' subscription, amounted to U.S. \$ 9,086 million on April 30, 1958. The latest figure is \$ 9,510 million. Since the commencement of operations, drawings by member countries have aggregated to \$ 3,016 mn and repurchases to \$ 1,123 mn including the withdrawal offset of Czechoslovakia. Of the \$ 3,022 mn of members' currencies sold to other members for gold or their currency, \$ 2,788 mn has been in U.S. and Canadian dollars, \$ 192 mn in sterling, \$ 26 mn in D-marks and the balance in Belgian francs and Dutch guilders. The distribution of these purchases and repurchases has been as shown in the table below.

Since seven of the members joined only in the last fiscal year and have not had enough time to participate in Fund operations, they should be excluded from the total for purpose of comparison. Thus 43 out of 60 of its members have purchased from the Fund the currency in which they were short, to meet their balance of payment difficulties, against their own currency. Nearly two third of the purchases, however, had been made by the advanced countries who have repurchased about 34 per cent of their drawings. Only one third of the underdeveloped countries, however, have availed of this facility, though these countries constitute more than half of the total membership, and they have repurchased about 44 per cent of their drawings. This performance of the underdeveloped

countries should be judged creditable, in view of the fact that their official exchange holdings have been increasing much less rapidly than those of others, unless it considered that these countries are not equally well placed to avail of the services of the Fund.

Stability, Not Convertibility

The Fund has been in operation for 12 years but the world has not yet moved to free, multiple convertibility of currencies. Thus one of the aims of the Fund has not been realised. On the contrary, the Fund itself came to realise pretty early in its career that multiple convertibility was not an aim to be pursued at any cost, to be achieved here and now. World trade has substantially increased over these years, a fair degree of exchange stability has been maintained, competitive exchange depreciations have been avoided, exchange restrictions have been gradually relaxed and multiple currency practices, though not eliminated in its entirety, have been reduced and brought within limits. This progress has been greatly assisted by the orderly exchange arrangements which the Fund has been able to maintain among its members, through its technical advice and periodic consultations. Multiple convertibility

	(\$ million)	
	Purchases	Repurchases*
Advanced Countries:		
Europe excluding Turkey (12)	1,642	480
Australia & Japan (2)	299	174
Total (14)	1,941	654
Underdeveloped Countries:		
Latin America (15)	508	251
Afro-Asia (14)	567	218
Total (29)	1,075	469
Grand Total (43)	3,016	1,123

*Including withdrawal offset of Czechoslovakia

(Number of countries in Brackets)

has not only ceased to be an immediate objective, but no member of the Fund, after Britain's unhappy experience some years ago, has even sought the Fund's assistance for restoring immediate convertibility.

The most important problem facing the Fund today is the undoubted inadequacy of its resources. The Fund was able to deal

with the Suez emergency and to save Britain from the economic consequences of her military misadventure largely because it had not been active in the preceding years. Its available resources of gold and U S dollars are now about \$ 2.2 billion. From these should be deducted \$ 880 mn call-able under existing stand-by arrangements, leaving net avail-

able amounts of \$ 1.3 billion at \$ 1.7 billion, respectively. These figures should be compared with the experience of 1956-57, when gross drawings came to \$ 1.8 billion (net of repurchases \$ 1.1 billion) and liability under stand-by arrangements increased by \$ 800 mn. These resources are clearly insufficient if the Fund is to continue active operations.

A Great Sound of Machines...

When Balbir Singh came to Jamshedpur from Bahrein in 1957, the site for the new Rs. 100-million Blooming Mill—a key unit of Tata Steel's Two Million Ton expansion programme—had just been cleared after levelling a large hillock.

Today this new 46" Blooming Mill, the largest of its kind in India, with a rolling capacity of two million tons, is all set to produce the blooms and slabs from which rails, structurals, plates, sheets and many other products will be rolled.

Despite the Suez Crisis which delayed vital supplies and other difficulties, the

rapid completion of the Blooming Mill was made possible by the devoted service of men like Balbir Singh. He and hundreds of other Indians, assisted by American and German technicians, worked round-the-clock on this major expansion project to produce more steel to strengthen India's economy.

TATA STEEL
ON TO TWO MILLION TONS



Quota Subscriptions

It is not only that the Fund has been fast using up its resources, the resources which it started with were even then inadequate as the contribution from member countries were fixed on the basis of their foreign trade and exchange reserves in 1937-38, a year when both were pretty low. Only two countries had initial quotas equal to less than 10 per cent of trade in 1937-38, whereas in 1956, there were 36 countries with quotas equal to or less than 10 per cent of exports. Though the Fund's Articles provide for a review of quotas every five years, such a review has not been made nor been necessary so far, as the Fund's resources had not been drawn upon to any substantial extent until recently. The Conference of the Governors of the Fund at New Delhi is expected to discuss the problems involved in raising the quota subscriptions of members.

From the point of view of underdeveloped countries, an increase in the Fund's resources is obviously desirable, particularly since they may, perhaps, be the principal beneficiaries. Drawings by European countries may not increase much in future as these countries are in a position to strengthen their own resources and underdeveloped countries may be the only likely drawers under normal circumstances. This second line of defence would be extremely useful to them in view of the low and declining proportion of their official exchange reserves to their imports. Against an average ratio of these reserves to imports of 40 per cent for 12 industrial countries (excluding U S and U K) in 1957, 21 non-industrial countries out of 49 had a ratio of less than 30 per cent, and another 10 had ratios ranging from 30 to 39 per cent. Given the present unfavourable movement in their terms of trade and the large volume of imports which they will need for their development effort, their reserves are clearly insufficient. IMF quotas do not supplement them adequately, especially since underdeveloped countries are often unable to give the assurances necessary for drawings larger than 25 per cent of the quota in a single year.

The problem of increase in quotas is, however, not simple. Industrial countries may, by and large, be in a position to substantially increase their quotas—the U S has already expressed its willingness to spare more dollars—but underdeveloped countries are hardly in a position to find uncommitted foreign exchange resources for the purpose and the purpose of this increase would be largely frustrated if it cannot be availed of adequately by underdeveloped countries.

Voting Power

Among the other deficiencies in the present structure of the IMF from the point of view of underdeveloped countries is the distribution of voting power at the meetings of Executive Directors. At present, these countries (excluding KMT China) account for about

one-third of total subscription but exercise less than 24 per cent of voting power because of the unsatisfactory grouping of small countries for election of Executive Directors. The Afro-Asian countries fare particularly badly as they have less than 13 per cent of total voting power (KMT China excluded) against 19 per cent of total subscriptions, since seven of these countries are grouped under the leadership of European countries. While the interests of underdeveloped countries are not likely to suffer merely because of their low voting power, equitable participation in day to day decisions requires a re-distribution in their favour. With the inclusion of 7 (now 9) new members, it should also be possible to increase the number of Asian Executive Directors.

World Bank

THE World Bank may not have spent up all its capital in the first ten years of its life as Keynes had expected it to do, but it has been by far the more active of the Bretton Woods twins. When it started, its immediate preoccupations were on reconstruction in Europe and then for some years while it surveyed a wide enough field and steadily expanded its activities, it was still not having an adequate impact on the underdeveloped world. From Europe, it turned its attention to the Latin-American countries, Australia and then Asia; its activities can no longer be criticised for being in any way limited to any particular region of the world nor has it lacked drive, imagination and enterprise in its operations. Though concentrating largely on and helping to finance construction of social overheads—power and transport—which initiate and sustain development it has also gone into financing of industry, both directly and through its affiliate, the International Finance Corporation.

Development Requirements Widely Conceived

That the world would be capital-hungry at the end of the war had been very keenly realised and the responsibility of finding this capital had been assumed as a collective responsibility which devolved on the United Nations, and it was through

this United Nations agency that capital was to be channelled. True, the capital requirements for development, now so much more widely conceived than in the 19th century, are so colossal that the World Bank or any single institution cannot possibly meet it substantially. Though the capital needs for development are taken for granted and accepted as a major collective responsibility the quantitative estimation of the requirements, however, no longer appears to be a simple problem. But going by any criterion, inadequacy of capital for development is still very great though the attempt to meet the requirements has made considerable progress.

The main contribution of the World Bank has been as much in providing the capital where it is needed most as in developing techniques by which it has been able to act more and more as a catalytic agent to channel the savings in surplus countries into such uses in the underdeveloped areas where it would be potentially the most productive, though such uses may not be able to satisfy the criterion of ordinary commercial or investment banking.

It was realised fairly early that capital would not flow out without some form of Governmental guarantees and the risks of such international investment will have to be shared by all member Govern-

UNDER SECRETARY TO GOVERNMENT
7 OCT 1958
PUBLIC DEPARTMENT

The dress of the people...



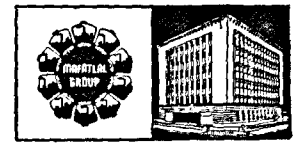
The pretty Rajasthani women are unsophisticated performers and their art has its roots in the myth and symbolism of India's ancient rural traditions. Their whirling skirts express the gay abandon of their elegant dance movements.

Costumes, whether they are for folk dances or for dainty wear, vary all over the world. Climatic conditions, natural materials available, religious demands and individual ingenuity are some of the factors that determine the dress of a people.

Many varied costumes are worn in India but different costumes need different qualities of cloth. The Mafatlal Group of Mills manufactures a wide range of cloth for everyday use in all parts of the country.

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MAFATLAL GROUP OF MILLS



CLOTH FOR THE NATION
Mafatlal's other interests include Sugar and Dyestuffs

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ments roughly in proportion to their economic strength. World Bank loans still require the guarantee of the member Government concerned; it is only its affiliate, the IFC, which can lend without Government guarantee.

Capital and Resources

The authorised capital of the World Bank is \$10 billion, of which \$8 billion was subscribed initially. Two per cent of each member's subscription is payable in gold or U S dollars and is freely available for lending; 18 per cent is payable in the member's currency and is available for lending only with the consent of that member. The United States was for several years the only country to have given this consent, but now some others, including India, have followed. The balance of 80 per cent is not available for lending but is subject to call if and when required to meet the Bank's obligations arising out of borrowings or guarantees. The Bank, thus, started operations with funds totalling \$1,599 mn of which \$727 mn was in U S dollars, including \$635 mn from the U S itself.

To obtain further funds for lending, the Bank may borrow from private investors in capital markets of member countries, though borrowing in non-member countries like Switzerland has also been resorted to. The total outstanding amount of loans made or guaranteed cannot exceed 100 per cent of its total 'unimpaired' subscribed capital, reserves and surplus. The emphasis from the beginning has, therefore, been not so much on what it could lend directly out of its paid up capital as on the concept of the Bank as providing a safe bridge over which private capital could move into the international field. Although an inter-governmental organisation, it has to rely upon private investors for most of its financial resources.

To Avoid Past Errors

To avoid past errors of international lending, the Bank's charter imposes a number of conditions on loans made or guaranteed. Loans are to be made only for productive purposes and, except in special circumstances (which have not been taken cognisance of to date), must be to finance the foreign exchange requirements of specific projects. These projects must be technically

and economically sound and if initiated by non-governmental borrowers, must be guaranteed by the Government of the territory. The Bank is specifically required to satisfy itself about the borrower's ability to service and repay the loan and that the loan is being utilised with due economy for the purpose for which it was granted. Loans cannot be 'tied' in the sense of requiring their proceeds to be spent in particular territories, but the Bank must be satisfied that, in the prevailing market conditions, the borrower would be unable to obtain the loan from private sources under reasonable conditions.

Though what is uncreditworthy for private investors but creditworthy enough for the Bank might not be easy to distinguish conceptually, little difficulty has in practice been encountered in perceiving this distinction. The Bank's comprehensive and widely appreciated technical assistance programmes have greatly helped in obviating this difficulty.

Purpose and Distribution of Loans

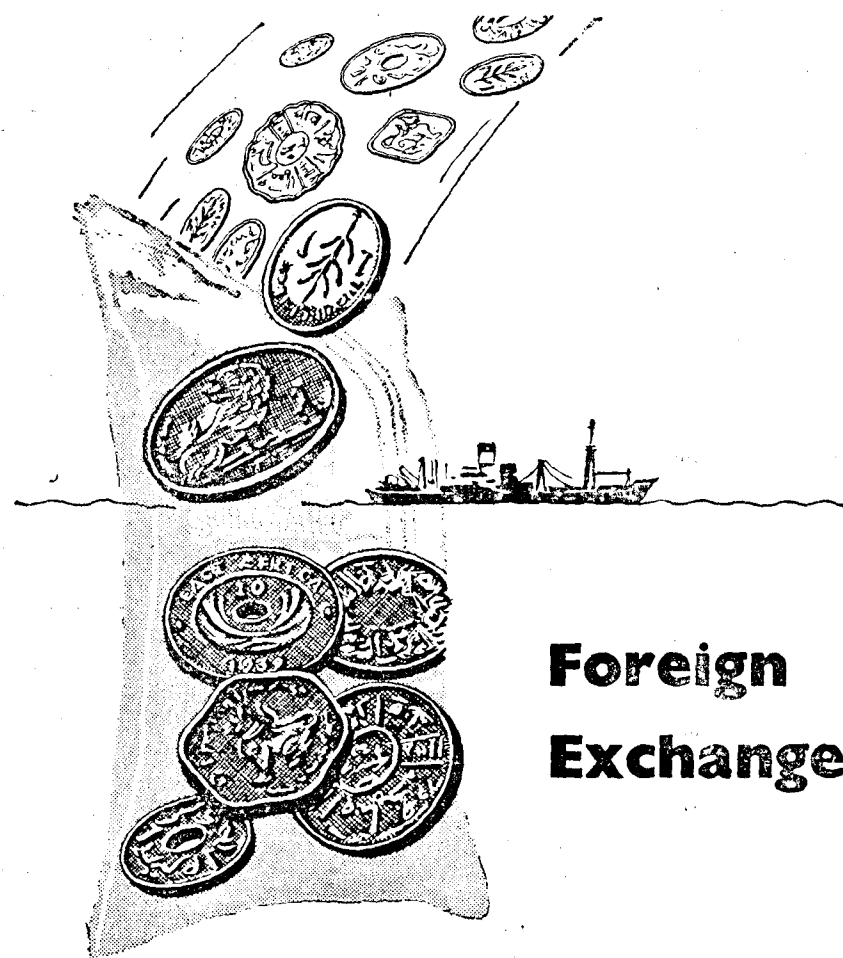
After making \$497 mn available to four Western European countries in 1947 for reconstruction purposes, the Bank was practically relieved of further operations in this field by the pouring in of UNRRA and Marshall Aid funds. Since then all its loans have been granted for development projects. The table on p 1277 gives the regional and purpose-wise distribution of 204 loans aggregating \$3,729 mn since its inception through 1958. It will be seen that three-fifths of the loans sanctioned have been for such basic social overheads as transportation, electric power and communications; the proportion goes up to 88 per cent in the case of Latin America and to 92 per cent in the case of Africa. Only in the case of Europe which is already richly endowed with these facilities is the proportion as low as 24 per cent. This financing of the expansion of social overheads shows, among other things, how the Bank has distinguished its criteria of creditworthiness from those applied in the case of direct private investments.

The regional distribution of loans continues to show the dominant position still held by the countries of Europe and Australia as borrowers. Asia and Africa with their large masses of population get to-

gether only 39 per cent of the total loans sanctioned while Latin America gets as much as 21 per cent. This maldistribution in relation to needs, as judged by size of population, has become progressively less unfavourable to Asia and Africa with the passage of time but it still remains considerable. A table in the first page of Current Statistics in this issue gives a comparison of the loans disbursed by the IBRD to individual countries on a per capita basis through 1951, 1954 and 1958. Not merely have European and Latin American countries received large amounts of loans per capita but larger countries, on the whole, seem to have received comparatively less assistance than smaller ones. The Bank cannot be blamed for this maldistribution for it is concerned with projects rather than with size of countries, but the distribution of voting power and the proximity of Latin America, perhaps do exercise some influence on its lending policy.

A Safe Bridge

Since the primary purpose of the Bank is not to lend out of its own funds but to provide a safe bridge over which private capital could move into needy countries, it is of interest to see how far it has achieved this purpose. As compared with the total loans sanctioned as on June 30 this year of \$3,729 mn, the Bank's funded debt or obligations (i.e., loans taken from world capital markets) amounted to the equivalent of \$1,658 mn or a little more than 44 per cent. Except for the equivalent of \$200 mn, all these obligations are in U S dollars, though it is estimated that 47 per cent of its total obligations are held by investors outside the U S. Sales of parts of loans, which are becoming increasingly important now, total \$420 mn. The Bank also continues its policy of entering into joint operations whereby borrowers receive a loan from it simultaneously with borrowing funds in the capital market. A fruitful relationship is being established with the U S Development Loan Fund. Loans in this case are greatly facilitated by the fact that the projects financed had already been thoroughly investigated by the Bank. Moreover, since loan expenditures by individual countries are not tied, it is also of interest to note that nearly two-fifths of such expenditures have been incurred outside Canada and



Foreign Exchange

— a top most priority

Never before has India stood in such dire need of foreign exchange as today. The Country's development projects on which our future prosperity depends, calls for straining every resource to earn this. Indian White Sugar Industry has risen to the occasion by increasing production, thus making White Sugar available for export. But the present poor yield of cane per acre and its low sugar content makes the cost of sugar production high. Yet in the national interest, Indian White Sugar must be sold abroad even at a loss—a burden to be shared by the industry and the people alike.

Today the White Sugar Industry provides scope for Indian capital investment of more than 100 crores of rupees; it provides employment

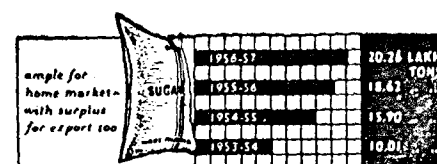
to over 1,40,000 skilled and unskilled workers and 3,600 university educated men, their total earning representing 5% of the national wages and salaries; it supports 20 million cultivators; it constitutes 12% of the total value of production of major Indian industries; it contributes over 65 crores of rupees (@ Rs. 13.19 per maund) in levies to the national exchequer.

It offers even brighter prospects for the country. With a lighter burden—with some of its present day handicaps removed—this industry can contribute to achieving a more stable national economy. Its upward trend of production can continue to meet the needs of a growing home market and yet leave a surplus for export in order to earn foreign exchange.

Indian WHITE sugar ...

vital to India's national economy

THE INDIAN SUGAR MILLS ASSOCIATION



the U S, and, in fact, their share in the latest year amounted to only 40 per cent, thus encouraging international competition and economic stability.

Fast Expanding Operations

The extent of indirect U S participation in IBRD loans is notable for its magnitude as well as character. After their unhappy experience in the 1920s, American investors had tended to prefer direct to portfolio investment. This tendency has now been partially overcome by IBRD operations.

Against total loans sanctioned through 1958 of \$3,729 mn, principal repayments to the Bank have aggregated to \$219 mn, giving a net outstanding figure of \$3,510 mn. This is to be compared with the capital subscriptions freely available for lending which total \$1,362 mn only. Reserves provide another \$350 mn, making an aggregate of \$1,712 mn of owned funds or 46 per cent of total loans sanctioned. Debt obligations (Bank's own bonds) and sales of loans, thus, provide the greater part of the Bank's working capital. The increasing magnitude of its operations—its loans in 1957-58 were nearly double of those of the previous year—and the inexhaustible needs of underdeveloped countries, therefore, urgently necessitate an increase in its freely lendable capital subscriptions. Canada and the U S A have already offered to double their subscriptions and their additional contributions alone would bring in \$700 mn. If West Germany and the U K also increase their subscriptions on a corresponding scale, a further \$326 mn would become available. And, then, on the realistic assumption that other elements in the working capital would also increase proportionately,

the Bank would be well set towards providing a substantial flow of capital for underdeveloped countries—especially those which have large masses of population.

World Bank Affiliates:

International Finance Corporation

WHILE the Bank financing of social overheads and industry is restricted by its Charter to projects guaranteed by the government of the member country concerned, its affiliate, the International Finance Corporation, is subject to no such restriction.

This organisation with a capital of \$93 mn subscribed by 55 member Governments invests without government guarantee in productive private enterprises in association with private capital and management. It invests only in underdeveloped areas and its individual investments range from \$100,000 to \$2 million.

I F C loans carry interest of 6 to 7 per cent and some right to participate in the profits and growth of the business, making them a kind of convertible notes, without a lien or mortgage on the assets of the borrower. Its portfolio is ultimately intended to be of a revolving nature.

Since its inception two years ago, the IFC has entered into 11 commitments totalling \$10 million out of which 8 are in Latin America, 2 in Pakistan and 1 in Australia.

Most of the commitments in Latin America pertain to local subsidiaries of well-known international combines.

Proposed Development Association

ANOTHER affiliate has been proposed for the World Bank—the International Development Association. The proposal is from U S.

Region and Purpose-wise Distribution (By percentage)

	Africa	Asia	Australia	Europe	Latin America
Total (\$ mn)	479	948	318	1,186	798
Electric power	37	30	9	18	50
Transportation	55	32	40	6	35
Agriculture	—	7	33	7	7
Industry	Neg	23	18	19	5
General	8	8	—	8	—
Communications	Neg	—	—	—	3
Reconstruction	—	—	—	42	—
	100	100	100	100	100

Neg—Negligible

The disposal of U S surplus for local currency payments which are re-loaned to borrowing countries has created a number of problems for the U S Government. The latter is now burdened with the task of handling inconvertible currencies and loaning them back to the countries concerned for financing projects, which it is in no position to assess or investigate fully. On the other hand, countries receiving such assistance are glad at saving foreign exchange and simultaneously securing internal currency resources for development programmes and anti-inflationary measures. One of the difficulties they encounter in borrowing from World Bank and other international institutions is the finding of complementary funds at home, for projects, the external assistance for which is limited to their specific foreign exchange requirements. Another attraction is that loans from this Fund will carry a lower interest and have longer maturity. It is not surprising, therefore, that the idea of an International Development Association should be mooted as an affiliate of the World Bank to carry out such operations. President Eisenhower has issued a directive to his Secretary of the Treasury to canvass support for such a body at the New Delhi meeting.

U S feels the need for a specialised international organisation, backed up with the knowledge and experience of the World Bank, to handle funds which it has so far been disbursing on a largely political basis, with constant criticism from Congressmen and Senators which is embarrassing for the Administration. During the current year, the Bank has co-operated with the U S Development Loan Fund in lending to India and Honduras for projects which it had already investigated fully and financed partially. The conversion of this fund into the nucleus of an international investor lending local currency would be an innovation. Though the governments receiving U S surplus or Development Loans may lose some of their freedom in the disposal of counterpart funds when the new affiliate comes on the scene, it would still be welcome to them, provided it supplements, and does not supplant U S economic aid which has now been running at a high level.

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The Role of the General Assembly

Basanti Mitra

IF a measurement of public opinion were effected at the passing of each crisis like the recent one in West Asia, confidence and belief in the principles of the United Nations would reach an all time high level. The special session of the General Assembly in August once again demonstrated its utility, despite the misgivings expressed before its convocation of an open conference system to that of the quiet Great Power deliberations in summit diplomacy.

In times, relatively normal, opinion evaluation may reveal a sceptical attitude towards the United Nations, an organization dominated by the Great Powers, and unable to take coercive action against them or influence their attitudes. The relationship between great and small powers in any international organization is an interesting one, and it has become almost a platitude to claim that the United Nations having for its purpose the maintenance of international peace and security represents at best the maximum of co-operation amongst the Great Powers.

The astute French diplomat Talleyrand recognized this principle in the earlier decades of the nineteenth century, that the balance of power and the peace of Europe could only be maintained by the co-operation of those at the helm. His efforts were directed towards getting France into the inner ring by exploiting the dissensions amongst these powers, and once in, found no time to spare on the interests of the small powers.

Power of Small Nations

The Great Powers have not willingly conceded their rights to a representative organ like the Assembly, either in the League of Nations or the United Nations. Yet the General Assembly in its present stage of development reflects significantly the power which resides with small nations. The cold war and tendencies towards bipolarization makes impossible the exercise of responsibility for peace by those to whom it belongs, for it is in agreement and in concert that the Great Powers wield authority. Therefore, the representative body

of the United Nations becomes the repository of power not only in times of crisis but even otherwise. The disposition of Italian colonies after the second world war became a matter which the Great Powers could not settle on their own but agreed to accept a solution offered by the General Assembly.

The importance of the Assembly also arises out of the opportunity each annual session offers both for compromise and coercion. Some attempts to widen the area of agreement on matters regarding disarmament have been noticeable during Assembly meetings. On the other hand, there is keen competition to bring up issues which divide the world. It may not be pure chance, that the present trouble in the Far East, in regard to the off-shore islands of Quemoy and Matsu, focussing attention on the need for reconciling the Peoples Republic of China with the United Nations should have occurred near the Assembly session. The composition of the Assembly also makes it a fruitful field in which the struggle for power may very well continue. The Afro-Asian nations commanding more than one-third of the votes in the Assembly have in their nationalism and neutralism a strength and challenge to Great Power tensions, and may help to exercise a moderating influence towards Charter principles and purposes.

The Concert System

The role of the General Assembly in the consideration of general principles of co-operation for the maintenance of international peace and security was recognized in the Charter of the United Nations. Yet the Charter emphasized at each step the concert system, somewhat more than the League Covenant where the Great Powers had likewise held a special position. In regard particularly to the admission of new members, the peaceful settlement of international disputes and collective security, the Charter goes beyond the Covenant in upholding the special position of the Great Powers, and attracted criticism in the powers of veto of the Security Council.

From among the claims of the great and small powers, the General Assembly emerged with broad rights and certain limitations. It was the Security Council which was primarily responsible for the maintenance of international peace and security, but the General Assembly was also competent to deal with any matter within the scope of the Charter, and examine any situation regardless of origin. The major difference in the two organs being in effect that whilst the Security Council was competent to take action in the event of threats to peace or breaches of peace, provided that special agreements for an international force were made, the General Assembly was empowered to the more limiting right of recommendation.

Limitations

The Charter having described the broad functions of the General Assembly, if only to the extent of recommendation, sought to limit its rights particularly in relation to the Security Council in certain important ways. These limitations have not stood in the way of the development of the Assembly. For instance, the General Assembly may not make recommendations on any question whilst the Security Council is exercising its functions in respect to that matter, Article 12(1). The tendency quite clearly has been towards the removal of a question from the Security Council, deadlocked by the veto, to the General Assembly, and was apparent in the Korean case, the West Asian crisis of 1956 and the Hungarian situation, in spite of the opposition of one or more of the Great Powers. The limitation could only have been a serious one if the removal of a matter from the agenda of the Security Council, which leaves the General Assembly free to take it up, were one of substance rather than procedure. Actually a vote of any seven members in the Security Council is required to exclude an item from its agenda, with the result that the General Assembly is free to exercise its powers even without the co-operation of the Great Powers.

The second important limitation is that contained in the domestic jurisdiction clause, Article 2 (7). The General Assembly has not necessarily taken a restrictive view of its functions whenever any one of the Great Powers or any power with their support has claimed that a matter lay within its special and exclusive competence. In the case of the treatment of Indians in South Africa the General Assembly was concerned with the question as it had impaired friendly relations amongst nations. In the Hungarian situation, the General Assembly also appointed a special committee which reported on the problem in Hungary.

Korean Action—A Landmark

Finally, the serious and controversial limitation resides in the obligation to refer any matter on which action is necessary to the Security Council, Article 11 (2). The maintenance of international peace and security rests both on the peaceful settlement of disputes and collective measures against breaches of the peace; in the former case both the General Assembly and the Security Council may only make recommendations, so that action refers to the latter course. The Article in the Charter became a matter for controversy when the General Assembly in its Uniting for Peace Resolution of November 2, 1950 recommended armed action in Korea.

This was rather an important landmark in the United Nations. For one thing, collective measures were taken for the first time in the development of international organization. The United Nations was also able to act in spite of the veto, thus demonstrating the extreme flexibility of the Charter. As it turned out the United Nations worked more in the nature of an alliance than as a concert as intended by the framers of the Charter. It was obvious that the United States was anxious for Assembly endorsement of its action, and where she had been assured of adequate support. The representative of the Soviet Union, on the other hand, claimed that the action by the Assembly was illegal in nature because of the obligation to refer to the Security Council any question on which action was necessary. On the

other side it could be said that although the Charter had emphasized the concert system and, in particular, action by the Security Council, there was nothing in the Charter to state what the General Assembly may or may not do in the event of the Security Council being unable to function, as a result of the veto. Important precedent for action by the General Assembly lay also in the Palestine issue where no major conflict between the Great Powers ensued. In the Korean conflict there were therefore two alternatives before the General Assembly, either to prove its effectiveness, or slumber into inaction. Moreover the power of the General Assembly extended only to that of recommendation, so that armed action in Korea corresponded more nearly to that of the Covenant than the Charter, leaving to individual members the decision to take what action they deemed wise and proper. The Uniting for Peace Resolution obtained a vast majority of votes with 52 for, 5 against (the Soviet bloc) and 2 abstentions (India and Argentina).

India's attitude towards the Uniting for Peace Resolution was an interesting one. Although not ranking with the great, she was critical of the powers assumed by the General Assembly, and her arguments rested on the fact that such powers tended to militate against the concert system* and the principles on which the United Nations was based. There was also a fear that the United States was using the United Nations for her purposes, and transforming the pattern of relationships into an alliance against a Great Power by reinforcing the development of the Assembly.

West Asian Crisis 1956

Both United States policy in the United Nations and the role of the General Assembly reached another phase of development during the West Asian crisis of 1956, when armed action was taken by the British and the French in Egypt. Of immediate significance was the spontaneous American reaction

* India and the United Nations, National Studies on International Organization, Carnegie Endowment for International Peace, Manhattan Publishing Company, New York, 1957. Pp 53-55, 143.

towards a breach of the peace and insistence on a return to Charter principles in the relations of its allies towards other states. Two interesting lines of development followed from the crisis; one, that regional security arrangements like the Nato had resulted. In important and far reaching mutual commitments, but had not as yet destroyed entirely the distinctive feature of flexibility in international relationships within an open conference system; secondly, the Security Council was once again deadlocked by exercise of the veto of Britain and France, and a memorable special session of the General Assembly deliberated on the crisis.

The attitude of the Soviet Union was an interesting one in view of the legal objections she had brought forward in the Korean case against Assembly action. The Soviet Union asked for a joint military expedition of the United States and Soviet forces against Anglo-French aggression under Article 42 of the Charter.* The proposition was as unusual as invoking Article 42, which comes under Chapter 7 of the Charter, namely action against breaches of the peace and obviously cannot be taken without the co-operation of the five Great Powers. It was too important for the Soviet Union not to lose political initiative which a session of the General Assembly now offered, to renounce aggression in West Asia by the Western powers in view of the fact that the Hungarian crisis had ensued at the same time. Opposition to the assumption of powers of the General Assembly tended to wane on all sides for it was now clear that in cases where Charter principles were openly flouted, the Security Council was bound to be faced with a deadlock, and the only alternative to ineffectiveness of the United Nations was the role the General Assembly was coming to play in the maintenance of international peace and security. Legal arguments were laid aside and though the Charter claims that the Security Council was to have primary responsibility for peace among nations, it was not given

* General Assembly, Official Records: Twelfth Session, Supplement No. 1 (A/3594), p 11.

the exclusive responsibility for doing so.

Emergence of Afro-Asian Group

The flexible interpretation given to the power of the General Assembly saved the United Nations from inaction and the stigma that it could not work without the active co-operation of all the Great Powers. In the West Asian crisis of 1956, the tendency noted with concern earlier that the General Assembly reflected an alliance more than a concert was removed and helped to clear the air. Since 1955, the composition of the Assembly had also changed to include a number of Afro-Asian nations, so that a two-thirds majority required for important decisions was not as easily obtained, at the instance of the Western powers. The Bandung conference met during the same year with a measure of success, and the hopeful predictions were made that the Afro-Asian nations may introduce a new pattern into the existing state of international relationships, in the direction of stability and away from the distinct bipolarization since the end of the war.

It would be interesting to speculate on Afro-Asian influence on international relationships, and how far the bargaining lever held by these powers may help towards moderating the policies of the Great powers towards the purposes of the United Nations. Indeed, the contours and cadences of nationalism as well as the ambitions of men who rule their peoples are elusive of calculation, and Afro-Asian nations are just as much divided amongst themselves as the rest of the world. At certain times in limited measure, a force of unity in discernible, as at the time of the West Asian crisis of 1956, when Iraq a member of the Baghdad Pact refused to confer with her ally, Britain, till she vacated her aggression against Egypt.

General Assembly—the Legatee of Power

The shadows had been cast and the recent crisis in West Asia created anew the danger of war, more serious than the one in 1956, for the United States and the Soviet Union were now directly opposed to each other. The Lebanon, the only country in the area accepting the Eisenhower Doctrine

found herself torn by internal dissensions and sought Western aid. Such aid was not forthcoming till the success of the revolution in Iraq, and the turn in the situation led the governments of both Britain and the United States to offer aid in arms to Jordan and the Lebanon. The presence of foreign forces in West Asia was condemned by other nations and not condoned by all the people of Britain and the United States. The Charter principles and the persistent efforts of Mr Hammarskjöld to prevent the entry of foreign forces in the area were laid aside for a while. A cloak for action was found in 'individual and collective self-defence', (Article 51), lending to the Article an interpretation which weakened the obligation of members to the United Nations on the one hand, and, on the other reserved to themselves entire freedom of action. The neutral nations Observer Group functioned and reported in relative isolation and diminishing prestige. In such an event the ball was thrown from Security Council to summit deliberations while Soviet manoeuvres north of Turkey and the impossible situation of foreign forces in West Asia nearly led the way down to the brink. The Soviet Union turned to the East, for inclusion of India in the summit, and shared counsel with China after which her face seemed turned from Great Power negotiations with the West.

The immediate task was for confidence to be restored and the only avenue the Assembly of nations. There were sceptics who looked upon another session of the Assembly as superfluous, and not quite the suitable ground for attempts to dissolve the crisis.

Pandit Nehru in his Press conference was not optimistic about a settlement being reached at the United Nations General Assembly.* The alternatives before the Assembly were formidable. The West sponsored a conditional withdrawal and a substitution of Western forces for one provided by the United Nations. Unconditional withdrawal was demanded on the Soviet side, with many Asian nations concurring in her view, and other states tended to compromise

* 'The Statesman', August 8, 1958

with suggestions for rescuing the Observer Group with added personnel, thus strengthening its composition. Mr Hammarskjöld was also mentioned as the most suitable person to reconcile opposing views. For a while there seemed no possibility of shifts in the position of the Great Powers of East and West, till the Arab nations jointly sponsored a resolution, and in face of their unity, conceivably arising out of political motives, the Great Powers were forced to yield, and handed the delicate task of negotiation to the distinguished Secretary-General of the Organization. The initiative taken by the Arab nations spelled out a significant role in the development of the Assembly, where an assertion by the small powers could bring the great to heel. The General Assembly once again became the legatee of power naturally belonging to the Great, who unable to use their strength were perforce to let it flow into the representative body of the United Nations. It marks a direction in which Afro-Asian nations may determine the structure of international relationships, and may help to stimulate the thoughts of those who emphasize and rightly, the need for Great Power co-operation, but not quite so accurately, the abject ineffectiveness of the United Nations should there be a lack of it.*

* George F Kennan, 'Russia, the Atom and the West', B B C Reith Lectures 1957, London, Oxford University Press, 1958. Pp 27-28.

HYDERABAD STOCK EXCHANGE

THE Central Government has decided to grant recognition to the Hyderabad Stock Exchange Limited, Hyderabad, for a period of five years with effect from September 29, 1958, subject to the condition that a membership security deposit of Rs 3,000 is taken from every member of the Stock Exchange.

Section 13 of the Securities Contracts (Regulation) Act, 1956, has been declared to apply to the area covered by the limits of the Municipal Corporations of Hyderabad and Secunderabad with effect from the same date.

From the Chair

The Imperial Tobacco Company of India Ltd

Speech of the Chairman, Mr G H J Clarke

THE following is the speech of the Chairman, Mr G H J Clarke, delivered at the Forty-seventh Annual General Meeting of the Company, held on 25th September, 1958:-

Ladies and Gentlemen:

I have much pleasure in welcoming you to this the Forty-seventh Annual General Meeting of the Company.

With your approval, we shall take the Notice convening this Meeting, the Report of the Directors and the Accounts, which have been circulated, as read and the Secretary will now read the Auditors' Report.

Early this year Mr. J. L. Bowring and Mr. P. Graham resigned from the Board of Directors. Mr. Bowring had served this Company for over 31 years, having been a member of the Board for 10 years, and we wish him health and happiness in a well-earned retirement. Mr. Graham's service with the Company was for 22 years, four of them on the Board, and it is regretted that his services are no longer available to us.

You will see from the accounts in your possession that the net profit this year is slightly less than last year, this being mainly due to increasing cost and greater taxation on tobacco products, which I envisaged when I addressed you last year. Before giving you a review of the Company's activities, I shall make one or two comments on the accounts.

Referring first to the Liabilities side of the Balance Sheet, you will have seen that in addition to the transfer to Development Rebate Reserve a further Rs. 20 lakhs has been appropriated to Fixed Asset and Stock Replacement Reserve. The Board makes periodical surveys of the replacement cost of both Fixed and Current Assets, and considers it essential to retain this additional amount in the business as a measure of protection against the pressure of rising prices and costs on the Company's resources.

Under the heading of Unsecured

Loans, Security Deposits from Dealers and Contractors (Cash) show a further reduction. This is a consequence of the further implementation of our policy of carrying widely spread stocks of manufactured goods, thus reducing the need for Dealers to carry such stocks on secured credit.

On the Assets side, although the net value of Fixed Assets after depreciation shows an increase of only Rs. 33 lakhs, a reference to the Schedule of Fixed Assets reveals additions and transfers during the year of Rs. 115 lakhs. A large part of the expenditure on Fixed Assets was incurred in equipping the Company's cigarette and printing factories with plant necessary to increase existing production capacity to its highest potential, and as a result of this action an improvement in overall output was attained without difficulty. Plans for a new factory have had to be deferred.

Advances, etc.—unsecured show a very large increase over last year, and in the main represent earlier payments made to our suppliers of leaf tobacco because in Andhra Pradesh, the principal source of cigarette tobaccos, the harvesting and curing of the crop was earlier than last year.

Also under the heading of Loans and Advances a new item this year is Current Profits Deposit. This deposit was required to be made in accordance with Section 10 (2B) of the Income-tax Act, and it was a considerable relief firstly when the Finance Minister announced that no deposits would be required in respect of the current year and secondly when a notification was issued that deposits already made would be refunded. The amount of Rs. 43 lakhs was returned to us in July this year, and it is hoped that this item will not again have to appear in the Company's accounts, though it should be noted that the provisions of Section 10 (2B) have not been removed from the Act.

Cash and Bank Balances show a considerable reduction this year,

mainly because of the two items of Advances referred to earlier. The introduction of additional Excise Duties, to which I shall refer later, also made it necessary to invest more money in stocks of Manufactured Goods.

From the Profit and Loss Account you will see that Sales have increased by Rs. 50 lakhs, but higher costs and duties have fully offset this increase. Incidentally this Account shows a decrease of Rs. 2 lakhs under the heading of Workmen and Staff Welfare Expenses; this is attributable to certain benefits previously given to workers having now been absorbed in the wage.

The Company now not only meets its full printing requirements from its own printing factories at Tiruvottiyur and Monghyr, but relies entirely on India's resources for its general requirements of cigarette paper, printing board and papers, aluminium foil and packet wrappings. Our encouragement of the growth of leaf tobacco in India, which has become a major export industry, is well known.

Although our long term policy of promoting the production of our raw materials inside India has now come to fulfilment, there remain some vital items which it is neither practicable nor economic to produce in this country at present. I refer in particular to elaborate spare parts for machinery. Although the shortage of foreign exchange is severe, we feel sure that Government appreciate that the benefits of the large imports of capital goods which have been permitted during the last few years must be much diminished if exchange cannot be found for the importation of essential spare parts to maintain those capital goods.

The Board would like your Company to contribute more directly to the country's export trade, but import barriers and long established protected local industries in many overseas countries impede efforts to export cigarettes or smoking tobaccos. Our main contribution in this field therefore continues to be the conservation of

foreign exchange, not only by reducing imports to the barest minimum but also by the encouragement of local industries, some of which, having been largely brought into being to meet our requirements, have already grown to the point where they are themselves substantial exporters.

When I last addressed you I made a reference to the proposal to centralise the Sales Taxes levied by State Governments on tobacco products. Since then, at the request of the Government of India, the various States agreed to withdraw their Sales Taxes on tobacco products, but the additional Excise Duties imposed by the Centre in December, 1957, placed an even heavier burden on the industry than had been the effect of the Sales Taxes which they were framed to replace. While we welcomed this centralisation of taxation as a contribution to the stabilisation of prices throughout the country, the consequent overall increase in the burden of tax forced us to increase the prices of some of our leading brands, with consequent loss of sales volume, and to accept a lower return for others. This was the third occasion during the year on which we had to make a price revision, the first having been necessitated by the introduction of the decimal coinage on 1st April, and the second by an increase in the Tobacco Excise Duty on air-cured tobaccos in the Budget of May, 1957. Such frequent changes in prices naturally have an adverse effect on the buoyancy of our trade and consequently on Government revenue, as the consumer, faced with rising costs everywhere, finds it necessary to re-adjust the pattern of his personal expenditure.

Your Board is of the opinion that these adverse trends cannot be held in check unless the industry is given a period of freedom from upward revision of taxation, whether in the form of increased rates of tax or through, for example, any simplification of the tax structure or the application of the metric system. The Budget of 1958 was a welcome one in that it gives us an opportunity to start to consolidate our position, and we must most sincerely hope that expressed intentions to raise substantial sums by further taxation will not result in additional imposts on the tobacco industry.

I have already referred to the imposition of additional Excise Duties in replacement of State Sales Taxes, as a measure of simplification both wise and welcome, but there has been a noticeable attempt by various Municipalities throughout the country to endeavour to enhance their revenues by introducing or increasing octrois on tobacco products, and even on the raw materials for our factories. We maintain that our raw materials, and their products, on which the Centre levies Excise Duty, and now additional Excise Duty, should be kept outside the taxable scope not only of the States but also of Municipalities. If this is not done, an inevitable effect must be a reduction in Central revenue because of distribution difficulties brought about by these barriers raised to trade and the free movement of goods.

In the field of direct taxation on companies, your Board believes that the total weight of company taxation is too high, especially for a country which seeks to stimulate capital formation and attract foreign investment. Even if the present level of taxation could be justified, there would be scope for the structure of company taxation to be remodelled and simplified. It is surely difficult to justify wealth tax on companies, nor can the imposition of super tax on the capitalization of retained profits fail to discourage capital formation. Moreover, desirable though it undoubtedly is to increase capital investment, this end will not be achieved by penalising companies which pay dividends at a rate higher than the modest figure of 6% on issued capital, which normally means an even lower percentage on the real capital invested in the business.

I should like now to turn to an aspect of our business which receives more and more attention each year; that of the development and training of personnel. On the management side, the Company conducts its own planned training courses and members of the staff regularly participate in the courses recently, and most successfully, inaugurated at the Administrative Staff College of India. On the workers' side, Training Within Industry is already established, while certain other schemes, including Job Evaluation, calculated to increase production and benefit

the worker, are in an experimental stage. We believe that such measures are important to the maintenance of good relations between employer and worker, but success is equally dependent on the attitude of the Trade Unions.

There is, however, one factor which your Board views most seriously; the high degree of absenteeism in industrial concerns. This is not an evil which is confined to our business, but is being experienced by industry throughout the country. The number of man-hours lost through high absenteeism during the year must have been astronomical, and this is a matter which a well organised Trade Union can and should help to deal with in the firmest possible way.

The management's relations with workers during the year under review have been reasonably happy; there have been stoppages of work, there have been differences of opinion, but on the whole the management and workers have been able to work together to the common good, and I should like to thank them for their co-operation.

I must now make reference to the Employees' Provident Funds Scheme and the Employees' State Insurance Scheme. At a recent conference at Naini Tal it was proposed that employers' contributions to the two Schemes should be substantially increased. Your Board welcomed these Schemes when they were first applied to this industry, and they remain welcome, but any betterment of the benefits accruing to workers should be accompanied by a greater productive effort on the part of workers themselves.

Further, the benefits of the Insurance Scheme are at present given only to industrial workers in certain areas, a small percentage of the working population. We believe that benefits should be given to all workers throughout the country before they are extended to families of workers now insured, since otherwise the advantages enjoyed by those now insured over other workers will be still further accentuated.

It was suggested also that industry should be given the responsibility for housing its workers, and while such a course might be possible and even desirable when new factories are installed in re-

mote rural areas, it is quite beyond the resources of existing industry, particularly when in urban areas. The task of housing workers is one of such magnitude that it should of necessity be the responsibility of the Government and we would recommend that Government extends its policy of providing loans and subsidies through co-operatives, thus enabling the worker to own his house in due course, and so provide him later in life with adequate and rent-free accommodation acquired largely at his own expense and not at the expense of consumers as a whole.

Industry must be prepared to play its full part, but it must not be burdened with much more than its fair share of taxation if it is to survive, still less if it is to thrive and expand to the benefit of the country's economy. The strength of industry is being eroded on two sides; on the one hand it is subject to ever increasing taxation and on the other to the unending demands for greater rewards for workers whether in wages, welfare or amenity measures, frequently unrelated to higher productivity or even to regular attendance.

During the first five months of the current financial year sales volume has been held to last year's levels despite increased competitive activity and the re-aligned prices resulting from the additional Excise Duties introduced in December. Your Board therefore felt justified in declaring an unchanged interim dividend of 2%, free of Income-tax, in respect of the year to 31st March, 1959. Nevertheless, the two-pronged attack on profits, even at the reasonable level which your Company attains, must make the future less certain.

I now formally move the adoption of the Report and Accounts for the year ended 31st March, 1958, including the proposed payment on 27th September next of a Final Dividend of 3%, free of Income-tax, on the issued Ordinary Shares of the Company.

I shall now ask a member to second the Resolution and when that has been done, if anyone has any question to put or comment to make on the accounts, it will be a convenient time to do so.

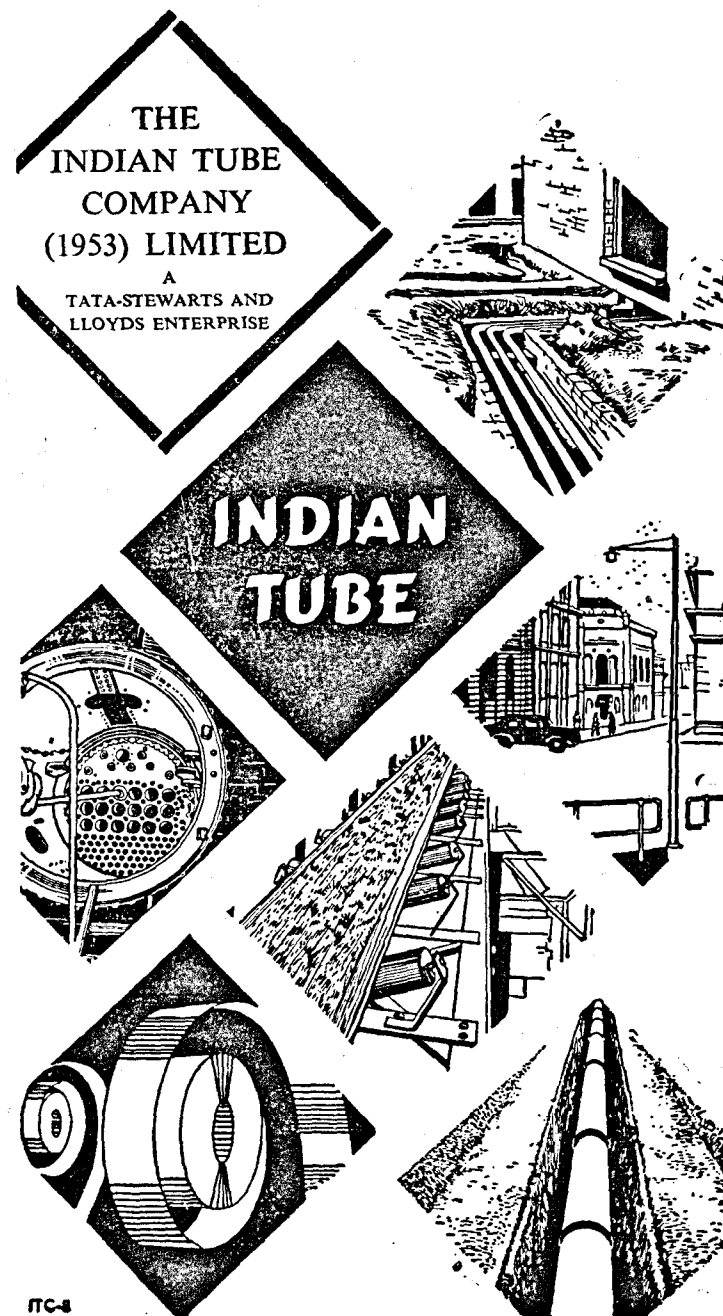
(Note.—This is not a report of the proceedings of the Annual General Meeting.)

GENERAL SERVICES Screwed and Socketed Tubes, Class 'A', 'B' and 'C' (Galvanised and Black) to B.S. 1387 upto and including 6" n.b. and Pipe Fittings. **POWER** Cold drawn, Hot finished and Electric Resistance Weld Boiler Tubes. **POLES** Tramway, Transmission and Lighting. **PUBLIC SERVICES** Air, Gas, Water and Sewage Mains. **INDUSTRIAL** Seamless and Electric Resistance Weld Tubes for Rollers, Conveyors and other industrial purposes. **STEEL STRIP** High Tensile Steel Box Strapping and Cold Rolled Steel Strip for manufacturing purposes.

Enquiries and Orders for Screwed and Socketed Tubes and Fittings ex-stock should be addressed direct to our Warehouse Offices. Head Office: 41, Chowringhee Road, P.O. Box 270, Calcutta. Telephone: 44-5224 (5 lines)

Branch Offices and Warehouses: 18, Fosberry Road Sewree, BOMBAY 15 Telephone: 76121 & 22 Transport Depot Road CALCUTTA 27 Telephone: 45-3611 & 12

WORKS:
JAMSHEDPUR, BIHAR



Around Bombay Markets

Major Shake up in Equities

Thursday, Morning

ON the eve of the return of the Finance Minister from his successful mission abroad, Dalal Street appears to be in a despondent state. Industrials have suffered a heavy slump and the optimistic feeling which was in evidence only a few days back has now given way to pessimism. Why this sudden change in the psychology of the market? The economic or the financial situation has not changed in any way during the past few days. The only possible explanation for the bearish trend is that some resourceful bull elements in the market have changed sides while the bear operators, who were sitting on the fence started on the offensive as soon as they could scan some weak spots. The market which was carrying some unwieldy bull interest received a jolt and once the ball started rolling, everybody rushed to unload. The result was a nasty decline. The danger signal was held out in these columns during the past two weeks and it was pointed out that the market would find it difficult to follow up an upward trend.

The deteriorating cotton textile position has cast its gloom. Domestic off-take, despite approaching Puja and Diwali holidays, has continued to be very slow while exports are still shrinking. The Cotton Textile Export Promotion Council's Delegation has left for East and Central African countries to study the position in order to retrieve the lost ground, but with growing competition from Japan and China, prospects for recovery in textile exports might look remote. Even then the study tour should prove useful.

In view of the discouraging outlook for the industry, mill shares have slumped badly. The gloomy outlook for the industry and particularly for the company painted by the Chairman of India United Mills at the annual general meeting of the shareholders acted as a damper on the market. True, the working class cost of living index in Bombay for the month of August has come down to 403 from 407. This however is not expected to bring down the cost of operations in the

mills but cheaper cotton will. However so long as the off-take of cloth does not improve, mill shares will remain depressed.

Indian Iron Bonus Issue

The directors of Indian Iron and Steel Company Ltd have announced a bonus issue of one share for every five shares, subject to the sanction of the Controller of Capital Issues. The bonus issues will be by way of capitalising the premium money and hence will not be subjected to bonus share tax. The Indian Iron has shown highly erratic movements. On last Saturday it jumped to Rs 27.25 while yesterday it slid to Rs 26.20. Bombay and Calcutta operators appear to be at loggerheads over this scrip, Bombay being the sellers. Tata Steel has slumped by more than Rs 10 from the high level recorded last week.

Bombay Burmah is again in doldrums, despite small relief in export and excise duty on tea. Tata Locomotive which was in the light has suffered a sharp drop to Rs 185 on some disinvestment in view of the forthcoming new issue. A C C continued weak on thoughts about overproduction of cement. Scindia has tumbled down on heavy long liquidation. Sugar shares are no longer fancied.

There are still no signs of the downward trend coming to a halt. The process which has just started make take its own course before stability can return. The situation

as it stands now, however, does not warrant any undue pessimism.

Crash in Commodities

With prospects of a good crop, cotton, jute and oilseeds prices have suffered a heavy slump. Sellers in all these commodities have been aggressive. Additional margin has been demanded from sellers as a measure to support jute prices, while the Jute Mills Association has requested its members to carry out regular purchases of raw jute. This has helped to steady prices.

Cotton Muglai Jarmilla dropped to Rs 621 before rallying at Rs 628. Hopes that Government will take measures to induce confidence in the trade have been mainly responsible for the rally which is considered more or less technical.

In oilseeds, the position is equally bad. There are no export outlets despite liberalisation of export policy. Overseas markets are ruling easy in view of adequate supplies. Castor seeds dropped by Rs 8 during the week and groundnuts by Rs 4 per candy. Linseed has also been ruling weak.

Total tenders in castor seed, September delivery, amounted to 7,000 candies, cottonseed, 300 candies and linseed 1,900 tons. Castor September contract ran out at Rs 152 with a penalty of Rs 5 for nondelivery, cottonseed at Rs 124 and penalty of Rs 2.50 and linseed at Rs 32.25 and penalty of Re 1.

The Indian Iron and Steel Company Limited

NOTICE is hereby given that the Board of Directors of The Indian Iron & Steel Company Limited in Meeting held on date have authorised application to be made to Government for consent to an issue of bonus Ordinary shares in the proportion of one bonus share for every five existing Ordinary shares held at a date to be determined in due course by the Directors, the intention being that the bonus shares shall rank in all respects pari passu with the existing Ordinary shares save and expect that they will not participate in any distribution in respect of any period ending on or before the 31st March 1959.

By Order of the Board,
MARTIN BURN LIMITED

F. G. Liversedge
MANAGING DIRECTOR
Managing Agents

12, Mission Row,
Calcutta
30th September, 1958

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1515.98	1529.73	1521.80	1471.11
2. Rupee Coin	139.97	138.52	138.27	135.20
3. Deposits				
a) Central				
Government's	48.54	53.18	73.06	52.19
b) Banks'	104.60	98.18	101.89	100.01
c) Other				
Government's	26.11	20.83	20.52	7.53
d) Others'	113.27	113.88	113.45	109.97
4. Foreign Securities	169.68	169.68	174.68	326.62
5. Balances held abroad	14.21	15.31	12.54	25.90
6. Rupee Securities	1129.37	1129.38	1114.39	935.87
7. Investments	300.71	301.07	329.33	201.27
8. Loans and advances to Governments	13.67	13.08	12.89	41.79
9. Other loans and advances	51.74	54.69	50.03	73.88
Scheduled Banks				
1. Demand liabilities (net)	733.69	729.27	720.73	693.99
2. Time Liabilities	843.04	845.93	855.96	617.05
3. Cash on hand	40.86	39.92	37.77	37.19
4. Borrowings from Reserve Bank of which against Usance Bills	5.37	2.58	2.59	36.93
5. Advances and Bills discounted of which State Bank's	8.43	1.71	1.93	33.00
6. Invest. in Govt. Sec. of which State Bank's	811.01	811.86	820.64	792.56
Cheque Clearance	161.17	164.43	166.24	156.76
6. Invest. in Govt. Sec. of which State Bank's	588.14	584.59	563.86	386.83
Cheque Clearance	248.55	246.65	240.06	151.98
	148.10	164.78	138.80	87.35

† For Reserve Bank and Cheque Clearance Week ended 26-9-58 Scheduled Banks Week ended 19-9-58

Bombay Money Rates
(per cent per annum)

	19-9-58	12-9-58	22-8-58	20-9-57
Call Money				
From banks	2 $\frac{1}{8}$	2 $\frac{1}{8}$ -3 $\frac{1}{8}$	2 $\frac{1}{8}$ -2 $\frac{1}{8}$	2 $\frac{1}{8}$ -4 $\frac{1}{8}$
From public	2 $\frac{1}{8}$ -4 $\frac{1}{8}$	3 $\frac{1}{8}$ -4 $\frac{1}{8}$	3-4	3 $\frac{1}{8}$ -4 $\frac{1}{8}$
Three Months	2 $\frac{1}{8}$ -4 $\frac{1}{8}$	2 $\frac{1}{8}$ -4 $\frac{1}{8}$	2 $\frac{1}{8}$ -4 $\frac{1}{8}$	2 $\frac{1}{8}$ -4 $\frac{1}{8}$
Six Months	2-4 $\frac{1}{8}$	2-4 $\frac{1}{8}$	2-4 $\frac{1}{8}$	2-4 $\frac{1}{8}$

Bombay Bullion (In Rupees and nP)				
	1-10-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	106.78	107.00	106.19	106.75
Forward	107.22	107.50	106.06	107.12
Silver (per 100 tolas)				
Spot	186.69	187.00	182.50	184.87
Forward	187.31	187.44	183.37	185.12

WORLD BANK LOANS

	Loans (mn \$)		Disbursed per capita (\$)		
	Total granted	Total disbursed	Thru 1958	Thru 1954	Thru 1951
Europe	1,125	957	6.34	5.04	6.25
Austria	67	54	7.71	—	—
Belgium	76	70	7.77	5.23	1.49
Denmark	40	40	9.09	9.09	9.30
Finland	65	55	12.50	7.86	2.75
France	250	250	5.68	5.81	5.95
Iceland	6	6	3.75	40.00	6.67
Italy	238	113	2.35	0.41	—
Luxembourg	12	12	37.50	40.00	40.00
Netherlands	237	237	21.55	20.94	20.49
Norway	75	58	16.57	7.35	—
Yugoslavia	61	61	3.39	3.00	0.18
Latin America	798	604	4.17	2.65	1.31
Brazil	183	167	2.74	2.39	1.43
Chile	74	40	5.71	3.00	1.36
Colombia	111	92	7.08	3.33	0.87
Costa Rica	3	3	3.00	—	—
Ecuador	33	7	1.75	neg	—
El Salvador	24	22	9.17	6.19	1.58
Guatemala	18	16	4.57	—	—
Haiti	3	0.2	neg	—	—
Honduras	10	2	1.11	—	—
Mexico	186	146	4.71	2.34	1.18
Nicaragua	23	18	12.86	5.00	neg
Panama	7	5	5.26	neg	—
Paraguay	5	4	2.35	1.33	—
Peru	56	35	3.50	0.43	—
Uruguay	64	46	15.33	12.40	1.67
Asia	1,009	618	0.91	0.25	0.3
Burma	19	6	0.30	—	—
Ceylon	17	12	1.33	0.12	—
India	399	277	0.72	0.15	0.13
Iran	75	75	3.95	—	—
Iraq	6	6	1.22	1.20	neg
Japan	152	79	0.87	0.13	—
Lebanon	27	2	1.33	—	—
Pakistan	127	59	0.70	0.33	—
Philippines	21	3	0.14	—	—
Thailand	107	41	1.95	1.15	0.21
Turkey	61	57	2.28	1.17	0.05
Africa	479	316	3.07	—	—
Ethiopia	24	9	0.46	6.00	2.00
Union of S. Africa	160	148	10.57	6.36	0.72
Belgian Congo*	80	49	3.77	3.23	—
Ruanda Urundi*	5	—	—	—	—
Algeria*	10	10	1.00	—	—
Fr. West Africa*	7	7	0.37	0.06	—
Br. East Africa*	24	24	1.14	—	—
Rhodesia-Nyasaland*	141	69	9.86	5.43	—
Nigeria*	28	—	—	3.48	0.80
Oceania	318	300	31.58	20.00	4.40
Australia	318	300	31.58	20.00	4.40
Total	3,729	2,795	2.56	1.67	1.27

* Non-self-governing Countries

neg.—negligible

INDEX NUMBER OF WHOLESALE PRICES

Group and Sub-Group	(Base : 1952-53=100)			
	WEEK		ENDED	
	13-9-58	6-9-58	16-8-58	14-9-57
Food Articles	121.7	121.5	120.0	108.5
Cereals	115.5	115.1	113.1	102.8
Pulses	105.0	105.4	100.6	88.8
Fruits & Veg.	127.6	123.8	125.5	113.4
Milk and Ghee	108.8	110.4	110.4	108.6
Edible Oils	133.0	130.2	128.7	128.1
Fish, Eggs & Meat	114.0	114.9	115.5	102.4
Sugar & Gur	134.5	135.5	136.3	110.0
Others	158.0	157.6	153.6	129.3
Liquor and Tobacco	90.5	90.5	90.7	93.5
Tobacco	88.6	88.6	88.8	91.8
Fuel, Power, Light & Lubricants	115.9	115.9	116.0	115.0
Industrial Raw Materials	119.4	118.8	118.8	115.5
Fibres	109.0	109.0	111.7	114.8
Oilseeds	157.4	136.0	132.9	120.4
Minerals	107.3	107.3	107.3	108.5
Others	106.0	106.0	106.8	107.8
Manufactures	109.0	108.8	109.0	108.6
Intermediate Products	112.1	111.4	112.4	107.4
Finished Products	108.5	108.4	108.4	108.8
Textiles	103.7	103.7	104.2	108.4
Cotton	111.8	111.7	111.2	116.8
Jute	87.0	87.2	90.4	99.4
Woollen	105.9	105.9	105.9	103.0
Silk & Rayon	95.7	95.7	95.7	83.2
Metal Products	143.0	143.0	143.0	143.3
Chemicals	109.5	108.8	108.9	98.7
Oilcakes	136.9	135.0	135.0	112.2
Machinery and Trans Equipment	103.5	103.5	103.4	101.7
Others	113.8	113.8	113.5	110.5
All Commodities	116.8	116.6	115.9	109.5

COAL PRODUCTION AND DISTRIBUTION

(Monthly Average or Calendar Months) ('000 tons)			
	Raisings	Despatches	Stock at Pit heads*
1955	3,184	2,742	3,608
1956	3,286	2,913	2,766
1957	3,628	3,137	3,275
1956: May	3,316	2,871	3,836
June	3,194	2,877	3,727
July	3,165	2,165	3,379
Aug	3,308	3,176	3,018
Sep	3,123	2,819	2,881
Oct	3,177	2,940	2,662
Nov	3,323	3,026	2,566
Dec	3,678	3,038	2,766
1957: Jan	3,627	3,138	2,780
Feb	3,519	2,841	3,029
Mar	3,653	3,251	3,000
Apr	3,726	3,158	3,087
May	3,794	3,187	3,246
June	3,330	2,915	3,252
July	3,331	3,045	3,091
Aug	3,376	3,239	2,780
Sept	3,647	3,193	2,755
Oct	3,555	3,321	2,538
Nov	3,930	3,160	2,835
Dec	4,051	3,163	3,275
1958: Jan	3,947	3,321	3,418
Feb	3,712	3,063	3,655
Mar	3,701	3,351	3,523
Apr	3,802	3,433	3,422
May	3,878	3,372	3,575

* At or about the end of each period.

Source: DCIS, Calcutta and Central Statistical Organisation.

CLOTH PRODUCTION IN INDIA

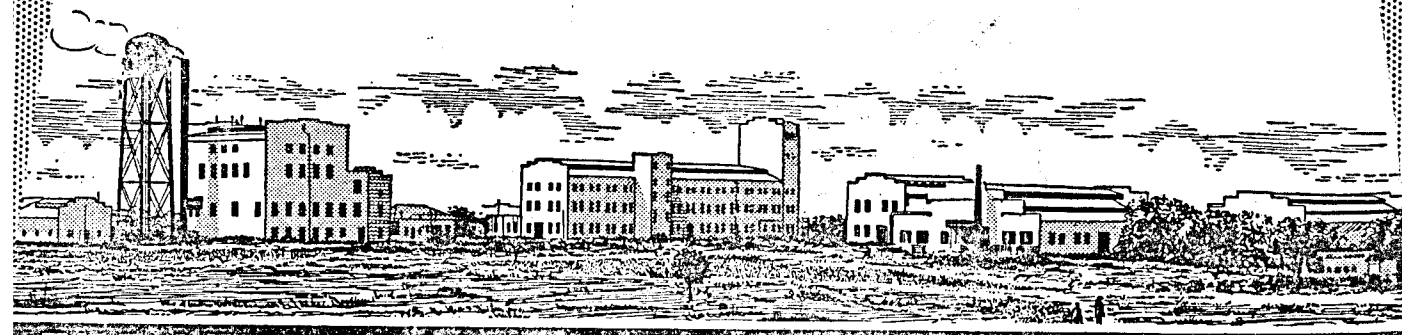
(Monthly Average or Calendar Months)

	Cloth ('000 yds)					
	Yarn	Coarse	Medium	Fine	Superfine	Total
	(000 lbs)					
1951	108,655	30,293	173,405	112,329	23,655	339,682
1952	120,759	41,966	225,548	99,477	16,229	383,220
1953	125,433	49,902	261,373	69,910	25,363	406,548
1954	130,086	42,467	307,624	38,476	27,909	416,476
1955	135,867	47,706	313,219	38,525	25,090	424,540
1956	139,267	59,887	316,384	37,003	28,941	442,215
1957	148,341	96,976	291,909	31,923	22,310	443,118
Jan	156,416	102,296	320,170	36,009	25,227	483,702
Feb	143,246	94,530	286,012	32,049	22,490	435,081
Mar	150,451	95,132	301,720	33,027	23,444	453,323
Apr	153,672	96,289	311,718	32,809	23,560	464,374
May	149,983	93,116	306,778	32,188	20,992	453,074
June	136,978	88,832	281,108	30,285	19,399	419,624
July	150,171	103,575	299,800	33,090	22,417	458,882
Aug	144,056	97,918	272,521	28,829	21,217	420,539
Sept	150,884	101,438	288,634	30,864	22,785	443,721
Oct	142,416	94,074	270,286	29,674	21,319	415,353
Nov	149,125	97,582	280,280	32,031	21,655	431,548
Dec	152,698	98,933	283,879	32,218	23,168	438,198
1958: Jan	148,702	86,361	299,881	28,760	21,524	436,526
Feb	132,861	74,198	271,739	25,943	19,568	391,448
Mar	138,475	73,767	284,594	26,282	20,919	405,562
Apr	134,074	73,381	286,688	26,544	21,153	407,766
May	138,704	79,323	291,806	27,582	22,840	421,251
June	126,047	77,814	263,940	26,621	19,947	388,322

Source: Textile Commissioner, Bombay.

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Wider Outlook Needed

THE Bank-Fund meetings this year were unique in two ways. This was the first time that these meetings were being held on Asian soil, and never before so many business men, bankers and industrialists—the bulk of them from Western Europe and America—had attended these meetings. The slant was very definitely on the development of underdeveloped areas in the world. This was the keynote of the address by the President of the World Bank, Mr Eugene Black. Not the discovery of the atom bomb, but “the great transformation going on in the underdeveloped world today”, was, in Mr Black's view “the most important fact of the 20th Century”. And equally unmistakable was the slant on private enterprise as the instrument through which this transformation was to be and could be brought about. The capital needed for development would not flow out in adequate quantities unless private investors could be induced to lend; and if these investors had to be tapped, one could understand why the World Bank, as the medium for channelling this capital, should be concerned about the sources from which such capital had to be drawn and the susceptibilities of the private investor. In fact, one of the purposes of the Bank, as laid down in its Articles, is “to promote private foreign investment by means of guarantees or participations in loans and other investments”. But the manner in which private enterprise was played up by so many representatives of member countries in their speeches, and the strident note of ‘free world’ struck by many of them make one wonder how these agencies of the United Nations have come to uphold, and identify themselves with, a system of values which is not shared at least by some of their members, like India, for example.

In his address of welcome, Pandit Nehru invited the delegates to avail of this opportunity “to have a glimpse into our minds in our own environment”. Asia, he said, was in an explosive state, because the changes of the last few years had “unleashed a giant”; and “naturally it does not propose to behave as when it was in leash, either in the political domain or in the economic domain.” Since the development of underdeveloped countries was a world problem and had been recognised as such, the perspective of the cold war was not the right perspective on this all-important problem of development. In fact, such a perspective tended to distort the picture and led inevitably to much friction and waste of resources. There was more than a hint in Pandit Nehru's deeply moving address that the great task of developing underdeveloped countries had to be undertaken primarily by these countries themselves. But in so far as they needed foreign aid, the responsibility for providing such aid devolved necessarily on the industrialised countries, irrespective of the political camp to which they might belong. Progress had been retarded inevitably because the problems of development had not been viewed from this angle.

It was gratifying indeed that Mr Black should think that “India has become a symbol of mankind's hope in economic development.” But how disconcerting is the situation taken as a whole—the waste of resources in piling up armaments, resources which could be so fruitfully employed to initiate economic development and raise living standards in the underdeveloped areas! The cold war takes its toll in other ways also which are perhaps not less heavy, and Mr Black exposed some of them with

courage and forthrightness. Regarding the provision of capital for underdeveloped countries, he said, "Particular care must be taken not to penalise those countries whose difficulties are the result of a lack of development capital". Mr Black resented bitterly that some countries should be able to exploit their "strategic position in the international political line-up" in order to stake a claim on the limited supply of international capital. To condone such claims, he said, was to penalise those countries that were making the necessary sacrifice to do the development job well. An assessment of the total economic aid to underdeveloped countries in the last few years, irrespective of source, carried out in the light of Mr Black's observations, would be illuminating and productive of much good in the coming years, if—which is unfortunately too much to hope in the present situation—the findings should influence action in this field.

In contrast to Mr Eugene Black's deep appreciation and penetrating

analysis of the problems of development, the Fund chief had very little to say to inspire hope in, or convey reassurance to, the underdeveloped parts of the world. Monetary discipline is a medicine which, however unpleasant, can be taken if it promises relief. What sort of relief does raising of the bank rate offer to an underdeveloped country which faces a payments problem because it has taken up development? The teething troubles of these countries are basically different. They have not yet been diagnosed properly, and no proper cure has been prescribed for them. The responsibility for the present unsatisfactory state of affairs in this regard lies partly, if not largely, with the underdeveloped countries themselves which, because they have to approach the Fund and the Bank with hat in hand, often understate their case and take a stand which they know to be wrong just because they have been told that it is the correct stand to take.

While the Fund-Bank meetings were going on, with discussion centred on Private Enterprise as the subject for Panel Discussion, the whole of Pakistan was brought under martial law and China released the staggering figures of her achievement in the first half of the year: 360 million tons of foodgrains against 65 million in India, representing an increase of 60 per cent over the figure for the past year, with steel production well on the way to catch up with that of Britain. For India to remain the symbol of mankind's hope in economic development, the West on its part will have to widen its outlook, and India will have to do a great deal of rethinking particularly on the subject of resources, which bankers continue to think of as financial while the needs of development demand that they should be interpreted in terms of labour.

Democracy Derailed

THE general elections promised in Pakistan for next February were never taken seriously by anyone. Outward preparations seemed to be on: the electoral register was being completed; an election commission had been set up to ensure fairness and independence of the poll; and a firm date for the voting was about to be announced. Yet, the people of Pakistan looked on with scepticism—hoping, vaguely, that the elections might come off, but feeling deep inside them otherwise. All the leading politicians, from the Prime Minister down, had been giving repeated assurances that the elections would definitely be held on the due date, no matter what. But the assurances themselves were a little too frequent, and a little too loud, to ring true. It was as if the leaders were hoping, by talking loud enough and often enough, to convince themselves.

Last Wednesday's events have justified the scepticism, though not quite in the manner anticipated. People who feared that the February elections would not be free and fair can now take what comfort they can from the thought that they will not be rigged if only because they will not be held. It

is, of course, an open question whether corrupt elections are, after all, not better than no elections at all. This is a material question to face, for it may justifiably be asked now whether any elections—unless they be on the Gaullist model—will ever be allowed in Pakistan in the foreseeable future.

Mr Iskandar Mirza's action this week, though involving the Army, is more of a palace counter-revolution than a regular military coup; for, while a coup involves a revolt from below against the top, in this case it is the top that has, with one well-planned and slick stroke, done the trick. In the circumstances, the high moral tone of Mr Mirza's proclamation seems a little out of place. He has denounced every political leader who has held the reins of power in the country since the death of Mr Jinnah and the assassination of Mr Liaquat Ali Khan; and this denunciation is, no doubt, fully merited; but precisely how unsullied is the President's own record?

If it is true, as it admittedly is, that the politicians in power had been playing cynically with the lives of a people, 'finer men than whom cannot be imagined', and had been at this sordid game for

years, then what was the President doing about it all the time? The answer is simply that he was himself one of the players. While the politicians were busy trying to outsmart one another, the President was busy trying to outsmart the politicians. The queue of prospective tenants outside the Prime Minister's house at Karachi invariably included Mr Mirza's own proteges and nominees; and it is perhaps not too much to say that it was usually his permutations that paid in the end.

Keeping the background of this dismal record in mind, it is not easy to escape the feeling that this week's action too is just an extension of the President's game. And this impression is reinforced by a number of factors. The first point that arises in connection with the 'peaceful revolution' is its timing. Why did it happen at this particular time? As far as one can see, there was no immediate provocation, and certainly nothing so drastic as to justify a total abrogation of democracy in the country. A few members of the Awami party had announced their resignation from the Noon Cabinet after a four-day taste of glory. But their presence was not vital to

the survival of the Cabinet; and Mr. Noon would no doubt have managed to steer his exciting course in the perpetually troubled waters. Actually, there were several positive reasons against any such precipitate action as the President has taken. For the first time in its existence, the country was moving perceptibly towards a general election. If things had been allowed to take their own course, the election would have been only four months away; and if it had been allowed to be held, the tangled affairs of the country might have sorted themselves out. Mr Mirza says, of course, that the fairness of the poll was exposed to danger; but surely the hands of the election commission could have been adequately strengthened for ensuring a clean poll by a President who has now shown himself capable of far stronger action?

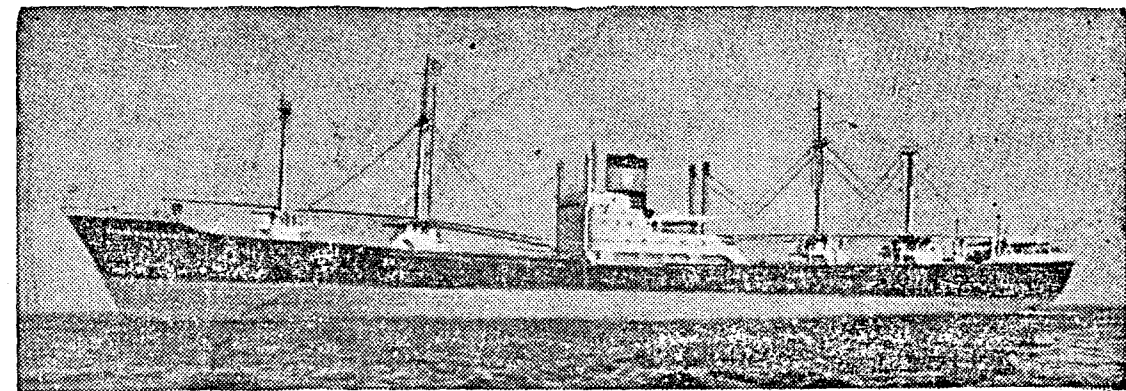
The answer seems to be that, while many of the corrupt politicians of the country were presumably content to promote an election which they were hopeful of turning somehow to their advantage, the President felt he had nothing what-

ever to gain personally from it; if anything, a successful election might only tend to diminish his chances of a second term in office. This also helps to explain why the steps he has taken are so utterly irrevocable and drastic. A constitution that is merely suspended must be restored some day, making sooner or later for the normal exercise of the vote by the people. But a constitution that is abrogated (in itself an unlawful action) gets buried, never to be a source of embarrassment again. Similarly, all other trappings of parliamentary democracy—provincial legislatures, the central parliament, political parties—have been completely demolished. This hardly looks like a work of repair; the indications are that an entirely new structure is to be raised—a structure that will probably not resemble the old one at all.

There was nothing in the President's proclamation of Wednesday to contradict this indication. He has promised the country a type of democracy and government which it can 'understand' and which is more suited to its genius; and one feels

reasonably sure that this is a promise meant to be kept. And what Iskandar Mirza has in fact done is to clear the ground for the introduction of what he is fond of calling 'controlled democracy'. A de Gaulle has risen in Karachi. The mood of quiet welcome in which the people of Pakistan are reported to have received the new army regime is perhaps no more positive than an attitude of inert resignation. Since the change is not subject (at any rate, at this stage) to the approval of the people, their approval is immaterial and irrelevant. They have been given no choice; and since they cannot get what they like, they must like what they get, particularly as the chances are that protest would be taken for treason.

There is, thus, no comfort whatever to be drawn from the military take-over in Pakistan. The people of the country may well be sustained by the thought that, no matter what happens now, they have seen worse; but it may well be that the worse is still to come. The country has been deflected from the path of democracy; and it may well drift to a point of no return.



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Weekly Notes

Spotlight on Finance

Our Delhi Correspondent writes:

NOTWITHSTANDING the shadow cast by the clamping down of martial law on the whole of Pakistan, it was essentially a Bank-Fund week for Delhi. The purpose of the meetings was two-fold: to augment the resources of the International Monetary Fund and the International Bank of Reconstruction and Development and to give to the private foreign investor an inkling of the problem.

Both the Fund and Bank got overwhelming support from member countries for expansion of their capital. In the case of the Fund, it is to take the form of an increase in the quotas of member countries. The Board of Governors have decided that the question should be studied and necessary action recommended. The decision will require ratification by Parliaments of the member countries, and this will no doubt be obtained before the next annual meeting. The consensus of opinion has been in favour of a 50 per cent increase in quota—there is no difficulty about that, but it will inevitably raise the complex issue of a revision and realignment of quotas. This is now overdue, for the economic position of many of the member countries has changed beyond recognition since the quotas were first fixed 12 years ago. In the case of West Germany and Japan, for example, there is strong reason for a substantial increase in their quotas, more in keeping with their present economic strength and development. On the other hand, Taiwan's position, still supposed to represent Mainland China as one of the five major share-holders of the Fund, has become ridiculous in the extreme, and it is more than high time that this anachronism was ended, and West Germany admitted as one of the five principal share-holders with permanent seats on the Executive Board.

Political alignments in the United Nations were reflected in the election of Executive Directors at the present meeting, with the emergence of a new Afro-Asian group consisting of Malaya, Ghana, Indonesia,

Libya, Morocco and Tunisia, which combined to elect an Indonesian Director on the Fund and a Malayan Director on the Bank to represent them. Groupings on the basis of particular interests were also evident in the move made by Australia and South Africa, the principal gold-producing countries, to revive the issue of raising the price of gold. Canada, though a gold-producing country, did not actively participate in this in view of determined U S opposition to it. And the move was defeated, as in the past, by the U S.

Vicious Circle

THE underdeveloped countries however, our correspondent goes on to say, failed to make common cause on the two issues which affect them most and about which they feel deeply. One is the weak position of primary commodities in world trade on account of which they have to face balance of payments deficits time and again. This was a common complaint in the speeches of representatives of most of these countries. On another issue about which they feel even more deeply, few of the affected countries could afford to or did speak out boldly. The Governor of the Philippines, however, was an exception; in a forthright manner, he attacked the ritual performance of thanking the Fund every year for its services to the cause of world trade, though the Fund had taken no initiative in trying to solve the special problems of the primary producing (or otherwise) underdeveloped countries. The usual prescription given to them, he said, was to diversify their economies, which meant industrialisation and large investment, which in its train brought the very same balance of payments problems for which industrialisation was the cure. How were these countries to break this vicious circle?

It was not at the open session, however, that the grievances of the smaller countries found full expression. For that one had to meet their representatives in the lobbies or the lounge. Britain was held up as the model boy, they said, because Britain raised her bank rate to 7 per cent. But nobody ever asked why Britain got into the jam which forced her to raise the bank rate

so high. The same applied to France. The Fund came to the aid of Britain and France with such alacrity, opening its purse wide and asking no question. But when a small country got into difficulty, even though through no fault of its own, how it was being put on the carpet, cross-examined, made to promise not to do this or that!

On the Commonwealth front, Canada made a good showing and gave some evidence of its special efforts to strengthen and deepen its Commonwealth ties. The Finance Minister of Canada held a press conference at which he gave an account of Canada's aid to India both through the Colombo Plan and directly in the form of wheat loans. More interesting was the sidelight thrown on Canada's desire to draw a little away from the U S, which was manifested at the Montreal Conference. Canada is the largest capital importing country in the world today, and needless to say, it is U S capital which has been pouring into Canada. While Canada certainly welcomes all this capital and would welcome even more to develop her vast open spaces and exploit her rich natural resources, she has begun to sense the danger of inundation, of the undesirability of depending too much on, or getting too closely tied up with, American capital.

Delhi has not yet clarified its ideas on the latest developments in Pakistan. But Pakistani delegates at the Fund-Bank meetings as well as the Anglo-British groups profess to welcome them, both as expected and desirable. Instead of the long-promised general elections, Pakistan has got martial law. There is no question that the two wings of Pakistan cannot be held for long by the military. East Pakistan will particularly resent army rule as the army means abhorred Punjabi domination. But those who look upon the present regime as a regrettable, but temporary necessity and hope that it will make way in due course for a Federal Constitution, in which the two wings will have complete autonomy, perhaps oversimplify the situation. The problems of Pakistan are certainly not centred simply around the east-west conflict.

Sad Decision

IT is a pity that the Executive Council of the Benares University should have felt impelled to take the drastic step of closing down this premier educational centre in the country for some time as the only way out of the 'rampant indiscipline and lawlessness' prevailing there. Only once before in the history of the University had such action been taken; but that was at the height of the 'Quit India' movement when students, understandably enough, jumped into the political arena in the cause of freedom. What makes the present state of affairs in the University particularly distressing is the fact, brought out by the Mudaliar Committee, that quite a few members of the teaching staff, torn by group rivalries, have been exploiting students for the promotion of their own petty ends. The reconstitution of the Executive Council and the devising of other measures, following the Mudaliar Committee's startling report on goings-on in the University, do not seem to have had any salutary effect.

On the contrary, one of the measures at least, namely, the reappointment of Shri V S Jha to preside over the reconstituted Council, has been a cause of further provocation. The students, while assailing the closure of the University as 'improper, unreasonable and unconstitutional,' have also demanded in unmistakable terms that Shri Jha should be removed from the Vice-Chancellorship. Whether the charges brought by the agitating students against Shri Jha are well-grounded or not, there was perhaps something to be said for letting him retire from the troubled scene particularly as he himself was so inclined.

The decision to close down the institution has evidently been taken in the hope that the present disturbances might quieten down in course of time, creating the necessary atmosphere for reorganisation. But the declared intention of the students to keep up the agitation is not a happy portent. Even though the likely dispersal of students, following the notice served on them to quit hostels and approved lodges, may deflate the agitation, it is doubtful whether they will be in a less embittered mood when they return. Considerations

of discipline are no doubt very important in the educational sphere; but in the face of the seeming unanimity of opinion among students on certain issues and the unabated intensity of feeling, it is doubtful whether a purely disciplinary approach can meet the situation. Apart from whatever reorganisation may have to be attempted, there is the question of assuaging the feelings of the young, which have been rightly or wrongly roused. The tactics of agitation they have been adopting are no doubt most objectionable; but when it is realised that it is some of their own mentors that have primarily misled them, there is no point in foisting the entire guilt on them. An attitude of understanding and tolerance, directed towards restoring good relations all round in the University, is, in the ultimate analysis, the most promising remedy that can be tried to save this once highly esteemed educational centre from further confusion, disorder and disgrace.

Demand for Sewing Machines

OUR export performance during the first seven months of this year has been quite disappointing. We have so far exported only Rs 325 crores worth of goods against Rs 368 crores during the comparable period of last year. The decline is due largely to the difficulties faced by major export commodities which traditionally earn most of our foreign exchange. It is, therefore, heartening to know that one of our new export commodities, the sewing machine, has done extremely well. Export of these light engineering goods are currently running at a much higher level than in the previous two years, and customers have been found for them not only in Asian and African countries, but also in Britain, North America, and on the Continent. As a matter of fact, Britain is now the largest single buyer of our sewing machines. Much of this success is attributable to the vigorous pioneering efforts of Jay Engineering Works, whose Chairman, Lala Shri Ram has, with justifiable pride, claimed that his company's sewing machines are the cheapest of their quality in the world. This achievement has been made possible by the deliberate policy that Jay Engineering has followed consistently—it is perhaps

the only one in the country to do so—of endeavouring to expand the market by frequent price reductions. The internal price of its sewing machines has been brought down from Rs 220 in 1954 to Rs 160 now, and there has hardly been any speech from the Chair which has not announced a price reduction all these years. The latest price reduction of Rs 15 has been undertaken at the expense of profits in the hope that this policy would establish a permanently widening market. Lala Shri Ram is also the first industrialist of repute who has explicitly accepted the responsibility that protected industries owe to themselves, to their workers and to the country to make the maximum effort possible to save foreign exchange and promote exports. He has also reiterated his belief that exports should be made by industries which receive special benefits from Government even at a loss, which can be recouped from the profits of the internal market inflated by severe restrictions on imports.

In the interests of export promotion, Lala Shri Ram has demanded that many measures which have been under consideration of Government for a long time should be implemented at an early date. These include concessions in railway freight, income tax, rates of interest on bank loans, and allowing a percentage of the foreign exchange earned for imports of various materials needed by the industry. He has also drawn the attention of Government to the fact that the pig iron normally supplied by steel concerns is of poor quality, which leads to frequent rejections in the foundry and at later stages of production. This cannot fail to affect the final quality of the product adversely, however much Government may seek to help the industry in other ways by giving concessional steel quotas and drawbacks on import duty.

Regional Balance Still Remote

THE Industrial Finance Corporation of India was set up in 1948 to provide long term finance to industrial undertakings against the mortgage of their assets. While it was also empowered to underwrite new issues, this function has been performed by it only in the latest year in respect of a debenture issue by Premier Automobiles. Dur-

October 11, 1958

ing the ten years of its operation, it received loan applications for an aggregate amount of nearly Rs 125 crores, against which it sanctioned loans amounting to nearly Rs 63 crores. Of the latter figure, more than Rs 10 crores has remained ineffective. The actual disbursement has come to Rs 35 crores. The largest single beneficiary of its operations has been the food manufacturing industry, principally Sugar, which has been sanctioned loans of more than Rs 19 crores. (See Table I) Textiles and Chemicals come next with Rs 9 and 8 crores, respectively, while Paper and Cement have been sanctioned loans amounting to between Rs 5 and 6 crores each. Metal and Machinery Industries have together received more than Rs 9 crores. The Corporation has, therefore, played a leading role in providing finance to the development of not merely such consumer goods industries as textiles and sugar, but also the industries which provide the basic sinews of economic progress. Out of the 185 applicant concerns, which were sanctioned loans aggregating to Rs 63 crores, 103 undertakings which went into production after independence received Rs 41 crores.

The Corporation has also made considerable effort to help industrial development in States that are relatively less advanced industrially. Such States have received assistance to the tune of Rs 32 crores since the Corporation was set up. Of this amount Rs 22 crores has gone to new concerns alone. Even then, however, (see Table II) the regional distribution of loans remains unsatisfactory

in relation to population. While Bombay, Kerala, Madras and West Bengal have received a share in total loans significantly larger than their share in total population, other States like U P, M P, Andhra, Assam, Bihar and Rajasthan have lagged far behind. While the IFC is concerned primarily with the soundness of individual schemes and has no power to initiate projects in backward areas, it has still a long way to go before it can claim to have made a substantial contribution to balanced industrial growth of various regions.

In obedience to a Government directive, the Corporation has been taking an active interest in recent years in financing the setting up of cooperative sugar factories. These have so far received loans aggregating to more than Rs 13 crores, which constitutes 69 per cent of total loans sanctioned by the Corporation to the sugar industry, and 21 per cent of all loans sanctioned by the Corporation. Since most of these active cooperatives are in Bombay State, the magnitude of these loans has, to some extent encroached upon the Corporation's declared intention of providing greater assistance to relatively backward States.

Breakdown of loans, according to amounts sanctioned to each industrial concern, shows that about Rs 13 crores have been sanctioned to concerns which have received loans exceeding Rs 1 crore each, and almost an equivalent amount to concerns which have received loans between Rs 50 and 60 lakhs each. Most of the loans, however, have been for amounts not exceeding Rs 30 lakhs.

Table II—Loans to States

State	amount (Rs crores)	Percentage of total loans	Percentage of total population
Andhra	3.11	4.9	8.6
Assam	0.45	0.7	2.4
Bihar	4.78	7.6	10.7
Bombay	18.70	29.8	13.3
Kerala	4.28	6.7	3.7
Madhya Pradesh	0.04	0.1	7.2
Madras	8.57	13.6	8.5
Mysore	4.80	7.6	5.3
Orissa	2.94	4.7	4.0
Punjab	2.97	4.7	4.4
Rajasthan	0.75	1.2	4.4
Uttar Pradesh	5.01	8.0	17.5
West Bengal	6.34	10.1	7.2
Delhi	0.20	0.3	0.4
Total	62.90	100.0	97.6

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Deferred Payments Guarantee

DURING the year ended 30th June 1958, the Corporation's activities were considerably hampered by the non-availability of lendable funds during the first half of the year, and the shortage of foreign exchange which prevented pros-

Table I—Loans to Industries (as per International Classification)

Industry	Amount (Rs crores)
Food Mfg	19.27
of which	
Sugar	16.21
Textiles	9.08
Artificial fibres	1.10
Wood & Cork	0.30
Paper	5.72
Rubber	0.50
Chemicals	8.43
Veg Oils	0.11
Glass	1.28
Pottery	0.64
Cement	5.07
Metals-Iron & Steel	0.23
Metals-Non-ferrous	1.17
Metal Products except machinery & trans equip	2.58
Machinery & trans equip	5.36
Bicycles	0.81
Elec. Light & Power	0.83
Miscellaneous	0.43
	62.90

pective borrowers from applying to the Corporation which insists on the possession of an import licence by the borrowing concern before it considers an application for a loan. The latter handicap is not within the power of the Corporation to overcome, but it has endeavoured to soften its unfavourable impact on operations by having its Charter amended so as to allow it to guarantee deferred payments in respect of imports of machinery and equipment. Till the end of the accounting year, it received six applications for such guarantees, aggregating to Rs 5.24 crores. Three of these applications were sanctioned to the extent of Rs 3.96 crores. The Corporation has given these guarantees after satisfying itself in regard to each individual scheme, of its soundness and feasibility, national importance and profit earning capacity; possession of a requisite licence under the Industries Act and an import licence; mortgage of assets or absence of any prior lien or charge subsisting on the goods supplied. The guarantee agreements provide for the deposit of cash or Government securities with

the Corporation and making of adequate arrangements by the borrowing concern to ensure availability of foreign exchange to the Corporation in the event of the Corporation being called upon to honour its guarantee. This is a field of activity which the Corporation is bound to find quite lucrative for some time to come in view of the shortage of foreign exchange and the inflow of private capital from abroad under export credit guarantee schemes.

More Lendable Funds

SO far as the other handicap, namely shortage of lendable funds, is concerned, the Corporation has overcome it by having its borrowing capacity raised from 5 times its paid up capital clause reserves to 10 times thereof. This amendment of its Charter raises its borrowing capacity from Rs 27 crores to nearly Rs 56 crores. In addition, it floated 4½ per cent bonds redeemable in 1967 during the year, raising its total borrowing under this head from Rs 7.81 crores to Rs 12.37 crores, out of which, however, Rs 2.80 crores have been utilised to pay off its overdraft at the Reserve Bank. The Government of India has also given a further loan to the Corporation, raising funds made available under this head from Rs 6.5 crores to Rs 15 crores.

Total working funds of the Corporation, therefore, now aggregate to nearly Rs 36 crores including the overdraft facility of Rs 3 crores at the Reserve Bank. The magnitude of its profits has already enabled it to start repaying Government subventions for its guaranteed dividend. Together with its additional borrowing powers and a promise of a further loan of Rs 7.5 crores from the Central Government for the remaining years of the Second Plan period, the Corporation is, therefore, well-placed to play a substantial role in the financing of industrial development in future years.

The latest report of the Corporation, in addition to giving a resume of its activities during the first decade of its operations, also provides a review of the progress made by its borrower concerns. These have, on the whole, done pretty well and some of them have in fact done so well that they have

been permitted to distribute dividends of more than 6 per cent. The percentage of default in the repayment of principal has declined from 8.4 in the preceding year to 6.1 and the corresponding percentage of default in interest has gone down similarly from 2.7 to 1.7. One important matter in respect of which the Corporation's latest Report, however, still fails to enlighten us is the relative importance of loans from the Corporation in the total finance for expansion that has been raised by the borrowing concerns since 1947. Such an analysis would have been extremely useful for evaluating the extent to which the Corporation's existence and active working have helped the private sector to rehabilitate and modernise the old units and to set up new ones.

Free Algerian Government

THE proclamation of a Free Algerian Government last month in Cairo is, above all, a vote of no-confidence by Tunisia and Morocco in both the ability and the will of General de Gaulle to solve the Algerian question to the satisfaction of even the most moderate of the nationalists. The Free Algeria Government would have been proclaimed several months ago, but for President Bourguiba's reluctance to abandon all faith in French good will. The principle of the Government had been accepted by the ruling parties of Morocco, Tunisia and the Algerian F L N at the conference of the Maghreb last April in Tangier; only the timing had remained to be settled. And this has now been done dramatically on the eve of the French constitutional referendum, which the Algerian move automatically rejects.

The majority of the Arab countries have been quick to recognise the new Government, in spite of the threat from Paris that diplomatic relations might be severed by France if this was done. That fact in itself makes the threat ineffective. With how many countries will France break off its relations? And if, out of sheer stubbornness, it does break off with every major Arab country, will that simplify its prosecution of the Algerian War or make it infinitely more difficult?

General de Gaulle's position vis a vis Tunisia and Morocco promi-

ses to become highly intractable as it is. Whether or not he breaks off relations with them, these two countries will soon be asking him to withdraw all his troops from their soil. One cannot see de Gaulle easily accepting such a demand; nor, at the same time, can one see Tunisia and Rabat compromising. Will then France seek to keep its forces in these countries by force? That is a vital question for France's allies to ponder. And if the problem is seen in its right perspective, they will feel the need to advise him to come to terms with the Free Algeria Government as best as he can.

Errata

In the article 'The Fund and the Bank,' issue of October 4, p 1272, col 2, the first sentence should read: "Its available resources of gold and U S dollars are now about \$2.2 billion, and including Canadian dollars and Deutsche Mark about \$2.6 billion".

In Current Statistics of the same issue, in the Table 'World Bank Loans' p 1286, the per capita (\$) figures for Africa and Nigeria through 1951 and 1954 should read as follows:

	Thru' 1954	Thru' 1951
Africa	3.48	0.80
Nigeria	—	—

Letter to the Editor

'BOMBAY'S PROFITABLE STATE TRANSPORT'

I WRITE to thank you for the review "Bombay's Profitable State Transport" that appeared in your issue of September 20, 1958. There are one or two points which I would like to clarify:—

You have referred to delay in the publication of the Administration Report. During the year 1956-57, as a result of the reorganisation of States, some areas of the Corporation were transferred to Mysore and Rajasthan States, and this entailed some slight delay in the finalisation of the accounts for that year. The Administration Report for the year was delayed by about a month and submitted to Government in the first week of April, 1958. The discussions on State Transport in the State Legislature were deferred until the monsoon session. According to

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established practice, the report is released to the press just before discussion in the legislature takes place.

Regarding road development, on which you have suggested the Corporation should spend, I would observe that road repairs and development are the responsibility of the PWD and the other local road

authorities.

You have commented that the Corporation's passenger fleet appears to be over-burdened with as many as 10 different makes. The large number of makes are as you hint a legacy of the past. I can, however, assure you that the Corporation is trying to standardise on the few makes best suited to the different

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divisions in which it operates and these makes are all on the manufacturing programme of the Government of India.

D M Nadkarni
Public Liaison Officer
Bombay State Road Transport Corporation.

Worli, Bombay 18.
October 4



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Official Papers

Liquidity and Development

R K Hazari

International Reserves and Liquidity. International Monetary Fund, Washington, 1958. Pp 104.
International Monetary Fund: Annual Report 1958. Pp 158 plus Appendices.

A DEQUACY and 'proper' composition of exchange reserves have been problems of international concern ever since the sterling exchange standard, euphemistically described as the gold standard, broke down after the First World War. The attempts of European countries, principally Britain, to restore their pre-war exchange values led not merely to unemployment but also to a scramble for liquidity, which was satisfied, in the twenties, by gold hoarding by France and large-scale transfers of short-term funds from New York to Germany. After the disruption brought about by the Depression, national propensities to build up hoards of gold and foreign exchange received an additional impetus, in the mistaken belief that larger reserves, by themselves, would generate greater confidence in currencies. As a result, in 1937-38, the ratio of world foreign exchange reserves, excluding those of the U.S., to world trade reached the all-time peak of 63 per cent against 17 per cent in 1913 and 35 per cent in 1928. This high ratio was attributable largely to the shrinkage of international trade and partly to the falling production costs and rising prices of gold. This increase in reserves failed to stimulate world trade, just as their higher level in 1928 compared to 1913 had by itself contributed little, either to the prevention or the onset of the Depression. Such a situation, as the IMF Staff study on 'International Reserves and Liquidity' points out, "provides a further illustration of the proposition that the environment in which a monetary mechanism operates is of greater importance than the level of available reserves."

Reserve Ratios

In 1948, the ratio of world reserves, excluding those of the United States, to imports fell to 45 per cent, despite a near-doubling of the value of all reserves, owing to the large expansion in the value of trading compared to 1937. It fell further to 36 per cent in 1951 due to devaluation of sterling and rise in import prices. Since 1951, international

liquidity has remained fairly constant and reserves have grown as rapidly as trade; the latter has been expanding at a phenomenally high annual rate of 5 per cent. At the end of 1957, the ratio stood at 32 per cent—at 49 per cent if the United States is included. Unlike the situation in 1928, there is now no longer an excessive amount of short term credit, subject to sudden recall, to bolster up the reserves of individual countries. Inter-governmental debts do not present the problems of reparations and war debts that existed in 1928 and the early thirties. However, post-war recessions have been mild and corrective measures to deal with them have, on the whole, been quite successful. There is, therefore, no doubt that the international credit system is more firmly based now than it was in 1928.

On the other hand, there are a few disturbing elements as well. A much larger part of the reserves of monetary authorities are now held in the form of foreign exchange in preference to gold. At the end of 1957, all countries, except the United States, held 53 per cent of their reserves in foreign exchange against 18 per cent in 1913 and 35 per cent in 1928. While there is hardly any possibility of a run on the dollar, the pressure on sterling may conceivably create a difficult problem. Fortunately for Britain, its dollar reserves have been increasing at the same time as its sterling liabilities have been declining. Secondly, the much greater importance of the public sector in nearly all countries makes economies less flexible than they were under the so-called international gold standard. Moreover, fluctuations in the prices of primary products can create extremely difficult situations for a large number of countries. Finally, events of a non-monetary nature may seriously affect the international payments situation.

On balance, nevertheless, it is true to say that the international reserve position is in many ways stronger than it ever was, except when Lon-

don was the sole ruler of the financial world.

Dark Spots

While this overall picture is certainly encouraging, two dark spots are present in it. One is the continuous drift of non-dollar non-sterling countries away from sterling which, naturally, tends to emasculate the sterling area in the long run. For instance, between 1948 and 1957 the dollar holding of this area increased from \$1.7 billion to \$5.3 billion, while sterling holdings declined from \$4.2 billion to \$1.5 billion, though a part of the latter decline was undoubtedly due to the liquidation of sterling balances built up during war time.

The second is the high degree of concentration of exchange reserves. At the end of 1957, the United States alone held 43 per cent of the world's reserves of gold and exchange, and Germany held another 11 per cent. Eleven countries, of which only Venezuela can be described as under-developed, held 80 per cent of the world's reserves. Most of the industrial countries, excluding the United States and the U.K., have maintained during the last five years a ratio of reserves to imports of between 40 and 50 per cent; most of the non-industrial countries, 31 out of 49 in 1957, however, had a ratio of less than 40 per cent in 1957. This unfavourable situation has resulted largely from the reduction of foreign balances built up during the war, and from the decline in their terms of trade in recent years, together with the effects of development programmes on their balance of payments.

Plight of Under-developed Countries

While the I.M.F. study is confident that the financial future of the world is assured of stable progress, due to steady expansion of trade and United States' economic policies and also the expected continuation of increase in gold production, it throws hardly any light on how it expects the reserve positions of non-industrial countries specifically to be affected by future trends,

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This Chart Tells Our Story

Items	1946-47 Rs. np.	1957-58 Rs. np.	Percent increase (+) or decrease (-) over 1946-47
1. Cane price including transport charges	12 62	14 70	+ 16%
2. Government taxes-central excise duty, cane cess and co-operative societies commission.	2 97	13 16	+ 342%
3. Manufacturing charges including salary, wages and packing.	3 75	6 05	+ 61%
4. Overhead charges and profit subject to taxation	2 20	2 19	
	21 54	36 10	
	0 10	0 10	
Less for molasses		36 00	
Ex-factory price	21 44		+ 68%

This table dispels the common belief that the profits earned by the White Sugar Industry are unusually large. That the industry is not responsible for the increase of sugar price in the recent past is revealed by the figures given here. Most of the consumers are only concerned with the price they have to pay. But some of them are not aware that the gross profit and overhead charges together account for only 5% of the total cost of production. A comparison of the current price of sugar and the price prevailing 11 years ago will show that there is an increase in all the items of expenditure except in overhead charges.

It is, as it has always been, the concern of the industry to reduce the cost of production. The industry has done a magnificent job in doubling its production in the last 4 years with a consequent decrease in cost of overheads and reduction in the percentages of gross profits. It also holds a promise for the future to reduce the cost of production further.

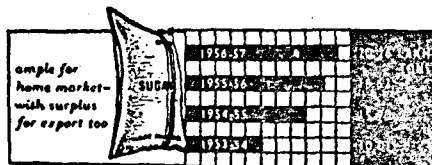
Today the White Sugar Industry provides scope for Indian capital investment of more than 100 crores of rupees; it provides employment to over 1,40,000 skilled and unskilled workers and 3,600 university educated men, their total earning representing 5% of the national wages and salaries; it supports 20 million cultivators; it constitutes 12% of the total value of production of major Indian industries; it contributes over 65 crores of rupees (@ Rs. 13.19 per maund) in levies to the national exchequer.

It offers even brighter prospects for the country. With a lighter burden—with some of its present day handicaps removed—this industry can contribute to achieving a more stable national economy. Its upward trend of production can continue to meet the needs of a growing home market and yet leave a surplus for export in order to earn foreign exchange.

Indian WHITE sugar ...

vital to India's national economy

THE INDIAN SUGAR MILLS ASSOCIATION



THE ECONOMIC WEEKLY

Since, ultimately, large and continuing expansion of world trade depends on the stable progress of these countries, it would have been useful to know what the eminent experts of the I M F have to say about their reserve prospects. It is not enough to know that the present trends of gold production and expanding trade will keep the economy of the free world, as a whole, stable.

What an adequate reserve should be for individual countries is, naturally, difficult to define, but it appears from the I M F study that it considers reserve ratios of between 30 and 40 per cent as, in general, adequate, without being finicky about how much of them are held in gold. Taking these proportions as a yardstick, India's present ratio of about 35 per cent seems to be quite satisfactory. While India is, thus, placed not too badly, especially when compared with many other underdeveloped countries in which galloping inflation and declining export prices have not merely depleted reserves to a very low level but also created nearly insuperable problems of credit control, the position of underdeveloped countries as a whole is at present pretty awkward. For them, the demands of long-term development are as urgent as the need to restore some sort of payments equilibrium. The contribution of the industrial countries to meet these demands has taken the form of long and medium term loans, which facilitate their exports and to some extent, merely represent a return of funds which they have built up due to an improvement in their terms of trade with the under-developed countries.

U S Recession

The Fund's Report has drawn encouragement from the fact that the recent recession in the U S A was almost fully met by corrective measures and that U S imports were not significantly affected by it. This, however, offers little consolation to the countries whose exports have declined and/or whose export prices have declined still further. While the industrial countries are in a position to protect themselves, by and large, against such recessions, primary exporters have had to cut down their investment programmes due to the shortage of external resources and the need to curb inflation at home. Such measures can-

not fail to have deleterious consequences for them. In fact, they have already been forced to recoup their losses in terms of trade by borrowing abroad in one form or another and have thereby encumbered their future balance of payments as well.

Monetary Policies

Practically the only bright spot in the Fund's Report, so far as the under-developed countries are concerned, is the progress they have made in the reduction or elimination of multiple exchange rates. A number of Latin American countries have managed to rationalise their exchange rates, largely by allowing the official rates to run down in the direction of free market rates. Among the other highlights of the Fund's Report so far as internal monetary policies are concerned, is the greater resort which many member countries have had during the year to variations of member banks' reserves to control bank credit. Moral persuasion alone by the Central Banks does not seem to have proved effective and in many cases, therefore, bank rates and rediscount facilities have also had to be tightened up. To the extent that these curbs have their restrictive effect primarily on credit extended to the private sector, they could not by themselves have had much influence on the rate of public spending. Reduction in the latter has been determined to a much greater extent by the availability of external resources and by general fiscal policies though a superficial reading of the Report might give the impres-

sion that changes in monetary policy have been of greater import than they really were.

Conclusion

To sum up. The Fund's main contribution to the international monetary mechanism has so far been the facility it has provided for mutual consultation together with its fairly objective studies of national and international monetary trends. The few occasions on which it has intervened actively in restoring payments equilibrium or preventing disequilibrium have been inspired by factors which were not entirely economic, barring the assistance it has given to India and a few other countries. Now that its resources are proposed to be increased by at least 50 per cent, it is hoped that this accretion will be utilised in helping the underdeveloped countries to tide over the transitional difficulties in their balance of payments brought about by development programmes.

IATA's 14th Annual Meeting

THE International Air Transport Association, the world airline organisation, will hold its Fourteenth Annual General Meeting in New Delhi on October 27. Shri J R D Tata will take office as President.

A voluntary association of carriers, IATA is the means whereby they link their individual routes into a single, integrated public service network—with standard tickets, waybills and with coordinated procedures.

INDIAN AGRICULTURE IN BRIEF

A useful handy and pocket size booklet has been recently brought out by the Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India, with a view to meeting primarily the need of those who wish to have a snap-shot picture of Indian Agricultural Economy as revealed by the current Agricultural Statistics. Certain essential data in allied spheres, e.g., population, national income, etc., needed for an understanding of the agricultural economy in its broader perspective have also been included in this booklet.

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In Iraq Now

LIKE many countries everywhere east of Europe, Iraq is undergoing its long-due revolution. In the Middle East, revolutions, in the past, few years, have been taking place in fits and starts but the present military revolution led by Abdul Karim Qassim promises to play its appointed part and it is reasonable to presume that it will last. This, at least, is the opinion of many old Iraqi hands, who know the Arab at first hand. It is possible that Western Powers might yet make one more attempt to impose their will on Iraq—though this is hardly likely. The suddenness of the revolution, the thoroughness shown by it in its dealings with the rulers, have both frightened the West—more especially the United Kingdom. For long Iraqi rulers and leaders were on sale for the highest political bidder. Iraqi oil will still be on sale—but not Iraqi rulers. What happened in Iraq is so simple that it baffles westerners. The old rulers were despotic—the new rulers are despotic too and are forced to be so—and ruled arbitrarily. They lived in style, sold their conscience and treated their own people with contempt. This is known only too well in western circles. Such was the old order—and western officials in Basrah accepted it with aplomb.

Unmitigated Tyranny

Why did the Army revolt against the Government of Nuri es Said? Nuri himself was no mean personality. He was an old-time revolutionary. Though he had sold himself to the British, he was not unmindful of the welfare of the Iraqi people. To his credit are some good roads and quite a few institutions. According to the most reliable informants, the Iraqi Army had little to complain. It was well paid; its officers were treated with respect. Though its equipment, in terms of modern European armies, cannot be said to be up-to-date, it was by no means ineffectual. But there was disaffection in its ranks. And, when the time came, even the Royal Body Guard deserted the foolish king.

Iraqis are primarily Arabs though Iraq has its minorities like

the northern Kurds. Though Iraqi oil revenues are of the magnitude of millions of dollars, only thirty years ago all Iraq had just one secondary school. With its oil wealth Iraq can have the highest standards of living not only in the Middle East, but in all Asia. But today Baghdad's streets are dirty and dust-laden. Iraqi women still observe the purdah and beggars haunt the ancient squares where Haroun El Raschid once rode in splendour.

Even the fat-cats of the Iraqi Army are men of flesh and blood and certainly the more patriotic among them could not but have asked how the national wealth was being drained and to what effect. Iraq's youthful King had a palace—and a propaganda machine at his disposal. His ministers were, in the words of a revolutionary official, in the pay of the United Kingdom and in the confidence of the United States. Iraq was in the Baghdad Pact which secured for the West unrestricted access to the oil and gave Iraqi leaders unrestricted power over their own long-suffering people. Iraqi patriots who showed overt signs of independence got summary shrift; if they were not sent to gaol, they were hung from the gibbet. Those who watched this, whether from among the people, or the Army, were bound to revolt—sooner or later. An eye-witness who was present when Nuri's dead body was being dragged through the streets told this correspondent how an old woman, whose son had been shot by Nuri's henchmen, came rushing towards the body, tore a piece of pallid flesh from it amidst cries of: "My son, thou art avenged".

Poverty Amidst Plenty

In any other country there might have been a sense of national revulsion against such goings on. Not in Iraq. The killing of the Iraqi King and his Prime Minister is considered a necessary act—a logical culmination to an era of unmitigated tyranny. Even if the \$100 million that forms part of the oil revenues trickles down to Iraq's 7.5 million people, they can walk

on carpets. But the people are still desperately poor. Baghdad, Iraq's capital, presents the most stunning contrast of prosperity and poverty. Huge Buicks and Cadillacs tear through the narrow streets, while people squat on the pavements and side-walks, the very picture of distress. Taxis are brand-new. Even New York cannot boast of taxis that have to be renewed every year. For if there is one item that the Iraqis need not worry about, it is oil. Petrol is in greater abundance than water. Cabbies charge not according to miles driven, but minutes a taxi is on hire.

Interestingly enough, Iraq is the only country this side of Asia Minor that has television. Television sets are to be found in the larger cafes and in most upper middle class homes. The Baghdadi, additionally, is probably the most radio-minded individual in the world. Every shop has a radio and even the road-side vendor has a small radio set which he keeps constantly tuned. In a country where illiteracy is the rule rather than the exception, this is remarkable indeed. This is also one reason, perhaps, why, when the revolution overtook the old regime, its first target was the Baghdad Radio. So much for the power of communication.

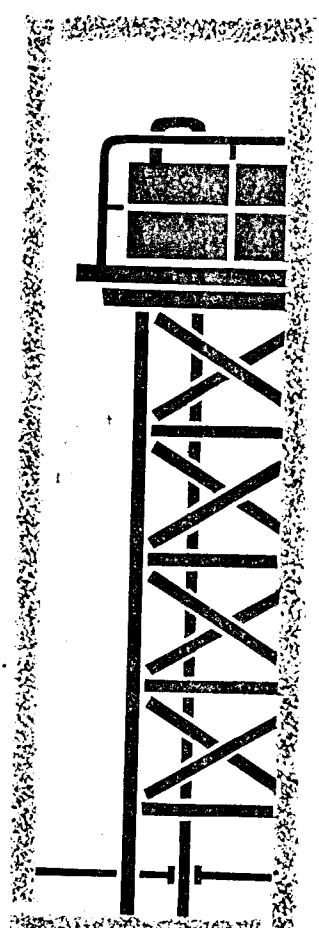
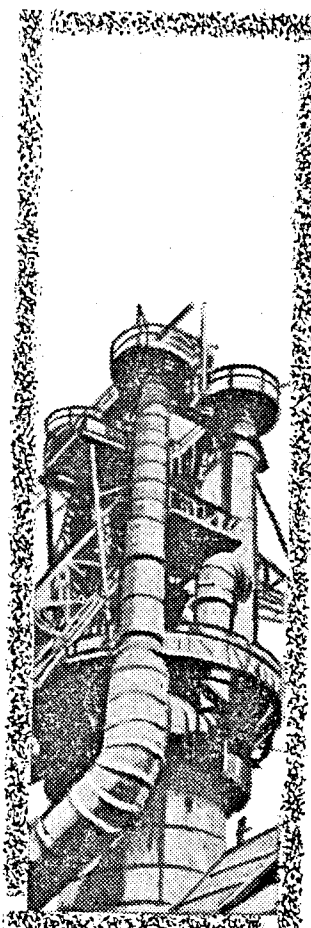
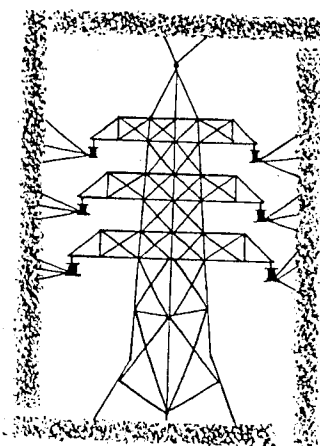
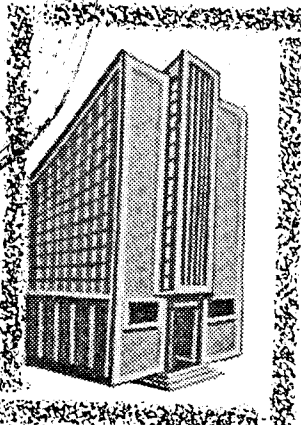
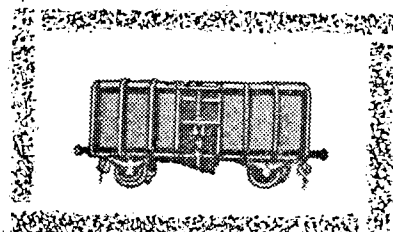
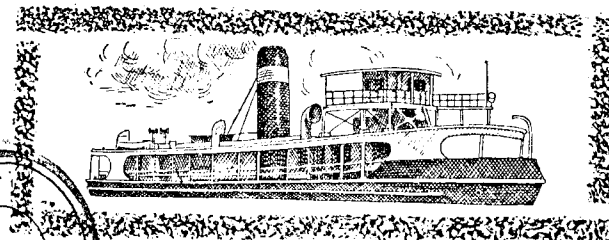
Corrupt Regime

It is possible that the old rulers suspected that their regime might not last for ever. This correspondent was told by an official of the Baghdad Pact that the wily former Prime Minister had taken care to issue not more than eight rounds of ammunition to the Army; this official said that if only the Palace Guard had stood its ground and had fought even for a few minutes, the detachment which had come to arrest the King might have been forced to fight with rifle butts or run for their lives. But the Palace Guard too defected to the new regime. The Old Order collapsed, literally speaking, with hardly any resistance put up even by its own alleged supporters. Such, apparently, is the fate of corrupt regimes.

How corrupt the regime was is only now coming painfully to light.

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The trial of Fadhil Jamali, Iraq's old Foreign Minister and one of the most vehement critics of Gamal Abdul Nasser, has brought a whole carload of instances into the open. Jamali himself barely escaped the attention of the Baghdad mobs. Had the mobs laid their hands on him, he might have shared the fate of Nuri. When the Army arrested him, according to one report, Jamali was so scared he might be handed over to the mobs that he kept kissing the hand of every officer in sight, crying: "Please don't throw me to the mobs, please spare me from the people".

There is now enough evidence to show that Nuri, Jamali and the rest of the old regime had plotted against the independence of Syria. It is also becoming evident now that the former Iraqi regime was keeping the Chamoun faction in Lebanon supplied with arms to fight the Lebanese rebels. The most damning evidence—that scarcely makes the pages of India's papers—is now available, and it may be worth our while to inquire how much of it is unconsciously suppressed by the British news agency on whom the Press Trust of India largely depends.

Reform and Revolution

It need hardly be said that the new regime is faced with the most difficult problems a country can be called upon to face. When India became independent it at least had a well-trained civil service. Iraq's civil service, long accustomed to the tyrannous administration of despotic rulers, has got to be geared to a new way of life. The more dangerous elements within it need to be removed. It is by no means easy to streamline a service that for long subsisted on graft, corruption and tale-bearing. The new leaders want to go places, but they cannot go too fast for lack of capable men who understand what is expected of them and can interpret the orders. Whether it is at the airport or in the ministries, red tape, passing-buck and just crude officiousness all exist to an exasperating degree.

But this is not to say that the new regime is not conscious of its needs. Even while the Jamali trial is being held, a mountain of

fast pace. The recently announced land reforms—though they may not sound as sensational to Indians—nevertheless constitute a radical departure from the past. The new rulers know that they have to be necessarily slow in some of the reforms. Of what use, for instance, would free land be to Iraqis who cannot till the soil or have no means to do so? Land re-distribution for re-distribution's sake does not, and very rightly, appeal to the Iraqi leaders. So the land reforms are mild, but they do indicate a trend. Iraq has other equally pressing problems, apart from those of administration and land reforms.

Iraq for Iraqis

Iraq wants to push its people into the sunlight through education—at all levels. One of the first things that the new regime did was to approve the new Baghdad University Law, which permits the establishment of the University's branches in other cities of the Iraqi Republic. The University is expected to take care of higher studies and the encouragement of scientific research—this would have received the full approval of the legendary Haroun himself—not to mention Arab literature and commerce. Interestingly, the official language of the University will be Arabic, unless the University Council decides otherwise, for a number of courses.

For, in tune with the rise of Arab nationalism, Iraq wants to feel free and this can only be felt when Iraq runs its own institutions with Iraqi, and not foreign, nationals. There is already a move to employ only Iraqi nationals in Iraqi Airways. Undoubtedly, this trend will soon be noticeable in the oil wells which employ foreign engineers. Iraq for Iraqis—this is the slogan of the new regime, though it does not make a fetish about it. Addressing a group of Iraqi engineers the other day, Brigadier Abdul Karim Qassim, the Prime Minister, said: "I assure you that the country's economic planning and development shall turn after a little while into a giant revolution of renovation".

Attitude to Foreign Capital

Like India, which is sending its young men abroad for training, Iraq too intends to send its young

for technical training. Large-scale planning is being currently undertaken. Qassim told the engineers that various committees have already been formed to carry out a preliminary survey of the nation's needs. Significantly, he said that while it is the desire of the new regime to see to the country's industrialisation and the full utilisation of its natural resources, efforts will also be made for the creation of new resources. "Thus, we will be free and strong, depending on none but ourselves". On the surface this remark sounds commonplace, but when it is understood that Iraq depends to a large extent on oil, that the exploitation of oil is presently at the mercy of foreigners, the remark of the Prime Minister that Iraq will seek to create "new resources" takes added significance.

This determination to be free, in the light of the bitterness against the old regime and the hatred of all foreigners who had come to exploit them, can be imagined by the Prime Minister's reference to foreign companies. In his same address to the engineers, Qassim said: "Foreign companies used to participate in the tenders and contracts with only white papers in their hands on which the name of the company was written without any deposits. But now we are requiring the companies taking part in the implementation of any project to introduce into the country their capital".

International Commitments Will be Honoured

Perhaps the shameful manner in which foreign companies exploited Iraq with the connivance of the ruling class will one day be published. A documented story of the exploitation of Iraqi oil has yet to be told by impartial writers, but the new regime has time—and the documents—to do the story. So quick was the revolution that the supporters of the old regime, had they even the courage to do so, had little time to destroy papers. Alive to the time factor in such situation, the new regime has wisely locked the offices of the Baghdad Pact; when the documents available in the offices are also made available to the public, it will be time to reassess the honesty of western

Iraqi leaders, of course, presently show no zeal to condemn the Pact—and for sound reasons. Some economic aid had been promised Iraq under the Pact and there is no reason why the Iraqis who have long been exploited, should now deny themselves this aid; besides, so long as the new leaders insist that Iraq is still in the Pact, the western powers will be denied, theoretically at least, the grounds to plot for a counter-revolution. The new leaders are perfectly willing to carry out all of Iraq's international commitments, provided, of course, they do not clash with Iraq's own national interests. What these interests are, new Iraq is content to leave the western world guessing.

Federate with U A R?

There can be no doubt however, that Iraq will never again allow itself to be a tool of western powers. The latter know that the Baghdad Pact is dead, with little hopes of its revival. Whatever Turkey or Pakistan may say, Iraq is out of the Pact for good. In unofficial circles the question is asked: when will the revolution come to Pakistan? Pakistani leaders themselves may like to have an answer to this one. Does Iraq plan to federate with the United Arab Republic? Every Arab one meets in Baghdad readily acknowledges his admiration for Gamal Abdul Nasser in enthusiastic terms. Iraqis pine for a united Muslim world. Iraqis are Muslims, but theirs is not a religious, but a national upheaval. While Pakistan has been very busy ranging itself as a Muslim country, the Iraqis have indicated that their sympathy is with India. Indeed, India is probably the most popular nation in Iraq today. Though India has remained aloof from the power struggle in Iraq, India's firm stand in regard to "positive neutralism" has given her a rating that is Four Plus. India's foreign policy remains the pole star by which Iraq now wants to steer its own course to national independence.

When this is said, practically all that needs to be said about Iraq's attitude towards India will have been said. If Nasser is the most adulated "outsider" in Iraq, Nehru comes a close second. The Indian tricolour is honoured in

Baghdad, Indian officials and even stray visitors get the most cordial welcome anywhere, whether in the cafes, stores or offices. Indian films are in demand. 'Scheherazade', one of the local theatres—very aptly named—recently publicised its forthcoming attraction—one of Gemini's films "Chandralekha". The theme song of the film "Awara" is the big hit everywhere. On the streets, it is not unusual for an Indian to be hailed with the words: "Are you Hindi?" A positive answer brings forth smiles of welcome.

It is possible that Iraq, in the days to come, may federate with the United Arab Republic. That, apparently, is the goal of Iraq's leaders. But the timing of such a move will depend on a number of factors that are not all within their control. Should they feel threatened by outside forces, they may express their wish to join with the U A R earlier than one thinks. On the other hand, Iraq may wish to remain a distinct and different entity, friendly with its Arab neighbours, always willing to lend a helping hand or a more helpful loan to those in need, but not anxious to submerge its neighbourhood with a larger republic. Any comment on the future of Iraq must remain, and necessarily, plain guesswork.

The important fact in this connection is that Iraq wants to "go slow" with its plans insofar as they might lead towards Arab solidarity and the ultimate creation of an all-Arab State. This is but sensible and natural. Though emotionally Iraqis want integration with the U A R, the mechanics of such an integration require to be fully studied in order to prevent friction among leaders and discontent among the people. It is for this reason that Iraq first concluded a Cultural Agreement with the U A R and followed that up with negotiations for economic cooperation. The new leaders might be inexperienced in statecraft, but they have wise heads on youthful shoulders.

World Bank Report: 1957-58

UNLIKE its rather somnolent twin, the International Bank continues to maintain a high level of activity. During the 12 months ended June 30 this year, it made 34 loans of \$ 711 million against 20 loans totalling \$ 388 million in the

previous year. This raises the total loans given since its inception to 204, amounting to \$ 3,729 million of which \$ 2,795 million has been disbursed already. Over the last two years, the Bank has made a consistent effort to correct the regional maldistribution of its loans. More than half the year's lending went to Asia, and further assistance was made available to Africa in which it had so far taken the least interest.

Expansion of the Bank's operations is reflected in its earnings, the growth of its funded debt and in the partial sales of loans made by it. Its net earnings, exclusive of receipts of loan commission, rose from \$ 36 mn to \$ 42 million, and while its gross income excluding loan commission amounted to \$ 99 million, it paid out only \$ 48 million as interest and issue costs. Its new borrowings from capital markets reached a gross total of \$ 650 million, which is the largest sum it has ever borrowed in one fiscal year. Sales of parts of loans amounted to \$ 87 million. The market for the Bank's bonds has been considerably widened with the sale of bonds worth \$ 250 million to the central bank of West Germany. The bonds floated in the U S have been taken up by a large number of new institutional borrowers. 53 per cent of the Bank's total obligations are now held by U S investors, which indicates the extent to which the Bank's existence and operations have served to enlighten U S investors on the utility and security of portfolio investments, to which they have been allergic since their unhappy experience with Germany in the 1920s.

The Bank's articles specifically provide that its loans shall not be earmarked for expenditure in any particular country. This has enabled a large number of industrial countries to benefit from loan expenditures in addition to enabling the borrowing countries to purchase their goods in the most competitive markets. For example, while 69 per cent of the total loan expenditure through the fiscal year ended June 30, 1955 had been in Canada and the U S A, their share has declined in the latest year to 40 per cent. The greatest gains have accrued to Germany, Italy, Japan and U K, thereby enabling them to increase their exports and to stabilise the growth of their industries.

Power to the Peasant

Evelyn Wood

THE Report* of the Balwantray Mehta Team has compiled a unique body of information about the execution of the Plan for rural India. Its recommendations have already been widely publicized; and the reader probably knows that the main idea was to devolve the power and the resources, both for planning and execution, upon local committees, constituted at the level of the present Development Blocks, and elected from among the Panchayats of the hundred villages which comprise them. This central principle has probably captured public interest to the disadvantage of many other recommendations in Vol I of the Report.

The reader may also know that decisions upon the report were referred to each of the States of the Union, and their reactions at the time of publication of the Report are contained in 138 pages of Vol III Part 1. Further decisions were taken upon the implementation of the report at the National Conference for the Community Development in Mount Abu; but they are still obscure, because scattered.

Available at the same time as the report of the Study Team was Vol II of the 4th Evaluation Report by the P E O, which contains the first studies of that organization on Social Change in 14 of the Development Blocks which have been constantly under the scrutiny of the P E O. These reports are the first attempt to examine the extent to which the principal objective of the Planning Commission, "to transform the outlook of the people . . ." has been achieved.

Read together, Vol II of the P E O's 4th Report and the Balwantray Mehta Team's three volumes, offer as complete a view of the results of Community Development work as we are likely to get from so vast a field. Both

*"Study Team for Community Development and National Extension Service." Committee on Plan Projects: Report Vol I. Planning Commission, G O I, November 1957. (Vol II, III & IV are titled "Team for the Study of Community Development and N E S". Vol II COPP

reports deal with the content of the Programme and the methods followed in getting village-people involved in it. It becomes very clear that the physical targets set up are not the choice of the majority of the village populations studied.

The P E O evidently has never felt authorized to criticize the timing of the programme. It has, moreover, been obliged to concentrate upon the achievements by physical targets. Consequently its criticisms of Extension methods are secondary.

The Balwantray Mehta Study Team, on the other hand, was under no such administrative restrictions. The physical targets take their proper place in the Team's Report, as the foci of educational work "to transform the outlook of the people . . .". Method, in fact, is critically examined for the first time by a group of highly educated Indians. One of the experienced officers who was a member of the Balwantray Mehta Team was formerly the Director of the Planning Research and Action Institute at Lucknow. This body is probably largely responsible for the high level performance in Community Development maintained by Uttar Pradesh. Besides the P E O, the P R A I is the only body which has had the means and the opportunity to make scientific studies of both the methods of work and the results in the villages.

There is, for example, a study of the workload upon the gram sevak in Vol III Part 2, which clearly shows how little can be expected of this misused functionary, who is the only one of the N E S who actually lives with village-people. Matching this excellent study, which was conducted in the thorough P R A I manner, Vol II of the Team's Report contains seven studies by the P E O, which give an excellent inside view of the whole N E S organization.

The writer would not like to suggest that the P E O cannot make studies which are as thorough in details as P R A I. It happens that the former body was set up with an enormous field of work and its

physical targets. P R A I has had much more freedom of operation and a far less heterogeneous field of work in which to make its studies. Its staffing pattern has probably also been more generous. Above all, it has been able to make some controlled experiments with Extension methods.

Both these professional bodies need even greater freedom to study both the results of rural development and the methods by which those results are achieved. Where results are considered poor, methods should be even more closely examined. Both the P E O and P R A I also need to have more points of contact with village-people. Possibly their continued studies of a few individual villages may have to aim deeper into the social strata. They will probably require more staff for these purposes.

It may not be within its official competence for the P E O to institute experiments with rural development subjects and methods. For instance, the Soil Conservation experiment, which is only briefly recorded in Vol III part 2 of the Study Team's report, is a P R A I creation. It should not be technically difficult for the P E O to work out similar experiments in collaboration with Development Commissioners in each State; and the administrative obstacles could surely be surmounted if the need for such experiments were realized. There is a wealth of material suggestive of hypotheses for experimental proof or disproof in the Study Team's four volumes.

The Facts of Failure

The picture painted by the above Reports presents two unmistakable features. There is no longer any doubt that the desire of village-people for favourable changes has been stimulated. Village-men who know about the N E S would like its help. No such transformation is on evidence among the women-folk.

The second feature is negative. All government organizations, including the N E S have failed to establish two-way communications

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are with larger groups than families, no community development can begin.

Year by year, P E O's reports have mildly suggested that such failures were impending. They have pointed out, for example, the complete failure to cater for the artisans in the villages. From its second Evaluation Report, the P E O emphasized the unfortunate fact that only the more prosperous farmers were able to obtain outside assistance for development.

The most distressing of the findings of the failure by the Balwantray Mehta Team was more fully documented, also last year, by the veteran of co-operative organizing, Sir Malcolm Darling. As a failure in communication between officials and village-people, this particular endeavour must be awarded the booby-prize. The fact that a negligible minority of members ever turn up at a co-operative society's meeting says clearly that the villagers who stay away don't for a moment think they have any talents or duties to share with the other members.

Where, then, is the co-operation in the village societies? If co-operatives are not understood as a means of sharing limited resources in the economic sphere, how, then, can statutory panchayats work to assemble and distribute resources in the social sphere? The reasons underlying such failures in communications have not yet been studied. Such studies should be a priority job for the P E O, re-organized to apply the P R A I's capacity for controlled experiment. The writer would like to suggest one fundamental hypothesis to be tested.

Fitting Plans to Potentials

No proof is needed of the fact that communication between two parties cannot take place without a common ground of experience. It is not quite so axiomatic that the language used in exploring that ground by mutual discussion (particularly with illiterates) must carry much about the same associations to both parties. As an example, the well known rejection of family planning after verbal acceptance will serve very well. If the village family is convinced from its experience that an unrestricted brood of children gives the group greater strength, all the best reasons poured out by a doctor or a

demographer from his experience will not penetrate the villager's mind. Verbal acceptance (to be on the safe side) is the natural reaction to expect from poor or politically wise village-people; but only those families whose experience has shown that too many children are undesirable will even try to control further births.

Every subject where a changed practice might be thought to be an improvement for a village-group will turn up similar, specific problems. The promoter of the supposedly improved practice has got to find some experience which he has shared in common with village-folk. He must keep his conversation within this common ground, and steer the discussion so that he and the villagers use the same words to mean the same configurations of thoughts and feelings. Only then can the whole attention of village-people be focussed on the promoter's suggestions.

The above are assumptions based on the rudiments of communication theory. There is no reason to suppose that they can be falsified by anything in the situation in rural India. But the writer's hypothesis, which follows, is peculiar to present relationships between village-folk and others in India, educated to the standards of the cities.

It appears as if Block level staff, and of course all the higher echelons, in the N E S and other official organizations engaged in rural development, think and talk much too fast for villagers. The reason for this speed-up is probably not principally attributable to the officials' superior knowledge, or to their sophistication in other forms. It may just as well be due to the simpler fact that village-people's lives consist of endlessly doing things. Their talk also appears to be endless, but its content is really very small. The interest lies mainly in news about people who are out of the ordinary, and how they can be reconciled to the forms of action which are sanctioned by custom. Extension officers and Planners, on the other hand, live by reading, writing, thinking and talking, and less by doing. The higher the level, the more is done for the official by others; so his time-scale contracts still further. Naturally he can pack a lot more into the time. There is another factor involved in the hypothesis. This must be

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prefaced by an argument from analogy. Few adults can completely share in a child's experience. The length of a child's day, measured by accumulated experiences, is immense. Many days of an adult's life would be required to contain a single day of a young child's stream of more intense impressions. To put it another way, the young experience is fresh, and demands continuous attention; therefore, in the packed day of a child, thinking about time has little place. But such a day would seem immeasurably long to an adult who could share the child's stream of experience.

Most adults feel that they "have no time to think". The hours of each day flash by them while the routine of their days eats up the time. The slow maturity of any peasant society makes an inescapable routine for its members. Probably no large population outside Asia has known such a tightly routinized life, since the Middle Ages in Europe. In India, custom has further established a ritualization of each action, which reinforces the routine. There is very little space in this traditional pattern for any fresh experience to insert itself, demanding attention.

The American Shot-in-the-arm

The accidents of destiny have brought into collaboration with Indians the one people who have successfully mobilized a great part of their rural population as industrial workers on the land. No people is the equal of the Americans for social, economic and spatial mobility. Americans seem to retain the child's capacity for fresh experience, and his disregard of time. Few people are the equals of Indian peasants for the opposite qualities of rootedness, and the consequently poor capacity of short periods of time on their scales. It is impossible to attempt to value the one pattern against the other. There is no objective standpoint possible from which such comparative valuations could be made.

But the fact remains that when American scientific experience and Indian peasant experience meet in the countryside, they make a most unpromising pair in which to discover common ground. Yet this is the task of the Extension officer. American methods of rural development have been largely accepted

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for our Extension work in India. Naturally, therefore, the better educated Extension officer speeds up his thinking, about Extension topics as well as methods, towards the American standard. It is thus much harder for him to slow down his thinking to the village time-scale.

Planners, less concerned with methods of communication, tend to adopt provisions of time based upon foreign experience. This is only one reason why too much promotion of changes gets packed into each financial year. Neither the Balwantray Mehta Study Team nor the P E O have touched this fundamental difference between theory and practice in the rural development programmes. But both have indicated fairly clearly where villagers' preferences lie among the improvement so far offered in the programme.

The writer's hypothesis is that the plan of changes to be introduced is based on a time-scale which is completely outside the immediate capacities of village-people. This hypothesis should not be too difficult to test. The experiments can also be designed to demonstrate by what factors the time provided to introduce particular changes must be multiplied.

Two provisions then need to be made in a new, phased programme for rural development. One is the reduction of the changes to be promoted so that they fall within what village-people can think is possible in the time allocated. The other is to select those items in the programme which are now known to appeal to groups of village-folk, instead of only offering benefits to individuals.

The aim of such a coupling of choices in planning is to introduce at first only those changes which groups of villagers can succeed in carrying out, with N E S help. This is essential to build group-confidence in many more villages. Then, when a few changes are incorporated into local customs, we can begin to plan for a real self-development of village-communities.

Replanning Rural Development

Even in the voluminous material of the Reports quoted, there are not quite enough data available to re-plan either from the Centre, or even from the States, on secure founda-

tions. It does not look as if any of the existing, overloaded programmes will be scrapped. A limited reshuffling of the existing organizations and altered emphasis on the same old targets are the practical likelihoods.

Such tinkering cannot possibly satisfy village-communities. The reports make it perfectly clear that a majority of village-people contacted is conscious of not having benefited from Community Development at all. This cloudy situation seems to hold an impending cataract of human disaster. It should, however, be easy enough to begin mending the situation within a couple of years.

This is the year of decision. There is no time for further playing around with the lives of village-people. It is true that they have suffered many administrations during the last centuries; and that they have reacted with the stoicism which has held the culture-patterns of this country together for so many centuries. Changes were accordingly thought to be difficult to promote.

Nevertheless, we now have all the evidence that we need to prove that changes are moving into rural India, whether or not village-people or the rest of us outside the villages like it or dislike it. It is not possible for village-people alone to give their own chosen shape to the patterns of change in the cultures of which they are the matrix. It is the job of the rest of us to help them to see new patterns, as well as their possibilities of fitting into them.

Among the resources external to the villages are resources of unused knowledge. We also have the skills to gather more usable knowledge about the potentials of villages than their own people can. Finally, we have the new skills of controlled communication between millions of people. Villagers have never needed to think about such things. These are the kind of resources which we must share with village-folk, so that they may make fresh choices, in their own good time. Among their choices, we must arrange that they will continue to keep the rest of us fed and clothed. All this has been said before; and indeed it was certainly the original intention of the Planning Commission to promote change in exactly this manner.

The Balwantray Mehta Team's report suggested a way in which village-people could really be involved in Planning as communities. Judging by the first reactions of the States to the Study Team's proposals, there is little hope of their proving effective.

Besides the safe, time-honoured method of throwing a difficult problem to the States for piecemeal solution, there are other ways of using the invaluable material of the Balwantray Mehta Team's report. No other examining body has made such complete suggestions for the implementation of the original Plan. But if each State is to pick and choose the bits of recommendations which it will try out, the total purpose of the Balwantray Mehta Team's report can only be defeated. The writer does not consider the Community Development Programme, as it stands, to be workable; but this is only an opinion, which can be tested by controlled experimentation.

Need for Controlled Experiments

The alternative is clear; since the Union Government began this planning for village-people, it must maintain its responsibilities in continuing to plan for action on the knowledge accumulated last year. There would seem to be no great difficulty in constraining each State in the Union to introduce as much as is practicable of the Balwantray Mehta Team's recommendations in one District.

Before this is done, no doubt there will have to be some revision of the recommendations, more particularly with respect to the resources available within the District chosen for the experiment. The resources which must be principally considered are those of human skills; but the experiments should not be planned so that they will only work in a district picked for its excellence; nor, of course should any outside resources be channelled into such an experiment so that they do not represent a fair share of the State's total resources for the District chosen.

The writer is extremely ignorant about constitutional procedures; but it seems fairly clear that, when the Union Government wishes a State to adopt some form of action, it can always manage to get its wishes implemented. The problems of such an experiment in one District of

each State will not arise so much in getting the experiment started as in evaluating its results. Here, again, the suggestion may be repeated that organizations for evaluation will have to be built up more in line with their own views of the staffs they need and the subjects they wish to cover, and less in line with the subjects for assessment set by administrators. This is probably a revolutionary proposal; but then so are many of the recommendations of the Balwantray Mehta Team's Report.

The States should be constrained to accept two forms of Union Government control in the District experiments. One is the detailed design of the experiment, which should be worked out by Planning Commission with each State's development staff. The other is the control and study of the experiment.

It might, not, of course, be practical to set up a body similar to P R A I in every State besides U P, but perhaps consultation between the P E O and P R A I may enable the P E O to set up, for each of the Districts of experiment, a team of experimenters which is similar to that which has been growing from P R A I's operations in its own State.

Better Use of Village Talent

Besides the decentralization of Planning, many other considerations come into the Balwantray Mehta Team's findings. They are clearly thinking of the waste of local talent which the present system undoubtedly causes. The single District experiment suggested would enable some assessment to be made of the capacities of local talent; and it would at the same time reveal the limitations of Panchayats and other "popular" bodies which must eventually be responsible for development in the villages.

It seems essential that the single District experiments suggested should be worked out without any preconceptions as to the time allowed to establish the changes which are required. Naturally, a budget framework will have to be constructed which allows for a given time-limit; but there seems no reason why there should not be a further provision in the remainder of the Second Five Year Plan for the experiment of a District in each State. When the Third Five Year Plan comes to be constructed, a further provision can then be made

to carry on the same experiment, since it certainly cannot produce measurable results within less than seven years.

The writer is convinced that there is plenty of talent available at the fieldworkers' level; very likely this conviction is based upon the fact that people working in direct contact with villagers have something concrete and manageable to do; whereas at State level, and still more at Union level, the problems become more abstract and are necessarily depersonalized.

One of the greatest strengths of the Balwantray Mehta Team's recommendations is that they could result in restoring the personal content of rural administration and the internal Planning which the Team stresses should be a part of it. Anyone who has worked with village-people during the last 20 years or so will certainly agree that the last changes which they will accept are those which will lead to a

depersonalized administration such as exists in the industrialized countries of the West. The known official may be good or bad; if the latter, his failings can be anticipated. This is never possible with the impersonal government machine.

One of the most interesting pieces of evidence brought out, particularly by the P E O studies, is the fact that when there are frequent transfers of the staff working Development Blocks, the villagers' desire to try out even those forms of changed practice which were mutually considered desirable by the villagers and the transferred officials fades out with the change of personnel. There is no point in debating whether a depersonalized administration is superior to a personal one or not; what we have to find out is what form of administration the majority of the people want—that is, if the intention of rural reconstruction is genuinely to develop a democratic pattern.

Shipping Bill: Two Voices

(From a Correspondent)

WITH every appearance of a man in righteous indignation, Shri S K Patil held out before the House (Lok Sabha) the promise that even though the Government was empowered to grant higher participation than 25 per cent to foreign investors, it would use that power to minimise rather than increase the proportion of foreign participation. A few days later in Rajya Sabha prompt came the hidden thought which everyone knew lurked in his heart; he said, now that Government was vested with this power, it might see its way to grant exemptions to individual aspirants in the field of shipping who might wish to obtain finance from abroad. While it would be unwise to compare Patil with Delilah, it is worthwhile, in the interest of national shipping, to examine the thin end of the wedge which he has thus inserted.

Way back in 1947, when Shri C H Bhabha was Commerce Minister, the Shipping Policy Committee had decided that a target of two million tons would just about fulfil India's aspiration of carrying 100 per cent of the coastal trade, half her adjacent trade and 15 per cent of her overseas trade in Indian-owned bottoms within a matter of some five to seven years. Much water has flowed over the Bhakra-Nangal and other dams since then for this rosy picture for Indian shipping to be realised, and the foreign exchange, earned by indigenous Indian shipping, continues to be utilised from the 'General Pool' for ambitious projects under the national Plan. This was one of the grievances of Indian ship-owners when Government originally proposed that any 'Company' registered in India (implying thereby that a 'Company' could be financed entirely by capital from abroad though it would have to be subject to the Indian Companies Act) could operate shipping from these shores. The ship-owners felt that they were being badly treated in view of their past record of endeavour and some achievement in the face of adverse circumstances. Their plea was that they should not be made to face some possible foreign competition, when by ploughing back some of the foreign

exchange earned by Indian Shipping, it was possible to achieve the modest Second Plan target of nine lakh g r t.

Plan Target or Real Requirement?

To those who had their vision limited to this Plan target, the case presented by the Indian ship-owners was plausible enough. It was theoretically possible for India to achieve this tonnage requirement by the end of 1961 with the co-operation of Government in the shape of foreign exchange release from the general pool and loans already offered by countries like Japan as also through permission to operate on the 'self-financing' principle. After all, it is common knowledge in shipping circles that a brand-new ship, purchased from abroad, will earn back in foreign exchange the outlay on its purchase in a matter of five years, and an old one, in a matter of two.

But the Policy Committee's recommendation in 1947 was not made in haste; it was the result of mature deliberation. And as events and the onward stride in shipping have proved since then, it is not nine, but some sixteen lakh g r t that would be needed even to carry 7½ per cent of our foreign trade, besides other requirements. This can never be done without foreign participation in our shipping. Which, then, is the more important of the two, the modest Plan target or the country's real requirement? If we remember that the Plan target was set with the non-participation of foreign capital in view, we will realise that the requirement of the country's national trade was not the criterion which guided the Planning Commission. Nevertheless, at a later date, the Government of India apparently woke up to the country's real requirement and incorporated in the proposed Bill a definition of an 'Indian Ship', which sought to give Government the freedom to encourage foreign capital in the country with a view to catching up with the true needs of the trade. But the prevailing vested interests in the shipping trade, being wholly Indian, were opposed to this. They feared competition, and coveted monopoly.

Foreign Participation

It is against this background alone that we can try to understand the recent overtures in Lok Sabha from several sectors of the maritime vested interests in respect of this all too controversial issue. In developing our backward economy at a pace, almost unheard of in any other backward country of Asia and Africa, we have invited foreign participation in every industry striving to achieve the standards so common to their counterparts in the West. And it was in shipping alone that the question of drawing a line was thought of, principally because an impression was created that this was our second line of Defence and that, with the division of national interest, would come division in loyalty and control. But a ship, owned by a company registered in India comes under the Indian Companies Act; and if the Managing Agents are also Indians and the majority of the Directors and the manning personnel of the ships from the Captain down are Indians, one fails to see how this argument can really hold water.

Before the findings of the Joint Select Committee of Parliament were placed before the Lok Sabha on August 21, 1958, Government had already conceded to Indian ship-owners the principle of allowing only 25 per cent of foreign participation. And yet, through amendments from Congress members themselves, led by Shri Raghunath Singh, power came to be finally vested in Government to do as it pleased with this ratio by a simple announcement in the Official Gazette. Indeed, the final shape of this Bill has been a defeat to the existing Indian ship-owners and a victory to those intending to encourage foreign participation.

'Faith-Trust'

Strange were the voices of Shri S K Patil, the Union Minister for Transport and Communications, the one heard in Lok Sabha and the other in Rajya Sabha during the passage of this Bill, when he took upon himself the curious role of stating that Government was accepting a provision against its own wish inasmuch as it was be-

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ing forced on it by the majority in the House. In the Lok Sabha, he was obviously playing to the gallery when he categorically stated that, in spite of having the requisite power, Government would go in for foreign participation of a lesser magnitude than even the 25 per cent provided for; anyway, later in the Rajya Sabha, he came out with the statement that because of the power now vested in Government, it would be possible to accord facilities for larger foreign participation to individual new entrants if Government thought it fit to do so in the national interest. This change of attitude was not necessary. He could easily have stated in all frankness that Government did wish to determine the nature of foreign participation in keeping with the needs of this industry in much the same manner as it was doing in the case of other industries.

Actually, the proposed formation of the National Shipping Board is the only solid achievement that this uninspiring Bill has presented to those who looked forward to much. The National Shipping Board is to consist of nine members of Parliament, six from the Lok Sabha and three from the Rajya Sabha, and not more than fourteen others from among ship-owners, seamen, the Central Government etc. Shri Patil admitted on the floor of the House that Government was aware of many defects and shortcomings in the Bill, but by providing for the creation of a National Shipping Board, it had established an instrument for assessing these shortcomings. The Board would provide guidance in applying provisions of this Act whenever controversies arose, so that at a future date, some one or two years hence, the Act might come up for revision before the House, if found necessary.

In short, the Merchant Shipping Bill, so long awaited by all maritime interests in the country, has disappointed all including Government. A sort of 'faith-trust' in the constitution of a National Shipping Board is the only solace offered to the nation. In other words, the 'trial and error' method has been finally accepted. However, we may now have one comforting thought: since we do have a National Shipping Register, a seaman dying at sea would not necessitate a death certificate from Cardiff.

Export Risks Insurance Corporation

THE Export Risks Insurance Corporation (Private) Limited completed its first year of working on September 30, 1958. During the year, the Corporation received 277 proposals for insurance and issued 146 policies. For shipments to be made by the policy-holders in a period of 12 months from the dates of their respective policies, the maximum liability of the Corporation has been fixed at Rs 7,51,55,000.

The Export Risks Insurance Cor-

poration (Private) Limited was established by the Government of India on the recommendation of the Export Credit Guarantee Committee. It offers to cover risks involved in exports on credit terms.

The policies issued by the Corporation guarantee that if the value of the goods exported by the policy-holders on credit terms is not received in India due to commercial causes, it will pay to the insured exporters 80 per cent of the loss and if the loss is due to political causes, it will pay 85 per cent of the loss.

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From the Chair

Industrial Finance Corporation of India

Speech of the Chairman Shri K R K Menon

THE following is the full text of the speech delivered by the Chairman, Shri K R K Menon, at the Tenth Annual General Meeting of the Shareholders of the Industrial Finance Corporation of India, held on September 27, 1958:-
Gentlemen,

The Accounts of the Corporation and the Report of the Board of Directors for the year ended the 30th June, 1958 which I place before you today are the tenth of their kind, and are, therefore, of particular interest, as marking the completion by our Corporation of a decade of service in the field of industrial finance. 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.

Pioneer Institution

A decade is but a short period in the life of an institution like ours, particularly in a field like industrial financing of a long-term nature in which, at the time our Corporation was set up in 1948, we were the pioneers. It is, therefore, perhaps too early yet to draw any firm conclusions of a general nature from such modest achievements as stand to our credit at the end of this ten-year period, but the factual details given in the Report that is placed before you will no doubt interest you.

Of these factual details I will pick out just a few as deserving of your special notice.

Loans Sanctioned and Disbursed

Firstly, the total volume of work that was handled by the Corporation during this decade was of a considerable size, involving the examination of loan applications for an aggregate amount of nearly 125 crores rupees. Loans sanctioned amount to nearly 63 crores rupees, and the actual disbursement of loans come to about 35 crores rupees.

Secondly, in the year which has

passed, we have also been able to repay to Government a substantial amount towards the subvention that we had been obliged to draw from them previously.

More Lendable Funds

Thirdly, we have been able to raise funds aggregating 12.37 crores rupees by the issue of bonds, mainly from institutional investors, several of whom had also already subscribed liberally to our share-capital.

Fourthly, and finally, we were able to help concerns in the relatively less industrially advanced States of the country to the tune of 32 crores rupees in all during this period. Out of this amount a sum of Rs 22 crores was sanctioned as loans to new concerns alone in these States.

Profits Higher

Turning now to the accounts for the year under report you will observe that we have done even better than last year, as our profits, after paying for expenses on administration and interest on borrowings, amounted to Rs 58.25 lakhs as against Rs 43.06 lakhs during the previous year. We have, after a lapse of nearly five years, been able to transfer a sum of Rs 11½ lakhs to the General Reserve Fund thereby raising the balance in this Fund to Rs 17 lakhs. As I have already mentioned, this year we are also paying the guaranteed dividend out of our profits, and, in addition, we are paying back to Government a sum of Rs 5.45 lakhs as a first instalment in repayment of the subvention that we drew from them during the previous years.

You will recollect that last year we had made adequate provision for our anticipated bad and doubtful debts and that I had stated that no further provision would be required, though our Auditors were of the view that an increase in the provision by Rs 5 lakhs would be desirable. I am glad to state that on a review of the accounts at

the end of the year, we have not, therefore, found it necessary to transfer any amount from our profits this year to the Reserve for Bad & Doubtful Debts.

In the schedule attached to the Balance Sheet in which certain particulars in respect of the loans and advances outstanding are given, you will find an item headed "(d). Debts due by concerns in which the Directors of the Corporation are interested as Directors and shareholders, Directors or members of the Managing Agency concerns". As the word "interested" used in this heading is apt to be misleading in this connection, we have given a detailed analysis of the relevant figures in the Annual Report. You will observe from the analysis given in Appendix 'A' to the Report that a sizeable portion of the loans in which our Directors are stated to be "interested" represents loans given to concerns in which some of our Directors were interested as shareholders or Directors even before they came to be elected or nominated as Directors of this Corporation. Attention has also been drawn to the fact—and I wish to emphasize it here—that, when a loan application is under consideration by your Board of Directors or the Central Committee, every Director, who has any kind of interest in the concern whose application is under consideration, withdraws from the meeting as an invariable rule.

Decline in Applications

The number of applications received by us during the year showed a further downward trend from last year's figure. The most important reason for this is the increasing difficulty experienced by industrial concerns and entrepreneurs in the matter of securing the necessary licences for importing the capital goods required for starting new industries or expanding existing ones. We insist on the production of the necessary import licences before we take up

States which are not industrially as advanced as the foremost ones like Bombay and Bengal came in for a substantial share this year also. The Statewise figures in this regard are perhaps worth special mention (see table below).

The general pattern of industrial units that were sanctioned loans during the year under report has, as you will observe from the analysis given in Appendix 'C(i)(B)' to the Report, changed somewhat slightly. While sugar still occupies the predominant position as before, paper and cement have moved up to the second and third position respectively, leaving chemicals and textiles behind.

Loans to Co-operative Societies

Co-operative Societies continued to receive our special attention. The financial assistance sanctioned to them now aggregates Rs. 13.24 crores which represents an increase of Rs. 2½ crores as compared with the Rs. 10.73 crores as at the end of the previous year. Hitherto applications from the co-operative sector have been confined to the sugar industry; we have lately been approached for assistance from certain textile concerns also in this sector.

You will have observed from the Annual Report that the commitments of the Corporation in respect of loans sanctioned up to 30th June 1958 amounted to roughly Rs. 17½ crores. Out of this amount, a sum of nearly Rs. 7½ crores represented loans sanctioned during the last four months of the year.

In respect of these loans the Corporation was in the process of negotiating the terms and conditions of the loans with the borrowers in the case of some and, in the case of certain others, was in correspondence with the Central and State Governments. The balance of Rs. 10 crores comprises :

- | | |
|---|---------------|
| | Rs.
crores |
| (i) Amount awaiting disbursement according to the requirements of the borrowers. | 3½ |
| (ii) Amount held over for fulfilment by applicants of specific terms and conditions prescribed, including proof of title. | 5 |
| (iii) Amounts held over for miscellaneous reasons such as changes made by applicants in their | |

	Rs. crores
original schemes and consequent need for re-examination of the loan applications, etc.	1½
Total	10

I may mention in this connection that when borrowers do not draw the loan according to the dates agreed upon in the mortgage documents, a commitment charge is levied until such amounts are actually drawn by them. In regard to amounts awaiting disbursement pending legal formalities being completed we grant interim loans liberally.

Prompt Repayments

You will be glad to learn that the periodical reports received by us from our borrower concerns of the progress made by them as well as the inspections carried out by our officers indicate that on the whole, our loanee concerns are doing well. Quite a few of them have done so well indeed that, with our previous permission, they have declared dividends in excess of the standard rate of 6 per cent. It seems reasonable to hope that this will prove to be an incentive to investors and thereby help to broaden the investment market.

Most of our borrower concerns met their obligations to us promptly in the course of the year. You will have noticed from the Annual Report that the percentage of defaults in the repayment of principal by our borrower concerns has declined from 8.4 in 1957 to 6.1 in 1958, and that the percentage of defaults in the payment of interest has likewise come down from 2.7 to 1.7.

Deferred Payments Guarantee

In the Annual Report mention has been made of certain amendments that had been made to the Industrial Finance Corporation Act during the year under review. One of these amendments now enables us to give guarantees in respect of deferred payments for imported

THE ECONOMIC WEEKLY

machinery. This is a very useful facility which has been eagerly sought for. You will find in the Annual Report the main criteria that we apply in examining applications for guarantees, and the more important terms and conditions that we prescribe for the grant of such guarantees by us. We have so far sanctioned three schemes for guaranteeing deferred payments; these aggregate Rs. 3.96 crores in all. We expect that the transactions in this behalf will be finalised shortly.

In the year under review, we have made our first venture into the field of underwriting, and I hope this transaction, particulars of which are given in the Report, will be the fore-runner of many more in the coming years.

Borrowings from Government

You will no doubt recollect that in my speech last year I had invited your attention to our ways and means position. In addition to the sum of Rs. 15 crores which I mentioned then as having been made available to us by Government, they have since sanctioned us a further loan of Rs. 7.25 crores for the rest of the Second Five Year Plan period. This latter amount will be available to us for the fresh loans that will be sanctioned by us hereafter. In November 1957 we decided, on the advice of the Reserve Bank of India and with the concurrence of Government, to raise funds also from the market by the issue of bonds. We had a sum of Rs. 4 crores in mind; we actually raised Rs. 4.56 crores. We intend to try and raise loans from the open market this year also as we did last year.

Our scheme of nominating non-officials on the boards of directors of our borrower concerns, which I referred to in my speech last year, has, I am glad to say, worked quite satisfactorily. During the year under review we extended this scheme further. The assistance that we have received from our non-official

(Amount in Rs crores)					
	Increase from	at the end of	to	Rs.	at the end of
Andhra	Rs. 2.61	June 1957		Rs. 3.11	June, 1958
Madras	Rs. 5.58	"	"	Rs. 8.57	"
Mysore	Rs. 3.80	"	"	Rs. 4.80	"
Orissa	Rs. 2.30	"	"	Rs. 2.94	"
Punjab	Rs. 2.66	"	"	Rs. 2.97	"
Uttar Pradesh	Rs. 3.86	"	"	Rs. 5.01	"

nominees has been of an appreciable order, and I take this opportunity of thanking them most sincerely for their services.

Washington Seminar

In May this year, the International Bank for Reconstruction and Development held a Seminar in Washington under the auspices of their Economic Development Institute, for the purpose of enabling the heads of certain selected industrial financing institutions of the world to discuss problems of common interest. I was one of the invitees to this Seminar which was attended by representatives from Brazil, Ceylon, Chile, France, Mexico, Puerto Rico, Pakistan, South Africa, Turkey, U. K. and U. S. A. The discussions at the Seminar as well as the informal exchange of views between various representatives proved to be of great use, and, in particular, it gave me an opportunity to understand the problems of other under-developed countries like ours in the field of industrial financing and the manner in which financial institutions in those countries are tackling these problems.

Despite certain important differences in the procedures adopted, conditioned mostly by differences in the politico-economic set-up in the various countries, it was apparent that there exists a rather remarkable uniformity of policy on a large number of items. The divergences were equally interesting, and gave much scope for thought and discussion. For instance, while certain institutions (including ours) adopt the line that the true function of a development bank is to provide credit as a bank of "last resort", viz., to help only the lame dogs over the stile, others adopt the line that no differentiation should be made between those concerns which can help themselves by resorting to other sources of credit and those which cannot do so. Then again, there appears to exist sharp difference in the matter of the approach of the various institutions towards investment in equities and also towards reliance on governmental or government-controlled finance for their loan funds. The extent of governmental control over administration also proved to be another factor

leading to divergent practices. However, there was complete unanimity of opinion regarding the utility of industrial financing institutions in under-developed countries, and, taken by and large, it appeared that our Corporation is functioning on sound and healthy lines.

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 for their very valuable co-operation and wise counsels. The shareholders will have noticed from the Annual Report that Shri L. S. Vaidyanathan, who had been a Director of the Corporation since 1949, resigned shortly before the close of the year. Our thanks are due to him for his able assistance in the deliberations of the Board of Directors over a long period of years. I have also great pleasure in conveying the thanks of the Board of Directors as well as my own, to the General Manager and the entire staff of the Corporation for another year of loyal and devoted work on their part.

The Jay Engineering Works Limited

Year of Steady Progress: Problem of High Costs

Exports Improve: Sir Shri Ram on the Outlook

THE following is the text of the speech delivered by Sir Shri Ram, Kt., Chairman of the Jay Engineering Works Ltd., at the 21st Annual General Meeting of the Shareholders of the Company held at Calcutta on the 1st October, 1958.

Gentlemen, The Balance Sheet and the Profit & Loss Account and the Directors' Report have been in your hands for some time, and these, with your permission, I will take as read. You will be glad to learn that your Company continued to make steady progress in the year ending 31st March, 1958.

In our Schools regularly examinations are held and diplomas are given to successful candidates. In Calcutta last time the diplomas were given by Hon'ble Shri I. D. Jalan, Minister for Local Self Government, to 202 students.

Prices Reduced

When speaking to you in 1954 I told you that we had reduced our

prices of Sewing Machines from Rs. 220/- to Rs. 200/-. We again made a further reduction on 1-12-54 and reduced the price to Rs. 175/-. I am glad to say that on the 1st of January this year, we again reduced the price from Rs. 175/- to Rs. 160/-. This further reduction of Rs. 15/- per machine, as I have stated above, is in consonance with our policy of improving quality and reducing prices.

It will be noticed (from the table on p 1314) that while there is increase in production in numbers, and in amount of sales values, the increase in profit is proportionately less; this is due to the reduction in prices.

While on this subject of reducing the price of our products, I may draw your attention to the two-sided difficult problem that we have to face. On the one hand, higher costs of raw material and articles of food are pushing our costs upward. Whereas, on the other hand, the

purchasing power of our customers is strained by the rising prices of all kinds of food articles and other necessities of daily living. Our customers, in the main, are from two groups—middle class housewives and tailors. Over the preceding year, the purchasing power of both has been adversely affected — the housewife on account of the high prices of food stuffs and the rising costs of living in general; and the tailor by the lower offtake of cloth which means less work for him.

Hire-Purchase Sales

To meet the difficulty of our customers, particularly the tailors, who earn their livelihood by use of Sewing Machines, we have started selling machines on hire-purchase on easy terms. We hope, in course of time, this will be of great help to them.

To popularise our Machines, in March this year, we organised an All-India Sewing & Embroidery Ex-

hibition at Calcutta, in which no less than 3000 entries were received. Most of them were the work done on USHA Machines. About half a million people visited this Exhibition.

We have been asked by our well-wishers who visited this Exhibition that we should hold similar Exhibitions in various parts of the country and steps are being taken towards that end.

While we have our selling arrangements very nearly in 1200 places, to reach the remotest village we have got a big fleet of Jeeps & Vans in different parts of the country that go from village to village popularising our Machine, and in these Jeeps & Vans we send our mechanics also, so that if any of our customers find difficulty, they help them and attend to their machines.

Quality Improved

While we have succeeded to a great extent in improving the quality and reducing the prices the reduction in costs for reasons mentioned has not been possible. While on the question of quality, you will be glad to learn that we have been able to sell a fairly big number of our Sewing Machines in the United States, Canada, England, Holland, Belgium and Italy, etc. and we hope to sell in some other European countries also. So far as Asian and African countries are concerned, we have been exporters for many years now. We could with some justification say that the foreign buyers find our Sewing Machines the cheapest quality Sewing Machines.

Our exports last year were higher than the previous year, and we hope they will be very much higher in the current year.

During the year, Showrooms of their own have been opened by our Agents in Singapore and Bangkok for the sale of our Machines. The credit of introducing our Sewing Machines and fans in countries which are themselves makers of sewing machines goes, on the one hand to our engineers and workers under the guidance of our General Manager, Shri T. R. Gupta, and for sales in these countries to Shri Agarwal and his assistants, in particular Shri Ravindra Nath.

You will be glad to know that Shri Agarwal is doing excellent work as Vice-Chairman of the Engi-

neering Export Promotion Council, and that our Production Manager, Shri T. R. Gupta, is leading the First Productivity Team to America and other countries. We are naturally proud of these people.

While it is not possible to sell Fans in Western countries, as they are all cold countries, but the sale of our Fans in African and Asian countries is also increasing.

Basis of Exports

Our approach to the question of exports is from three different angles. First of all, there is the duty which we owe to ourselves—the duty to keep our Factory running and not to allow production to suffer for want of raw-material, including imported items. Secondly, we owe a responsibility to our workers, whom we would have to discharge if we don't keep the Factory running. Thirdly, there is a duty that we owe to our country, which to-day is facing a serious shortage of foreign exchange resources, and that in my humble opinion should be the approach of all manufacturers.

Since Independence, industry in general, has been helped either by the grant of direct protection or by the restriction of imports. For the last two or three years, there has been a very severe restriction on imports of foreign goods, and it is this severe restriction, which, to an extent, is helping industry in making profits. It is true that in exports there will be less profits or perhaps no profits. In some cases, perhaps, even a slight loss might occur, but taking a broad and long view, it is incumbent upon all manufacturers, in individual industries, to join together and take immediate steps for higher exports. It is in these days when profits are good, that by a little sacrifice, we can establish markets abroad to our permanent benefit.

While the manufacturers owe it to themselves, to their workers and

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to the Government to do all they can for exports, may I also request the Government to take the various steps early for helping exports. Many questions have been pending before the Government for a long time. For instance, the concession in Railway freights, income-tax, in rates of interest, and allowing a percentage of foreign exchange for imports of various things needed by industry etc. An early decision on all these points will certainly help exports.

When I say this, I am fully aware and grateful for what the Government have already done, but more has got to be done.

Quality of Pig Iron

In the interest of engineering concerns, I would draw the attention of the Government to one fact which affects the production of the engineering industry. The Pig Iron normally supplied by the steel concerns is of poor quality, and on account of this the rejections both in the foundry and at later stages in production are higher. Also on account of hardness of the castings the output in Machine Shop is much lower than it would be otherwise. I have no doubt that the industry will not mind paying slightly higher prices for first quality pig iron, but it is very necessary for manufacturing industries to get good quality pig iron. I do hope that it will be possible for the Government to induce the steel mills to do so.

The Government, as is well-known, wants some sort of ancillary industries to be helped by big scale industries, and I am glad to say that the number of those who work for The Jay Engineering Works outside the Factory is steadily increasing and our payment to these outside people last year amounted to Rs. 31,49,851/- and the figure is steadily increasing.

The Fan Section has been completely shifted to the new factory at Bansdhani. The production there

Working

Results

	For the year ending—	
	31-3-1957	31-3-1958
1. Sales	Rs. 3,89,49,999	Rs. 4,71,60,120
2. Profit before providing for Income-Tax	Rs. 35,76,491	Rs. 38,52,326
3. No. of Sewing Machines made	1,34,284	1,57,945
4. No. of Fans made	1,33,119	1,99,073
5. No. of Workers	3,506	3,906
6. No. of Schools	196	386
7. No. of Students	15,000	30,000

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is steadily going up and the efficiency is improving.

Progress in New Lines

The Needle Plant has also reached almost full efficiency.

We have also started making shuttles and bobbin cases on line production basis. The quality is much better and the production much higher.

Last year, I told you that the Heavy Industrial Sewing Machine was expected to come in production, and it has come in production. We have started making the same and we have put them on the market. The production is steadily going up. You will be very glad to know

Around Bombay Markets

INSCRUTABLE are the ways of speculators. The stock market which had nosedived during the previous week has staged a sharp rebound. The reason is a mere change in the psychology of the market. As there was no ostensible reason for the precipitate fall except for the technical situation, the upward reaction was rather rapid. Bears tried to depress the market till last Saturday but as they could not erode values any further, bull operators once again tried to assert themselves. The local bear operators in Indian Iron who were aggressive sellers upto Rs 25.70 were badly caught by the operators of Lyons Range and the scrip rebounded to Rs 26.90. Likewise, Tata Steel Ordinary which has been sold down to Rs 170.50 rallied to Rs 177. At higher levels some profit taking ensued, but sales were reported to have been absorbed well, despite lower steel output at Jamshedpur during September and declaration of martial law in Pakistan. However, hopes are cherished that from the current month output of both the steel works would increase steadily. The most up-to-date and one of the largest blast furnaces of TISCO works is to be blown in on Friday, 10th October, while at Burnpur, the third blast furnace of Indian Iron would be blown in the next day. This news, along with higher than expected output from

that prototypes of Zig-Zag Machines have been very satisfactorily completed and we hope that our Zig-Zag Sewing Machines will not be inferior in quality to any foreign machine. We hope to be able to produce these and put them in the market in about 8 to 10 months. It is a very highly complicated piece of mechanism, and I take this opportunity of congratulating all those who designed and produced the prototype. We hope to be able to sell these not only in the Indian market but also in the foreign markets at competitive rates.

During the year under report, your Directors thought it fit to increase the capital of the Company

Industrials Rebound

Thursday, Morning

turally cheered up the market, as the 1953 expansion programme of pig iron at TISCO will be completed soon.

Cotton textiles after diving down to new low levels recorded a modest recovery in sympathy with steels and other industrials. However, there was not much enthusiasm in this section as advices from the piecegoods market were far from satisfactory. Hopes were held, however, that with the appointment of the Consultative Committee for the industry, Government will remain vigilant and mend its policies suitably so that the largest industry in the country may not suffer too long. The long awaited measures for export promotion are still a matter of speculation.

Recurrent rumours that, due to overproduction, two or three uneconomic units of A C C might have to be closed down were not given much credence in well-informed quarters, and hence the shares which had gone down by 10 points recently met with buyers at lower levels. Other cement shares were more or less in doldrums. Rohtas were steadier as the company has announced a dividend of Rs 2 and a bonus issue of one share for ten. Engineering shares were equally steady. Cooper Engineering and Premier Construction met

and issued Ordinary Shares to the tune of Rs. 30,37,500 at par to the existing Shareholders, and Preference Shares worth Rs. 50 lacs, which in the first instance were offered to the existing shareholders. I am happy to note that both these shares command a good premium in the market.

I will close my remarks with the hope that next year I will be able to report higher production, higher exports, increased profits and lower prices of articles of food and cost of living.

In the end, I must convey my and the Board's appreciation of the hard work put in by all concerned.

steady. Tata Chemicals which had been depressed by rumours of a lower dividend looked up. Alembics were better off. Sugar shares were inclined to be quite steady, but lacked fresh strength. Bombay Burmah were marked down to a new low level but subsequently firmed up. National Rayon which had witnessed some stray liquidation stabilised as soon as these offerings dried up. Tata Locomotive rebounded upwards as the shares will be listed ex right shortly.

As indicated last week, the market has tried to steady up. Settlement considerations might bring forth some selling pressure at higher levels but there is no likelihood of any major fall.

Commodities

The cotton market was highly erratic during the past week. Prices moved to and fro rather swiftly on alternate bouts of selling and buying. There were reports that the recent heavy rains in Punjab have done some damage to the crop while absence of late rains in Berar induced change in ideas about the excellent crop in the area. Bears who were previously aggressive came out to cover their sales, while bulls who had been disheartened earlier, mustered some courage but bought only sparingly. The rising market was encouraged by rumours

mulus but as this quota materialised without any corresponding reduction in export duty, some selling pressure was evident at higher levels. A quota of 150,000 bales of Bengal Deshi and one lakh bales of cotton other than Bengals not above $\frac{3}{4}$ " in staple on a "first come first served" basis has been announced. Out of the total export quotas of 126,500 bales declared earlier, a quota of about 70,000 bales still remain unutilised, despite efforts to woo Japan. The position of the cotton textile industry, in the meanwhile, is still precarious. Unsold stocks with it continue to

Company Notes

Cigarettes for Export?

TOBACCO manufacturers have for many years complained against the frequent changes in the excise duties on their products and the complications of sales taxes levied by various States. Last year, the centralisation of sales taxes and their replacement by additional excise duties provided some relief, but at the same time placed an even heavier overall burden on the industry. Moreover, the excise duties were altered on as many as three occasions during the last fiscal year. These changes have naturally had an adverse effect on the operations of Imperial Tobacco, the leading manufacturer. Its Chairman in his address to the shareholders last month has, therefore, been led to express the hope that these will be the last of the frequent changes and that, henceforth, fiscal measures will endeavour to simplify the tax structure rather than complicate it still further. He also utilised the occasion to protest against the attempt of various municipalities throughout the country to increase their revenues by introducing or increasing octroi duties on tobacco products and even on the raw materials of tobacco factories. Mr Clarke therefore suggested that his industry should be kept free from municipal taxation in addition to being exempted from levy of different rates of sales taxes by States. This suggestion raises a number of difficult issues, not the least of which is the fact that octroi duties are in themselves an unsatisfactory method of raising municipal revenues, for they inhibit the free flow

of trade within the country. In the present structure of local finance, however, municipalities have hardly any other lucrative source of revenue and if the power of levying octroi on tobacco products is taken away from them, they would have to be compensated suitably by the State Governments. Further, such exemptions can after all not be restricted to tobacco alone and will probably have to be extended to many other products as well. It is unlikely that the States or, for that matter the municipalities, would accept such a proposition at present. But it would, perhaps, be worthwhile to consider this reform as a long term measure to remove the impediments to free internal trade.

Among the other points of general interest raised by Mr Clarke is the opposition to extending the benefits of the Employees' State Insurance Scheme to the families of industrial workers, on the ground that this would further accentuate the inequality between the workers covered by the scheme and those not covered so far nor proposed to be covered in the near future. He has also criticised the idea that industry should be made responsible for housing its workers. Such a responsibility, in his opinion, may be desirable when new factories are installed in remote rural areas, but it is clearly too burdensome for existing industries in urban areas.

Against these rather dismal thoughts, the Chairman had somewhat more cheerful news to give regarding the progress of his com-

THE ECONOMIC WEEKLY

pany in achieving self-sufficiency in most of its requirements, though it still requires imports of spare parts, for which licenses have been cut down drastically. To justify these imports, the Chairman pointed to the saving in foreign exchange it had effected already by procuring a large proportion of its requirements internally, and by the encouragement it has offered to the growth of leaf tobacco which has become a major export industry. His company, he claimed, would have liked to contribute more directly to the country's export trade, but import restrictions by other countries have prevented it from doing so. This impediment is surely one which the Government could endeavour to remove while negotiating trade agreements with other countries. What influence, if any, is exercised by Imperial Tobacco's parent company in creating such impediments to exports from India is, however, an unknown factor.

Locomotive Prices

THE Chairman of Tata Locomotive had every reason to be annoyed that there should still be so much criticism about the prices paid for locomotives supplied by his company when these had been fixed, after due investigation, by the Tariff Commission, a statutory and expert body. That these prices happened to be higher than the landed cost of imported locomotives was inevitable because the initial cost of domestic production in an altogether new line was bound to be high. Neither is the landed cost

levels. The prices of old groundnut are ruling relatively firm due to tight supply position, but as the new crop will start moving after a month, new crop prices might remain quiet. Cottonseeds were quietly steady while linseed was also subdued.

Bullion prices have kept steady with a small rise, on expectations that the offtake will expand within a week or so. The Far East situation had no effect, but further developments in Pakistan following the declaration of Martial Law were awaited.

THE ECONOMIC WEEKLY

to be taken at its face value in view of the subsidy received by foreign manufacturers of steam locomotives which are no longer in such active demand. Nor was it surprising that Chittaranjan should take less time to manufacture locomotives as it could freely draw upon skilled personnel of the Railway workshops.

All this criticism of high prices of Tata Locomotives is based on the conditions of an earlier period during which the company was passing through the stage of development. Since then, however, rapid progress has been made in reaching full production and along with it, costs have come down. But for these, the company has received little recognition. By now, as a matter of fact, the company has exceeded the target set for it by the Tariff Commission and its costs are still going down while Chittaranjan costs have been rising since 1956-57. The Telco Chairman was, therefore, in a position to give the assurance that the Railways will get the full benefit of such cost reduction in the current and coming years. The prices fixed by the Tariff Commission covered deliveries only up to 31st March, 1958. For deliveries after that date, prices had to be fixed by negotiation with Government. The company has offered to reduce its quotation by over Rs 52,000 per unit, but this has not been accepted by the Railway Board. The question has, therefore, been referred to arbitration.

That the company has not been making any profit on locomotives at public expense is also attested to by the latest balance sheet which shows no profits at all in the locomotive division—after charging depreciation at rates permitted by income tax authorities.

Although it was the last to commence manufacture of commercial vehicles, the company's Automobile Division has already achieved, within four years, the highest indigenous content as well as the highest output among all the units of the industry. By the end of October next year, when the full diesel engine is also manufactured by the company, Tata-Mercedes-Benz buses and trucks will be 100 per cent Indian. They command a ready market, and the company has made a vigorous beginning with its hire purchase programme, for which an

secured from the Central Bank. In the very first year, hire purchase contracts have amounted to Rs 188 lakhs.

The company's expansion programme is proposed to be financed with the issue of Rs 3 crores of additional equity capital.

Nuclear Power in U K

WHAT is claimed to be the largest nuclear power station in the world is planned to be built in Britain. It will have a capacity of 650,000 kilowatts. It is understood that it will have an output 50,000 kilowatts more than the stations the Soviet Union announced in Siberia, and 150,000 kilo-

watts greater in capacity than the largest British nuclear station now being built at Hinkley Point, Somerset.

This is the seventh nuclear power station actively planned by the Central Electricity Generating Board. Three are being built at Berkley, Gloucestershire (275,000 kilowatts), at Bradwell, Essex (300,000 kilowatts), and at Hinkley Point, Somerset (500,000 kilowatts). Preliminary work has begun for the construction of the fourth station, in Wales, of 500,000 kilowatts, and an application has been made for consent to develop the site at Dungeness for the Board's fifth nuclear station. Another station is to be located in Ayrshire, Scotland.

4¼ PER CENT. BIHAR STATE DEVELOPMENT LOAN 1970 ISSUED AT RS. 99.50 AND REDEEMABLE ON 13TH OCTOBER 1970.

The Government of Bihar announce the issue of their new loan for Rs. 250 lakhs bearing interest at 4¼ per cent. at an issue price of Rs. 99.50 per cent. The Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

The loan will be repaid at par on 13th October 1970.

THE LOAN WILL OPEN FOR SUBSCRIPTION ON 13TH OCTOBER 1958 AND CLOSE ON 18TH OCTOBER 1958 OR EARLIER WITHOUT NOTICE. THE LOAN WILL BEAR INTEREST FROM 13TH OCTOBER 1958.

Subscriptions may be in the form of cash/cheque.

Applications will be received at the Public Debt Offices of the Reserve Bank of India at Bombay, Calcutta, New Delhi, Madras and Bangalore and at the branches of the State Bank of India and treasuries and sub-treasuries in Bihar State.

Copies of Notification and Application Forms may be obtained at any Receiving Office.

October 11, 1958

THE ECONOMIC WEEKLY

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1527.70	1515.98	1541.70	1487.47
2. Rupee Coin	139.26	139.97	136.51	134.21
3. Deposits				
a) Central Government's	52.78	48.54	52.24	51.31
b) Banks' Government's	96.49	104.60	93.44	94.15
c) Other Government's	17.31	26.11	74.72	10.14
d) Others'	113.65	113.27	113.56	110.48
4. Foreign Securities	169.68	169.68	169.68	326.62
5. Balances held abroad	13.38	14.21	13.70	18.64
6. Rupee Securities	1129.37	1129.37	1129.39	935.87
7. Investments	299.39	300.71	305.94	215.86
8. Loans and advances to Governments	14.50	13.67	14.43	44.77
9. Other loans and advances	51.33	51.74	53.51	78.65
Scheduled Banks				
1. Demand liabilities (net)	730.81	733.69	720.18	639.60
2. Time Liabilities	850.10	843.04	857.95	630.56
3. Cash on hand	33.71	40.86	38.80	37.36
4. Borrowings from Reserve Bank of which against Usance Bills	1.56	5.37	2.71	37.20
5. Advances and Bills discounted of which State Bank's	801.49	811.01	817.26	794.43
6. Invest. in Govt. Sec. of which State Bank's	590.52	583.14	571.99	336.32
Cheque Clearance	—	148.10	153.16	57.60

† For Reserve Bank and Cheque Clearance Week ended 3-10-58 Scheduled Banks Week ended 26-9-58

Bombay Money Rates
(per cent per annum)

	28-9-58	19-9-58	29-8-58	29-9-57
Call Money				
From banks	2½-4½	2½	2½-3½	2½-4½
From public	2½-4½	2½-4½	3½-4	3½-4½
Three Months	2½-4	2½-4½	2½-4½	2½-4½
Six Months	2-4	2-4½	2-4½	2-4½

Bombay Bullion (In Rupees and nP)				
	9-10-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	108.09	108.78	106.87	107.00
Forward	108.28	107.22	107.25	107.25
Silver (per 100 tolas)				
Spot	187.69	186.69	185.31	183.75
Forward	188.62	187.31	186.19	184.56

INDEX NUMBER OF WHOLESALE PRICES

Group and Sub-Group	(Base: 1952-53=100)			
	WEEK	ENDED		
	20-9-58	13-9-58	23-8-58	21-9-57
Food Articles	121.6	121.8	120.2	108.7
Cereals	114.3	115.4	114.4	102.3
Pulses	104.6	105.0	102.9	82.8
Fruits & Veg.	127.6	127.1	126.8	121.4
Milk and Ghee	110.4	109.7	107.4	110.2
Edible Oils	133.7	133.0	129.8	127.6
Fish, Eggs & Meat	115.1	115.4	114.2	103.6
Sugar & Gur	136.1	134.5	136.4	111.3
Others	156.5	158.0	153.1	127.9
Liquor and Tobacco	91.3	90.5	90.7	94.8
Tobacco	89.4	88.6	88.8	92.6
Fuel, Power, Light & Lubricants	115.8	115.9	116.0	115.1
Industrial Raw Materials	119.0	119.5	119.0	116.0
Fibres	108.2	109.0	111.1	116.3
Oilseeds	137.4	137.6	133.9	121.8
Minerals	107.3	107.3	107.3	108.5
Others	106.7	106.0	106.5	106.9
Manufactures	109.0	109.0	108.9	108.9
Intermediate Products	111.4	112.1	112.2	107.4
Finished Products	108.6	108.5	108.4	109.2
Textiles	104.0	103.7	104.0	108.6
Cotton	111.9	111.8	111.5	116.8
Jute	87.5	87.0	85.9	100.0
Woollen	105.9	105.9	105.9	103.0
Silk & Rayon	96.3	95.7	95.7	82.7
Metal Products	143.0	143.0	143.0	143.3
Chemicals	109.0	109.5	105.9	98.9
Oilcakes	137.1	136.9	136.0	117.3
Machinery and Trans Equipment	103.5	103.5	103.4	101.7
Others	113.8	113.8	113.6	110.5
All Commodities	116.7	116.9	116.0	109.8

CALCUTTA TEA AUCTIONS

	1958-59		1957-58	
	June 1 to Sept 9	June 1 to Sept 9	June 1 to Sept 10	June 1 to Sept 10
	Packages (nos)	Avg Price Per lb (Rs)	Packages (nos)	Avg Price Per lb (Rs)
For Export:				
Assam	205,269	3.18	227,983	2.98
Cachar	57,696	1.85	52,534	1.78
Darjeeling	64,547	3.81	62,496	3.40
Dooars	127,820	2.12	154,777	1.96
Terai	17,757	2.02	12,302	1.88
Tripura	7,426	1.82	6,774	1.77
Other Districts	291	1.95	250	2.13
Total	480,806	2.74	517,116	2.54
For Consumption in India:				
DUSTS:	168,405	2.03	169,130	1.91
Assam	113,721	2.16	99,637	2.12
Cachar	15,661	1.69	17,440	1.56
Darjeeling	2,605	2.34	2,286	2.34
Dooars	33,623	1.75	47,817	1.61
OTHER GRADES:	7,246	1.73	9,826	1.60
Assam	3,827	1.66	4,594	1.51
Cachar	435	1.48	332	1.26
Darjeeling	908	2.56	1,488	2.47
Dooars	1,806	1.56	2,421	1.42

Source: DCIS, Calcutta.

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October 11, 1958

COTTON STATISTICS

MILL CONSUMPTION

(in '000 bales of 392 lbs each)

Description:	July 53				
	July	June	May	Apr	Sept 57—
Indian	377.7	324.5	260.9	348.7	4,062.8
Foreign	48.3	42.8	46.4	42.9	521.3
of which American*	17.9	17.8	23.1	21.1	230.2
Egyptian	5.9	3.6	4.6	4.0	60.8
E. African	14.6	12.2	9.9	7.3	137.3
Sudan†	9.1	8.7	9.5	8.4	81.4
Total	426.0	367.3	407.3	391.6	4584.1
Consumption in corresponding periods a year ago:					
Indian	392.6	360.6	401.8	410.0	4,289.1
Foreign	50.0	42.9	45.5	44.6	521.8
Total	442.6	403.5	447.3	454.6	4810.9

* Includes United States and Mexican Cotton.

† Includes both Sudan Egyptian and Sudan American.

MILL STOCKS OF COTTON

(in '000 bales of 400 lbs each)

Description:	July				
	July	June	May	Apr	Mar
Indian:					
1957-58	1,205.8	1,286.3	1,329.4	1,324.8	1,298.2
1956-57	1,301.3	1,432.9	1,421.4	1,329.9	1,221.9
Foreign:					
1957-58	151.0	161.0	149.8	139.8	147.1
1956-57	220.2	220.8	216.4	206.0	200.0

COTTON IMPORTS

(in bales of 392 lbs each)

Description	From Sept 1 to Aug 28		
	1957-58	1956-57	1955-56*
Americans	126,076	307,422	8,270
Sudans	68,626	56,934	104,060
Egyptians	46,236	37,940	182,780
East Africans	108,713	116,817	202,244
Pakistani	—	—	117
Other varieties	884	4,455	9,308
Total	350,535	523,593	506,779

* Sept 1 to Aug 22.

COTTON EXPORTS †

(in bales of 392 lbs each)

Destination	From Sept 1 to Aug 28		
	1957-58	1956-57	1955-56
U K	13,925	24,330	59,811
Continent	22,133	23,787	84,803
Hong Kong	19,066	37,411	33,106
China	—	3,437	57,484
Japan	162,484	168,212	297,688
U S A	8,441	2,374	3,678
Other Countries	926	1,079	2,026
Total	227,015	260,630	539,494

† Excluding Zoda and yellow pickings.

— = nil.

Source: East India Cotton Association

JUTE STATISTICS

July. June. May. July-57
June.-58

Production ('000 tons)				
Hessian	85.8	31.3	34.2	391.7
Sacking	49.0	45.9	53.7	596.7
Others	5.5	5.2	7.0	67.8
Total	89.58	82.4	94.9	1056.2

" in corresponding months:				
1957-58	85.9	80.1	87.3	1056.2
1956-57	94.1	93.9	101.7	1025.0

Stocks ('000 tons)				
Hessian	19.9	31.0	25.0	—
Sacking	89.9	87.9	71.8	—
Others	12.4	15.1	15.3	—
Total	122.2	134.0	112.1	—

" at the end of corresponding months:				
1957-58	108.4	116.0	109.4	—
1956-57	137.9	125.9	119.7	—

Despatches † ('000 tons)				
Hessian	46.8	25.1	29.6	402.3
Sacking	47.7	30.0	42.1	575.1
Others	7.6	4.7	7.8	53.2
Total	102.1	59.8	79.5	1030.6

" in corresponding months:				
1957-58	92.7	73.2	82.7	1030.6
1956-57	84.2	90.7	89.0	1031.0

Raw Jute consumption: ('000 bales)				
1957-58	508	478	534	62.23
1956-57	503	465	517	62.23

IJMA Mills' purchase of raw jute ('000 bales)				
Pakistani	67	20	58	604
In Corresponding periods:				
1957-58	54	56	47	604
1956-57	43	37	21	495
Indian	450	303	308	56.77

In Corresponding periods:				
1957-58	286	315	433	56.77
1956-57	355	309	179	57.29

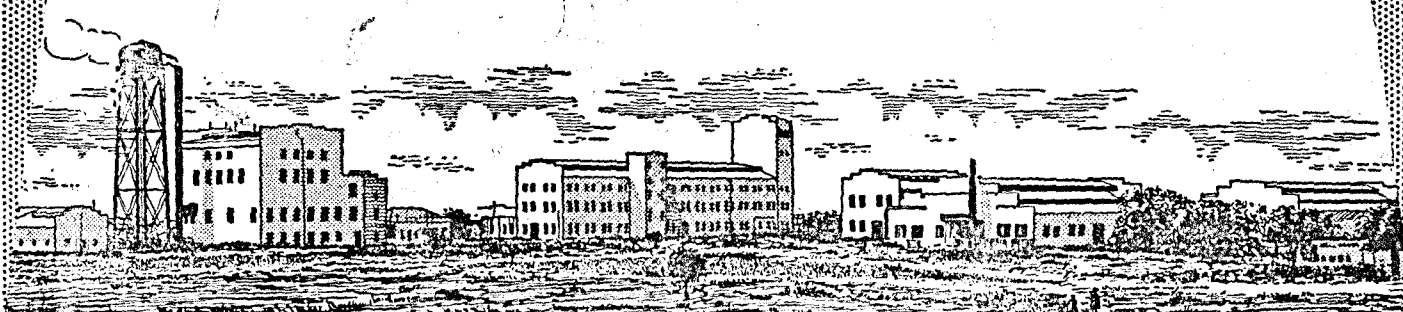
† Despatches include exports and sales for internal consumption.

Source: Indian Jute Mills Association

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The Economic Weekly

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Controlled Exposure

AFTER the surfeit of international finance in the course of the last fortnight, it would be a refreshing change to get excited over something else; but no escape seems possible. There are the inevitable repercussions, speculation whether the World Bank will be drawing up the Third Plan or not; how is deficit financing to be brought under Jacobsson's definition of stability, now that the Bernstein Report is regarded as outmoded by the I M F Chief; how are exports to be promoted; and so on. In the field of international finance itself there are fresh developments such as the adoption by General Assembly of the United Nations—on the initiative of India and other Asian countries—of a resolution for setting up a Special Economic Fund on the lines of the Sunfed which had been persistently and strenuously opposed by the Americans. There is also the matter of another PL480. Hope lingers among the Indian business community that a substantial part of the rupee counterpart fund of the next instalment of American surplus wheat may be made available to private enterprise directly. The new push for American investments in India, heralded by the forthcoming two-months' tour of the country by an American Industrial Team, have stirred both their imagination and roused their hopes. Offers of foreign collaboration have been in plenty but the one snag which had been holding up their successful completion hitherto, viz, scarcity of rupee finance, can now be partially removed with the help of American aid. Another American Team is coming to help the cotton mill industry to find export market for Indian mill-made cloth in the U.S. This will add fresh leaven to the ferment already going on in the shape of new ideas in export promotion of which incentive in the form of retention of a part of the export earnings has largely monopolised the field. The suggestions that have been made and the incentive which has been actually given on a very modest scale, however, do not put the proposition so crudely. What is sought and has been allowed in some cases, is not the permission to retain a part of the export earnings, but a special entitlement to import licenses, which is linked to export performance. The incentive has also been given in the form, not of import licenses, but on extra allocation of scarce material, such as steel.

Despite voluminous discussions on export promotion and the passing of a number of measures—scrappy, unsubstantial and piecemeal, but formidable in the aggregate—it is not easy to collect all the facts together and get a connected view of what has actually been done and what is proposed in the near future. The situation is getting increasingly complex and with the growing complexity, it is becoming more and more difficult for those outside the Government, or the small coterie of big business which has access to the inner sanctum of policy-making and making of decisions, to keep track of developments. This might appear more than a little odd in a country with a popular government when the implementation of policies requires the close co-operation of the people at every stage. It is often assumed that the conditions of success in such circumstances are primarily the dissemination of correct information. But this assumption is altogether wrong. Those who do not like Nehru's Government or do not like the way things have been going, suspect that information is being deliberately suppressed; others who

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would not attribute any such motives maintain, nevertheless, that the growing complexities of economic administration are such that both policy making and making of decisions, not to speak of the application of such policies to hundreds and thousands of individual cases, have necessarily to be handled as a technical job at a high level of expert competence. The people have the right to choose the men to do the job. Having exercised that choice, they must do what they are told and keep at a distance, content with the scraps of news that may be passed on to them. Since the cobler must stick to his last and since it is the wearer who knows best where the shoe pinches—if one is allowed to mix up metaphors—those whose business it is to follow and interpret economic policies, from the making of such policies to their actual execution, frankly find themselves quite unable to perform this self-appointed task. For whatever may be the profession of the Government, in practice, insofar as the public is let in and allowed to have a look from inside, it is only the trusted representatives of big business who are allowed, if at all, to enjoy this privilege. To confine oneself to the activities of the Commerce Ministry who have to do with exports and imports, this has always been the case, whether the Minister happened to be a trusted nominee of the big business, a champion of the public sector or a mere neutral.

This digression into the mechanics of policy-making was necessary in order to explain why it is so difficult, if not impossible, for the outsider to follow what has been happening in the sphere of the country's foreign trade. Take the current position of our exports and imports. It is common knowledge, and one can check it up from the published statistics, that our exports have fallen quite considerably in the first seven months of the calendar year for which data are now available.

Exports amounted to Rs 313 crores as compared to Rs 366 crores in the same period last year. This is a large enough fall, judged by any criterion. To balance this fall, our imports have also been substantially lower. In the first seven months of the current year, they

amounted to Rs 461 crores as compared to Rs 572 crores in the same period last year. So, going by these figures, excess of imports has actually been brought down from Rs 206 crores to Rs 148 crores. This is all that one can say from the published figures. How much of this improvement has been due to our own efforts in the matter of restricting imports? Import restrictions have been very much in the air for quite some time and it has also been widely advertised that we did make drastic cuts in imports in the last three licensing periods, beginning in a big way with the licensing in the first half of last year. It would be natural, in the circumstances, to connect two and two together, and infer that the improvement has been largely, if not entirely, at the cost of imports. For one does not know what precise effects the cut in import licensing in any half year has on imports in subsequent half years.

Actually, however, the decline in the value of imports does not indicate a proportionate fall in their quantum. While we have suffered in export earnings from the recession, we have gained from lower prices of some of the imports such as metals, and fibres and some others. It is possible that the drop in export earnings may have been offset, largely, if not fully, by the drop in the prices of some of these imports.

The situation regarding the export, however, is far more difficult to gauge since, unlike imports, exports cannot be planned, certainly not to anything like the same extent. Many measures have been taken of late to promote exports—export duties on oils, oil seeds and cakes have been reduced, quotas, long withheld, have been released for some of these items and export control has been relaxed or removed altogether on more than 250 export items. What does it all add up to? One does not know. For these 250 items do not perhaps mean much in the aggregate. In many cases what has happened is a mere change in procedure and formalisation. There have also been some evidence of export consciousness on the part of the Ministry of Commerce and Industry, talk of concession in railway freights on engineering goods for export, and a series of drawbacks on Customs and Central Excise duties refund

have been announced. The latter have now been brought together in a Gazette notification. The draft rules repeal the rules announced from time to time regarding the refund of Customs duty paid on imported materials and rebate of Central Excise duty paid on excisable materials. So one can look these up and get some sort of connected picture. These refunds fall under two categories—refunds at fixed rates, and at Brand rates which are, by implication, variable, being "the total of the average customs duty paid on the imported materials, and the average central excise duty paid on the excisable materials, used in the manufacture of the goods" and, to complete the list, as given in the Gazette notification, there is a third category for 'public address equipment'. It would be more to the point to know how the rules which are now repealed and substituted by these draft rules actually worked in practice and to what extent they were availed of by the exporters.

For a complete account of the export regulations, however, one will have to wait for the Red Book which has been unconsciously long in coming, because of the hesitancy on the part of the Government to announce import licences in view of the still fluid foreign exchange situation.

The suggestion for the retention of some percentage of foreign exchange earnings as a measure of export promotion has so persistently come from so many quarters that it would be surprising if Government is able to resist it for long. But what does this particular incentive really boil down to? A subsidy to exporters, but not necessarily at the cost of those favoured importers who enjoy an unearned and wholly undeserving rent.

Much dead wood has accumulated in our licencing system, largely in issuing licences on the basis of past performance which are entirely unrelated to the actual need or utilisation of the imports concerned. For the Government to yield all along the line in meeting such importunate demands would be a confession of its failure to administer import control, sensibly and efficiently. If subsidy has to be paid, why not make it rational and effective?

GATT Concessions to Japan

THE successful State visit of President Rajendra Prasad to Japan and the assistance she has offered to this country to overcome foreign exchange difficulties appear to have finally worn down our opposition to admitting Japan to the full privilege of GATT concessions. Unlike Britain and some other Commonwealth countries, India has not been opposed to the admission of Japan into the GATT but had so far been merely apprehensive of the rather sharp trading practices of her exporters, which did so much damage to our industries in the twenties and thirties. Fifteen of the thirty-seven GATT member countries, India among them, had invoked Article 35 to escape the burden of any obligation towards Japan, but India has now announced her decision not to rely on this article any longer. This decision is not likely to have any immediate effect on the actual course of foreign trade, for imports from all countries are severely restricted in any case by licensing policy, while any concessions our exports may secure from Japan will take some time to improve our present export performance.

The primary motive behind this decision is, therefore, to correct an anomalous piece of discrimination in foreign trade policy. The advantage of low labour costs possessed by Japan cannot by itself be held against her, nor can her low interest rates and easy credit terms for exporters be considered as unique any longer, for all advanced countries in Europe are resorting to essentially similar devices. West Germany, for instance, aids her exports by lower freights, tax reliefs and special credit facilities. Even the USA is heavily subsidising her exports of surplus agricultural commodities which though exempt from GATT obligations, nevertheless, amount to dumping to the detriment of competing exporters, like Canada, Australia and Uganda. Britain herself has been subjected to criticism by Denmark for her thinly disguised subsidies to the export of eggs and dairy produce. In the light of such practices which serve in many cases to protect high-

sidising exports—and of sustaining her low cost industries.

On top of these is the fact that Japan has to live on her exports which are facing considerable difficulties owing to under-cutting by China and programmes of self-sufficiency in importing countries. And if Japanese exporters still resort to unfair practices, these can surely not be eliminated by keeping Japan out of the GATT design of concessions. On the contrary, bringing her within its operational framework

Trade and Merchandise Marks Bill

THE Trade and Merchandise Marks Bill, passed by both Houses of Parliament has the merit of being a fairly comprehensive law on the subject, devised in consultation with the interests concerned. The Bill provides for the 'registration and better protection of trade marks and for the prevention of the use of fraudulent marks on merchandise'. This is to be followed up by revision of Government's Bill on Patent Law, introduced about three years ago. Together, they are expected to improve matters to a considerable extent in a sphere of vital importance to the growth of industry and trade. As Shri Nityanand Kanungo, Union Minister for Commerce, said in Parliament while piloting the Bill and then repeated later at the fifth annual general meeting of the Trade Marks Owners Association Of India Ltd in Bombay, the sense of industrial property is still in its infancy in this country. The result was been a certain lack of concern for the sanctity of trade marks and such labels, leading to frequent misuse and litigation. The present Bill is aimed at checking this evil; but as Shri K. T. Chandy, Chairman of Trade Marks Owners Association, pointed out, and Shri Kanungo agreed, much will still depend on the machinery of enforcement to be established, and its working.

While Shri Chandy was happy that many of the suggestions made by his Association had been accepted by Government, he felt it his duty to indicate further lines of

might help towards imposing the code of fair conduct on her exporters. By extending GATT concessions to Japan, India has now offered an opportunity to her Government to curb her dumping propensities, an opportunity which, it is hoped, will be seized in a spirit of reciprocity for mutual benefit. The way would then be cleared for a larger inflow of capital and technical assistance from Japan, and also for the growth of bilateral trade financed in rupees and yen to overcome the exchange problems which both countries are experiencing now.

assumed by Government in the matter of appointing registered dealers. This power, he felt, should be exercised in the light of principles carefully worked out and made known to the public. For this, he suggested the creation of an advisory committee even though the Bill had made no provision for it. In Shri Kanungo's view, such reservation of power was necessary in the present situation; and the only assurance he could give was that with the sense of responsibility, born out of the assumption of such powers, the executive would judge, think and argue all aspects of the problem before taking decisions.

However, the suggestions made on behalf of the Association for the expeditious disposal of cases relating to infringement of provisions of the law, the desirability of introducing this branch of law in the study courses of universities and the need of encouraging attorneys practising in this field to set up an organisation of their own for regulating their profession, found favour with the Commerce Minister. But he felt that it was for the quarters directly concerned with these matters to take the necessary action, so that the objectives of the Bill might be fully realised. As for the association's other contention that the concept of a socialistic pattern of society should not preclude the full protection of patent rights, Shri Kanungo's reply was that there was double purpose to be considered: while opportunities and incentives should be adequate, there should not be any opportunity for

Weekly Notes

Dangerous Delusion

TO put it mildly, the move, reported to be afoot among the various Pradesh Congress Committees in the Bombay State, to impress upon the Prime Minister and the Congress High Command the necessity for taking a firm stand on the bilingual issue, if it is correct, is unwise. It may well be extremely dangerous in its effects if it is ever acted upon. The danger of the move lies in this that in all matters relating to the Congress, Pandit Nehru does not act as a national leader, but chooses to be guided by the Congress hierarchy. To begin with, he has no independent sources of information, or if he has, from a mistaken notion of propriety, he does not utilise them and relies, instead, on 'official' Congress sources which would be the right thing for an administrator but quite inappropriate for a national leader. Thus if there is trouble in the Congress, whether it be in Bihar, Madhya Pradesh or Kerala, the only version of the facts of which Pandit Nehru takes cognition is the one put up by the Congress leaders themselves. There is reason to believe that dissidents in the Congress or those who can take an objective and impartial view of the activities of the Congressmen, have no access to or are not listened to by Pandit Nehru.

On any other assumption, the approval given earlier to the scheme of reorganising and unifying the existing Pradesh Congress Committees on the pattern of the bilingual Bombay State would be quite inexplicable. Even that was bad enough, but any attempt by the Congress to launch an offensive in favour of the bilingual State would be much worse and nothing short of being disastrous.

That the present administrative set up in the State has been functioning smoothly will not mislead even the casual visitor to the State into believing that the movement for separation has lost its hold on the people either of Maharashtra or Gujarat. The last General Elections showed clearly the trend of public opinion and it provided a wonderful opportunity to the Government to bow gracefully to the verdict of the people and act. That

opportunity was lost. It would be deplorable indeed if the Congress were to delude itself into the belief that because a few minor elections had gone in its favour, Gujarat has become reconciled to the bilingual State or that Samyukta Maharashtra has ceased to capture the imagination of the Maharashtrians.

The reported move is to be regretted all the more since a little while ago some overtures were made though behind the scenes and without hopeful response—not from the people, but from those in authority—for reopening the question. Political parties enjoying absolute majority and little fear of being displaced immediately have the onerous responsibility cast upon them of being more responsive to public opinion than they need be. And this responsibility they can ignore only at their own peril and the peril of the country. It would be unfortunate indeed if the Congressmen fail to fathom the depth of feeling that stirs Ahmedabad, especially the women and youth. Political delusions are both dangerous and immoral.

Arab Rift

IT is most unfortunate from the standpoint of Arab unity that Tunisia should have taken the extreme step of breaking off diplomatic relations with the United Arab Republic. Relations between the two countries have, of course, seldom been cordial; and Tunisia

has for long complained that Cairo has been broadcasting venomous propaganda against President Bourguiba and his Government. One had hoped that, with the remarkable gesture of Arab unanimity which had resulted in the United Nations resolution on West Asia, this cause of Tunisian complaint would vanish; for it was one of the specific undertakings of the new Arab League principles that provocative broadcasts of this nature would be ended. Apparently the undertaking has not been fully honoured by Cairo.

The immediate cause of the present rupture is the stormy Arab League session of a few days ago, when Tunisia charged the U A R with dominating the League. The U A R delegation, in walking out, showed unnecessarily bad temper. The best and most effective means of showing Tunisia that its allegation was false would surely have been to let it have its say without in any way precipitating a crisis.

But whichever way the real fault may lie, it is Tunisia rather than Cairo which stands to lose by its hasty action. President Bourguiba, in wanting to bring the harsh spotlight of censure to focus on the U A R, has in fact succeeded in only self-segregating himself from the Arab community. He has withdrawn Tunisia into isolation. This is a mistake, which he will be obliged sooner or later to repair.

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The Indecisive Coup

A GOOD deal of obscurity continues to surround some of the essential questions regarding the military take-over in Pakistan, but last week's events have helped to clear up at least one point of overriding importance. And that is that the army revolution in the country has, so far, only precipitated a crisis instead of solving it. The decisive chapter of this revolution is still to be written; and there is every indication that it is likely to be a tortuous one.

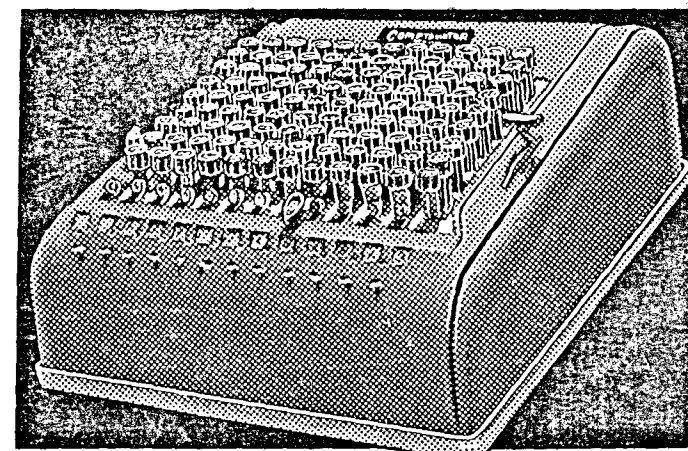
Let us consider two significant facts in this connection. General Ayub went out of his way last week to emphasise that the revolution was of his making, not Mr Iskandar Mirza's. According to this version of the events, it was the army which forced the situation by presenting the President with an ultimatum. If he did not act, the army would. But, significantly, the President, while not bluntly questioning this version of General Ayub, has also gone out of his way to declare that the revolution was entirely his own responsibility. There is, in other words, a rather ill-concealed quarrel over the authorship of the revolution. It seems improbable that either party is telling the whole truth. Mr Mirza must have been under considerable military pressure to act against the politicians, and the responsibility for the revolution cannot be, as he claims, wholly his own. At the same time the very fact that General Ayub found it necessary to enlist the President's co-operation would appear to show that the army did not feel able to proceed entirely on its own, and that Mr Mirza (whose own connections with the army are intimate and who must have his own followers among the soldiers) was too powerful to be ridden roughshod like the politicians.

If there is anything in this analysis of the situation, it follows that the internal tussle for power, with Mirza and Ayub as the principal rivals, will now be fought as quickly as possible to the finish. Partnership is not possible in dictatorship, however transient the dictatorship may claim to be. It is impossible to verify the veracity of the reports that Ayub has already killed off a number of his opponents; but if it has not happened already, it is bound to happen soon.

Pakistan must prepare itself to face an increasingly ruthless struggle for real power at the top. For the present, therefore, the revolution has solved nothing. All that has happened is that the manoeuvrings of the politicians have given way to the manoeuvrings of the generals.

As far as the popular feeling on the question of the take-over is concerned, perhaps its most significant feature is the almost complete absence of resistance or protest from anyone. With the rigid censorship and press restrictions in force, it is perhaps not surprising that all the newspapers have found the revolution nothing but admirable. But it is certainly of interest to note that, apart from the unconfirmed reports of a student demon-

stration in Chittagong, the entire population has accepted the change-over without protest. If General Ayub and Mr Iskandar Mirza interpret this to mean that the politicians whom they have so uncereemoniously swept out of office had no popular following, they cannot be far wrong. But if they take it to mean, on the other hand, that the country prefers military rule to the normal processes of democracy, or that every political leader can be ill-treated with impunity regardless of his record, then they may find themselves dangerously mistaken. No one might stir a hair when Malik Feroze Khan Noon or Mr Suhrawardy or the two Mohammed Alis or Mr Khuro are taught a lesson or two; but when the new dictators go a step astray and come down heavily on leaders



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like Khan Abdul Gaffar Khan and Maulana Bhashani, they both underestimate the following of their victims and over-estimate their own strength. These arrests are an invitation to popular protest; and there is no doubt that the challenge will be taken up.

For the moment, the Martial Law Administration may find it possible to congratulate itself on the fact that prices have been brought down and the sale of milk purified; but the popularity of these measures, undeniable at present, cannot last for ever. Prices cannot continue to be lowered every day; there must come a stage—indeed it has probably passed already—when they would have to be stabilised at some level. When that stage arrives, or if it has arrived, then the low prices will be taken for granted, and the minds of the people will dwell more exclusively than before on the oppressive features of the military regime. In fact, as has just been indicated, the prices have already hit their bottom. The buying spree in the country is on such a scale that the President has been obliged to warn the people that unless it stops, there will be a crisis in less than a fortnight. The buying-spree is an interesting demonstration of the process of loot in reverse; and is quite manifestly not the sort of development which can be regarded as a firm foundation of Government popularity.

It is thus clear that Pakistan's troubles have only begun. Anyone who believes that the military has proved its competence by overthrowing a regime which obviously had no mass support is mistaken. The test will come now when the army is faced with the twin problems of surviving its own internal struggle for power, and winning a more permanent popularity with the people.

Gold Price and Reserves

SINCE the dollar together with sterling is an important international currency and is now considered as good as gold in international payments, because it is the only fully convertible currency in the world, a change in the U S Treasury's purchase price of gold implies a change in the par value of all I M F member currencies. The present price of \$35 per ounce of gold was fixed by the Roosevelt

Administration in 1934 and has remained at that level ever since. For a number of years, however, South Africa and Australia, two of the world's leading gold producers, have been agitating for an upward change in its price. Since gold is one of their chief exports, they have complained that pegging down of its international price at the 1934 level constitutes discrimination against them in so far as it reduces their export earnings, while there is no ceiling on the price of other commodities. Despite the opposition of the IMF, South Africa started selling gold above international parity some years back, but under I M F regulations these sales could only be made to non-official buyers. It was not surprising, therefore, that the representatives of these two Governments should have renewed their plea for a higher price at the New Delhi meetings of the Fund and the Bank.

Britain's attitude in this matter has been consistently ambivalent. It shares with the gold producing countries some degree of vested interest in higher gold prices, because this would help increase the exchange reserves and export earnings of the sterling area, even if South Africa chose not to contribute its earnings from gold exports to the Bank of England. While no Indian spokesman has urged a re-valuation of gold, there is, nevertheless, a belief held in some quarters that a higher international price may tend to reduce the flow of smuggled gold into the country by reducing the disparity between the internal and international prices. How far this plea is justified is difficult to evaluate, for a higher international price may not necessarily reduce the domestic demand for gold.

The rejection of the gold producers' demand at New Delhi has obviously been inspired by the feeling that any such change, would be tantamount to simultaneous world-

wide devaluation, and would not increase the export earnings of the world, the gold producing countries apart. Re-valuation of gold in member countries would tend to give a further incentive towards larger money supplies and smugness with regard to balance of payments among the deficit countries. The creditor countries, moreover, see no reason why the value of their outstanding loans should be reduced in this manner. This feeling has considerable importance at a time when capital exports are being proposed on a large scale in various ways.

The table below, further shows that compared to the 1920s and 1930s, countries now hold a much smaller proportion of their reserves in gold, and the little decline in exchange holdings that has occurred in the World, minus U S and the overseas sterling area, through 1957, compared to 1948, has been due to devaluation of sterling in 1949 and to the reduction of sterling balances. Any upward change in the price of gold is likely to further reinforce this tendency away from gold and would, thereby, tend to reduce international demand for gold from official sources. The I M F study, 'International Reserves and Liquidity', expects on the basis of past and present trends, that a normal increase in reserve requirements owing to expansion of trade could easily be made so far as the gold component is concerned by increased production. Conversely, therefore, a market for gold is assured to the producing countries. If the gold producing countries then consider gold as a mere export commodity, they should draw consolation from the fact that, unlike other primary commodities, gold is assured of a secured market and a secured price under present international arrangements.

	Foreign Exchange Reserves as		Per cent of Total Reserves		
	1928	1937	1948	1957	
World	25	9	29	30	
World minus U S	35	16	62	53	
Canada	—	10	60	40	
Latin America	15	17	46	50	
Dollar Area	(44)	(17)	(26)	(56)	
Non-dollar Area	(12)	(17)	(59)	(33)	
Continental E P U	46	12	40	45	
U K	—	—	20	33	
Other Sterling Area	49	65	92	83	
All Other Countries	24	33	77	75	

Letters to the Editor

Seamen and Shipping Bill

THE letter of Shri Ghatak in your journal of the 4th inst, bemoaning the neglect of seamen's requirements in the Merchant Shipping Bill, conveys his impression that the Bombay Seamen's Associations did not get an opportunity at the various stages of the Bill in Parliament for getting their amendments attended to. But it is to be remembered that these Associations missed the chance of putting their points of view before the Joint Select Committee which was the proper initial forum of which advantage was taken by the Associations of Calcutta Seamen. It is doubtless true that adequate time was not provided for seamen's points and that too much time, both of the Select Committee and the two Houses of Parliament, was taken up by the consideration of the issue regarding the proportion of foreign capital in India shipping. Nevertheless, it is really surprising that though the attention of all interests was riveted wholly on the ratio issue, the final decision of the Committee and the Parliament seems to have been misunderstood not only by your correspondent but even in your editorial comment. Under the heading "Indian Shipping Interests Win", in your issue of September 20, it is stated "The views expressed by Indian shipping interests found acceptance in that Committee" and that "the policy that has been followed in the shipping fields since 1947, has been continued".

Now a comparison of the original Resolution of 1947 with the clauses of the Bill of 1958, will show that the old conception of the Indian ships being owned, controlled and managed by Indians only, has disappeared altogether in the Bill as amended by the Joint Committee, with foreigners being allowed 25 per cent share in both the directorate and the managing agency company of an Indian shipping company—two important factors which were altogether and designedly absent in the 1947 policy statement. As the ship-owners were prepared to tolerate only a little of foreign participation in capital because of historical reasons, fancying the evils arising from what Shri Ghatak calls the "clap-trap" of "divided loyalties

and national emergencies", a coach and four may be said to have been driven through the 1947 Resolution by the introduction of the foreign element on the directorate and that sanctum sanctorum, the managing agency.

A higher foreign capital proportion, has now been left, by the amendment of Shri Raghunath Singh—and not of Shri Rajendra Singh as mentioned in your note—for the Government of India to decide by notification in the Gazette—all of which means that in the shipping industry, the Government will decide the proportion of foreign capital from time to time, as it does in any other industry, thus bringing shipping in line with other industries in this regard. The ship-owners have thus lost on all counts namely, capital, directorate and managing agency. It is, therefore, difficult to endorse the title to your Weekly Note "Indian Shipping Interests Win".

A Reviewer

Bombay
October 7.

['Reviewer' is to be thanked for correcting the name of the mover of the amendment to the Shipping Bill which was wrongly printed in the Weekly Note to which he refers. Regarding the interpretation of the Bill which he offers, 'Reviewer' may consider the view put forward by a correspondent under the caption

'Shipping Bill: Two Voices' in the issue of October 11.—Ed]

Reply

'Reviewer' states that some of the Seamen's Trade Unions including the one of which I am the President, "missed the chance of putting their points of view before the Joint Select Committee" as was done by the Associations of Calcutta Seamen. Are the interests of Calcutta seamen different from Bombay seamen, and were any amendments moved through the inspiration of those two groups of seamen from Calcutta (one representing National Seamen's Union of India and the other a combined group of four) taken any note of?

He is also wrong on facts and may I put these in order? Not only did I tender evidence before the Joint Select Committee headed by Shri U N Barman when the Committee visited Bombay, both on behalf of seamen and the Home Trade Officers to whose organisation I am the Technical Adviser, but I followed this up with a two month stay at Delhi commencing from a fortnight before the open session of the Parliament on 11-8-58. Since the main objections to the Bill were already incorporated in the memorandum submitted by the Maritime Union of India and the Society of Indian Mercantile Marine Home Trade Officers, I saw no particular reason to tender a separate memo-

INDIAN AGRICULTURE IN BRIEF

A useful handy and pocket size booklet has been recently brought out by the Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India, with a view to meeting primarily the need of those who wish to have a snap-shot picture of Indian Agricultural Economy as revealed by the current Agricultural Statistics. Certain essential data in allied spheres, e.g., population, national income, etc., needed for an understanding of the agricultural economy in its broader perspective have also been included in this booklet.

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random on behalf of my own organization. Both these memoranda are listed in the Appendix to the Joint Select Committee Report on the Bill as submitted to the House on 21-8-58. There was no representation at Delhi from any seamen's organisation from Calcutta; and partially as a result of this disunity, a most outrageous piece of legislation ever to be enacted in any country came to be passed in spite of strong voices heard in the House from all sections of political opinion. I refer to Clause 150 of the Bill, the one which makes adjudication in disputes between seamen and employers compulsory, even when a dispute is 'anticipated', and then seeks to empower the Government with the power to "amend, alter or reject" the award of the arbitrator.

What I have "bemoaned" of in my letter to you was the mere fact that a subject which was more or less considered closed, as I was personally assured of by Shri S K Patil and Shri Nagendra Singh, took

Calcutta Letter

On the Eve of the Puja

FROM the day of Mahalaya the Puja season begins in Bengal, now West Bengal. That auspicious day fell on the 12th this year. The Puja, starting six days later, will find the whole country in continuous festivity for a fortnight. It is autumn; but the sky is not yet clear of monsoon clouds and rice is swelling at more than Rs 30 a maund. The atmosphere, nevertheless, is unusually calm. There is no strike, not even the threat of a strike anywhere in the city. Food agitators called off their campaign on September 12. More than 1,500 of the arrested agitators were discharged, but 62 prominent leaders are still behind bars. The Famine & Price Increase Resistance Committee came to an agreement on Government's proposal to form Food Committees from the State to the Union level. There was also agreement on test relief works and agricultural loans. The movement had started on September 15, with the Committee demanding that Rs 3 crores, in addition to the Rs 1.30 crores already distributed, should be given as agricultural loans; but Government, that is, Dr B C Roy, Chief Minister, indicated that Rs 2.50 crores might be distributed if found necessary.

up so much time of the House to the detriment of the interests of personnel engaged in shipping, and the amendments tabled through our efforts and moved by Shri Nath Pai (P S P), Shri Goray (P S P), Shri N Bharucha (Ind) and Shri Than-gamani (Comm) all went by the board because there was not enough time for proper elucidation!

Lokesh Ghatak
President.

Seamen's Association,
Bombay
October 14.

Market Research for Cloth Export

PLEASE refer to the article on "Market Research for Cloth Exports" by P K Bhaumik in your issue of May 17. We are enclosing herewith* "A note on the scope of market research" reproduced by us from the book "Marketing Research and Management" by A G Irvine. The cyclostyled note was

*Not reproduced here.

No Change

Food agitators and their leaders are satisfied that conditions have been created for the time being to justify stoppage of their movement. There has been no apparent change in conditions however, since September 15. There is, of course, one difference. For about two weeks from that date there was a campaign on; and agitators were arrested for attempting to enter the prohibited area of Dalhousie Square. Government surely felt the impact; and the enthusiastic home-bound crowds felt that their fight for bringing down the prices of essential commodities was being fought by others. The popular leaders became even more popular, and the agitators went back home after their release. But the Essential Commodities Act is yet to receive Presidential assent, and the soaring prices are yet to come down. All the same, there is a ray of hope in the statement made by the Minister for Agriculture that prospects of the aman crop next

THE ECONOMIC WEEKLY

circulated by us to some of our member mills in 1953. A comparison of this note with the section on "Scope and Nature" of the above mentioned article will indicate that there is more than an accidental coincidence between the two. We are surprised that P K Bhaumik has forgotten to acknowledge the author of the book. Will you kindly bring this omission in acknowledgement to the notice of your contributor and request your contributor to publish the acknowledgement at least belatedly?

Jayant Purohit
Communications Officer

A T I R A
Ahmedabad, September 12.

[The attention of the author was drawn to the above letter. The author has written to us to say that his article was based on the book referred to, that the acknowledgement was not made through an oversight and that he is happy to have this opportunity of making this belated acknowledgement—Ed]

year are good, very good, if floods or any such unnatural (!) calamity does not afflict the State. This hope may help us to pass through the present year not so badly. After all, a Minister cannot proceed to the extent of ploughing the land.

Shops are as bright and gay as they were in the past. The tramway workers were wise to call off their strike in time. They are not only out with the trams, but they have grown very polite after a 42-day illegal strike. Their dispute with the company, a foreign company, has been on various grounds. The third party, that is Government, has successfully intervened and ordered a tribunal to be set up. Every cause of friction is to be referred to it for amicable settlement, but failing such a settlement, both the workers and the company are expected to abide by its decision. Shri G N Das, a retired Judge of the Calcutta High Court, is to preside over the Special Tribunal. Government has not set any time-limit, but it is expected that by November 30, this year, the verdict will be given. Of all the issues involved, the most important in a way is the Company's proposal to increase fares. The Tribunal will also enquire into the

THE ECONOMIC WEEKLY

Company's assets and resources. It is for the good of all, the Company, workers and Government too, for the State Government has a Directorate of State Transport; and the problems of buses and of trams are in many ways similar. Let us hope the trinity, under the supervision of one of them, will not forget the public.

Another Story

Daily life has hardly any added worries, for the trams are rolling on their wheels and the streets are almost bright with electric lights in the evening, but here is another story. All streets in Calcutta are not lighted with electric lamps—there are the gas-lit ones. From 1857, the Oriental Gas Company, again a foreign firm, has been supplying gas to light the street lamps. Even as late as 1954, 8,000 of the street lamps were gas-lit, and in 1958 there are 2,000 of them. Round about the maiden there are about 500 gas-lit lamps, but they are managed by the State Government. Street lamps are the concern of the Calcutta Corporation. The Oriental Gas Company had been supplying more than 3 million cu ft of gas per day, but in September it came down to less than 600,000 cu ft. The supply is also utilised by various industrial concerns, manufacturers of electric bulbs, laboratories etc. The bulb manufacturers were on the point of closing down, and the Corporation of Calcutta was about to issue legal notice. The hundred year old company somehow managed to increase the supply, but the very old machinery, dissatisfied workers, Government Inspectors and, above all, age managed to wear down the Company almost to a stop. Government is now initiating steps to take over the management. That too is good. There was a legendary gentleman called Gouri Sen in Bengal and people say any body could get money from him for any and every purpose, and to an unlimited extent. Today the Gas Company can be salvaged only by a Gouri Sen. Of course, Dr Roy, of West Bengal, has another scheme. Gas may be supplied from Durgapur, and while on tour in Europe, he may consult foreign firms in the matter. Let there be fewer gas lamps to light one's way in Calcutta.

The season of festivity has brought some money to many. Government employees have re-

ceived interest-free loans, to be paid back in four monthly instalments from December to March. Not all the employees have received the loans, but only those who get a basic pay of less than Rs 250 per month. The very same employees have received some assurance from Dr Roy that those belonging to temporary directorates will be given alternative employment. This concerns the fate of more than ten thousand employees. But the tragic tale of the Government employees of West Bengal is a long one, and it takes time to tell it.

Water Supply

Let me end this letter with a report about the steps taken by the Calcutta Corporation to prevent cholera and smallpox in the city. The actual press report ran thus:

Letter from Madras

Zonal Council of Chambers of Commerce

THE first regional conference of the Chambers of Commerce in South India, held recently in Bangalore, is a challenge more to the Government at the Centre than to the Federation of Indian Chambers of Commerce and Industry. It should not be difficult to see the significance behind a regional grouping of the various Chambers of Commerce when there are already well-established all-India organizations competent to speak for the Southern Region as a whole. The conference took the unusual step, quite in keeping with the unusual nature of a regional conference, of constituting a Zonal Council comprising of two persons nominated by each of the Chambers in the Zone presently affiliated to the Federation of Indian Chambers of Commerce and Industry or the Associated Chambers of Commerce. The conference said much when it affirmed that the Zonal Council was not a rival organization to the parent body, but that "it would render the parent organization more representative."

The fact of the matter is that the very constitution—of course, not in a spirit of rivalry or animosity—of a permanent regional organization, namely the Zonal Council, makes all-India organizations largely redundant in regard to matters affecting primarily Zonal

Calcutta Corporation's Standing Health Committee has taken up a programme which, if properly executed, may effectively check any serious outbreak of cholera and smallpox epidemics in the city." It refers to the announcement by the Chairman of the Committee to sink 50 big tube-wells at a cost of Rs 16,00,000 with an appeal to Government to bear half the cost. Four million people of Calcutta require 200 million gallons of water a day, whereas they now receive only 90 million gallons. It may be added that these 90 million gallons carry many more million germs too.

The proposal to sink 50 big tube-wells is welcome but how can one forget the 'ifs', when it is a proposal by the Calcutta Corporation with half the load on the West Bengal Government?

needs and purposes. Impliedly, the Zonal Council is expected to succeed in bringing greater pressure to bear on the authority at the Centre to pay urgent attention to the need for the economic and industrial advancement of the Southern Region.

The President of the Mysore Chamber of Commerce put the matter squarely when he said that the aim of the conference was to press for governmental planning and development on a regional or Zonal basis. If, incidentally, he had to defend himself by explaining that the regional or Zonal system had been adopted for administrative convenience as an accepted policy of government, and if he had to protest further that beyond focusing attention on this aim the conference had "no ulterior motive nor anything sinister about it," it was because experience has shown that any proposal made on a regional basis, however unexceptionable it be, is at once dubbed by all-India patriots as anti-national parochial etc.

It is good that the men in authority at the Centre should have a correct appreciation of some of the nuances of public life in the South. The claim is made that discussion of public problems here is fuller and more rational and sustained than in other parts of the country! Also it is good to remember,—especially

in the context of the growing restiveness of some of the Southern States against the alleged partiality of the Centre towards other regions—that even the most acrimonious discussion rarely ends in direct action of the type now being made popular and national by the U P.

Discussion here usually leads to addresses by leaders at study clubs, press statements and resolutions at public meetings or conferences. Stray instances of direct action that have recently come to the fore are still but exceptions that go to prove the general rule.

Nevertheless, an impression has lately been gaining ground that the Central authorities could be made to bestir themselves betimes to the realities of the situation only if public opinion is backed with some form of agitation. In other words, the South is perforce becoming agitation-conscious. And who is to blame if the people get themselves acclimatized to direct action as though it were a normal democratic method of expression of public opinion? One wonders, for instance, if our planners at the Centre are aware that the plea for regionalisation has been voiced through some thousands of public meetings in the South during the past six or seven years! And the President of the Mysore Chamber only administered a timely warning, though apologetically and in guarded terms, when he said that in pressing for the development of the Southern Region economically and industrially, "the business community had necessarily to take note of the political and social factors with which it was usually unconcerned in the past!"

Cotton Textiles Consultative Board

AN eleven-member Cotton Textiles Consultative Board has been set up by the Government of India. Shri Nityanand Kanungo, the Minister for Commerce, is its Chairman.

The Board will be consulted by Government generally on important matters concerning the industry. Its advice will be particularly sought in regard to production, distribution and exports of cotton textiles and imports and exports of raw cotton. It will also be consulted in matters relating to the measurement of raw materials, machinery and accessories required for the industry.

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From the London End

The Standstill in British Politics

THE annual conferences of the two major political parties of Britain have taken place, and the new session of Parliament is about to commence. Beyond this session, there looms the general election in which, for the first time, the British populace will have the opportunity of choosing between Mr Macmillan and Mr Gaitskell. One would, therefore, have expected these conferences to impart a new sense of urgency and activity to British politics. However, they proved to be no more than just another annual turnout of party devotees who were more concerned with making known their party's existence and clarifying how far different their garb was from that of their suggested opponents. And in this exercise, some interesting differences were shown to exist. In economic policy, for example, the Labour Party was seen to adopt a resolution calling for what, to all intents and purposes, was an expanding capitalism, while the Tories intend, as their policy statement explains, to 'restrain the excesses of capitalism'. In other matters, however, the differences proved to be so subtle that for the most part the British electorate remain smugly satisfied that the foundations of British society will continue untrammelled from within, and that, somehow or other, Britain will muddle through the next decade or so, making compromises with the ever-growing forces of adversity threatening from abroad. No British Government of the future will lightly decide on another Suez adventure.

'Conservatocialist' Alliance

The absence of sharp conflict between the two British political parties is certainly not a new phenomenon. By 1945, the Trade Union Congress had emerged firmly as an integral part of the British Establishment—some have even gone so far as to describe it as the Third Estate in British politics. In spite of the militant Mr Frank Cousins, of the powerful Transport and General Workers' Union, and in spite of the weight which the TUC and its members bring to bear on the policies of the Labour Party, the Conservative Minister of Labour was at his best when he spoke of the deep sense of responsibility

which the TUC leaders continue to show in matters of industrial, social and political relations. And so, while the Labour Party conference was to be governed almost wholly by its trade union affiliates, the Conservative Party found it necessary to bless the trade union movement's exalted place in British life.

Apart from Trade Union influence, the 'conservatocialist' alliance—a term coined by cartoonist Low—is of long standing. In past years, it took the character of 'Butskellism', a concord of Tory and Conservative policies on economic questions, and earlier than that, of agreement on foreign policy, particularly as it related to the cold war. At times, in the post-war years, this basic agreement between the leadership of the parties was to give rise to serious rank and file discontent; and at times it was to generate splinter and factional groupings with aims of securing greater party independence. One such grouping was the Bevanite-Tribune wing in the Labour party. But the wide and almost limitless opportunities open for compromise in British politics were themselves to be used to disenchant the new oppositions. When, as at the time of Suez, the basic agreement between Labour and Tory broke down, it created several convulsions in the British body-politic, and the price for a new alliance proved to be no less than the head of a Prime Minister.

No Partisanship

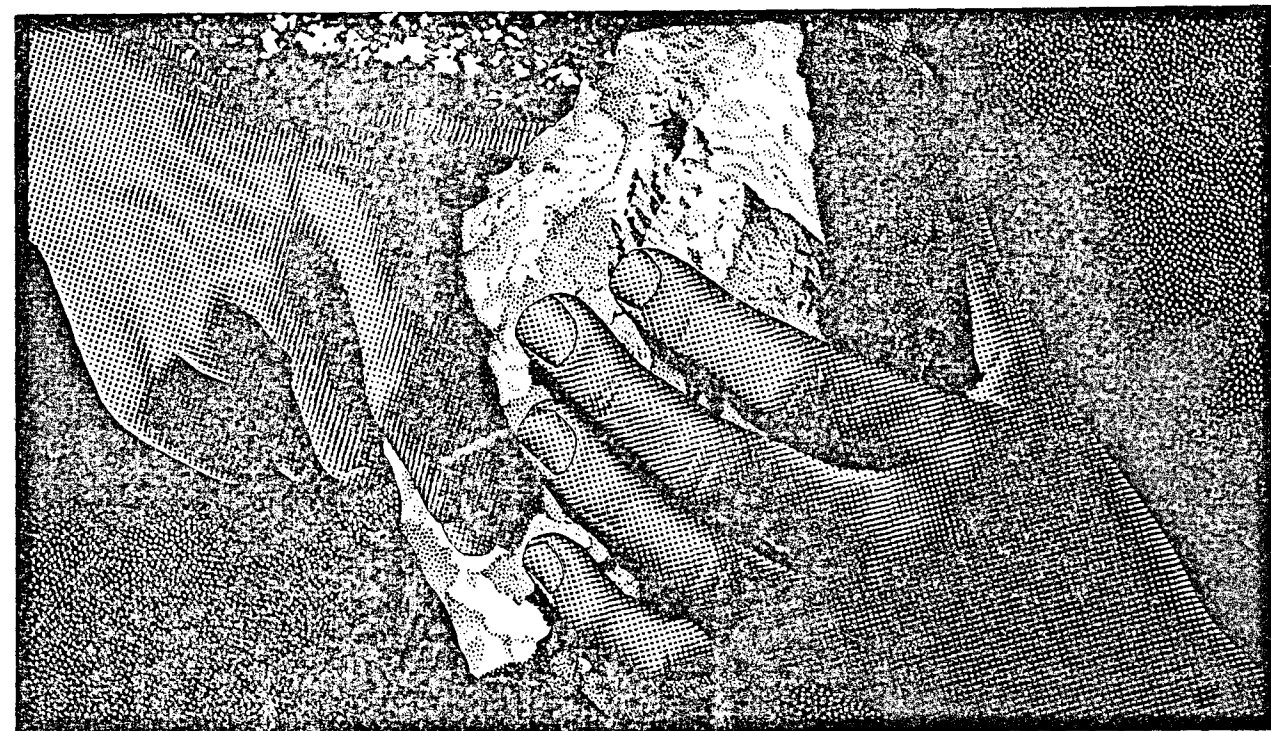
If the conferences of the two parties proved anything, it was the absence of any partisanship in foreign policy. It is true that the Macmillan apology for a policy in his now-famous declaration that 'it is better to be wrong together than correct alone' came in for severe criticism at the hands of Mr Gaitskell. It is equally true that Mr Gaitskell was critical of the absence of any British presence in the Quemoy crisis. But these, as later events were to show, amounted to no more than shadow-boxing. For, when the Labour Conference went on to examine the crucial question of nuclear disarmament, Mr Gaitskell castigated bitterly those delegates who espoused views which would have had the effect of dividing Britain from America.

As for Quemoy, it had become patent that Mr Macmillan was engaged in certain diplomatic exchanges which were said to be having a sobering influence on the Americans.

The question of nuclear disarmament, more than any other question, is agitating a vast number of people in this country. Indeed, an influential organised effort has been sponsored to secure a change in British policy on this issue. The most convincing arguments have been put to the British people (by this organised effort) on the devastating consequences of Britain's entry into the nuclear club and of the urgent need to contract out of it. The most remarkable thing about this effort is that it is wholly organised by Labour supporters. It was, therefore, inevitable that this issue should become the focus of controversy in the Labour Party Conference. And yet, the Labour leadership, as it did a year ago, refused to renounce the nuclear weapon. Mr Bevan, Labour spokesman on foreign affairs, seemed engrossed in the power complex which heavily governs Mr Macmillan's outlook; and so he once again pursued a line of reasoning more remarkable for its arrogance than good sense. He claimed, in effect, that it was only Britain which possessed the ability to convince the other great powers of the need for disarmament and a ban on the manufacture of nuclear weapons and that this ability was more likely to be strengthened by Britain's nuclear power status. Behind this statement there is a presumption that Britain with her 4 H-bombs will swing the balance among the nuclear powers—a presumption which is preposterous. For, if there exists any grain of validity in such a proposition—and such a proposition is equally advanced by Mr Macmillan—why has it proved so difficult to obtain a coherent policy of effective disarmament at the nuclear level from Britain and, more important, why has there been an effective Western drag of feet in the U N disarmament discussions ever since the Bulganin-Krushchev visit to Britain? In fact, as Mr Gaitskell was to reveal, to contract out of the nuclear club would be



THE GEOLOGIST



Geologists are people whose main business in life is to know rocks, to work and live among them. In the oil industry they look for certain types of rocks that hold oil.

In 1865, a Government geologist was sent to the coal areas of Assam. He reported the presence of several oil shows south of the Dihing river and advised testing, by experimental boring, those near Makum. A well was drilled there in 1867, followed by more wells at Makum and Jaipur. Several of these wells

yielded a little oil but went dry in a short time. But in 1889 the first well at Digboi was drilled and the Assam Oil Industry was born.

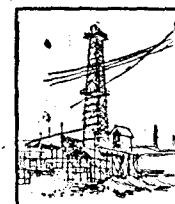
Geologists still play an important role in the Assam Oil industry. They decide the new locations, examine the rock cuttings during drilling and guide the industry in its search for more oil.

At present, the Geological Department of the Assam Oil Company is manned entirely by a number of well qualified and highly experienced Indian geologists.

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tantamount to 'abandoning the American alliance'. This is precisely the stand which Mr Duncan Sandys, the Tory Defence Minister, takes, and it has led him to a degree of military and nuclear co-operation with the United States unprecedented for Britain in peacetime.

Little to Choose

So, too, with Cyprus. This tragic island has been mauled to pieces by a 'sponsored communalism' and by a refusal to concede the preponderant Cypriot demand for the right of self-determination. The British plan for a 7-year 'Partnership' administration or, more to the point, the bringing into existence of a system of government, based on an explicit division between Greek and Turkish Cypriot interests, has, to all intents and purposes, the aim of maintaining the British occupation. And at the leadership level, both the parties have been single-minded even to the point of rejecting out of hand the new escape route suggested by Archbishop Makarios for an independent Cyprus, not allied either to Greece or Turkey. Most remarkable now is the open adulation of the 'courage' of British troops in what is described as the 'difficult task' they have to perform in their campaign of reprisals for the shooting of an English woman.

If, then, there exists little to choose between some of the policy positions of these two parties, what is it that continues to keep them so much apart, both in terms of the support they receive from the electorate and the bitterness with which each speaks of the other in public? There would seem that on certain aspects of social policy some marked difference of emphasis exists, and here the debates at the Conference on questions of education and pensions show a certain trend of thinking in British politics. The sharp rise in living standards and opportunities for advancement, wrought by two decades of full employment and a highly developed system of social welfare, have made an ever-increasing section of the British people think almost wholly in terms of stepping up the social ladder—of becoming small property owners, choosing 'better' schools for their children, and acquiring those material possessions which in Britain at least tend to distinguish the middle classes from the working

classes. The 'levelling process' which was the Labour doctrine and which the system of public finance until recently had attempted to secure, has been slowly subverted by the immense efforts made by the people themselves at being socially mobile—of moving up and, in certain cases of misfortune, of moving down the social scale—so that the class distinctions of the 1930's are once again back as an important feature of British life.

Public School Class Division

The Conservative Party has not been unaware of this almost unconscious social movement in British life. Its slogan 'opportunity state' has tended to provide the rationale for what appears to have been an instinctive urge on the part of the English people for social mobility.

That the slogan 'opportunity state' is, in fact, no more than a facile slogan is clear from the important role which education plays in preserving the 'top jobs for the top people'. While free education in Britain is universal, the part played by the 'public' schools in perpetuating class divisions is enormous. These are fee levying schools, and the fees in certain cases amount to the average income per head of the British population. The schools can, therefore, only cater for a small class of rich people. What is crucial is the fact that the best places in the British civil service and executive positions in industry are filled by people with a public school education. Leadership, therefore, persists in the hands of virtually a single class. At the Labour Party Conference, it was decided that a future Labour Government would do nothing to prise open the public schools to the general public and that certain improvements in the State system of education will be made—a decision with which the Conservative Party at its conference found itself in some agreement.

No New Direction

All this is only to indicate the virtual standstill in British politics and, in particular, the inability of the Labour opposition to shape out any new direction for Britain. This is partly due, no doubt, to Mr Gaitskell's belief that to win the next election, Labour must not present any alternative to the 'opportunity state' of the Conservatives since this would in fact only alienate that

growing class of people who see their own future in terms of what the Tories adroitly call a 'property-owning democracy'. And it is this class which can swing the balance in the marginal constituencies. Thus Mr Gaitskell was largely content with giving a different emphasis as distinct from direction, and hence the large measure of political agreement on fundamentals. But as against this, Mr Gaitskell faces a Conservative Government and leadership which at least in terms of public opinion polls is popular and stable. There is the feeling that Mr Macmillan has turned out to be a Prime Minister of some power: he provides, as Mr Attlee did, a sense of assurance in government. His politics may in certain instances be incorrectly conceived, but he possesses a greater command of his administration and there is no appearance of fumble or indecision. There is a certain calculation in his actions, and he combines this with a capacity for convincing reasonableness and argument. He can be both intellectual and down to earth. This impression is enhanced by the public's belief that for once Britain faces no economic crisis. By contrast, Mr Gaitskell cuts a poor figure. His party is yet to present itself with something of a dynamic image, but, more important, there is the wide view that Mr Gaitskell is a man struggling to emerge out of the shadow which his more buoyant colleague and former opponent Mr Bevan so heavily casts over the entire Labour leadership.

British politics has entered a stage of considerable lethargy. The parties by virtue of their basic agreement have made Parliament no longer the centre of political interest and controversy and unless some untoward new external pressure arises in the immediate future, the forthcoming Parliamentary session and the general election beyond will be dull affairs. And it is precisely in a situation of political dullness that the fortunes of the Conservatives soar.

Private excess agricultural plots and Government waste lands in areas benefited by irrigation projects in Bombay State are to be pooled for distribution among agriculturists who will be adversely affected by such projects, according to a Bill moved in the Legislative Assembly on Wednesday.

The Census Economic Classification

D Ghosh

THE economic classification of a population must be in terms of those characteristics which are significant for economic analysis. The primary unit for this purpose is the individual. He is the consumer and the ultimate agent of production; all other units, e.g., the family or the establishment are intermediate; they represent informal or formal groups of individuals as consumers and/or producers. In practice, however, the Census relates mostly to individuals as producers. There is no reason why this should be so except that economic analysis happens to be concerned more with production than consumption, with the ultimate rather than the immediate means to welfare.

2. Now producers may be divided into numerous groups and sub-groups according to the purpose in view and the measure of detail in which their characteristics are to be studied. The Census authority will have to exercise judgment and decide upon the extent and variety of classification. On the one hand, the categories and subcategories may be too many and too detailed to be worth the effort. On the other, they may be too few and too simple to provide opportunity for significant analysis. The classification has to be a compromise between these extremes, the right compromise being determined by the status of the Census as a basic countrywide enquiry, the nature of the economy in question, the strength of the Census organisation and the importance of maintaining continuity with earlier Censuses.

3. As the most basic socio-economic enquiry, the Census should give the composition of the population in broad outline. It should, moreover, collect information on those general characteristics of the population to which most special socio-economic investigations can be related. But the selection of the general characteristics must be influenced, if not governed, by the nature of the socio-economy which is being analysed by the Census. The kind and the degree of classification relevant to developed economies may not be quite

suitable to the undeveloped*. Moreover, the enquiry may have to be carried out, as in India, with the help of a vast mass of investigators, recruited ad hoc and with varying levels of education and interest. Obviously, it cannot be elaborated without increasing loss of objectivity and precision; it has to be trimmed down to the efficiency of the organisation which is available or feasible. Finally, the Census has special value as a periodic enquiry. The findings of successive censuses should throw light on the evolution of the economy. This implies a high measure of comparability between Censuses. Changes, however, may become necessary as the result of new circumstances and new appreciation of old socio-economic issues. The Census authority must, in such a situation, balance the advantages of the change against the disadvantages of reduced comparability with earlier enquiries†.

4. The first obvious classification of individuals in a population is into the economically active and non-active. The former include all those who are contributing to the national income, all services which enter into the composition of the national income being counted for the purpose**. The rest of the population are non-active.

Defined in this manner, the active and the non-active divisions of a population coincide with earners

*This raises a series of problems on making the national Census conform to internationally laid down patterns.

†Where new ideas make some alteration necessary, it may be helpful to give sample data on the bases of both the new and the old classifications.

**The Census of India, 1951 excludes agricultural rent receivers and non-working owners of non-agricultural property, from the category of economically active persons. But surely, whatever may be the ethical justification, the payment of rent and interest to rentiers and capitalists, the provision of saving for investment is as much an economic service as that of labour, manual or intellectual.

and non-earners respectively. It is possible further to subdivide the earners into 'full' earners and earning dependants, the latter to comprise persons whose earnings are not sufficient to maintain themselves. This is the basis of the break-up of earners into self-supporting persons and earning dependants in the Indian Census of 1951. The division is, however, hardly relevant in the context of the classification of persons as producers. The proper measure of the economic activity of a person is his contribution to national income and the really significant question is whether his reward is equal or not to the value of his contribution. That the incomes of some earners are insufficient for their living is an issue that belongs to the dependancy classification of the population to which we shall turn later. Hence, while one is engaged in classifying individuals as producers, it seems desirable to divide them into earners and non-earners only.

5. The next division of the population should be in terms of three broad economic categories of productive activity, viz, primary, secondary and tertiary production. More has been read into this classification than is warranted by its small basis of economic theory or its very rough correspondence to economic facts. But its value as a shorthand indication of the stage of economic development of a country is now generally accepted. Changes in the proportion of the total population in the three categories from Census to Census may give a rough idea of the economic advance of the society.

6. Each broad category should then be sub-divided into further groups as follows:-

A—Primary

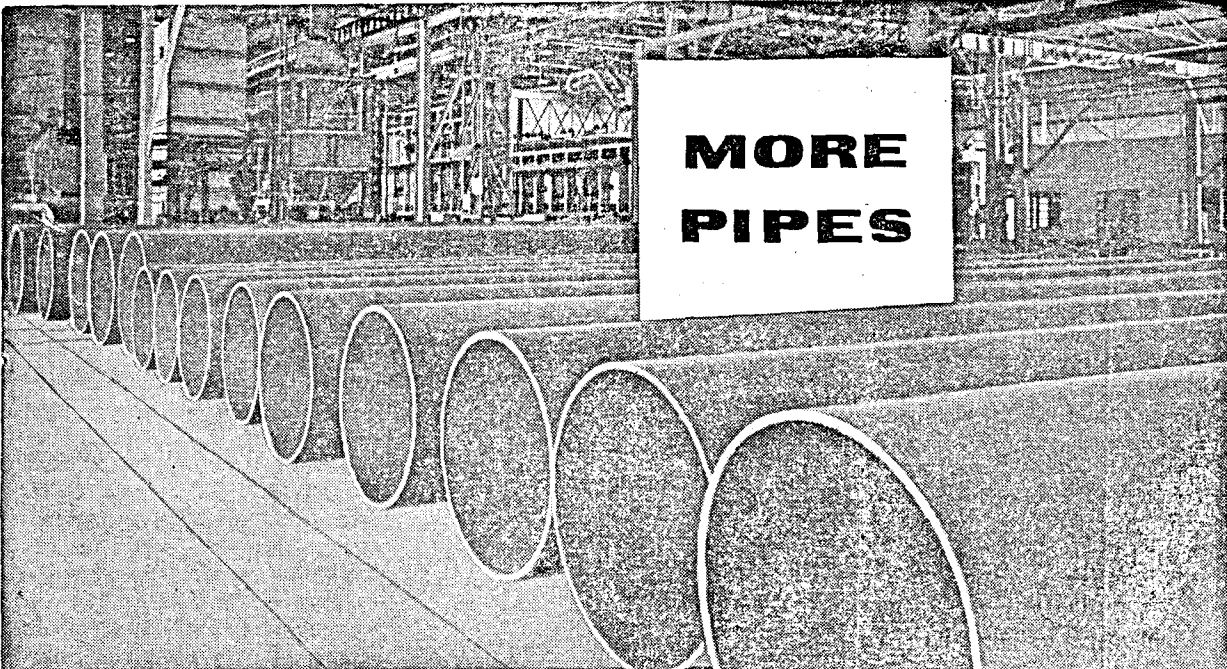
1. Agricultural and animal husbandry.
2. Forests.
3. Mining.

B—Secondary

1. Factory industries.
2. Non-factory industries.

C—Tertiary

1. Commerce.
2. Transport.
3. Other services.



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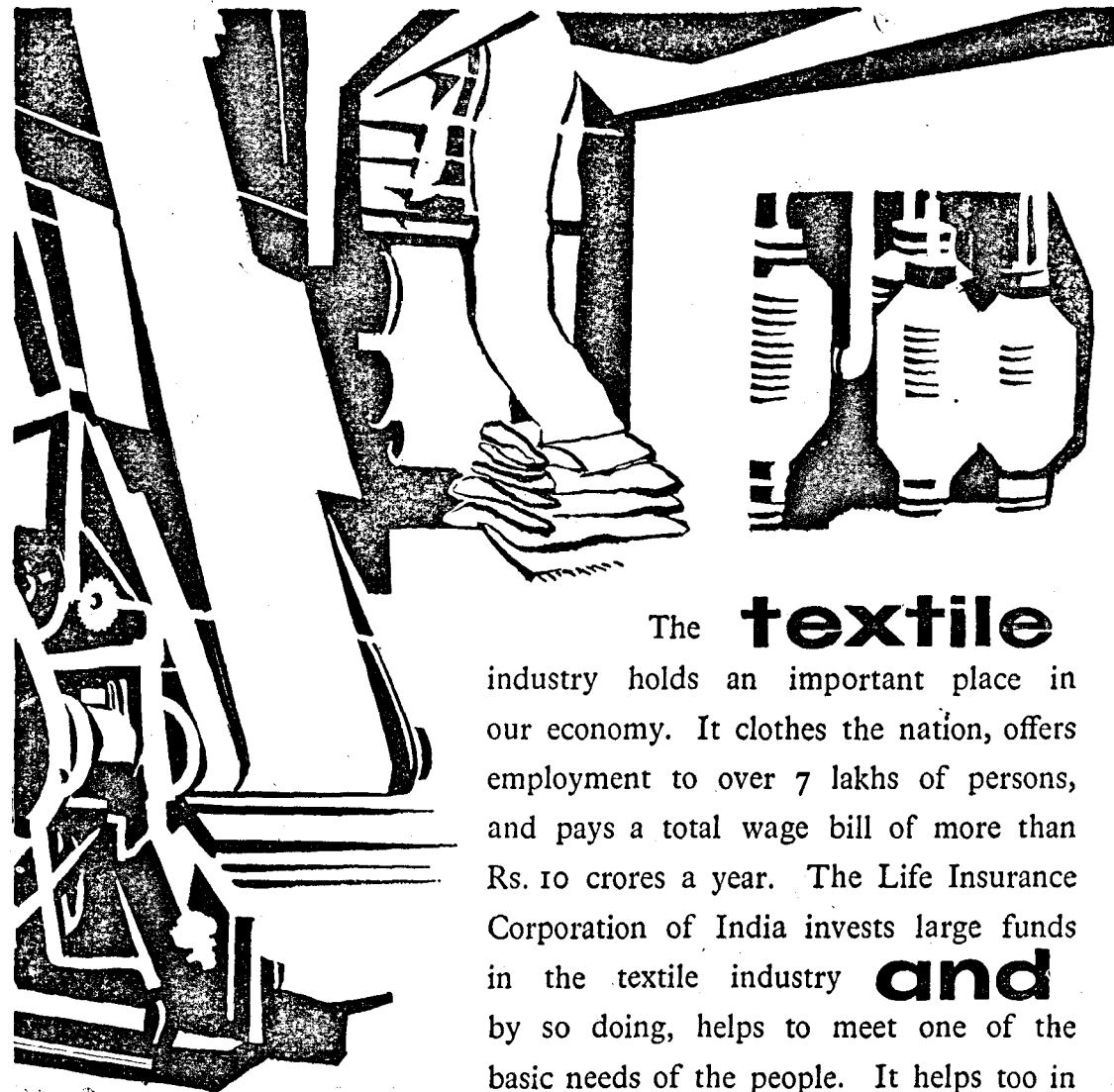
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7. Each group should be further divided into smaller subgroups. However, how far the process of subdivision should be carried is a matter of detail which cannot be considered here. Only some broad divisions are dealt with. Since the size of an economic enterprise, e.g., the farm or the factory, is significant for economic analysis, it is useful to classify the economically active persons by reference to the sizes of the enterprises in which they are engaged, with the optimum-size unit as the standard. However, this is not practicable as yet, and enterprises have, in consequence, to be classified in terms of various indirect indices, e.g., the area of the farm, the value of the fixed capital or the labour force of the industrial or business firm etc.

8. But it is one thing to arrange industries as economic boxes and another to put individuals into those boxes. As in all socio-economic enquiries, the major emphasis of the Census should be on the objectivity and precision of the data collected. But how far this objective can be attained depends, among other things, on the "definiteness" of the socio-economic characteristics of the population under enumeration. Economic advance has been, generally speaking, associated with the specialization of the role of individuals as producers and most economically active persons in advanced economies can be easily put into individual boxes. By contrast, many persons in underdeveloped countries can go into more than one box*. Many a carpenter is a farmer too; many a fisherman a trader and so on. In which box to put these persons? Attempts are made to answer this question by asking further questions about the earners and earning dependants. What are the farmer's principal means of livelihood and what, if any, subsidiary? If he is engaged in more than one industry, he is classified twice or more, in respect of his principal and subsidiary means of livelihood. The classifications, however, depend on answers

which imply an assessment of the relative incomes from two or more sources by the respondent concerned, and there is the risk of subjective factors influencing the answers. The respondent may indicate, as his principal means of livelihood, that category which gives him the higher social status rather than the higher income. For the earning dependant too, the assumption made that his principal means of livelihood is the same as that of the head of the family while his own industry is the subsidiary, is, as we shall see later, equally dubious.

9. A more sensible method of handling the complex situation would be to do away with the distinction between principal and subsidiary means of livelihood and classify persons engaged in more than one industry as part-time participants in all of them. Such a classification will be "objective" with no unverified sociological implications. It may also give us a rough measure of under-employment in each industry, on the assumption that most persons would normally prefer to work in a single industry rather than divide their time and energy between two or more industries.

10. The practice in developed economies is to subclassify the members of each industrial group or subgroup according to their occupations. An occupation characterises the person following it, and though an occupation may, sometimes, coincide with an industry, it may be found in more than one industry.

11. But occupational specialization is a step beyond the industrial; it implies a further narrowing and a closer definition of a person's work. By its nature, therefore, it is more appropriate to developed than to under-developed economies, in which a person often carries out all the operations which pertain to an industry. The occupational classification in these economies would overlap, in large part, the industrial.

Some broad occupational divisions would, however, be useful. The two that suggest themselves are, first the grouping of active persons into manual and non-manual workers and secondly, the subdivision of these groups into

administrative including professional, and clerical, and skilled and unskilled respectively. The relative numbers in which persons in these various categories are required by an economy depend on its stage of development and at any stage of development, there may be serious maladjustment between supply and demand. The classifications would have, therefore, a close bearing on the planning of man-power in an economy.

12. The final broad classification of active persons in a population which we shall discuss relates to their economic status. The word "status" is borrowed from social usage, and it is difficult to give it a purely economic connotation. In fact, it might seem preferable to replace the term "status" by "function". The broad economic functions which are relevant to economic analysis are those of the rentier, the capitalist, the entrepreneur and the worker. Each category of person is supposed to provide a different kind of service*. However, though, in a sense, all the three functions are equally important, they are ranked differently in capitalist societies in terms of the responsibility carried by the functionaries and the control exercised by them over productive activity. The entrepreneur hires capital and labour and organises production and shoulders the risks of the enterprise. He is, therefore, given a higher "status" than the worker and the passive rentier in the classification of active persons; since the entrepreneur is usually also a capitalist (and socially most entrepreneurs above the rank of small-scale independent workers belong to the same class as the capitalist) entrepreneurs and rentiers are lumped together, and we have three broad classes of economic functionaries, the capitalist-entrepreneur, the worker and the worker-entrepreneur.

13. These three groups correspond roughly but not fully to the three divisions, viz, the employer, the employee and the independent worker, in the Indian Census. The Indian Census does not consider the pure rentier to be an economically

* The same person may, of course, perform more than one function. The entrepreneur may also be the capitalist, and the worker the entrepreneur.

*In India, the industrial and occupational specialization associated with the caste system is breaking down and artisans, fishermen and others have become part-time cultivators and agricultural workers.

active or gainfully occupied person*. This exclusion of the rentier, as we have noted, has, however, no basis in economic theory. It confuses economic activity with physical and/or intellectual exertion. Secondly, the Indian Census excludes the earning dependant from the same category, the argument used being that he does not earn enough to maintain himself. But as we shall see in a moment, whether a person does or does not earn enough to maintain himself is not a feature directly germane to the classification of individuals as producers or economically active persons.

In the light of these considerations, it would seem proper for the economic classification of the population to include both rentier and the earning dependants in the category of active persons and then divide all such persons into (1) rentiers, (2) entrepreneurs, (3) workers and (4) independent workers. Both rentiers and entrepreneurs may be, further, divided into subgroups according to the scale of their investment and enterprise. By suitably grouping occupational classes with classes by economic status, we may get a rough but useful division of the population into four social classes, viz, the upper class consisting of large-scale rentiers, entrepreneurs, upper level independent workers, e.g., lawyers, medical men, engineers etc, working on their own and top level administrators, the middle class made up of persons in the middle ranges in these groups, the petite bourgeoisie comprising small land owners, persons in lower administrative and clerical services, the less successful members of the learned professions, etc, and finally, the workers, the small scale tenants, artisans, etc.

14. The classifications we have dealt with up to now all relate to individuals as producers. But not all individuals are producers; some depend on others, in part or wholly, for their living. This is the basis of the dependency classification of a population—the division of individuals into those whose own incomes are sufficient to maintain themselves and others who rely, in part or wholly, upon the former for support.

15. The classification relates to

* Surely nobody is so "gainfully" occupied from the point of view of his own comfort and ease, as the passive rentier.

individuals as consumers, and though their status as producers and non-producers is brought in to indicate their independence and otherwise, it is not the source of income of the supporting person, but the fact and degree of dependence of the dependants which are the data the Census is after. The measure of that dependence has little to do with the source of the income drawn upon to support the dependant, though it is closely associated with the level of income and the social class of the family.†

16. Since the family or the household still carries the major, if

not the sole, responsibility for feeding its members, it is usual to make the dependency classification first

† The purpose of the dependency classification is to throw light on the current level of living of the population and its prospects of change in the future. Other things being equal, the larger the proportion of dependant consumers to producers in a population, the lower its average level of living and the higher the proportion of the income that is consumed, the smaller the savings available for investment and development.

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with reference to households. The degree of dependency within the family depends on its age and sex composition and on socio-economic factors governing the working ages of men and women and the employment of women in gainful occupation. Both these sets of determinants differ from one socio-economic group to another; and these, rather than the Means of Livelihood of the earners would seem to be the proper frame of reference for the dependency classification of a population.

17. The Indian Censuses, however, attempt to correlate dependency with the means of livelihood of the self-supporting person or persons in the household. I quote below the relevant passage from the Census Report:

"4. Question 10—Principal Means of Livelihood—"Means of Livelihood" of any individual ordinarily means the gainful occupation which forms the source from which that income which is utilised for his maintenance is normally derived; but it is more comprehensive, inasmuch as in exceptional cases, income may be secured without gainful occupation. "Principal Means of Livelihood" means the same thing as "Means of Livelihood" for every person who has

only one means of livelihood. Where a person has more than one, that which gives him the greater part of his income is his "Principal Means of Livelihood". In the sense thus defined, every human being, without any exception, has a Principal Means of Livelihood—whether or not he is a self-supporting person. Every non-earning dependant is maintained exclusively by the income of some self-supporting person on whom he is dependent. Consequently, the Principal Means of Livelihood of the latter is required to be recorded as the Principal Means of Livelihood of the former. The same rule applies to Earning Dependents also (no attempt being made to assess the degree of sufficiency of his own income or the extent of his dependence on others)."—Census of India, 1951, Vol. VI, Part IA—Report pp 337-38.

18. The passage is full of difficulties. In the first place, the inclusion of income from sources besides gainful occupation in the definition of Means of Livelihood while those who receive such income are excluded from the category of economically active persons makes the total income produced by the latter less than the total income consumed (and saved) by the population. But the total income of a community must be the same, whether it is arrived at by adding all the incomes produced or all the

final expenditures and savings made. Secondly, to say that the principal means of livelihood of an earning dependant is the same as that of the person on whom he is dependant is risky. The Census Commissioner in his instruction to the investigators says:

"Remember—every "family household" is (collectively) self-supporting; otherwise it would not exist. The surplus of self-supporting persons within a family household is in every case sufficient to meet the deficit on the earning and non-earning dependents in that family household."—Census of India 1951, Vol. VI, Part IA—Report, p 339.

19. How can one say, in view of this instruction, that in families which have each more than one self-supporting member, the earning dependant is maintained by anyone of them in particular? In any case, the own income of the earning dependant may be more than what the self-supporting members may contribute to his support. The ultimate purpose of dependency classification is to discover the effect of the composition of the family on its standard of living. This, as we have noted, is best studied in relation to various income groups and social-classes.

Underestimation of Official National Income Data

M G Mueller

A NOTE on "Estimates of National Income—A Correction" by P R Rao and S K Chakrabarti in 'The Economic Weekly' (April 5, 1958) pointed out, on the basis of the findings of the Foodgrains Enquiry Committee Report, the possible underestimation of official national income data. Additional support for this contention may be obtained from the results on consumption expenditures gathered through the National Sample Survey. Though the national income accounts, published annually by the Government of India, present data on net national product (at market prices), no information is given on investment and consumption expenditures; however, the latter may be derived indirectly by using the national income figures in conjunction with the estimates of investment (monetized and non-monetized), prepared jointly by the Central Statistical Organisation and the Ministry of Finance.

Viewed from the expenditure side, net national product is the sum total of expenditures for personal consumption, net investment (domestic and

foreign), and Government purchases of commodities and services. Since we have data on the last two items, and given net national product, we may obtain personal consumption expenditures as a residual. As the table below shows, personal consumption expenditures amounted to Rs 94.8 abja in 1951-52; with a population of just over 363 million, per capita consumption expenditures therefore came to about Rs 261.

According to the third round of the National Sample Survey (page 11), the All-India monthly per capita consumption expenditures were Rs 25.70 during August to November 1951; on an annual basis, this would work out at Rs 308, compared to the above figure of Rs 261 for the year 1951-52. The difference of almost Rs 50 between these two estimates may be partly the result of seasonal factors and the price decline which occurred subsequent to November 1951. However, the discrepancy is very large and, therefore, the results of the National Sample Survey would lend support to the frequent contention

of underestimation of officially published production and income figures.

Per Capita Consumption
Expenditures During 1951-52

(Rs abja)

1. Net National Product (at market prices)*	105.6
2. Net Investment (domestic and foreign)**	5.0
3. Government Purchases of Commodities and Services*	5.8
4. Personal Consumption Expenditure (1—2—3)	94.8
5. Total Population (in millions)***	363
6. Per Capita Consumption Expenditure (Rs), (4÷5)	261

* Government of India, Central Statistical Organisation, 'Estimates of National Income 1948-49 to 1951-52' (1956), p 4.

** Government of India, Planning Commission, 'Papers Relating to the Formulation of the Second Five Year Plan' (1955), p 159.

*** Government of India, Planning Commission, 'Review of the First Five Year Plan' (1957), p 8.

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The Industrial Process and Business Enterprise

Veblen's 'Conflict' in Underdeveloped Countries

George Rosen

1957 was the one hundredth anniversary of Veblen's birth. He is certainly one of the most influential of American economists in his impact upon later American social scientists. One of the keystones of his system of thought is the conflict between the profit-making principles of business enterprise, and the demands, or potentialities, of an industrial economy. It is of some interest to examine the relationship of this conflict to industrial growth.

According to Veblen this conflict progresses with industrial development. In the early precapitalist phase of business enterprise:

"It was still true, in great measure, that the undertaker was the owner of the industrial equipment, and that he kept an immediate oversight of the mechanical processes as well of the pecuniary transactions in which his enterprise was engaged; and it was also true, with relatively infrequent exceptions, that an unsophisticated productive efficiency was the prime element of business success. A further feature of that (period) is that business, whether handicraft or trade, was customarily managed with a view to earning a livelihood rather than with a view to profits on investment.

"In proportion as the machine industry gained ground and as the modern continuation of industrial processes and of markets developed, the conjunctures of business grew more varied, and more amenable to shrewd manipulations. The pecuniary side of the enterprise came to require more unremitting attention, as the chances for gain or loss through business relations simply, aside from mere industrial efficiency, grew greater in number and magnitude. The same circumstances also provoked a spirit of business enterprise, and brought on a systematic investment for gain. With a fuller development of the modern close-knit and comprehensive industrial system, the point of chief attention for the businessman has shifted from the old-fashioned surveillance and regulation of a given industrial process, with which his livelihood was once bound up, to an alert redistribution of investments from less to more gainful ventures, and to a strategic control of the conjunctures of business through shrewd investments and coalitions with other business men....

"The economic welfare of the community at large is best served by a facile and uninterrupted interplay of the various processes which make up the industrial system at large; but the pecuniary interests of the businessman in whose hands lies the discretion in the matter are not necessarily best served by an unbroken maintenance of

the industrial balance . . . (In fact) the exigencies of this business of interstitial disturbance decide that in the common run of cases the proximate aim of the business man is to upset or block the industrial process at some one or more points."—*The Theory of Business Enterprise* (Scribners, 1937 ed), pp 23-25, 29-31.

It is the contention of this note that this theory, in the form in which Veblen presented it above, is highly questionable in its application to the behaviour of businessmen in at least several economies of Asia, which are now in the pre-industrial or early industrial stages. Rather another hypothesis with respect to businessmen's behaviour and its development will be presented. The picture of the preindustrial period which Veblen sets up is based on Adam Smith's view of English businessmen's behaviour at that time. Without entering into a discussion of the correctness of that view, the same picture does not hold in the underdeveloped countries of Asia. The rôle of small independent industrialists who are skilled craftsmen is very minor. Rather, the leading role in the private industrial development that is taking place is frequently held by businessmen who have moved from finance or trade into industry. These individuals, with some exceptions, have had little prior experience with industry, but have had generations of experience with finance and commerce and the effects of crop shortages, droughts, etc, upon their gains. Their experience has been directed to maximising pecuniary gains either as money-lenders or traders and of taking every advantage of speculative opportunities arising from sharp changes in the flow of goods. Businessmen with this background have often entered large-scale industry during and since the war; and similar but smaller businessmen, by either supplying working capital or marketing goods, determining the success or failure of any small industrialists who may exist and who are closest to the small craftsmen of whom Veblen speaks. These businessmen were attracted into industry by the chances for high profits in the war and postwar periods.

When such businessmen first enter industry, their major aim is to make the maximum and most rapid gains possible. This may take the form of "milking" the companies they own or using them for nonindustrial purposes — there are stories of sale of machinery to maximise profits; of disbursing reserves to insiders; of buying companies primarily to get licences for scarce products which may then be sold in "grey" or "black" markets; of replacing technicians by family representatives whose technical knowledge is minimum but who are financial operators; of varying output primarily to increase speculative gains on company securities; of different financial statements for public consumption and private use; of shifting reserves around freely between companies to meet the needs of particular companies within an empire. For many firms depreciation accounting is either ignored or is purely nominal, so that reserves become inadequate for replacement of machinery (it frequently is considered a charge after profits rather than a cost item, so that if there are no profits, depreciation will not be charged or will be nominal)*.

However, the point of this article is not that these practices exist but that they appear to be changing. In part these changes reflect external pressures—steps by the government to protect stockholders and to eliminate abuses of the entrepreneurial system, as well as to gain greater knowledge of the resources available for planning. But it is the thesis of this note that invest-

*It is of course impossible to provide statistical support for most of these statements, but they do represent a summary of often heard stories of business behaviour in underdeveloped countries. Furthermore, this is not to say that similar practices either do not take place in the United States and other developed countries now, or did not exist earlier in the process of development in the United States as after the Civil War or in the holding companies of the 1920's.

Around Bombay Markets

Higher Steel Prices Fail to Enthuse

Thursday, Morning

THE stock market is in a constructive but subdued mood. The announcement of the increase in retention prices of steel which was long overdue had very little effect on the markets. This was largely because the patience of the operators had been exhausted. Steel shares steadied up shortly after the announcement as both buyers and sellers were reserved. The market, however, lacked drive. After the recent erratic movements, Dalal Street operators seem to have lost initiative for the time being. Lyons Range has also become cautious as Puja holidays commence on the 18th and will continue till 28th. The general tendency in both these centres was therefore to lighten their commitments at large.

Retention Prices

The increase of Rs 14 per ton in steel retention prices for five years, with retrospective effect from 1955-56, will certainly meet the increased cost of operations at both the works of TISCO and IISCO. There is, moreover, an element of wind-fall profit for both the companies for the years 1955-56 and 1956-57 for which both the companies were given price increase of Rs 12 per ton in July last year.

The gross gain to the Tata Steel Company will be to the tune of Rs 2.24 crores for both the years while for 1957-58, the gain will be about Rs 50 lakhs as the company had already taken into account Rs 7.50 as price rise in the account of the year. On these amounts, the company will have to pay tax.

As for Indian Iron, the total output of saleable steel for the years 1955-56 and 1957-58 aggregated about 9 lakh tons and hence the gross gain will be approximately Rs 112 lakhs. The accounts of this company are still to be made up for 1957-58 and hence the accretion for the previous two years as well as for this year will be accounted in 1957-58.

The new blast furnaces at both the works have been blown in and hence production programme so far as pig iron is concerned has almost been completed. In the

next few months, the expansion programmes of steel will be completed and hence production is expected to go up gradually from the current month.

Textiles Outlook Poor

The outlook for cotton textiles continues to be depressing. Cloth stocks are still slow to move, both in the domestic market as well as on export fronts. The export incentive scheme is still to be announced but however attractive the scheme, the chances of success are discounted, in view of the keen competition in export markets.

A provisional agreement between Lancashire and Hong Kong has been reached for voluntary restriction of exports of cotton cloth from this British colony.

Cloth stocks with the mills in India at the end of September have increased to 592,000 bales. This has discouraged prospective buyers of cotton mill shares which showed once again a sagging tendency.

The new 4¼ per cent 1970 Bihar Government Loan for Rs 2.50 crores has been oversubscribed. Total subscriptions amount to Rs 2.99 crores. Applications for amounts upto and including Rs 10,000 will receive full allotment and those over Rs 10,000 will receive allotment of 92 per cent, subject to a minimum of Rs 10,000. The gilt-edged marked was a shade quieter and 3 per cent conversion loan dropped to Rs 73.60. Banks and public utilities, however, were generally steady.

In the Miscellaneous Section, National Rayon were steadier on short covering. Bombay Burmah were in doldrums. Tata Locomotives, after being listed ex-right, met some selling pressure. Scindia Steam which had gone down during the previous week-end rebounded on hopes of a dividend of Rs 1.50. The dividend, however, is to be decided only after a month. Premier Construction were steadier.

Crop Prospects Weaken Commodities

Cotton futures, which had revived during the early stages on re-

ports of cyclonic weather, once again weakened and the rally to Rs 638 petered out completely.

Weather reports were reassuring and apprehensions to crop damage were set at rest. The March Contract nosedived to a new low of Rs 616, before rallying to a small extent and then gave way. Mill consumption of Indian cotton during the season 1957-58 at 4,433,240 bales, was lower by about 2,20,000 bales while that of foreign cotton showed only a nominal decrease of about 2,000 bales at 565,650 bales.

Seeds Easy

Oilseeds, which had also staged a brisk recovery under the leadership of groundnuts also relapsed on better weather reports. Bulls who had accumulated long positions in groundnuts were inclined to book their profits in view of the increasing arrivals of the new crop. Government has made it clear that groundnuts in shells will not be allowed to be exported against the quota of 10,000 tons of H P S groundnuts.

Castor seeds turned quiet as chances for export business are still considered dim.

Bullion

Gold Firm

IN contrast to the weakness in commodities, the Bullion Market has been firm. This is because the market has been deprived, or it is feared that it will be deprived, of an important source of supply of illicit gold, following the establishment of military rule in Pakistan. Bullion dealers seem to be reasonably certain that the army would be able to stamp out gold smuggling through Pakistan, at least for a time.

Silver Dull

But silver had no such source of support and though it followed the rise in gold, it met with resistance at higher levels which brought forth some selling.

It is significant, however, to note that both gold and silver touched new high levels in the latest upward movement.

International Finance Corporation

THE International Finance Corporation which is an affiliate of the International Bank has completed two years of its existence. Its capital of \$ 93 million has been subscribed by 55 countries of which the Big Seven are, in order of their voting power: U S, U K, France, India, Germany, Canada and Netherlands. Unlike its parent institution, it contributes to the economic development of underdeveloped countries by investing without government guarantee in private enterprises in association with private capital and management but without exercising management functions. It is essentially an investing rather than a lending institution, and keeps aloof from undertakings which are wholly or predominantly government owned and operated. Its specific interest is in manufacturing, processing and mining enterprises. It does not finance more than half the total cost of an enterprise, nor is it practical for it to invest in undertakings with total assets of less than \$ 500,000. Its investments are intermediate between conventional loan capital and share capital, and carry no standard rate of interest, though so far most of its commitments have carried an interest rate of 6 to 7 per cent. It considers earning power and a balanced capital structure more important than alien or mortgage on assets. Since its capital is in U S Dollars, its investments, too, are generally in that currency though they may be expressed in other currencies if justified by their stability and by the terms of investment. Since one of its main purposes is to encourage and supplement private financial investors, it will in due course revolve its portfolio as the enterprises mature.

Most of the proposals received by it so far have, as is the experience of other similar investors, been unacceptable. Only 7 per cent of the projects presented during the first half of 1958 are, considered promising prospects in the near future. Till September 10 this year, it had entered into 11 commitments, totalling \$ 10.4 million, of which \$ 3.4 million had been disbursed. Out of this, Latin America has received nearly \$ 8.4 million, distributed over eight enterprises. Most of

these are either subsidiaries or controlled by well known American combines and one is fully owned by Siemens of Germany. Of the other three commitments, one is to an Australian lumber holdings company and the other two are to Pakistan, one for steel and the other for cotton textiles.

Most of these investments have been undertaken in collaboration with private corporate investors, who are either participating in the share capital or have given loans or have agreed to provide technical assistance.

Tata Steel Expansion

THE point about the new blast furnace which was blown in last week at Jamshedpur is not that it is the largest in Asia or one of the largest in the world but that with the addition of this one blast furnace, Tatas would be able to double their production of steel.

To the lay mind, innocent of latest developments in steel technology, this is a measure of the tremendous advance made by techniques of steel production and of the very big jump in the efficiency of the new installations. Before the expansion programme was taken up, the Tata Iron and Steel Works had five blast furnaces with capacity ranging from a daily output of 600 tons to 1,000 tons. The sixth blast furnace now added has a daily capacity of 1,650 tons, but only one furnace had

While the Corporation has not so far gone in for any commitment in India, it is known to have under investigation several projects in the private sector. One of the teams it had sent out to this country some time back had to return somewhat disappointed, owing to the provision of deposit of company reserves that had been ordained rather inadvisably at the end of 1956. With the practical withdrawal of this discouraging measure and the recent improvement in the investment climate of the country, it should be possible for the Corporation to extend some assistance to private industrial projects in this country as well.

to be added in the expansion programme. True, the capacity of old furnaces will also be increased, but not by any substantial additions, or modifications in their structure, but by adoption of improved production techniques.

According to the original schedule, the expansion project was to have been completed by May this year, but the Suez crisis, among other things, has slightly delayed the schedule. Sir Jehangir Ghandy call the blowing-in ceremony "the beginning of the end" of the programme of expansion and said that by 1959-60, production of finished steel is expected to reach 1.2 million tons and the full rated capacity of 1.5 million tons would be attained in the following year.

ROHTAS INDUSTRIES LIMITED

Dalmianagar, Bihar

NOTICE is hereby given that the Board of Directors of the Company have decided to capitalise Rs. 16,20,208/- from the Share Premium A/c and Rs. 6,59,791/- out of the General Reserve and to issue the same in the form of fully paid ordinary bonus shares of Rs. 10/- each in the proportion of one fully paid ordinary bonus share of Rs. 10/- each to the holders of every 10 existing ordinary shares of Rs. 10/- each, whose names stand registered in the Register of Members of the Company on 31st October, 1958.

The ordinary bonus shares shall rank pari passu in all respects with the existing ordinary shares save and except that they will not be entitled to dividend declared in respect of the financial period of the Company ended 31st March 1958.

Requisite consent from the Controller of Capital Issues and the Industrial Finance Corporation of India has been obtained.

By Order of the Board
For Sahu Jain Ltd.,

A. P. Jain
Director,
Managing Agents.

15th October, 1958.

CURRENT STATISTICS

BANKING RETURNS					INDUSTRIAL DISPUTES IN INDIA			
Reserve Bank	Rs Crores				Year/Month	(Numbers)		
	Latest Week†	Week Ago	Month Ago	Year Ago		Disputes	Workers involved	Working days lost
1. Note circulation	1545.16	1527.70	1542.45	1490.98	1953	772	466,607	3,382,608
2. Rupee Coin	138.44	139.68	137.12	133.18	1954	840	477,138	3,372,630
3. Deposits					1955	1,166	527,767	5,697,848
a) Central					1956	1,203	715,130	6,992,040
Government's	52.78	52.78	60.54	54.18	1957	1,248	640,871	4,982,229
b) Banks'	87.89	96.49	92.16	94.80	1956:			
c) Other					May	137	65,037	549,582
Government's	18.84	17.31	11.00	6.15	June	153	71,047	4,439
d) Others'	113.69	113.65	113.56	110.93	July	150	100,335	529,151
4. Foreign Securities	169.68	169.68	169.68	801.77	Aug	138	64,767	2,173
5. Balances held					Sept	184	130,667	922,685
abroad	12.60	13.38	14.68	19.42	Oct	150	113,404	819,619
6. Rupee Securities	1129.37	1129.37	1129.38	960.71	Nov	138	59,451	499,636
7. Investments	303.38	299.30	302.77	288.95	Dec	145	65,881	407,166
8. Loans and advances					1957:			
to Governments	20.09	14.50	17.44	51.32	Jan	155	129,791	405,805
9. Other loans and					Feb	124	57,833	269,041
advances	52.10	51.83	50.54	61.75	Mar	113	42,516	287,650
Scheduled Banks					Apr	161	66,724	414,535
1. Demand liabilities	708.20	730.81	715.72	690.78	May	163	76,337	455,037
(net)					June	153	106,234	734,545
2. Time Liabilities	869.90	850.10	850.30	625.57	July	198	96,715	764,308
3. Cash on hand	40.54	38.71	37.48	45.57	Aug	205	146,511	821,211
4. Borrowings from					Sept	232	148,148	842,508
Reserve Bank	1.71	1.56	5.96	42.10	Oct	222	110,548	533,206
of which against					Nov	175	61,498	358,979
Usance Bills	0.97	1.08	4.52	32.42	Dec	155	84,881	512,381
5. Advances and Bills					1958:			
discounted	805.05	801.50	815.76	802.55	Jan	145	58,402	354,185
of which State					Feb	133	87,130	342,205
Bank's	162.68	161.17	164.96	161.38	Mar	167	91,489	818,824
6. Invst. in Govt. Sec.	591.66	590.52	578.00	335.96	Apr	170	65,199	530,162
of which State					May	160	61,570	860,459
Bank's	250.42	248.55	240.12	151.97	Source: Deputy Commissioner of Labour, Government of Bombay.			
Cheque Clearance	168.21	160.72	157.34	76.34	INDUSTRIAL DISPUTES IN BOMBAY STATE			
† For Reserve Bank and Cheque Clearance Week ended 10-10-58					(Numbers)			
					Year/Month	Disputes	Workers involved	Working days lost
					1953	179	141,525	618,192
					1954	201	111,273	396,287
					1955	255	103,319	361,249
					1956	294	245,140	705,881
					1957	366	192,283	867,311
					1956:			
					July	35	46,584	116,263
					Aug	36	19,770	71,395
					Sept	30	43,232	145,617
					Oct	25	31,933	31,872
					Nov	26	7,835	27,041
					Dec	38	15,011	38,972
					1957:			
					Jan	34	11,624	46,424
					Feb	26	13,432	33,285
					Mar	31	16,107	61,351
					Apr	35	25,919	123,603
					May	28	22,741	34,906
					June	25	17,891	71,093
					July	38	17,829	151,493
					Aug	17	6,712	85,731
					Sept	36	26,506	81,333
					Oct	52	31,455	53,990
					Nov	31	12,934	33,603
					Dec	26	16,101	90,499
					1958:			
					Jan	31	14,946	69,955
					Feb	25	11,475	27,114
					Mar	19	5,426	11,428
					Apr	34	16,858	113,292
					May	25	10,340	147,368
					June	26	65,701	605,755
					July	30	77,219	197,087
					Source: Deputy Commissioner of Labour, Government of Bombay.			

INDEX NUMBER OF WHOLESALE PRICES

Group and Sub-Group	WEEK ENDED				MONTHLY AVERAGE				
	27.9.58	20.9.58	30.8.58	28.9.57	Sept. 58	Aug. 58	July. 58	June 58	Sept. 57
Food Articles	120.6	120.9	121.4	107.1	121.2	120.2	118.4	113.4	108.5
Cereals	113.6	114.5	115.5	101.5	114.7	113.5	109.9	105.5	102.6
Pulses	105.5	104.6	104.8	82.1	105.1	101.8	99.7	91.2	83.1
Fruits and Vegetables	122.9	124.0	124.9	106.5	124.5	123.9	120.1	111.5	117.6
Milk & Ghee	107.0	107.5	109.1	107.5	108.7	109.6	110.7	111.1	109.1
Edible oils	133.9	133.7	128.9	128.9	132.7	129.2	126.4	122.9	128.8
Fish, Eggs & Meat	114.4	115.9	116.4	98.9	115.2	114.4	110.3	106.7	102.2
Sugar and Gur	135.6	136.1	135.8	111.3	135.4	136.2	132.8	125.3	110.6
Others	157.7	155.3	157.9	127.5	157.2	155.4	160.6	149.2	129.2
Liquor and Tobacco	91.3	91.3	90.7	94.3	90.9	90.3	92.6	92.1	93.7
Tobacco	89.4	89.4	88.8	92.6	89.0	88.4	90.9	90.3	92.0
Fuel, Power Light & Lubricants	116.0	115.9	116.0	115.0	116.0	116.1	115.8	115.6	115.0
Industrial Raw Materials	118.4	119.2	117.7	114.9	119.0	118.8	117.8	115.3	115.4
Fibres	105.9	108.2	109.1	114.9	108.0	110.9	110.6	109.9	114.8
Oilseeds	138.1	137.4	132.6	119.7	137.3	133.4	130.0	123.7	120.9
Minerals	107.3	107.3	107.3	108.7	107.3	107.3	103.9	107.3	108.8
Others	106.0	106.6	106.7	105.9	106.4	106.9	108.3	110.5	107.0
Manufactures	109.0	109.0	108.7	108.8	109.0	108.9	109.1	107.9	108.7
Intermediate Products	111.4	111.4	111.0	107.5	111.6	112.2	111.6	109.9	107.3
Finished Products	108.6	108.6	108.3	109.0	108.5	108.4	108.7	107.7	109.0
Textiles	103.8	104.0	103.9	108.4	103.8	104.1	104.9	103.8	108.5
Cotton	111.8	111.9	111.7	116.8	111.8	111.3	113.5	113.1	117.0
Jute	86.9	87.5	87.9	99.4	87.2	89.7	86.1	86.1	99.3
Woollen	105.9	105.9	105.9	103.0	109.9	105.9	105.7	105.7	103.0
Silk & Rayon	96.3	96.3	95.7	82.7	96.0	95.7	94.6	90.7	83.0
Metal Products	143.0	143.0	143.0	143.3	143.0	143.0	143.0	143.0	143.3
Chemicals	108.8	108.1	108.1	98.9	108.6	106.1	104.3	103.7	98.8
Oilcakes	139.0	137.1	133.6	116.8	137.0	135.6	135.1	128.5	114.2
Machinery and Transport									
Equipment	103.5	103.5	103.4	101.6	103.5	103.4	103.4	103.0	101.7
Others	113.8	113.8	113.6	110.6	113.8	113.5	113.5	113.5	110.5
ALL COMMODITIES	116.1	116.4	116.3	108.8	116.5	116.0	115.0	117.7	109.5

WORKING CLASS COST OF LIVING INDEX

(Monthly Average or Calendar Months)
(Base: 1949 = 100)

	Bombay		Calcutta		Delhi		Kanpur		Madras		All India (average)	
	F	G	F	G	F	G	F	G	F	G	F	G
1955	110	110	90	92	97	99	68	78	96	99	92	96
1956	117	115	98	98	112	109	81	89	110	111	105	105
1957	123	120	106	105	117	114	87	94	113	116	112	111
1956: July	117	115	101	100	112	109	85	91	115	114	107	107
Aug	121	118	102	100	116	111	87	93	117	115	110	109
Sept	116	115	102	101	115	112	86	93	114	114	109	108
Oct	119	117	102	101	121	116	87	94	111	112	110	109
Nov	118	116	102	101	123	117	87	93	113	114	111	110
Dec	118	116	102	102	120	115	83	91	113	115	110	109
1957: Jan	117	116	100	100	118	113	83	91	113	115	108	107
Feb	118	116	99	100	118	114	84	92	112	114	107	107
Mar	117	116	101	100	118	114	83	91	111	114	107	107
Apr	117	116	100	100	116	112	81	89	111	114	108	108
May	121	118	102	102	119	114	85	91	110	114	111	110
June	124	121	106	105	119	115	86	93	112	115	113	112
July	126	122	107	106	119	115	90	96	113	116	113	112
Aug	126	123	110	108	123	118	93	98	113	115	115	113
Sept	125	122	111	109	115	113	91	97	111	115	115	114
Oct	125	122	110	108	115	113	91	96	113	116	113	113
Nov	129	125	111	109	114	112	89	96	120	121	116	114
Dec	128	125	109	107	111	110	85	93	119	121	113	113
1958: Jan	127	124	106	105	111	109	83	91	118	120	112	111
Feb	126	127	104	104	110	108	81	89	118	120	110	110
Mar	127	124	104	105	110	108	82	89	116	119	110	110
Apr	131	127	105	105	109	107	85	91	116	119	112	111
May	132	127	106	106	110	108	87	93	117	120	114	113



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Riding a Tiger

THERE has been a great deal of speculation in this country in official circles as well as in the press about the legal or constitutional position of the military regime in Pakistan and of the place in it of the President who continues though the constitution from which he has derived his position has been abrogated. In contrast to the legal or constitutional hair-splitting to which this sort of speculation leads, there has been very little attempt at an analysis of the socio-economic factors which brought about these changes in Pakistan. The general reaction has largely been that what has happened was both expected and inevitable and that it is largely to the good. That administration can be cleaned up, corruption can be stamped out and economic problems solved at a stroke by the army, seems to have won extraordinary number of adherents among all sections of the people and the press.

Why did the democratic process fail? How could the Government of Pakistan carry on for 11 years without once facing the electorate and submitting itself to the verdict of the people? No one has even cared to answer. This failure of parliamentary government is disposed of lightly as the result of the misdoings of self-seeking politicians. There is no reason to suppose that human nature is in any different in Pakistan or that the politicians in other countries do not behave according to the social milieu or that they are particularly happy or anxious to submit themselves to periodic reappraisal by the people and seek the consent and approval for the policies they pursue from such uncertain, capricious and undependable masters as the voters in a free election. If it is not from the people, the Government must draw its strength from something else, for no Government can function in vacuum or without support. It is a plausible explanation in the circumstances, and a line of enquiry worth pursuing, what extraneous support made it possible for the Pakistan Government to move so far away from and disregard the people? Could it be arms aid and economic aid, which gave it such a long rope to hang itself with and enabled it to ignore indefinitely popular opinion and support?

In some ways, it is even more remarkable that so many people and even some responsible organs of public opinion have taken it for granted that the emergence of the military regime represents a similar development to what had taken place in Egypt and in Iraq. And it is not unusual to find Nasser, Kassim and Mirza bracketed together and hailed as leaders of national revolution. One may understand the impact on the minds of the people groaning under administrative corruption and suffering from profiteering and blackmarketing of the drastic action taken or announced by the military regime. They are impressed, if not thrilled, by the issue of ordinance imposing recondite punishment for all kinds of anti-social activities. They are even more impressed by the spectacular effects produced in the shape of declaration of hoarded foodgrains, dramatic cuts in prices, and free sales of goods which had been scarce for so long and available only at extortionate prices. But no one yet goes further and asks: How are the supplies to be replenished, once hoarded stocks have been sold and liquidated?

A sample of the kind of reaction that drastic action against hoarding and blackmarketing has produced on those who believe themselves

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to be the victims of both, can be seen from the comments on the ordinance promulgated by the West Bengal Government in respect of profiteering in certain essential commodities. This ordinance has just received the assent of the President. Commodities covered under it are: rice, wheat, wheat products, pulses, spices, edible oils, sugar, babyfood, paper, and drugs and medicines. The State Government has taken the powers under this ordinance to fix by a notification in the official gazette, the maximum price for any of those articles which may be charged by a dealer. Any dealer who profiteers shall be punishable with rigorous imprisonment which may extend to two years or with fine or with both.

This last provision of fine—an alternative to imprisonment—has been ridiculed in the West Bengal press which has applauded in contrast the army ordinance in Pakistan imposing imprisonment up to 14 years for bribery. No such Act could be passed in this country, it is complained, in these eleven years of independence and even the very weak, face-saving ordinance that has actually been passed, it is bitterly recalled, was held up so long for the President's approval. The gravamen of the charges, however, is the imposition of fine in lieu of imprisonment. For blackmarketeers and hoarders are deterred neither by threat of litigation or of fine; the only punishment which could act as a deterrent in their case is imprisonment and gaol. The criticism is that by keeping this loophole open, the ordinance has been rendered innocuous and ineffective and it has been done so deliberately in order to protect those who contribute to the Congress Party Funds. From this, the natural inference, though not a logical one, is that the military regime in Pakistan represents the same movement which was led by Nasser in Egypt or Kassim in Iraq!

There are two important points which seem to have been missed by most of these commentators. Firstly, ever since the time of Diocletian many a military regime has tried in vain to do what Mirza is seeking to do today namely, to control economic forces merely by state fiat. The classic case in Pakistan itself was of Mir Zumla who had a number of profiteers in rice trampled to

death by elephants. But once the initial shock effect was over, none of them succeeded in controlling the economic forces by martial measures any more than King Canute succeeded in making the tides follow his fiat. Secondly, it is rather premature to think that the military regime itself will continue to remain uncorrupt and stable for long, especially when the powers that the officers are exercising are so great and the temptations before them are so many. Sooner or later dissident groups are bound to

Threshold of Busy Season

THE busy season should not be long in coming, though there is little evidence of it yet in the money market. Bank advances and demand deposits still continue to decline but a reversal of the trend may be expected next month when some of the crops begin to move.

The slack season which is drawing to a close has been notable for two principal features. There has been a very remarkable improvement in the Ways and Means position of the Government. This is indicated not merely by the decline of Rs 250 crores under Treasury Bills outstanding against an increase of Rs 45 crores under this head last year—which is partly due to the funding operation carried out some months back—but also by the net effect of Government operations on the accounts of the Reserve Bank, resulting in a reduction of net deficit by Rs 7 crores against the substantial increase of Rs 35 crores last year.

This improvement has been made possible very largely because of the keen interest which scheduled banks have taken in gilt-edged investment. Their investment portfolio expanded by Rs 150 crores during this slack season against Rs 42 crores last season; moreover, while it was the State Bank which had been solely responsible for this expansion in 1957, the latter has contributed only Rs 61 crores to the total increase this year. As a result, the ratio of investment to deposits of scheduled banks has jumped from 29 per cent to 39 per cent against the negligible increase from 28 to 29.5 per cent last year.

The other feature was the decision of scheduled banks, other than the State Bank, to reduce their cash balances and 'call and short loans'

come up from the armed forces themselves. If one group of officers can capture power by a coup there is no reason why other groups will not also be tempted to do the same. The experience of Thailand is a very relevant example. Once the principle of legitimate succession to power is given up, it is very difficult to re-establish it. Riding a tiger may be an exhilarating experience to start with. But one soon faces the sad fact that it is not so easy to get off and that the initial exhilaration is rather short lived.

contrary to the policy they followed last year of expanding their assets under both these heads even at the cost of their gilt-edged investments. The entire contraction of Rs 14 crores under these two heads this year against an expansion of Rs 51 crores last year is accounted for by scheduled banks other than the State Bank.

Deposits have continued to rise, but at a slower rate compared to the last season, the rise being Rs 28 crores only, of which the State Bank accounts for Rs 23 crores, against Rs 88 crores and Rs 46 crores respectively last year. Following the slack busy season of 1957-58 and the larger seasonal credit contraction this year, it is hardly surprising, therefore, that the leading scheduled banks should have banded together to place a ceiling on deposit rates. This will minimise competition among themselves to secure a share in the increase of deposits which is now so much slower. While time deposits have expanded by Rs 88 crores, against Rs 94 crores last year, demand deposits have declined by a much larger amount of Rs 60 crores compared to Rs 5 crores. The credit ratio of scheduled banks at the commencement of the current slack season, however, was lower than that at the end of last year's and now stands at less than 55 per cent. But for this reserve capacity, banks might well have been apprehensive about their resources in the ensuing busy season. Their heavily augmented investment portfolio and the likely continuance of severe import restrictions are some of the other factors which assure them of a comfortable—perhaps too easy—time over the next six months.

Probe into Newspaper Finances

THE Wage Board for Working Journalists, whose decision was thrown out by the Supreme Court, had complained that they could not make an adequate assessment of the financial position of the newspapers because the newspapers did not cooperate by supplying detailed information. Since working journalists have usually and justifiably a grievance against newspaper proprietors in the matter of payment and since some of the newspapers are prosperous enough to be able to pay, it is often suspected that withholding of information was deliberate. That the method adopted for collecting information may itself be faulty and may, therefore, fail to evoke adequate response is not perhaps as widely recognised as it should be. This has been brought home by a study of the inquiry directed to this paper by the Working Journalists' Wage Committee. The secretary of the Committee writes:

"The Supreme Court has drawn attention to the following possible effects of the Act and Wage Board Decision:

(A) Impact of the rate of wages and scales of wages (including allowances) fixed by the Wage Board;

(B) Effect of (a) retrenchment compensation, (b) gratuity, (c) hours of work and (d) leave;

(C) Effect of retrospective application given to the rates of wages and scale (dearness and other allowance) by the Wage Board Decision.

(D) Effect of total closure of the establishment in case the establishment finds it necessary to close down entirely;

(E) Effect of amelioration of the conditions of service of working journalists on the conditions of other employees of the newspaper establishment, i.e. the extra liability arising out of the possibility that the other employees might also ask for better conditions when those of the working journalists are improved according to the Act and the Wage Board Decision.

"It may also be necessary to assess the burden occasioned by the provisions of the Act relating to provident fund. (See Section 15 of the Working Journalists (Conditions

of Service) and Miscellaneous Provisions Act, 1955).

"The Committee consider that it is necessary for them to know as precisely as possible the financial burden which will be or which is likely to be imposed upon your establishment by the Act and the Wage Board Decision. From this point of view you are requested to assess the burden under each of the above five points as directed below:-

Regarding (A) above: Detailed data should be given as to the additional financial burden likely to be imposed on the establishment if the rates of wages and scales of wages including allowances fixed by the Wage Board are implemented. The data should be given as per proforma attached.

Regarding (B) above: You should furnish information regarding the additional burden imposed by the provisions of the Working Journalists Act, 1955, in respect of gratuity, provident fund, leave and hours of work. As regards retrenchment compensation, the calculation of the burden should be made on the basis of the number of Working Journalists actually retrenched (not resigned or retired), during the last 5 years.

Regarding (C) above: Commencing from the date of implementation as given in para 34 (a) of the Wage Board Decision, you should work out the burden likely to be imposed for each of the years upto 31st March, 1959. In calculating this burden, the annual increments etc which accrue, should be taken into account.

Regarding (D) above: Full details of the compensation that may become payable if the establishment were to close down should be given.

Regarding (E) above: You should give as many details as possible of the basis adopted, in arriving at the estimates of the likely burden in this regard."

This is not all. In furnishing the figures, we are asked to explain in detail the basis of the calculations made by us, so that the Committee may be satisfied with the correctness of our figures. It is for us, therefore, to quote from the latter, "to check the figures and analyses of figures very carefully with reference to the provisions of the Working Journalists (Condi-

tions of Service) and Miscellaneous Provisions Act, 1955, and the Wage Board Decision before they are sent to the Committee."

Finally, as "the financial burden imposed by the Wage Board Decision is to be assessed by comparing the existing rate of pay and scale of pay, if any, and allowances of each working journalist including proof reader employed by you with the rate of pay and scale of pay prescribed by the Wage Board Decision and finding out what the difference as regards each working journalist is. For this purpose you will have to note very carefully the provisions of paragraphs 29 to 37 of the Wage Board Decision".

This is rather a heavy assignment, in all conscience, for a weekly paper with the limited staff that we have. To be able to carry it out properly, it will be necessary to recruit outside talent, trained in cost accountancy and also in the more advanced branches of economic forecasting, since the assessment of the cost burden will have to be made under two sets of hypothesis. Even if all this talent and man power can be mobilised, it will be a sizeable job and will take, on a modest estimation, several weeks to complete. And what happens to the weekly issues which also a weekly has to bring out?

That is not all. The above information has to be supplied in ten copies, which itself will take up all our typing capacity and exclude all other work such as the unimportant one of preparing copy for the press. The above information will have to be sent at the latest by 1st November. The letter was despatched on the 19th of October and reached us on the 22nd. So the work has to be completed post haste but without loss of accuracy and sent along with our balance sheet and profit and loss account for six years, from 1952-53 to 1957-58, both inclusive. (Will the Company Law Administration kindly acquaint the Committee how many balance sheets remain to be submitted for 1957-58?)

After this, would the working journalists and the public be shocked and scandalised by deliberate withholding of information, if the Committee are unable to get all the information they want?

Weekly Notes

The Indian Road to Socialism

Our Delhi Correspondent writes:

THERE is a lull in the season of arrivals and departures. The moneychangers have left the Capital and between the distractions of "India 1958" and "Holiday on Ice", the latter being the State Department's latest attempt at diverting the jaded Asian mind, Delhi draws breath. But only for a while, for over the route from Palam banners have already appeared announcing a welcome to the delegates of the IATA Conference. Once again Vigyan Bhavan will look out on the flags of the nations, the bars in the hotels and restaurants come to life and Delhi's tireless hostesses wander from cocktail party to cocktail party explaining yet again the absence of snakes, Maharajas and fakirs to another congregation of eager enquirers from faraway countries. The DLZ taxis, dealt a cruel blow during the Fund-Bank meeting, will pray that the roads to Agra and Jaipur remain clear this time and the Army will join them in the specific expectation that the Jamuna will behave itself. Everyone, in short, should be happy except those chickens not yet educated to the conviction that the "tandoor" is the end of all their journeyings; chickens and unregenerate socialists.

For the former we have no words other than of consolation, for the latter the lull gives time and opportunity for heartsearching thought.

Unfortunately such thought is at a discount and the Left is torn between statistics on the one hand and bye-election prospects on the other. Where, one wonders, is the challenging thought, the search among fundamentals, the torment of mind from which alone can emerge the Indian way? The ideologue of the PSP is content to quote Thucydides. Thucydides via John Strachey is hardly meet guide for an India at the cross-roads. On the other side, "New Age" retreats into a study of the Brahmo movement and into that other branch of esoteric study, the Marxian dicta on the allegedly falling rate of profit.

While the Left remains fixed in a trance of its own creation, the practical men in Udyog Bhavan and elsewhere work their own designs;

empiricism may well be found to be but another word for erosion and thunderous calls to save the Plan may well be echoing through the vast Indian space while the Plan itself is quietly reduced to ribbons. As for democracy, while the Left remains content with evermore acute analysis of the historical differences between India and Pakistan, the march of events obliterates these differences and the babble of endless controversy may suddenly be silenced by the clipped accent of the communique. For many and urgent reasons, therefore, it behoves us to speculate on ultimates, if even briefly between the excitements of international conferences. Your correspondent will for once enter this challenging field.

Dilemma with Three Horns

OUR Correspondent then goes on to say: In the interests of simplification let us say that the Indian dilemma has three horns—the specific agony of the Indian situation arises from the fact that simultaneously we seek to achieve three inter-related but contradictory (superficially as we shall attempt to show) goals:

- (a) Rapid economic development,
- (b) Parliamentary democracy,
- (c) An individual identity in international affairs.

If the end-objective of economic development is the full flowering of human personality, the process of development must, by definition, be democratic. In this sense there is an organic inter-relation between development and democracy.

It would also be correct, as a generalisation, to hold that democracy has a vested interest in economic development for the forces that threaten to destroy (the pressures of poverty, ignorance and disease) it are themselves the effects of economic stagnation. The quicker this stagnation is ended, the better the prospects for the survival of democracy.

Timing or speed becomes therefore cardinal to this inter-relation. And here one can ask whether the processes of parliamentary democracy can generate that speed of development that we have found to be essential. Can a Government

perpetually conscious of the next General Elections, appropriately sensitive to opinion pressures in Parliament and the Press, carry through those bold structural changes which alone will make possible the desired rate of economic advance? Can a politically neutral administration (that other article of faith of Parliamentary democracy) sustain this rate under any circumstances? After the necessary process of check and countercheck has been undergone, after the maximum area of agreement has been reached by shading and compromise, is anything left of any policy that can remotely be called radical? These questions alone (one could ask many more) suggest that democracy and development, though ultimately inter-related, are immediately incompatible. Speaking that is, in the context of present terms.

Looking back on our original dilemma, it will be generally accepted that a certain degree of development is as essential for the maintenance of a separate international identity as for democracy. By this time we should know that a quantum of independence is essential if one is to function as a free agent in the world of international politics. Equally valid is the proposition that without substantial doses of external assistance, the process of capital formation, needed for rapid development, cannot be achieved within a democratic framework, in the sense in which democracy is most widely understood in India.

But a non-aligned country cannot afford to have friends, certainly not generous ones, which brings us face to face with yet another dilemma. It might be expressed by stating that while development is necessary for non-alignment, the latter is basically inconducive to the former.

These are, at least, some of the issues, expressed very crudely. Over them the debate must range and only when the ring of concentric dilemma is broken can the Indian road to socialism be discerned, with any clarity. To these issues there would appear to be solutions but having posed the problem, it would be wise—and polite—to await the answers before propounding one's own conclusions. We await responses from the Left.

And Now Thailand

THERE will be an almost irresistible tendency on the part of many people to compare this week's upheaval in Bangkok with the military coups in Burma and Pakistan, and to conclude, therefore, that the tide of democracy is rapidly receding from the shores of Asia. But such an interpretation of the latest, and 13th, revolution in Thailand would only be half true.

To begin with, any discussion about the "recession" of democracy in Thailand is bound to be somewhat unreal. In practice that country has had little, if anything, to do with democracy. It is not democracy that has weakened in Bangkok (for there was little democracy there to weaken) but dictatorship that has become stronger. Rumours of an impending coup were rife in the Thai capital several days before the events of last Monday actually took place. And the reason for this was, primarily, that General Thanom's Government was rapidly losing ground beneath its feet. Thanom, ever since his appointment as prime minister following the revolution of last September, was a reluctant politician and a shocking administrator. The quasi-military regime under him had been steadily worsening in recent months; and a good deal of the maladministration and corruption of the pre-revolution days had begun to return to the country. There seems little doubt that, had not Marshal Sarit taken over last Monday, someone else would have; and he, in all probability, would have been the far more ambitious and ruthless chief of police, General Praphas.

This background to this week's coup makes it inevitable that there will be an internal war of succession in the Revolutionary party, and that sooner than later, further developments of this sequence of events can be expected. Marshal Sarit's poor health (which has obliged him to live out of his country for several months) will only accentuate the power struggle within the party.

What of the avowed claim that the revolution was necessitated from internal and external communist threats? There is every indication that this is more of an excuse for strengthening a tottering administration than anything else. Thailand's 2½ million Chinese have

seldom shown any political interest, or done anything to rouse the suspicions of the Government in respect of their loyalty. They are a highly successful commercial community and are, for the most part, content to consolidate their economic position. The few visits from Thailand to which so much importance is now being attached were entirely on a non-political, cultural level; and reports suggestive of high-powered espionage are deliberately over-coloured.

This is not to deny that in one or two respects Thailand's increased alertness is natural. Cambodia's recognition of Peking last July—when considered in conjunction with the recent revival of its border trouble—may well have aroused genuine fears in Bangkok; and these fears must have been further strengthened by Mr Chou En-Lai's unnecessarily critical remarks about Thailand at that time. But it is doubtful if these provocations were grave enough to warrant a change of Government in so dramatic a manner. Nor can it be claimed that the weakening of the Thanom administration was itself a communist danger, in the sense that the weakening of any regime anywhere in Asia might so be exploited; for the gainer by this weakness would have been none other than General Praphas, whose anti-communism is, if anything, far more pronounced than that of Thanom and Sarit put together.

Many new reforms and a brand new Constitution have, of course, been promised to the country; but these pledges will not convince those who realise that the same reforms could well have been introduced by the previous regime, whose top leadership was the same as that of the new one. What is particularly deplorable in the new wave of dictatorships in Asia is the ease and readiness with which Constitutions are being thrown into the wastepaper baskets as so much scrap. This can only mean one of two equally undesirable things: either the new Constitutions will be regarded as similarly transient documents by future dictators, or the new Constitutions will be so framed as to suit the needs of dictatorship in such a manner as to make all further constitution-making superfluous. In that sense, certainly, the Thai coup is an additional blow to democracy in Asia.

Broken Ceasefire

WHAT has prompted Peking to end its ceasefire in the Quemoy area a whole week before its time? The story of American violation of the "truce" understanding by escorting a Nationalist Chinese ship to the island is unconvincing. It does not seem reasonable that the United States would deliberately endanger a ceasefire which it had quite sincerely welcomed, and that too just at the time when Mr Dulles was on his way to Taipei on what could only have been a mission of restraint. The much likelier reason for Peking's action is that Kuomintang was grossly abusing the truce to strengthen its garrison enormously in Quemoy.

Even so, it would have served Peking's cause better to have seen the ceasefire through its remaining week. If it does nothing else, the resumption of shelling will effectively sabotage Mr Dulles's belated sermon of restraint to General Chiang Kai-shek, who, on his part, has been preparing for the American statesman's visit by flying the familiar kite of an impending revolt in Peking.

What is still more important, the chances of the Warsaw talks reaching any agreement have now been utterly dashed. It is not at all fanciful to assume that Mr Dulles might have, had there been no renewed shelling, persuaded Taipei to make at least some minor concession which he could have carried back to Warsaw to brighten the chances of an agreement. This will now become virtually impossible. The abrupt ending of the ceasefire must consequently be regarded as a curious error of tactics on the part of Red China.

Kerala Plantation Strike

YET another chapter in the history of labour union rivalry has opened in Kerala. After recent bouts with leftist unions in Jamshedpur and Bombay, the INTUC is having another tussle for supremacy with the AITUC. The strike of some 10,000 plantation workers in Deviculom area, which started on October 4 and over which the State police have had to resort to firings twice already, is threatening to develop into a general strike on the 25th. The strike was originally backed by both the INTUC and AITUC. The workers had put forward some forty-two demands, among which

were those for bonus, provident fund and gratuity. Soon after, however, the INTUC agreed to adjudication and withdrew from the strike. But the AITUC carried on, and the clashes between these two rival unions have presumably led to police intervention and firings.

The INTUC has charged that the Kerala Government has failed in its duty to carry out obligations under the Labour Act. By allowing nearly 12 days to pass after the agreement to refer the matter to adjudication without making any provision for appointment of the adjudicating authority, it has been alleged by the INTUC spokesmen, Government has given 'room for a reasonable doubt that the strike is backed by Government which is holding back adjudication to permit the Communist union to rehabilitate itself'. But the fact that the INTUC is now forced to join hands with other unions and call for a general strike on the 25th makes one wonder whether this organisation is not fighting to regain its own prestige.

The tripartite talks, held recently, have bogged down on the management's insistence that the strike be withdrawn immediately and unconditionally. The management's argument has been that they would have gladly negotiated during a normal strike. The present situation is not just a strike, but a violent threat to their security. Since the management have reiterated that they would not budge even an inch, the threatened strike on the 25th has every chance of coming off.

While these clashes between labour and management, labour and labour, and labour and Government continue, the autumn flush tea, which is manufactured for export, is going waste and this is a dead loss in foreign exchange earnings. If the flush is allowed to overgrow, —the breakdown and subsequent growth will take some time—several million pounds of tea will be lost. The financial loss is calculated at a million pounds a week. Between the Central and State Governments, the loss in revenue is likely to exceed Rs 5 lakhs per week. Besides, the loss of income would seriously affect the companies directly and would impair their capacity to provide bonus or any other amenity next year.

Exchange Control Extended

THE notification of the Reserve Bank calling upon residents in India acquiring foreign exchange to surrender it to the Exchange Control Department 'within one month of acquisition' must have puzzled many who had naively taken it for granted that since exchange control has been in operation for umpteen years, why should such a notification be necessary. What could then be the purpose of the notification? Not unnaturally, it has also led to a lot of speculation. In the public mind it is an indirect confirmation of the existence of shady transactions involving, naturally, those who have large amounts to save, transfer or play with. That considerable transactions in foreign exchange do take place in contravention of exchange control regulations is, of course, common knowledge. Commissions earned abroad and deflated invoices against exports are the principal sources of supply which feeds 'non-official' exchange markets. But there are minor infringements also such as on travel account, and it is not quite clear whether the purpose of the notification is to catch the bigger fry or to rope in the petty offenders.

Actually the notification merely extends the scope of earlier rules regarding compulsory surrender of foreign currency. The holders of U S dollars and Philippine pesos have been required to surrender them to authorised foreign exchange dealers within one month of their acquisition ever since 1947. The number of currencies which must now be surrendered has been enlarged to include the following:

sterling, Canadian dollars, Danish kroner, Deutsche marks, French francs and currencies of the French franc area, Italian lira, Norwegian kroner, Swedish kroner, Swiss francs, Hong Kong dollars, Malayan dollars, Belgian francs and currencies of the Belgian monetary area.

The inclusion of the sterling at this late stage, after so many years of exchange control, is specially significant. It pointedly raises speculation whether the purpose is to impose stricter control over expenses of foreign travel. The curious situation is maintained, no doubt, for very humane and sensible reasons, under which one is allowed

THE ECONOMIC WEEKLY

to go abroad without the allocation of any foreign exchange whatsoever from the Reserve Bank, with the paltry sum of Rs 75 in Indian currency notes. Until now, the amount allowed was a little larger, viz, Rs 270 but not large enough to cover the expenses even for three days' stay abroad. This is a clear invitation to those who want to avail of it, to meet their foreign travel expenses by such innocent means as spunging on their friends and means not so innocuous, in the case of those who are in a position to acquire and maintain foreign balances. This is, to repeat, a humane and sensible arrangement, though it winks at, if it does not incite and encourage, infringement of exchange control. For it enables people to go abroad at short notice without going through the time consuming and vexatious ordeal of obtaining foreign exchange from Reserve Bank. It may be noted in passing that despite stricter exchange control, foreign travel, as judged from Air India International bookings and bookings doubtless of the other international airlines also, have not gone down disastrously as had been apprehended earlier when foreign exchange allowances were drastically cut. Today, A I I is a great champion of this open invitation to flouting of exchange control and it is also in a position to make its influence felt. After all, it is also an organ of the same Government which operates exchange control.

"THE WORLD OF FABRICS"

TO bring into focus the excellence of Indian mill-made cotton textiles, plans are currently under way for "The World of Fabrics" exhibition to be held in Bombay from the 7th to 17th November, 1958.

The exhibition will comprise two sections: stall-display of fabrics and a daily fashion parade. Its aim is to show the remarkable developments achieved by Indian manufacturers in the field of cotton textiles.

Twenty-four mills licensed to use the registered trade mark 'Sanforized', will display a vast variety of material in specially designed kiosks. The exhibits at the 'World' will cover a wide range of fabrics from simple poplins and useful 'wash and wear' cottons to sophisticated prints.

THE ECONOMIC WEEKLY

From the London End

Britain's Economic Summer

FOR the first time in this century, Britain has achieved a favourable balance on its visible trade with the rest of the world. This is no mean achievement for if it is the forerunner of similar balances or for that matter just balance in the future, then Mr Heathcoat Amory is justified in his declaration that Britain "can look back to 1957 and 1958 as a decisive turning point in our economic affairs". According to the White Paper on the Balance of Payments published this week, the British current account surplus in the first six months of 1958 amounted to £ 334 million, some £ 116 million more than in the same period of 1957. In the twelve months July 1957 to June 1958, the surplus reached a fabulous size—well over £ 480 million. In tune with this, the Gold and Dollar reserves are now the highest known since 1951.

Nobody had expected that this remarkable change would have taken place at a time of considerable uncertainty as to the course of production, employment and incomes in the United States and West Europe. Indeed, one well remembers, the first signs of the American recession were looked upon in Britain with anxious forebodings of an early re-emergence of the dollar shortage. Instead, the United States has lost gold at a high rate and in Britain, influential opinion is once more favourably inclined to a quick restoration of the convertibility of sterling.

Improved Terms of Trade

The magnitude of the British achievement is indicated in Table I. The achievement is, however, heavily marred by the growing contrast in the economic fortunes of the United Kingdom on the one hand and that of the Overseas Sterling Area on the other. Indeed this contrast has its parallel on a world scale—that between the industrial West and the primary producers. So overwhelming is the contrast that it was to become the dominant theme at Montreal, New Delhi and now in Geneva where G A T T is meeting. It is commonly acknowledged that two decisive factors have been responsible for the transformation in the structure of the British balance of payments—the 10 per cent im-

provement in the terms of trade and next, the absence of any major decline in the sterling holdings of the Overseas Sterling Area.

Between the first half of 1957 and 1958, Britain's exports (calculated on f o b terms) fell by some £200 million or 12 per cent. By contrast the volume of imports fell by about

3 per cent. Something in the nature of a 10 per cent improvement in the terms of trade following the fall in import prices brought Britain a saving of about £400 million at an annual rate and this accounts for the change in the visible trade balance. Exports also rose but here the main factor was the rise in

Table I—U K Current Account
(£ million)

	1958		1957				
	Jan- June*	July- Dec	Jan- June		1957	1956	1955
Debits							
Imports (f o b)	1,616	1,766	1,807	3,573	3,462	3,432	
Shipping	177	210	234	444	412	341	
Interest, profits and dividends	127	127	124	251	259	269	
Travel	57	91	55	146	129	125	
Migrants' funds, legacies & private gifts (net)	9	16	17	33	18	18	
Government	135	117	131	248	258	241	
Total	2,121	2,327	2,368	4,695	4,538	4,426	
Credits							
Exports, and re-exports (f o b)	1,753	1,735	1,782	3,517	3,411	3,076	
Shipping	259	268	286	554	517	464	
Interest, profits and dividends	167	187	174	361	373	346	
Travel	61	73	56	129	121	111	
Government							
(a) Defence aid (net)	3	3	18	21	26	46	
(b) Other	32	26	58	84	65	59	
Other (net)	180	189	112	301	283	251	
Total	2,455	2,481	2,486	4,967	4,796	4,353	
Current Balance	+ 334	+ 154	+ 118	+ 272	+ 258	— 73	
of which:							
Visible trade	+ 137	— 31	— 25	— 56	— 51	— 356	
Invisibles:							
Government	— 100	— 88	— 55	— 143	— 167	— 136	
Other	+ 297	+ 273	+ 198	+ 471	+ 476	+ 419	
* Provisional							

Table II—U K Balance of Trade*
(£ million)

	Monthly Averages			
	1956	1957	1958	1958
			1st half	3rd quarter
With Sterling Area	— 4.10	— 2.02	—	+ 5.80
Dollar Area	—25.82	—32.68	—16.04	
O E E C Area	— 4.42	— 2.56	— 5.50	
Others	—13.01	—14.17	—12.97	
	—49.34	—51.44	—28.71	—42.4

*The imports and exports values are differently calculated to that contained in the Balance of Payments.

Source: Report on Overseas Trade.

British export prices. In the past improvements in the terms of trade were invariably greeted as a mixed blessing as the reduction in the foreign exchange earnings of Britain's customers inevitably led to a decline in their own imports and the cycle was completed either by a reduction in U K export prices or a general lowering in the volume of foreign trade. The latter of these consequences now seems a strong possibility but in so far as the United Kingdom experiences in the first half of 1958 are concerned, the Overseas Sterling Area continued to remain a buoyant market. In spite of the considerable pressures which lower export prices had placed on the Overseas Sterling Area, the need to complete imports programmes in accordance with development aims contributed much to the maintenance of British exports at a high level.

There is, however, a change taking place. The repercussions of improved British terms of trade are now being felt in the current performance of the U K's export industries. The monthly export average for the first nine months of 1958 is running some 5 per cent lower than in the same period of 1957 and this alone is gradually subverting the trade balance from one of an exceptional surplus to a renewed deficit. (See Table II).

Stability in Sterling Liabilities

The second factor influencing the balance of payments has been the relative stability in Britain's sterling liabilities so that much of the current account surplus went into the building up of the U K's Gold and Dollar reserves. These reserves increased by £287 million as against the surplus of £334 million — the difference was largely accounted for by the outflow of £114 million on long term overseas investment. In this period the exports of the Overseas Sterling Area were down by one-fifth and their drawings on the sterling balances amounted to no more than £ 76 million. Further the deficit in trade of the Overseas Sterling Area with the non-sterling world widened from £74 million to just under £ 200 million.

Dependence on Non-British Capital

What was it that withheld a heavy drawing down in the sterling balances by the Overseas Sterling Area? This has become an issue shrouded in considerable mystery and involves a matter of intricate

inter-sterling area politics, the essential content of which is yet to be authoritatively revealed. In so far as the statistics of the U K balance of payments are concerned, the financing of this huge overseas sterling area deficit with the non-sterling world was almost wholly undertaken by the inflow of non-British capital and drawings on the International Monetary Fund. The size of these capital inflows has virtually doubled since 1956.

Non-British Capital Inflow into Overseas Sterling Area (£ million)

1955	136
1956	161
1957	259
1957: 1st Half	120
2nd Half	139
1958 1st Half	184

It is certainly true that today the U K is less dependent on surplus dollar earnings of the Overseas Sterling Area and that the forces generated by the movement of the have not been strong enough to subvert the favourable economic prospect now confronting the United Kingdom. More substantially, however, the deficits of the Overseas Sterling Area have not been allowed to impinge upon the London gold and dollar pool and this has been avoided by the substantial inflow of international aid and capital funds.

And this is likely to continue in the future. Thus, Australia is due to raise £ 9 million in New York, and Rhodesia borrowed a similar sum last month. South Africa is to obtain twice this sum from a group of American bankers and New Zealand has pledged its gold stock for a £16 million private loan. Malaya is borrowing £13 million from the World Bank and most important of all is the Indian non-sterling loans of some £125 million as cover against imports until March next.

This development is of considerable consequence. For the first time, Overseas Sterling Area has come to depend heavily on non-British capital, both official and unofficial. This may well be the more important factor which would justify the Chancellor of the Exchequer's claim that there has been "a decisive turn in the economic affairs of Britain" though he himself may not

have had this particular change in mind.

MUKAND IRON

ONE of the largest producers of steel bars, rods and castings, Mukand Iron increased its sales during the year ended 31st March, 1958, to Rs 3.03 crores against Rs 2.71 crores in the previous year. Higher wage costs and lowering of conversion charges for rolling billets into bars and rods, however, reduced the gross profit margin on sales turnover from 8.7 per cent to 6.4 per cent. Profit before taxation declined from Rs 23.47 lakhs to Rs 19.36 lakhs. The net profit, further reduced by higher provision for taxation, amounted to only Rs 10.56 lakhs against 16.72 lakhs. The net block increased from Rs 44 lakhs to Rs 51 lakhs, while higher stocks of stores, finished goods and larger advances to sundry persons increased current assets from Rs 54 lakhs to Rs 80 lakhs. The expansion programme of the company has reduced its cash balance by nearly Rs 7 lakhs to Rs 2.5 lakhs.

On the liabilities side, an unsecured loan of nearly Rs 9 lakhs from the managing agents has been replaced by an overdraft arrangement with Allahabad Bank, to which outstanding liability at the end of the year amounted to nearly Rs 16 lakhs. During the year the share capital was raised from Rs 30.48 lakhs to Rs 50.96 lakhs. The retention of more than half of the surplus earned during the year has raised reserves from Rs 19 lakhs to Rs 25 lakhs.

These results have been achieved despite an unfortunate breakdown for about three months in the steel plant, and some unavoidable fall in production during the installation of machinery and improvements in plant facilities. As against 593 man-hours required to produce a ton of foundry steel in 1953-54, the figure was only 269 man hours in 1957-58; the comparable reduction in the rolling mills was from 35 to 15.

The dividend for the latest year is proposed to be paid in shares of Batala Engineering Co. Ltd., which is a subsidiary of Mukand Iron. The Report and Accounts of this subsidiary are, however, not to be found in the published Balance Sheet though the Directors' Report claims that they are so attached.

Official Papers

THE Press Registrar's Annual Report,* aimed at giving an account of newspapers in India, their number, circulation, ownership etc, has considerable usefulness not only to newspapermen, but also to the general public. Apart from the presentation of data, the analysis that is attempted and the comparative studies that are presented have much to commend them. The second Annual Report, covering the period from January 1 to December 31, 1957, is in certain respects a more comprehensive and satisfying document than the previous one, though it is still more indicative than conclusive. For this, the blame does not lie so much on the Press Registrar as on the publishers, 'many' of whom, still 'continue to neglect their statutory responsibility of submitting the Annual Statement giving information about circulation, ownership and changes during the year'.

Nevertheless, 'since the returns received and studied represented practically all important newspapers in different categories, and their circulation constituted the bulk of the total circulation of newspapers in the country, the conclusions reached regarding trends in the circulation of different categories of newspapers as well as trends in the direction of common ownership, particularly the development of chains, groups, multiple units etc are fairly representative'.

Definition of Newspaper

The definition of the term 'newspaper' under the Act as a publication that comes out at fixed intervals and as one which contains public news or comments on public news, is unsatisfactory. The difficulty arises particularly in the case of periodicals which, though coming out at fixed intervals, are not normally described as newspapers; and even in terms of the definition given, they do not easily lend themselves to classification if only because they do not deal in news as such or in news as generally conceived by the public. Though by classifying themselves as news-

* Annual Report of the Registrar of Newspapers for India, 1957. Ministry of Information and Broadcasting, New Delhi, August 1958. Pp 513. Price not mentioned.

The Indian Press

papers they qualify for certain privileges and concessions, they entertain at the same time the fear that by such classification they render themselves liable to certain obligations, particularly in respect of journalists working on their staff and also in respect of providing certain information every year which may not be altogether to their advantage.

Whether it is not this fear rather than any indifference or apathy on the part of publishers that comes in the way of their submitting the necessary returns to the Registrar, is a question that calls for attention. The best remedy, of course, lies in evolving a clear-cut definition of the term 'newspaper', so that no room is left for doubt or evasion. That is a task to which the authorities concerned must address themselves early if only for the limited purpose of enabling the Press Registrar's Annual Report to be a more comprehensive document than it is at present.

More Newspapers in English

The total number of newspapers in the country as on December 31, 1957 has been reckoned at 5,932. During the year, covered by the Report, 800 new publications came into existence and 175 faded away. In a country, which is becoming literacy-conscious and educationally ambitious, this preponderance of birth over death was perhaps only to be expected. But what might not have been so readily expected was that the largest number of the new publications should be in English, standing at the fairly high figure of 193, with Hindi coming next at only 108. Again, it is interesting to note that among the newspapers that ceased publication during the year, English papers numbered only 25 while Hindi casualties were 37 and Urdu 32.

The largest number of newspapers published was in English (20 per cent), with Hindi coming next at 19 per cent, Urdu at 8.7 per cent, Bengali 6.9 per cent, Gujarati 6.3 per cent, Marathi 5.4 per cent and Tamil 4.5 per cent. Newspapers in other languages ranged below 4 per cent each. For Hindi lovers, piqued by the continued predominance of English publications, there may be some solace in

the fact that there were Hindi papers emanating from all the States of the Indian Union except Orissa and the Union Territories of Manipur and Tripura.

Bombay Leads in Dailies

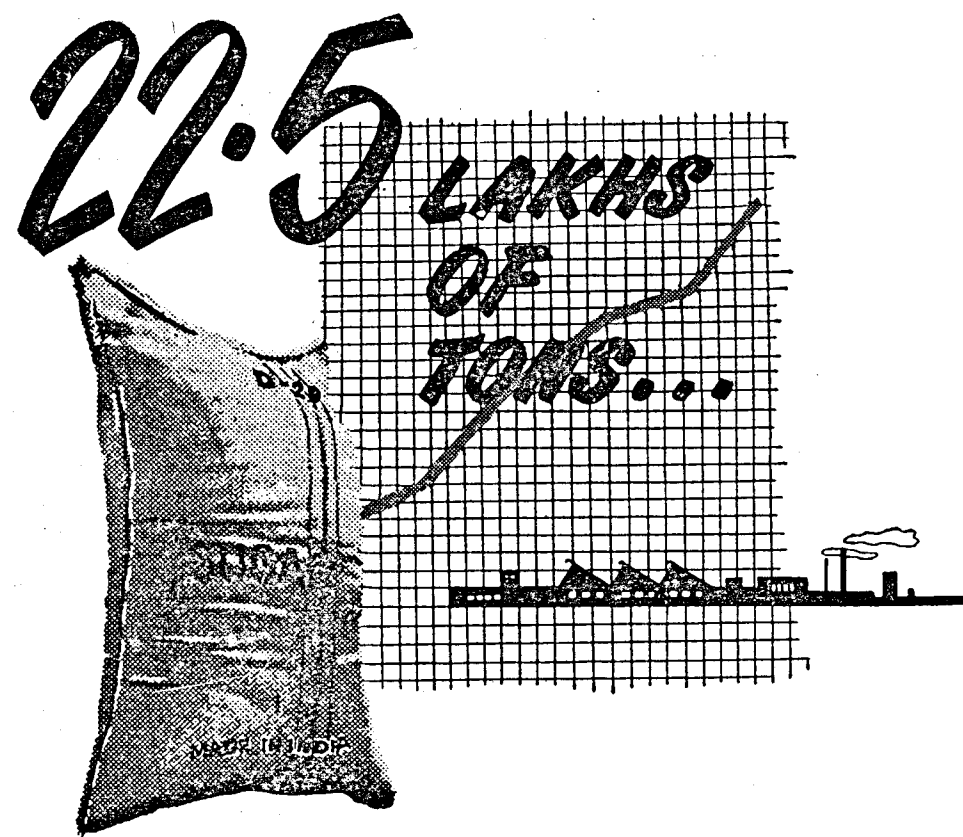
From the angle of periodicity, monthlies were the most numerous at 2,351, with weeklies following them at 1,589, fortnightlies at 517 and dailies at 446. Bombay State still leads with 117, or more than one fourth of the country's dailies, to its credit while Uttar Pradesh and Mysore, in descending order, lag behind at 53 and 43 respectively.

Depending on circulation figures for 1957 in respect of 2,843 papers and revised figures for 1956 in respect of 3,050 papers, an overall increase of 2.8 per cent in the combined circulation of publications of different categories could be noticed in the course of the year. Surprising as it may seem, the increase was highest at 84.6 per cent in the case of fortnightlies, with dailies coming next at 8.3 per cent and weeklies at 1.1 per cent. It was evidently a bad year for monthlies which, though the largest in number in the country, registered a decline of 41 per cent.

Circulation and Politics

Interestingly enough, again, English papers showed an increase of 0.9 per cent in circulation while Hindi publications declined by 8.8 per cent. Sanskrit papers registered the highest increase at 150 per cent, with Kannada coming next at 63.2 per cent, Telugu at 28.9 per cent, Assamese at 16.3 per cent, Oriya at 7 per cent and Bengali at 4.4 per cent. In respect of Sanskrit publications, it may be that the resurgence of interest in that language was responsible for the increase in the circulation of the few papers being published in Sanskrit while Kannada and Telugu papers are evidently riding on the tide of enthusiasm released by the integration of their scattered territories. Then, was it frustration in this respect that was responsible for the decline of 17 per cent in the circulation of Marathi papers and 12.9 per cent in respect of Gujarati papers?

Communism does not seem to have done much for promoting the



... target to be reached ahead of time

Unparalleled in progress by any other industry, the Indian White Sugar Industry has doubled its production in four years—from 10.01 lakh tons in 1953-54 to 20.26 lakh tons in 1956-57. This industry today is the second largest in India, and is a vital factor in the nation's economy. Pledged to maintain its trend of progress, it will soon emerge as a leading producer of white sugar. Today it is contributing substantially to the success of the Second Five Year Plan.

The increase in production has been so remarkable that the Second Plan target of 22.5 lakh tons of Sugar will be achieved well ahead of time.

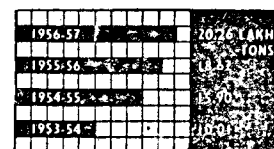
Today the White Sugar Industry provides scope for Indian capital investment of more than 100 crores of rupees;

it provides employment to over 1,40,000 skilled and unskilled workers and 3,600 university educated men, their total earning representing 5% of the national wages and salaries; it supports 20 million cultivators; it constitutes 12% of the total value of production of major Indian industries; it contributes over 65 crores of rupees (@ Rs. 13.19 per maund) in levies to the national exchequer.

It offers even brighter prospects for the country. With a lighter burden—with some of its present-day handicaps removed—this industry can contribute to achieving a more stable national economy. Its upward trend of production can continue to meet the needs of a growing home market and yet leave a surplus for export in order to earn foreign exchange.

Indian WHITE sugar ...

ample for home market—with surplus for export too



newspaper reading habit, for Malayalam publications registered a decline as steep as 17.7 per cent, while all the controversies raging in the south could not possibly prevent Tamil publications from suffering in popularity to the extent of 10.3 per cent. Nor evidently could the linguistic uproar in the north-west stimulate any special interest in Punjabi publications which declined in circulation by 16.1 per cent.

Language-wise Distribution

The total circulation of 2,843 newspapers in 1957, about which data were available, was 113 lakh as against 110 lakh of 3,050 newspapers in 1956. Periodicity-wise, monthlies claimed the highest circulation at 31.62 lakh or 28 per cent of the total, with dailies following close at 31.49 lakh or 27.9 per cent and weeklies at 30.52 lakh or 27 per cent. Fortnightlies rose steeply in circulation to 14.49 lakh in 1957 from 7.85 lakh in the previous year. Language-wise, English newspapers had the largest circulation at 24.97 lakh or 22.3 per cent of the total. Next in importance were Hindi papers with a circulation of 20.25 lakh or 18 per cent. Others in order were Tamil papers with a circulation of 9.1 per cent, Urdu with 7 per cent, Gujarati with 6.5 per cent, Bengali with 6.1 per cent, Marathi 5.9 per cent and Telugu 5 per cent.

In respect of circulation too, it is English that heads the list with nearly a quarter of the circulation of all papers. This is even more striking in respect of English dailies which command a circulation of 10.05 lakh or a little over one third of the total. Hindi dailies have a circulation of only 3.94 lakh, Tamil 2.73 lakh, Marathi 2.47 lakh, Gujarati 2.26 lakh and Urdu 2.03 lakh in order.

Pattern of Ownership

From the data available for 3,987 papers in the year under review, it would seem that there was no significant shift in the general pattern of ownership, the most predominant form of which continued to be individual ownership accounting for 42.4 per cent of the total. Ownership by societies or associations, including religious and co-operative organisations, came next with 21.1 per cent. Joint stock companies controlled 9.7 per cent of the publications, firms and partnerships 8.7 per cent and educational

institutions 7.6 per cent. Meanwhile, it is worthy of note that Governmental enterprise in the sphere of publication accounts already for a percentage of 5.5, which is by no means negligible.

The Press Registrar has tried to identify nine chains, 119 groups and 23 multiple units among newspapers in the country. Eleven out of the 23 multiple units are said to form part of the chains. The nine chains taken together control only one per cent of the total number of publications in the country; but they command as large a circulation as 17 per cent of the total, including copies sold and distributed free. The groups, though controlling 5.3 per cent of the total publications, have a circulation of about 20 per cent. The 23 multiple units have a circulation of 11.18 lakhs or about 10 per cent of the total. The chains control as many 42 dailies out of a total of 446 in the country; and these command one third of the total circulation of

262 dailies for which figures are available. Though individual ownership or ownership by societies or associations account for more than 63 per cent of publications in the country, the influence exerted by chains, groups and the like, with abundant financial resources, on public opinion through the extensive circulation that their papers have, is not to be overlooked.

The Press Registrar's Annual Report, running into more than 500 pages, may not yet be all it should be. Nevertheless, it gives a picture of the state of the Fourth Estate in the country which can be not only interesting, but also fairly illuminating if one reads between the lines of the matter-of-fact, pedestrian report and tries to draw some legitimate inferences from the facts and figures presented. But these inferences would be merely academic if no measures are taken to encourage healthy trends and discourage unhealthy ones.

— U G

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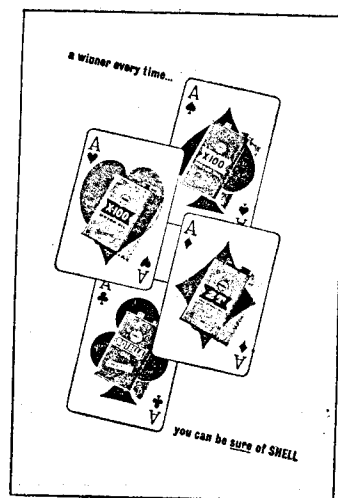
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Lest We Go Pakistan's Way

(Contributed)

28 OCT 1958

PUBLIC DEPARTMENT



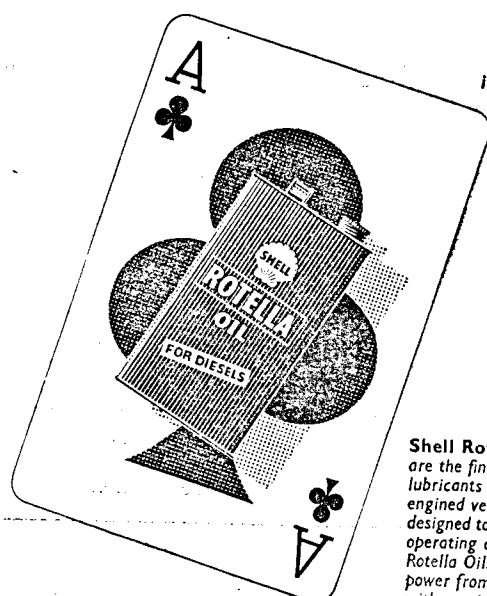
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THE recent developments in Pakistan have led to a lot of heart-searching, apart from the spate of speculation they have aroused. At his last press conference, Prime Minister Nehru gave the following as the reasons why Pakistan, and not India, went the way of military dictatorship:

(1) While India's path was a positive one, wanting something definite in the political and economic fields, the stress in the old Muslim League and subsequently, to some extent, in Pakistan, was always negative.

(2) India had... the old tradition, however limited, of democratic working at the village level through panchayats. Also, a major factor was the national movement which made people think and act on democratic lines. Mahatma Gandhi had made a large contribution to the development of democratic ideals and built up the source of Indian unity in the minds of the people.

(3) In the final analysis, it was the quality of the people that counted. Stout people could make any theory succeed, but weak people would go to pieces with the best of theories.

In a different context, a Minister of the Government of India suggested that half the Ministers at the Centre should quit office and devote themselves to strengthening the Congress. This was necessary, the Minister said, to revitalise the national organisation which, at present, lacked the guidance and direction of competent and capable workers. This goes on to show that the organisational strength of the political party in power is also an important factor in keeping a country on the democratic path and preventing it from slipping into the misfortune which has overtaken Pakistan. The conclusion is, therefore, warranted that one of the reasons for the military revolution in Pakistan was the weakness of the major political party or parties.

Class Structure

Another factor, it has often been noted, which has an important contribution to make to political stability

and the working of a democratic form of government, is the class structure of the people concerned. 'The Sunday Observer', for example, commented that "India is the only country in the region which has operated a system impressively, and that is probably because India has a large and educated middle-class. Other countries lack this. Western Powers must necessarily accept and work with these military regimes, but they should also do what they can to help them to return to Parliamentary Government".

These are some of the factors which are usually held responsible for forcing Pakistan to go the way it did in a direction different from that in which India is moving. None of these, however, explains the situation in toto and nobody seems to have gone behind the factors which apparently created the circumstances in which democracy became unworkable. For an explanation of the forces below the surface which probably brought about the military regime in Pakistan, one may profitably look to the developments in Egypt in order to get the problem in its proper perspective. When the military group headed by General Neguib took over in July, 1952, one of the first things it did was to make a frontal attack on the old feudal estates and take up the redistribution of land.

In Egypt and Iraq

It is not necessary to examine here the extent to which these reforms have been successful, but what is important to note is that prior to the emergence of the military regime, several bills had been introduced in the Egyptian legislature to curb the big landlords and return the land to the farmers. But all such attempts were defeated as the members of parliament were themselves big landlords. It was the failure of the political system obtaining before the army coup to push through land reforms which created the situation, in which only a military regime could do it. The so-called Parliament, which was there before, was one that was dominated by feudal landlords; and certainly one could hardly expect

such a body to pass and implement land reforms legislation.

What was true of Egypt was more or less true of Iraq also. In Iraq, the socio-economic system was completely dominated by feudal lords and 'Sheikhs'. The crucial role of land reforms in the sphere of planning had never been clearly appreciated by Government even though there were scores of American experts who were working as consultants to the Iraqi Government. With the mobilisation of oil resources, the Government of Iraq, with its huge financial reserves, had no difficulty in financing development plans. In spite of this, the former Government failed to take long-overdue measures, which could have prevented the recent developments. The former Government drew up grandiose plans for developing irrigation resources and reclaiming land, but did nothing for changing the institutional framework. The Press, dominated by vested interests, even dubbed discussions on land reforms, held under FAO of the United Nations in Iraq in 1955, as Communist-oriented.

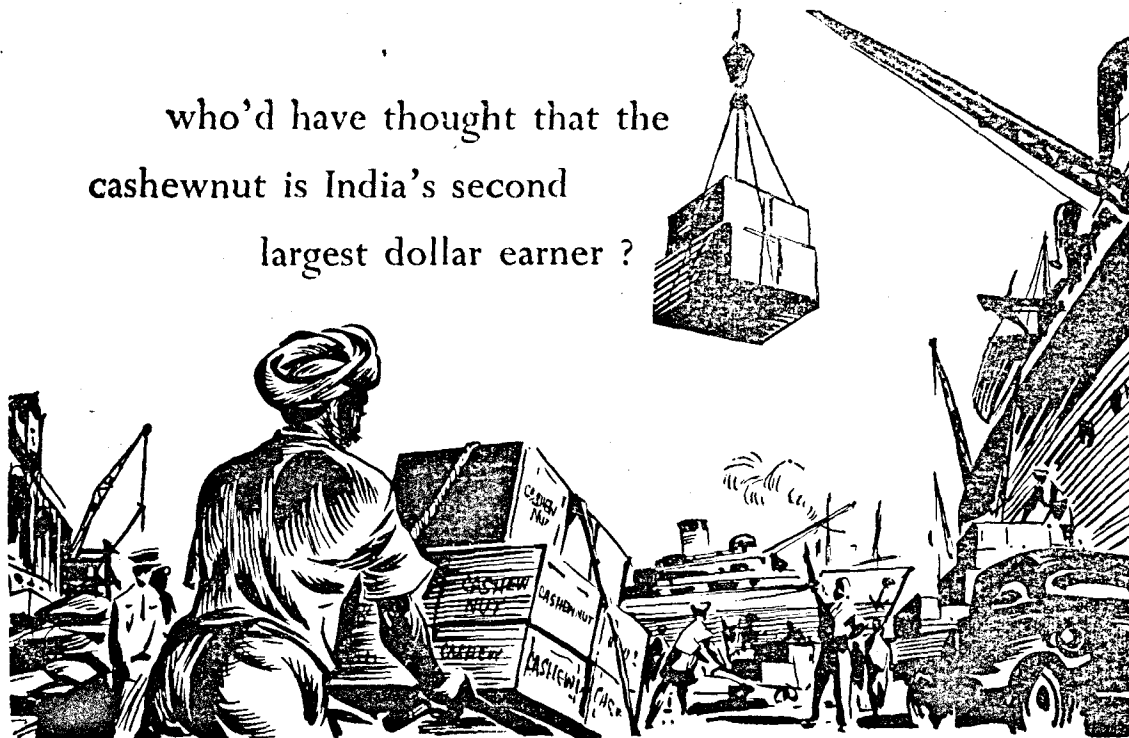
Unlike Egypt and Iraq, however, Pakistan had a much more stable governmental and administrative system, and Parliament was working perhaps a little more efficiently than in former Egypt and Iraq. Nevertheless none of the political parties in Pakistan cared to implement the land reforms.

Planning Board's Recommendations

Such attempts at land reform as had been made in Pakistan through measures of legislation like the Punjab Tenancy Act of 1952, the Frontier Provinces Act of 1952, the Sind Tenancy Act of 1950 and the Bengal State Acquisition Act of 1950 were lukewarm in nature. These measures hardly went farther than the land reform laws enacted by States in India in the forties. What these acts attempted to do was to regulate transactions between the landlord and tenant by law; but the bargaining position of the tenant was, and continued to be, so weak that the acts hardly benefited him.

The Planning Board of Pakistan did its utmost to push through land

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reforms. In its report on the first Five-Year National Development Plan in Pakistan, a separate chapter was devoted to land reforms; and schemes had been envisaged to transfer, to a certain extent, the ownership of land to peasants. The Planning Board recommended:

"We think that it would be in accord with the accepted social objectives to endow the cultivators in East Pakistan, as in other parts of the country, with the full rights of ownership. The aim must be to build a rural society largely consisting of independent and self-reliant peasant proprietors. As cultivators, they would pay rent to Government, while as owners they would be liable to pay land revenue only. Perhaps the difference between the land revenue and rent could be treated as a payment towards the price of the land with the option to the cultivator to complete the payment in a smaller number of instalments. Government should fix the price of land, which should be related to, though it need not be as high as, the market price normally recovered when Government land is sold."

'Co-operative Farming'

There was, however, so much opposition to this attempt that some members of the Planning Board itself were reported to have been forced to resign because of the stand they had taken on the issue of land reforms. Instead of going ahead with the sound recommendations made by the Planning Board, the Government of Pakistan was toying with the idea of 'Co-operative Farming', as developed by an expert from a Western European country. This concept of co-operative farming is altogether different from that which is now being developed in India or has been put into practice in Communist countries. The co-operative farm, as envisaged in Pakistan, attempted to separate the concept of ownership from that of use, whereby, both the landlords and tenants could become members of a co-operative farm. The landlords would have no say in management, yet they would get their due rent. The tenants, being in majority, would organise and manage the co-operative farming society and be able to derive the advantages of large-scale farming as also of the better bargaining power they could

achieve through co-operative activities. Government, on the other hand, would not have to bother about the enactment of land reform legislation. It would be obvious to anyone, who knows anything about agriculture in these parts, that this concept of co-operative farming is hardly realistic and is not even worth a second thought. Yet the Government of Pakistan was virtually staking its entire future on this scheme formulated by a European expert; to Government it was an easy solution because it did not have to do anything about land reforms. Thus, what was obtaining on the eve of the military take-over in Pakistan was a situation in which neither at the theoretical level, nor certainly at the practical level, any attempt had been made to solve the land problem. The feudal landlords were dominating the socio-economic system in the entire country.

What was true of land reforms was no less true of the agricultural credit system. No concerted efforts had ever been made in Pakistan for developing co-operative credit. Another experiment which had misfired and might be mentioned was the attempt of Government at organising what was called the 'Agricultural Development Financial Corporation', which was supposed to give medium-term and long-term loans to farmers. Even though large sums had been distributed since its inception, the major portion of the loans advanced had gone to feudal absentee landlords and thus resulted in abuse of these funds. Not even a modicum of these funds is reported to have reached the cultivators, either big or small.

Foreign Experts

It is also noteworthy that in Pakistan, immediately before the revolution, there were scores of foreign agricultural experts, who were advising the Pakistan Government on such issues as land reforms, agricultural credit, extension, etc. In spite of them, or perhaps because of them, Government failed to appreciate the need for radical agrarian reforms. This also clearly emphasised the danger in depending too much on foreign experts on issues connected with socio-economic reforms. To foreign experts, land reforms were needed only from the point of view of 'welfare objectives'. What was important, accord-

ing to many of these foreign experts, was the need for emphasising measures for increasing production through 'extension' activities. There was implicit danger in this system of misplaced values which the Planning Board of Pakistan had realised. But the Planning Board itself was made ineffective by vested interests through political manoeuvring, partly aided and abetted by foreign experts.

Thus we have had in Pakistan an agrarian system in which the land system was out-dated and the agricultural credit system was far from satisfactory, dominated as it was, by private money-lenders, traders and feudal landlords. No wonder that the tiller of the soil had never tasted any fruits of the independence secured by his country, and it was, therefore, not surprising that there was never any mass support for the Government of that country.

Opposition by Vested Interests

Every effort at land reform was severely opposed by the vested interests; and whenever there was a move in that direction by the more progressive of the political parties, the issue was clouded by considerations of political expediency. It was natural, therefore, that the first condition for the working of democracy, namely, absence of the concentration of land in the hands of a few, was never existing; and no attempt had ever been made by political leaders at creating these conditions. This can perhaps be said to be the most important factor responsible for deterioration in the economic condition of the vast majority of people, domination of political organisations by vested interests and the consequent demoralisation of administrative organisations at the Central and State levels.

However, what is disturbing is that even though several days have passed since the military regime took over the reins of Government, no ordinance regarding land reforms has been issued albeit 'begging' has been made a crime. On the other hand, in Egypt as also in Iraq, land reform had been one of the major policy issues, on which clear-cut directives were given by the newly-instituted military regimes. It is this, more than any other thing, which can be said to be the most



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depressing feature about the military take-over in Pakistan.

Coming back to the causes for the military take-over, as enunciated by Pandit Nehru and others, one has to concede that Nehru touched only the fringe. He said that the Congress organisation had a definite programme for economic reforms; and as everybody knows, the most important aspect of the economic reforms has been land reform. It is not that we have been very successful in implementing this programme in our country. Except perhaps in Bombay and one or two other States, no concerted effort at pushing land reforms through appears to have been made so far.

Striking Lesson

If there is one lesson that we have to learn from the recent transformation in Pakistan, it is that any failure on our part to carry out agrarian reforms will mean that we shall be going along almost in the same direction as Egypt, Iraq and Pakistan. It is futile to speak in terms of the 'quality of the people', 'strength of the educated middle-class', 'attitude of tolerance and non-violence' and 'organizational strength of the political party in power', as is implied in reports appearing in the Indian press. What is important to know is that objective conditions for the growth of democracy must be immediately created by a speedy implementation of agrarian reforms through greater State initiative. If we fail to learn this lesson from the recent developments in Pakistan, who knows we may also drift....

EXPORT INSPECTION IN JAPAN

THE demand for various concessions from Government for export promotion has served to obscure in many ways the other—and longer term—measures required to give a sustained boost to our exports. We have heard much in recent months of how concessional freights, tax reliefs and partial retention of exchange earnings could help the private sector contribute towards relieving the payments crisis. Commercial reports from overseas markets, however, have consistently emphasized the fact that our exports are not hindered merely by the inadequacy of export consciousness on the part of the Government. Poor quality and absence of inspection standards, in

many cases, displease the foreign dealer so much that he refuses to place any further orders with Indian exporters or their agents. While some efforts have been made by various export promotion councils in this direction the sum total of them has certainly not made much of an impact.

Against this lethargy and perhaps deliberate indifference, it is instructive to know what Japan is doing to assure her foreign buyers of the quality of their purchases. About 50 per cent of total Japanese exports, accounted for by 145 commodities, are subject to strict enforcement of export inspection in accordance with laws and regulations passed by Government. The export of these commodities is prohibited unless they are passed by authorities designated by Government order. These authorities include six Government organs and 39 private inspection organisations. The commodities covered are machines and metals; chemical goods, textile and textile products; agricultural and marine products; medicine and medical instruments; and sundry other goods. The inspection covers not merely the final stage of production of the commodity concerned, but also the quality of materials used in manufacture and packaging of the final product. In other words, exports are subject to inspection even at the stages of component raw material and manufacturing process, in addition to final inspection before actual export.

In the case of certain exports, inspection standards are higher for destinations like North America and Europe. Allowance is made for conditions regarding grades and quality in specific trade contracts. In some cases, the inspection is 100 per cent but in most others, the random sampling method is adopted. Where exceptions have to be allowed in the application of fundamental principles to export inspection, and it is not possible to have the inspection carried out by designated organisations, care is taken to see that the indication put on the package is in conformity with inspection standards of quality. Persons found guilty of exporting designated commodities in contravention of the law are punishable with penal servitude up to three years or fine up to 3 lakh Yen.

It is measures like these which have enabled Japan to recover and to recapture many of the markets she dominated before the War. Japan has attained a high level of exports without reviving the pre-war complaint of inferior quality against her goods, though these have lost none of their reputation for competitive pricing. Exporters in India individually and export promotion bodies collectively will have to devote much more attention to consolidating and expanding markets abroad through a system of self-imposed quality standards than they have hitherto done or shown any serious intention of doing.

Burma?

Refer to
Burma Trade Directory
(Annual—Kyats 35/- each)

and

Burma Commerce (Weekly)
(Annual Subscription—K.35/-)

The Only Trade Journal In Burma

Burma Commerce
325, Maung Taulay Street
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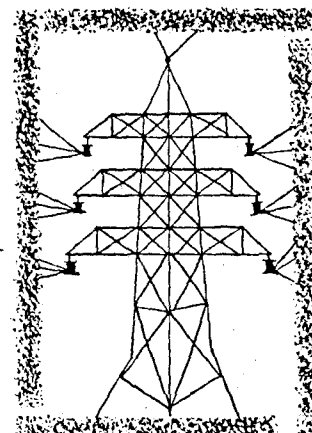
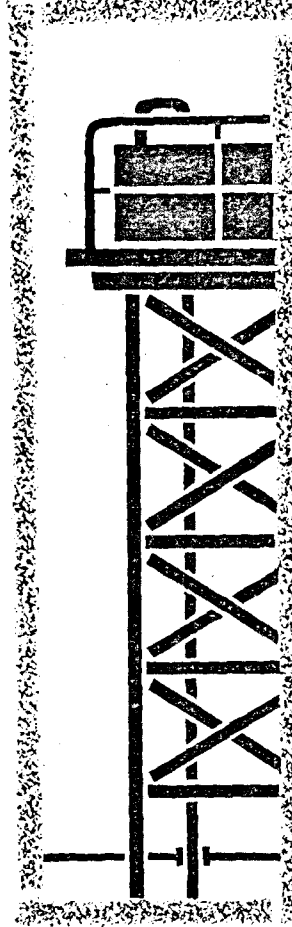
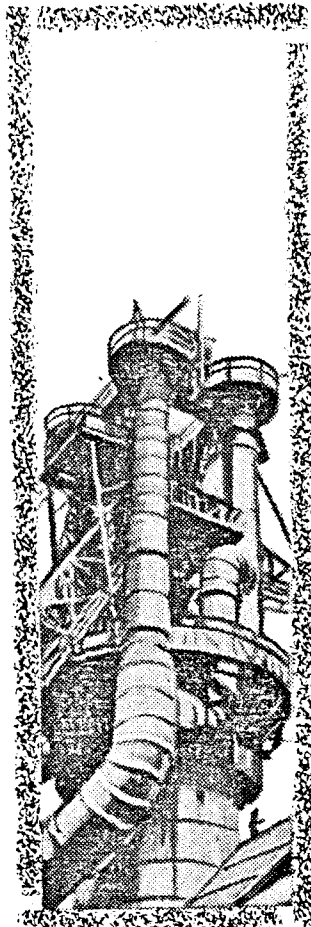
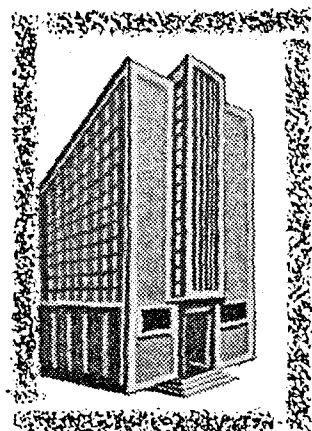
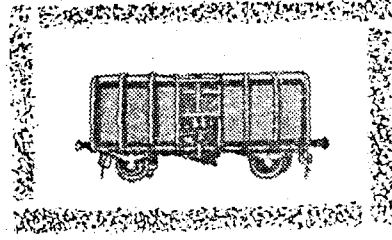
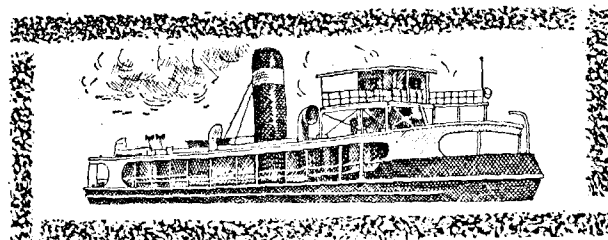
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THE ECONOMIC WEEKLY

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THE ECONOMIC WEEKLY

Our Academic World

D D Karve

THE revelations about the state of affairs in the Banaras Hindu University made by the committee presided over by Dr Mudaliar must have given a shock to all those who care for high academic values. But, if one were to ask the question: "are other Universities so entirely different from the Banaras Hindu University that we can calmly characterise the latter as exceptional?" would the honest answer be an unambiguous "yes"? I am afraid, things are not so rosy.

The number of cases, about which one hears every year of the use of unfair means, not only by candidates but also by teachers in colleges and universities is only one aspect of the depressing situation. Bombay University was among those Indian Universities which had—rightly—a reputation for efficiency and purity of its examinations. But last year, I understand from a reliable source, a correct copy of a question paper was sent to the Vice-Chancellor before it was set; a new paper was drawn by a different set of paper-setters in place of an already drawn paper in another case, as it was feared that it had leaked out; the examiners at the practical tests were informed about the place where they had to work only some hours before the test began in order to eliminate, as far as possible, the chances of any "understanding" between candidates and examiners. My heart sank on coming to know these things happening in the century-old famous seat of learning.

Constitution of Universities

And the reason, as it appears to me, is that the persons in the academic world in India are not saturated with the true academic spirit. Academic integrity is absent in a distressingly high proportion of teachers. In the great seats of learning in the West, it would be true to say that teachers put the pursuit of learning as the highest value. It is academic achievement in the shape of new ideas, new discoveries, new points of view, deep study, expert knowledge, that determine a man's position in the learned world. Can it be said that that this is also true of Indian Universities?

By and large, the structure of

most Indian Universities can be described as follows: There is usually a large deliberative assembly called the Senate or Court which has a kind of general control over policies, budget etc. This body consists partly of representatives of the public, Government nominees and representatives of the teachers in the Colleges and the University. Then there is an executive body called the Syndicate or the Executive Council which again has academic and non-academic persons on it and which is in charge of the administration including appointments of staff, examiners, etc. Finally, there is the purely academic side made up of Boards of Studies, Faculties, Academic Council etc where the teachers have full control of the courses of studies, appointment of text-books, preparing panels of examiners, etc.

At the head of the University there is the Vice-Chancellor, who is occasionally a retired or senior teacher, but more often a retired administrator or a person from public life. A wise and experienced Vice-Chancellor can do much to keep the University on the straight path but if he tries to or is forced to form supporting groups, then the University can go from bad to worse in no time.

The Real Weak Point

With this kind of structure, if the teachers were to insist on academic values, succumb to no pressure in the appointment of text-books, examiners etc, the non-academic element alone will not be able to do much damage. The real weak point is that the proportion of real scholars, of those that care only for academic values is very small among the teachers in our Colleges and Universities. Of course, there are many contributing causes, especially in the case of college teachers. The teachers in non-Government Colleges, who form the large majority, are poorly paid and they are forced to supplement their income by accepting private tuitions and publishing notes and guides. Often, the appointment as an examiner at one of the University examinations is of vital importance to them—as that extra money alone enables them to balance their bud-

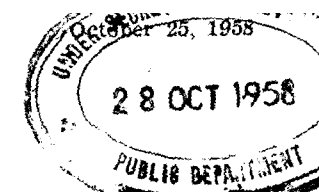
gets. Under these conditions they are prepared to support such persons in elections to academic bodies, as are likely to be favourable to them.

The thing does not stop at the level of the College teacher. Because of the poor financial resources of non-Government Colleges and their dependence on fees, i.e., on the enrolment of as large a number of students as possible, a number of undesirable practices come in. Firstly, any student who satisfies the minimum requirements gets admitted. Secondly, hard work and attention to studies is not insisted upon. College examinations hardly ever constitute a real test. Then, in order that University authorities do not insist on costly buildings and equipment or on highly qualified and adequate staff, canvassing among members of University bodies with a view to modifying conditions of affiliation is frequently resorted to.

Groups and Parties

This automatically leads to the formation of groups and parties based solely on mutual help for the securing of advantages—personal and institutional. This is the usual picture in affiliating Universities with a large number of colleges. Here, the University professors usually play a secondary role as far as the University administration is concerned, because the teachers in Colleges greatly outnumber them. Also, in comparison with teachers in (non-Government) colleges, they receive much higher salaries and are not in such desperate need of securing appointments as examiners. Usually, their intrigues are directed towards other ends—election as Deans of faculties, promotion to higher grades, appointment as heads of departments, securing of personal pay and allowances over and above the normal scale, and generally, securing such positions as bring academic prestige.

In unitary and teaching Universities (there are only a few of these in India) the teachers in affiliated Colleges are non-existent and the University teachers dominate the whole show. Among them of course there are Heads of Departments, Professors, Readers, Lecturers etc.



Usually the Head of a department and his subordinates are not on good terms, either because the former has got his position merely on the basis of seniority without having done any or much original work, or because he refuses to provide adequate facilities for work to his subordinates etc. Then the subordinates in one department try to rope in the head of another department who may not be on very friendly terms with their boss and we have the nucleus of a group.

Poor Contribution to Knowledge

There are over thirty Universities in India, many of them several decades old. Leaving aside the newer ones, started say after 1950, can one honestly say that the Indian Universities have made a valuable contribution to any field of knowledge? Of course there have been outstanding individuals in some departments in some Universities. But the expectation that a University should have at least one outstanding person recognised internationally as a real expert in his particular field of specialisation in each of its departments, who then collects round himself a band of younger and promising co-workers is definitely not fulfilled. Indian Universities have not made much of a mark in extending the frontiers of knowledge. Then in the matter of book-writing—i.e., real books, even text-books, but not notes, guides and cram-books—also our contribution is not very remarkable.

Then what do the scores of Professors and Readers and Lecturers in the Universities do, one asks. How much are the theses worth, which are annually produced by students working for their doctorates under the guidance of University teachers? I am not suggesting of course that the situation is completely black. No. There are notable exceptions—departments in different Universities known in India and outside for very good work. They attract students from outside and are valued in the academic world. But they are not nearly numerous enough. One has to admit that the general picture is rather depressing.

Learning Not Valued

The basic fact appears to me to be that we do not attach a very high value to academic excellence. Even in the assemblies of the experts it is not the person who has

contributed most to the search for knowledge, who has thrown a ray of light into some dark unilluminated corner, that receives the homage of his colleagues, but the one who is the administrative head of a Government, scientific or cultural department. A very large number of academic persons can refer only to the high rank they achieved in the University examinations they passed but are unable to show anything significant that they did since then. Even in a University, where at least one would expect scholarship to command the highest respect and the largest following, it is the politician, the man who wields power, that is respected. Educational institutions proudly refer to such of their alumni as occupy high positions in the administrative line or in the armed forces or in politics but often attach much less importance to those who have secured academic distinctions by their scholarship.

Although Cabinet Ministers and other men in public life pay verbal homage to learned people in season and out of season and refer to University teachers as the makers of the future of the country and the builders of the new generation, the fact is that in our public life, the learned man does not count for much. One can see this even in small things like the seating arrangements at public functions for example. The financier and the high Government official and the politician always takes precedence over the University professor.

True basis of Academic Freedom

I am reminded here of a passage in a paper by Edward Shils on "Self-esteem and the Status of the Academic Intellectual":

"In the last analysis, academic freedom rests not on University constitutions or on financial resources or on laws, but on the esteem in which intellectual life is held in any particular society. The worst arrangements for loading a University Council or Board of Governors with businessmen, lawyers, civil servants and politicians and even for giving ministers and civil servants power over University appointments, are compatible with the utmost academic freedom, if the relevant sectors of that society highly esteem intellectual activity and the academic institutions through which it is carried on. On the other

hand, even the best constitution guaranteeing academic self-government is hopeless if the political and economic powers of a society despise intellectual activity and deny the value of those who carry on these activities."

It appears that at least partly as a consequence of the general attitude towards intellectual life, very few ambitious and adequately gifted young men and women are attracted to a life devoted to the pursuit of knowledge. And even those that are attracted soon succumb to the general atmosphere of inactivity. When occasionally one does hear of a really promising man who publishes good papers and begins to get talked about, there is the inevitable announcement soon afterwards that he has accepted some quasi-scientific administrative post or has become Director of this or Adviser to Government for that. If one looks through the papers submitted to the annual sessions of the different learned conferences, one is forced to confess that very few of them really make any fundamental contribution to knowledge. Some consist merely of a rehash of older work, others a repetitive type of investigation and still others "preliminary announcements" of work intended to be undertaken, but usually never followed up by the expected detailed reports. The Universities in India, it must be sadly confessed, are failing to a large extent in some of the primary functions of a University, viz, the extension of the frontiers of knowledge and the training up of the younger generation to consider the intellectual life as an ideal to strive for.

What Shall We Do?

And finally, one comes to the problem—what shall we do about it? Of course it must be realised at once that things cannot be changed overnight. Changes in attitudes, changes in habits, changes in values—all these will take decades to bring about. But a beginning must be made. To start with, it must be realised that education, including higher education, is as important as food, clothing and housing. In fact, as only an efficient education will enable us to devise the methods to overcome the deficiency in the three primary needs, education may be considered to take precedence over them in one sense. That means,

that society must accept the responsibility to undertake, or support in adequate measure, the efforts to give high-quality education to such of the citizens as are found fit to receive it.

The planning priorities must be drastically revised and education must receive enough money for a thorough-going improvement of schools and colleges. At least some of our most talented young men and women must be attracted to the life devoted to teaching and research. Our whole attitude towards the teacher, the scholar, the researchers must change, not only as far as public utterances are concerned, but fundamentally. It must be recognised that unless our Universities become real temples of learning, full of earnest searchers after knowledge and enthusiastic young men and women willing to put in their best efforts, we cannot hope to become a modern nation. At present, we are living on borrowed capital in more senses than one. Almost all the books in our libraries, the apparatus in our laboratories and the machines in our factories have been obtained from other countries. It is only our Universities and other similar seats of learning that will enable us one day to stop this dependence on others.

Standard of Colleges

Nearly all students who are reading for their first degree are learning not in Universities, but in Colleges affiliated to Universities. Any attempt at improvement of higher education must include the Colleges in its periphery. Otherwise, it is doomed to failure. And there are about a thousand of them—mostly run by non-Government agencies and mostly with very poor finances. The teachers in these must be given adequate salaries and must then be told in plain terms that their business is to concentrate on their particular field of knowledge and devote their attention in full measure to the task of training the students in their charge. At present there is quite a proportion of shirkers among college teachers—those who refuse to put in honest work, those who do not care even to deal with the whole of the curriculum in a satisfactory manner in the class, those who value answer-books in a slipshod manner and those who do not keep themselves up-to-date in their subject. All

these will have to be severely dealt with, provided you make the college teacher's calling an honoured and coveted activity.

Their labours will bear fruit only if the teacher-student ratio is brought down to a reasonable figure. It would not matter if for the general lecture there are large numbers in a class. But the general lecture should be followed by seminar work and discussion in small groups. That, in fact, should be more important than the lecture. All this will require money—very considerable amount of it. But it must be found.

Deserve and Receive Respect

In the Universities, the professors and readers must be assured of proper facilities for their work and must show that these facilities are taken full advantage of. There are quite a number of University laboratories where either through money made available by the University Grants Commission or through some arrangement with foreign countries costly apparatus has been purchased and not properly or adequately used for research purposes. In a few cases, the apparatus was not even set up for a long time. That kind of thing must be stopped. Confirmation or continuation in

University teaching posts must be based on a proper evaluation of the research work and academic publications and not on other considerations. A University professor must deserve and receive the respect and admiration of society. I am reminded of German Universities, where of course this is seen in an extreme measure. "Herr Professor" there is almost a superman belonging to a heavenly tribe! We need not perhaps keep that as the ideal before our eyes, but we should imitate the German professors' thoroughness and constant search for knowledge.

Our Universities and similar other seats of learning are our sole means of attaining the intellectual life, of intellectual achievement, without which no nation can aspire to greatness. It is our Universities that must carefully foster the capacity for original, even revolutionary thinking. And can that ever be possible if the chairs in our Universities are occupied by lazy, incompetent or second-rate intriguers?

It is said that people get the kind of government that they deserve. I think that is true of Universities also. We must try hard and deserve better Universities.



World Food and Agriculture 1958

Umakant Bhat

THAT the steady expansion in the world agricultural production in the post-war years was checked for the first time in 1957-58 had been the uniform finding of the various commodity surveys undertaken by the FAO and published earlier in the year. The immediate cause for this set back had usually been given out as unfavourable weather in a number of important producing areas. The Annual Report, "State of Food and Agriculture" 1958, however, brings out the important and long-term economic factors that were responsible for the halt in expansion. Though there are certain features common to most producing regions in the world, the analysis has largely followed the method of comparing the situation in the developed and non-developed regions. This method has paid ample dividends while studying agricultural policies.

Halt to Expansion

It can be established, for instance, that the slackening in the tempo of agricultural development is the result of deliberate policy decisions in the economically advanced countries whereas the slower pace has been forced on the non-developed regions by factors such as lack of investment funds or institutional and technical drawbacks. The rate of expansion in output in advanced countries has, therefore, fallen sharply in the last four years as compared to the four years preceding. The under-developed regions have tried to maintain their rate of expansion, which is much below the rate in advanced regions and any fluctuations in their progress are caused more by the vagaries of weather than by any other factor.

This situation is illustrated in the table alongside which also shows the rate of population growth during these years in the different parts of the world. These figures show that agricultural production has continued to grow faster than population in each of the economically less developed regions and in the world as a whole.

1958 No Better than 1938

Yet, taking into account both production and population trends, it can be said that the under-developed

region as a whole was not any better off in 1957-58 than in 1938. True, there have been substantial gains in Near East and Africa since the war, but these have been offset by losses in Far East and Latin America. As a matter of fact, the increase in the per capita world production since the war has largely been due to the contributions from Europe and North America.

Naturally the less developed countries have sought to replenish the domestic supply by increased food imports from the advanced countries. But the effect of these imports on their consumption levels has been very meagre. Thus the paradox has continued—the better or even over-fed nations have been able to increase their food supply while the underfed regions have been unable to raise theirs. These factors have to a great extent influenced the volume and pattern of international trade in agricultural products in recent years. Surplus in the more advanced countries and decline in net exports from less advanced regions—as the requirements of the latter absorb more and more of their own production—have become stereotyped in the pattern of world trade in agricultural products.

Disposal of Surplus

Temporary measures like surplus disposal etc, though affording relief to both groups of nations, cannot be a solution, because these measures

can effectively reduce the incentive to the domestic farmer to increase his efforts. Also the effect of low agricultural prices resulting from such operations on farm incomes has also to be considered. The need in the underdeveloped regions to maintain or even increase efforts towards a balanced and economic development of their agriculture, therefore, remains as insistent as ever.

The general decline in agricultural prices was halted in the last quarter of 1956 and in early 1957, largely as an offshoot of the Suez crisis. The preliminary FAO indices of average export unit values of agricultural products as a whole were, therefore, slightly higher for the calendar year 1957 than for 1956. The decline in prices was, however, resumed in late 1957 and has continued in 1958.

Falling Purchasing Power

Even this brief pause in the downward drift of agricultural prices was in a sense illusory, since the purchasing power on international markets of agricultural products continued to fall because of the continuing rise in average unit values of manufactured goods. Thus, from the last quarter of 1956 to the last quarter of 1957, the U N index of average export unit of manufactured goods (1952-53=100) rose from 102 to 106 while the average export unit values of agricul-

	Average Annual increase in production (%)				Average Annual increase in Population (%)			
	1948/49-50 to 1952/53-54	1952/53-54 to 1956/57-58			1948/49-50 to 1952/53-54	1952/53-54 to 1956/57-58		
Developed Regions								
Western Europe	4.8	1.3			0.7	0.8		
North America	2.1	0.8			1.8	1.9		
Oceania	1.8	1.1			2.9	2.4		
Average	3.2	1.0			1.1	1.2		
Under-developed Regions								
Latin America	2.9	3.1			2.4	2.4		
Far East (Excl China)	2.7	2.4			1.5	1.5		
Near East	5.9	3.0			2.2	2.1		
Africa	4.3	2.3			1.9	1.8		
Average	3.3	2.6			1.8	1.7		
World	3.1	2.4			1.5	1.5		

tural products between these two quarters remained virtually unchanged. In effect, therefore, their purchasing power for manufactured goods fell by 4 points, from 92 to 88.

In comparison with the base period 1952-53, the average purchasing power in 1957 of agricultural exports as a whole for manufactured goods were lower by about 10 per cent. About half this decline is due to lower agricultural prices and about half to the rise in prices of manufactured goods. The fall was heaviest for foodstuffs, prices of which fell by 9 per cent and purchasing power by 14 per cent. For agricultural raw materials as a whole, the corresponding figures were 4 per cent and 9 per cent.

Agricultural Exports

Agricultural exporters have naturally tried to step up their earnings in these times of declining prices by increasing the volume of exports. But the adverse conditions in the world markets resulted in a very much less than proportionate increase in their earnings. Thus, for agricultural products, as a whole, the increase of 20 per cent in the volume of exports in 1957 over 1952-53 resulted in an increase of only 8 per cent in earnings (in real terms).

For food and feedingstuffs, in which the fall in prices was sharper, an increase of 25 per cent in the volume of exports resulted in an increase of only about 8 per cent in real earnings.

For the two commodity groups, beverages and tobacco, it was 13 per cent and 8 per cent; for raw materials, 16 per cent and 9 per cent. The fall in prices for these groups in comparison with 1952-53 have been smaller and the disparity between the growth of exports and the growth of earnings correspondingly less wide.

Among the underdeveloped regions, Latin America and Africa were the worst hit due to heavy price falls in coffee and cocoa. Near East fared much better due to rise in prices of Turkish tobacco and Egyptian cotton. However, the overall position can be summed up by saying that the fall in agricultural prices on export markets has contributed to the improved terms of trade of the importing countries, but it has made the balance of pay-

ments position of exporting countries much worse.

Summing up its analysis of policy-problems, the report concludes that the paradoxical situation as between the developed and less developed regions is perpetuated by the price policies followed in these regions. Thus, "high prices in the countries where supplies were overabundant have tended to stimulate production and restrain consumption. Conversely, low prices in countries where supplies were inadequate have tended to discourage production and stimulate consumption".

How far low prices discourage production in a country of subsistence farming is a question which

is still debated. It has been contended that low prices sometimes encourage rather than inhibit production. What is needed, however, is not so much high prices as stable ones. The conclusion of the report is therefore unassailable that production will be helped and the transition from subsistence to market economy in agriculture will be facilitated if public authorities support prices during the post-harvest glut and carry over surplus from good harvests against future shortages. Yet how many underdeveloped countries have the resources—financial as well as administrative—to make any such programme effective?

NOTICE

In the matter of the Companies Act, 1956
A N D

In the matter of sections 397, 398, 399,
404 and 403 of the Companies Act, 1956,
A N D

In the matter of Richardson & Cruddas Ltd.

By an order of the Calcutta High Court in the above matter, dated the 23rd April 1958, the undersigned has been confirmed as Special Officer to take charge of the affairs of the Company and manage the same.

The Special Officer is collecting materials for a report to the Calcutta High Court as to the shareholding in the above company. He will be grateful if parties holding share scrips will please notify to him the following particulars by the 31st October, 1958 :—

PARTICULARS

1. Face value of scrips.
2. Serial number of scrips and distinctive numbers of the shares.
3. Date and signature of Directors on scrips.
4. Any letter or document or evidence showing when the shares were registered or purported to be registered by the company.
5. The title of the holder to the scrip, the name of the last transferor, date of acquisition by the present holder, and any other material particulars regarding the devolution of the shares.

A true copy of the scrip, together with any endorsement thereon, certified by the party applying should accompany the particulars. Original scrips should not be sent. It is proposed to arrange for inspection of the original scrips on behalf of the Special Officer at a later date.

The statement of particulars should be addressed to:—

"The Special Officer,
Richardson & Cruddas Limited,
Hindusthan Buildings,
4, Chittaranjan Avenue,
Post Box No. 965,
Calcutta—13"

and superscribed "SHARES".

Dated this 26th day of August, 1958.

D. N. MITRA,
Special Officer.

The Bombay Steam Ferry Services

Lokesh Ghatak

OVER a million and half people travel every year to and from Bombay by the ferry services operated by the Bombay Steam Navigation Co (1953) Ltd, and the recent threat of their closure was a matter of great concern to these passengers who come from the Konkan coast to earn a living in Bombay. With the partial resumption of these services, (with the exception of Panjin, Konnagar and a few other services) a certain amount of relief is offered, but the matter is far from closed. The company is running at a loss and the Managing Director Shri Shantikumar Morarjee has made a statement that the life of the steamers now running is only a few years more, and there being no profits, the Company will not be able to buy any new ships to put on the run. The alternative is for the Public Sector to take over this important ferry service which is essential. This issue needs careful examination.

The Bombay Steam Navigation Company was originally a British Concern run by Messrs Killick Nixon and Co who also had the Bombay Steam Workshop, one of the finest shiprepairs workshop in Bombay. The coastal service operating up to Karachi in the North and Cochin in the South was maintained at a good profit by two concerns, the only rival to Killicks being Indian Co-operative S N Co Ltd. As a result of a split in the B S N, the Indian interests broke away and formed the Ratnagiri Steam Navigation Co in 1935. The result of this keener competition was that the Indian Co-operative faced liquidation, and the Scindia Steam Navigation Co stepped in to help. Later Ratnagiri Company also joined up with Scindias, and by 1939 Killicks sold out the Bombay Steam and the Workshop to Scindias. Thus, all the three ferry ship companies and the workshop were incorporated in the Bombay Steam Navigation Company and Workshops and came under the complete control of the Scindias. It is important to understand this background to follow what happened since, the reason behind the present crisis, and to work out some possible solutions.

There followed a period of prosperity during the war and for some

time afterwards until in 1953 the Scindias decided to separate the Ferry service from the others, and the Bombay Steam Navigation Co (1953) Ltd came into existence. The cargo-cum passenger service was amalgamated under the title Bombay Steam Scindia Line, and the Workshop also became a separate limited company. Both these are making profits, but with passenger traffic alone, it is the Ferry service which is finding it hard to survive. Purely passenger trade hardly pays anywhere in the world, a fact not unknown to operators of shipping companies; add to this the fact that the maintenance of these crafts which was formerly done by the Company's own workshop is now charged for in full, and we come nearer the heart of the matter. Fare increase of 10 per cent was granted some time ago, and more has now been asked for.

The contention that the ships are old and will need replacement very soon is not entirely valid. Out of the six, Champavati and Rohidas are perfectly new ships, and if properly maintained, will run for many years more. In the meanwhile, the schedule of the services can be reorganised with advantage, prolonging the lives of the other ships and effecting considerable saving in fuel and manning.

On the spot investigation since the ferry service was resumed after the monsoons has revealed that there are two periods during the month (and we are told that such is the case in any given month) when the traffic is heaviest, and in addition, heavy traffic is also carried on Sundays. On other days, ships of 900 and 1000 passenger capacity ply with almost half the strength. The vessels now sail on every day of the week except Tuesdays. We find that hardly any inconvenience will be caused to the public, the great majority of which travel to and from their homes on leave, if the service is operated on every alternate day instead of every day. Only three ships need to operate regularly instead of six, if this pattern is followed, with big ships periodically replacing the smaller ones during the rush periods referred to above. This will mean that only a skeleton crew need be

maintained on the laid up reserve ships, and on the other hand a huge amount of saving will also be affected in fuel consumption. The ships laid up in rotation, even with a skeleton crew, will be able to carry out much better repairs and maintenance work, thereby prolonging their lives. The savings thus affected may not only wipe off the losses of the Company, but in a few years time pay for replacement of the fleet.

This is the only method which appears to suit the present financial position of the Company and to enable it to regain its former position. It is therefore difficult to understand why the management, instead of going in for this sort of reorganisation, are asking either for further increase of fares or for the Government to take over the service. Should the Government be compelled to take over this service, then investment in modern ships with better passenger amenities can only be judged if the cargo-cum passenger line and the Workshop are taken over as well.

Forward Markets Commission On Illegal Trading

IN its Report for 1957 the Forward Markets Commission points out "certain difficulties" which it has to face whilst tackling effectively the question of illegal trading on a country-wide basis. The problem relates either to the procedure regarding investigation or the collection of evidence for prosecution. It is somewhat strange that the Commission, far from suggesting serious measures to check this menace, has actually accepted its inability to do so under legal cover. The reasons given are: "since the persons involved are usually men of some standing in the local trade, the police are reluctant to undertake any raids or seize documents etc, unless they are satisfied *prima facie* a case has been established. But in practice it is difficult to achieve this in view of the technical nature of the offence where the prime point of issue is one of intention behind a contract." Secondly, the Commission finds it difficult to pursue the matter, even when it is satisfied that the trading in question was illegal, for want of adequate evidence.

Around Bombay Markets

Cautious Optimism

Thursday, Morning,

EQUITIES on the Bombay Stock

Exchange staged a further fractional all-round rally. After being lethargic for quite some time, Dalal Street put on a cheerful appearance under the leadership of steels and textiles. A feature of the week's trading, which was very moderate with prices fluctuating in a narrow groove, was the tendency on the part of the operators to pick up selected scrips as and when prices rose.

Again, it was the absence of bearish factors and not the influence of bullish ones—as all the known bull factors were already discounted—that kept the sentiment alive. Perhaps the one exception was the speech of the Minister for Commerce and Industry promising some relief to the textile industry which imparted some fresh strength to the market.

The increase of Rs 14 per ton in the retention prices of steel with retrospective effect had been discounted earlier. This explains why prices of steel shares failed to show any appreciable improvement. Towards the close, however, Tata Ordinary touched the highest level of Rs 181.75, after it was declared ex-right last month.

Sentiment was decidedly veering round the bullish side, but will the week-end recovery be maintained? On balance, indications are that the prevailing trend may not continue and the market may move side ways before resuming a steady upward trend. In the first place, the troubles of the textile industry are not yet over. Cloth stocks continue to mount month after month, and the situation, if anything, is worsening, thanks to consumer resistance. That even the seasonal demand for Puja and Diwali has not helped to ease the situation is all the more significant. Another argument perhaps more important than the earlier one—relates to the nature of recent recovery. The moderate improvement noticed last week was due, by and large, to the speculative support by operators who distributed their favours selectively. These technical factors, coupled with the absence of any fresh incentives, should induce the market to temper its optimism with caution.

Following bull liquidation and scattered selling, prices on the oilseeds market drifted downwards. Towards the close, however, prices firmed up somewhat at the lower levels, on reports of China resuming shelling of the Quemoy island.

Prices Approach Export Level

As the market seems to be in a healthier form now, it should recover from the current low levels before long. Perhaps the most important factor likely to help is the prevailing level of prices which are now low enough to attract some overseas business. The United Kingdom is reported to be particularly interested in buying at current prices. There are also promising indications of an expansion of trade with the United States. The U S is expected to enter the market as a buyer of castor oil, with the recovery in her economic activity.

The groundnut section was extremely dull on bull liquidation in North India and pressure of arrivals. So was castor seed, but towards the end the latter steadied up a little, on rumours that the U S might buy Indian castor oil for stock-piling. Linseed was neglected.

Indian prices for castor oil compared to the prices quoted by other countries, e.g. Brazil, are quite competitive. When Brazilian third grade oil is sold around 13 cents, c i f, and West African yellow coloured second grade at 13.25 cents, it is unlikely that Indian oil which is offered at 13 cents will be kept out of the world market for long. Moreover, a downward revision of the castor crop in Brazil—one of India's competitors in international market—has been under way. It is now estimated that the Brazilian crop may not exceed 1.35 lakh long tons. As the internal consumption of Brazil is fast increasing, Indian exporters feel that competition from this source will not be keen. All in all, the chances of recovery are therefore bright.

Groaning Under the Load

Kalabadevi received a jolt last week, Jarilla March declined steeply to Rs 615.50, the lowest for the contract so far. This fall of more than 23 points within a week appears to be ominous. Although there was a smart recovery at the close follow-

ing deterioration in the political situation in the Far East, one cannot say that the worst is over. The assured prospect of a bumper crop, fairly comfortable carry over from the last season and sluggish demand have placed the cotton market in an unenviable position. The supply is placed around 78 lakh bales, i.e., about nine lakh bales more than last year; the demand has slackened substantially due to poor offtake of cloth and fall in textile exports.

The debacle in Kalbadevi had its repercussions in the Sewri spot market. Almost all varieties, especially Punjab new crop, declined in sympathy with the futures. The sentiment was depressed and trading was at an extremely low ebb. While the export section witnessed moderate demand, foreign section remained dull in anticipation of the announcement of the import policy for next half-year period.

The Indian Central Cotton Committee, it is reported, has recommended to the Board of the E I C A that a provision should be made in its bye-laws to check fall in prices to the floor level "when faced with large crop as is contemplated under the Second Five Year Plan". This recommendation of the I C C C, if accepted, would require an amendment of byelaw 47 A A, which provides for payment of deposit "when prices go below Rs 70 above the floor level". The E I C A Board, which is understood to have discussed this issue at its last meeting, seems to have decided to maintain the status quo.

Bullion Firm

The strict vigilance on smuggling of gold from Pakistan coupled with the alarming situation in Far East imported remarkable strength to bullion. After depicting a mixed pattern through the week, the market became fairly firm. While gold maintained a steady trend, silver was easy. Sentiment in gold was influenced among other things by the end of "Shradha paksha", commencement of the festive season, tight supply position, and persistent shortcovering.

The entry of a big bull operator also seems to have influenced the sentiment.

CURRENT STATISTICS

BANKING RETURNS				
Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1544.80	1515.16	1529.73	1488.80
2. Rupee Coin	138.80	138.44	138.52	134.10
3. Deposits				
a) Central				
Government's	51.32	52.78	53.17	50.0
b) Banks'	112.97	87.89	98.18	100.46
c) Other				
Government's	36.13	18.84	20.82	6.85
d) Others'	114.36	113.69	113.88	111.54
4. Foreign Securities	164.68	169.68	169.67	311.70
5. Balances held abroad	15.07	12.60	15.31	18.78
6. Rupee Securities	1181.37	1129.87	1129.38	950.78
7. Investments	375.30	303.38	302.76	219.80
8. Loans and advances to Governments	15.90	20.09	17.43	51.07
9. Other loans and advances	53.02	52.10	50.54	68.82
Scheduled Banks				
1. Demand Liabilities (net)	695.23	708.20	729.27	701.98
2. Time Liabilities	881.24	869.90	845.93	624.78
3. Cash on hand	38.36	40.54	39.91	43.13
4. Borrowings from Reserve Bank of which against Usance Bills	1.73	1.71	2.58	36.57
5. Advances and Bills discounted of which State Bank's	1.10	.97	1.17	28.70
6. Invst. in Govt. Sec. of which State Bank's	594.71	591.65	584.59	385.75
Cheque Clearance	172.07	162.81	164.78	93.66

† For Reserve Bank and Cheque Clearance Week ended 17-10-58 Scheduled Banks Week ended 10-10-58.

Bombay Money Rates				
(per cent per annum)				
Call Money	10-10-58	3-10-58	12-9-58	11-10-57
From banks	2 $\frac{1}{8}$ -3	2 $\frac{1}{8}$ -3 $\frac{1}{2}$	2 $\frac{1}{8}$ -3 $\frac{1}{2}$	2 $\frac{1}{8}$ -4 $\frac{1}{8}$
From public	3 $\frac{1}{2}$ -3 $\frac{7}{8}$	3 $\frac{1}{8}$ -3 $\frac{7}{8}$	3 $\frac{1}{2}$ -4 $\frac{1}{8}$	3 $\frac{1}{2}$ -4 $\frac{1}{8}$
Three Months	2 $\frac{1}{2}$ -4 $\frac{1}{8}$	2 $\frac{1}{2}$ -4 $\frac{1}{8}$	2 $\frac{1}{2}$ -4 $\frac{1}{8}$	2 $\frac{1}{2}$ -4 $\frac{1}{8}$
Six Months	2-4 $\frac{1}{8}$	2-4 $\frac{1}{8}$	2-4 $\frac{1}{8}$	2-4 $\frac{1}{8}$
Bombay Bullion				
(In Rupees and nP)				
	23-10-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	110.44	109.59	107.00	107.00
Forward	110.25	109.65	107.60	107.25
Silver (per 100 tolas)				
Spot	188.69	187.37	187.00	183.75
Forward	189.06	188.12	187.44	184.56

COTTON STATISTICS					
MILL CONSUMPTION					
(in '000 bales of 392 lbs each)					
Description:	Aug	July	June	May	Sept 57—
Indian	370.4	377.7	324.5	360.9	Aug 53 4,333.2
Foreign	44.3	48.3	42.8	46.4	565.6
of which American*	15.5	17.9	17.8	23.1	245.7
Egyptian	5.8	5.9	3.6	4.6	66.6
E. African	13.5	14.6	12.2	9.9	150.7
Sudan†	9.8	9.1	8.7	9.5	91.2
Total	414.7	426.0	367.3	407.3	4898.8
Consumption in corresponding periods a year ago:					
Indian	376.5	392.6	360.6	401.8	4665.6
Foreign	45.7	50.0	42.9	46.5	567.5
Total	422.2	442.6	403.5	447.3	5233.1

* Includes United States and Mexican Cotton.
† Includes both Sudan Egyptian and Sudan American.

MILL STOCKS OF COTTON						
(in '000 bales of 400 lbs each)						
	Aug	July	June	May	Apr	Mar
Indian:						
1957-58	1186.1	1205.8	1286.3	1289.4	1324.8	1298.2
1956-57	1120.5	1301.8	1432.9	1421.4	1329.9	1221.9
Foreign:						
1957-58	139.9	151.0	161.0	149.8	139.8	147.1
1956-57	223.6	220.2	220.8	216.4	206.0	200.0

COTTON IMPORTS			
(in bales of 392 lbs each)			
From Sept 1 to Aug 28			
Description	1957-58	1956-57	1955-56*
Americans	126,076	307,422	8,270
Sudans	68,626	56,934	104,060
Egyptians	46,236	37,940	182,780
East Africans	108,713	116,817	202,244
Pakistani	—	—	117
Other varieties	884	4,485	9,308
Total	350,535	523,593	508,779

* Sept 1 to Aug 22.

COTTON EXPORTS †			
(in bales of 392 lbs each)			
From Sept 1 to Aug 28			
Destination	1957-58	1956-57	1955-56
U K	13,925	24,330	59,811
Continent	22,133	23,787	84,803
Hong Kong	19,086	37,411	38,196
China	—	3,437	57,484
Japan	162,484	168,212	297,688
U S A	8,461	2,374	5,678
Other Countries	926	1,079	2,926
Total	227,016	260,610	539,494

† Excluding Zoda and yellow pickings.
— = nil.

Source: East India Cotton Association

INDEX NUMBER OF WHOLESALE PRICES

Group and Sub-Group	(Base : 1952-53=100)			
	WEEK		ENDED	
	4-10-58	27-9-58	6-9-58	5-10-57
Food Articles	120.4	120.6	121.5	107.1
Cereals	113.7	113.4	115.1	101.7
Pulses	105.7	105.4	105.4	82.4
Fruits & Veg.	123.6	124.8	123.8	107.9
Milk and Ghee	107.8	107.0	110.4	107.6
Edible Oils	130.6	133.9	130.2	128.0
Fish, Eggs & Meat	111.9	114.5	114.9	96.3
Sugar & Gur	135.6	135.6	135.5	111.3
Others	157.0	157.5	157.7	128.0
Liquor and Tobacco	92.8	91.3	90.5	94.3
Tobacco	91.1	89.4	88.6	92.6
Fuel, Power, Light & Lubricants	115.8	116.0	116.1	115.2
Industrial Raw Materials	117.3	118.5	118.8	114.2
Fibres	105.9	105.9	109.0	112.9
Oilseeds	134.8	138.2	136.0	119.8
Minerals	107.3	107.3	107.3	109.1
Others	107.0	106.3	106.0	106.6
Manufactures	108.9	108.9	108.8	108.8
Intermediate Products	110.5	111.4	111.4	106.7
Finished Products	108.6	108.5	108.4	109.1
Textiles	103.9	103.8	103.7	108.4
Cotton	111.8	111.8	111.7	116.8
Jute	87.5	86.9	87.2	—
Woollen	105.9	105.9	105.9	103.0
Silk & Rayon	96.3	96.3	95.7	82.6
Metal Products	143.1	143.0	143.0	143.3
Chemicals	107.9	108.4	108.3	98.9
Oilcakes	139.2	139.0	135.0	118.1
Machinery and Trans Equipment	103.5	103.5	103.5	101.6
Others	114.1	113.8	113.8	110.6
All Commodities	115.9	116.1	116.6	108.7

MILL STOCKS OF CLOTH & YARN

End of Month	Cloth			Yarn
	(in bales of 1,500 yds)			(in bales of 400 lbs.)
	Sold*	Unsold	Total	Unsold
1956: June	nil	132,460	132,460	22,959
July	"	138,367	138,367	16,816
Aug	"	184,328	154,328	10,737
Sept	81,822	201,431	283,253	16,282
Oct	223,039	257,788	480,827	21,513
Nov	244,795	255,647	500,442	23,835
Dec	225,996	271,098	497,094	26,861
1957: Jan	239,592	274,596	514,188	27,445
Feb	240,145	287,486	527,631	39,214
Mar	243,468	300,238	543,706	45,724
Apr	242,613	292,154	534,767	48,137
May	208,364	261,308	469,672	53,019
June	209,487	297,277	506,764	51,945
July	220,148	319,062	539,210	62,866
Aug	224,615	338,585	563,200	67,972
Sept	216,049	356,114	572,163	75,667
Oct	214,521	391,005	605,526	85,755
Nov	216,379	395,759	612,138	94,613
Dec	209,186	450,699	659,885	108,455
1958: Jan	210,500	372,500	583,000	82,900
Feb	195,300	362,600	557,900	94,500
Mar	198,600	344,800	543,400	111,800
Apr	181,200	324,100	505,300	109,700
May	196,800	308,000	504,800	112,200
June	223,600	341,600	565,200	105,700
July	243,800	337,100	580,900	86,800
Aug	247,200	329,000	576,200	82,600
Sept	248,300	344,500	592,800	81,900

* Sold but delivery not taken.
Sources: Upto June 1958, Ministry of Commerce and Industry; July to September trade estimates.

CLOTH PRODUCTION IN INDIA

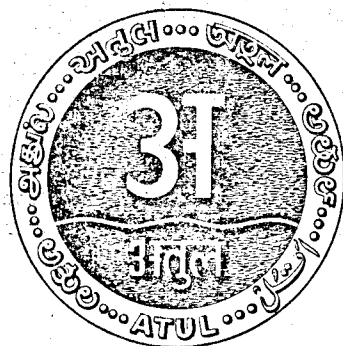
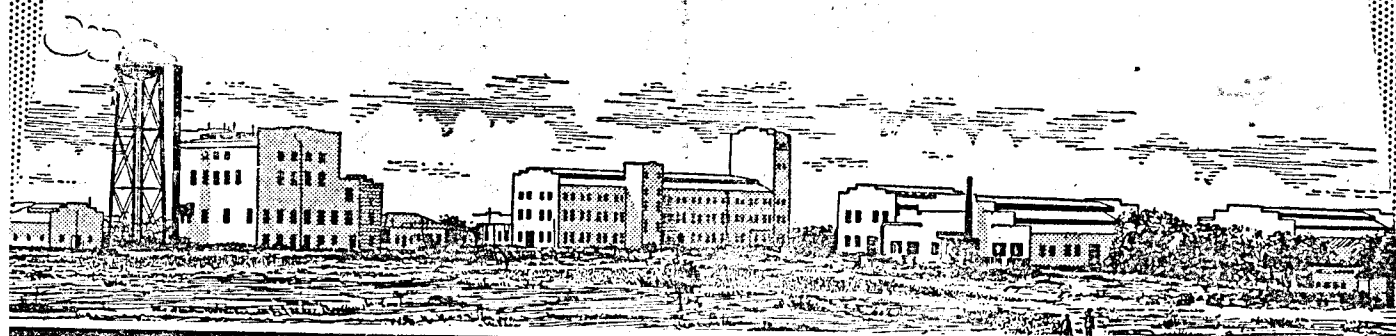
(Monthly Average or Calendar Months)

	Cloth (000 yds)				
	Yarn	Coarse	Medium	Fine	Superfine
	(000 lbs)				
1951	108,655	30,293	173,405	112,329	23,655
1952	120,759	41,966	225,548	99,477	16,229
1953	125,433	49,902	261,373	69,910	25,363
1954	130,086	42,467	307,624	38,476	27,909
1955	135,867	47,706	313,219	38,525	25,090
1956	139,267	59,887	316,384	37,003	28,941
1957	148,341	96,976	291,909	31,923	22,310
Jan	156,416	102,296	320,170	36,009	25,227
Feb	143,246	94,530	286,012	32,049	22,490
Mar	150,451	95,132	301,720	33,027	23,444
April	153,672	96,289	311,718	32,809	23,560
May	149,983	93,116	306,778	32,188	20,992
June	136,978	88,832	281,108	30,285	19,399
July	150,171	103,575	299,800	33,090	22,417
Aug	144,056	97,918	272,521	28,829	21,217
Sept	150,884	101,438	288,634	30,864	22,785
Oct	142,416	94,074	270,286	29,674	21,319
Nov	149,125	97,582	280,280	32,031	21,655
Dec	152,698	98,933	283,879	32,218	23,168
1958: Jan	148,702	86,361	299,881	28,760	21,524
Feb	132,861	74,198	271,739	25,943	19,568
Mar	138,475	73,767	284,594	26,282	20,919
April	134,074	73,381	286,688	26,544	21,153
May	138,704	79,323	291,806	27,582	22,540
June	126,047	77,814	263,940	26,621	19,947
July	144,997	88,299	281,731	28,171	21,242

Source: Textile Commissioner, Bombay.

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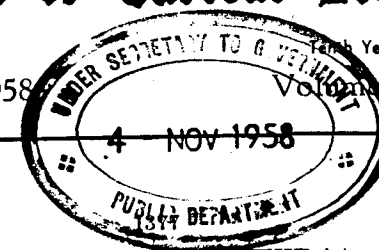
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Jet Age

THE jet age, even in commercial aviation, began some time ago. The ill-fated Comet 1 came into regular service as early as 1952 and the vastly improved Comet IV started operating only a month ago; for the last couple of years, Russian TU-104 Jets have been flying on a number of regular routes. But if the accent is on the commercial aspect of the air services, the jet age is just about to begin. In a way it began, and began with a bang, on Sunday last when the Boeing 707 operated by Pan American had to cancel its scheduled flight to Rome because of the new surcharge on jet air fares enforced by the Italian Government. The Italian airline ALITALIA, which is extending its service shortly to India, had asked for it. Many small airlines want it too. On the other hand, transition to jet means substantial increase in capacity, for jet planes are big planes, and they are by no means luxury planes. So, to make jet travel pay, more passengers would be needed and hence the case for reduction, instead of increase, of air fare. This was the crucial issue before the International Air Transport Association, at its annual general meeting which concluded in Delhi this week. At the time of going to the press, the final plenary session had not concluded, and so it is not known whether the meeting could come to an agreement on this disputed issue. But it is highly unlikely that it would, for negotiations of air fares are usually a protracted affair, involving as they do approval of the many Governments concerned.

The reason for the choice of Delhi as the venue is not so obvious at first sight as it was in the case of the Bank-Fund meetings. The contrast of bullock carts and jet planes was too obvious to escape even our distinguished Minister of Transport. Despite the apparent incongruity of it, there is, nevertheless, also logic in this choice. Some things, at least, a country can bypass and literally jump from bullock carts to jets. It is not an accident that so many of the underdeveloped countries should have, in a matter of years, set up and started operating regularly their own air services, domestic as well as international. The IATA has done much to make this progress possible.

Competition in international air travel has already become so keen that in a couple of years, most of the airlines would be forced, willy-nilly, to change over to jet planes. This raises the problem of squaring earnings and costs for almost every operator in every country. How far this situation could be met by slightly higher fares for jet planes; whether or not profitable use could be found for the other planes which would be rendered obsolete when they have still many years of life before them; costly problems of technical adjustments—all these have come up all of a sudden. In this respect all the countries seem to be in the same boat.

But apart from these new problems precipitated by the coming of jet planes, there are some hardy perennials of which India can offer a fair bunch. These are red tape in travel and customs regulations, which should be streamlined if international air services are to offer their best. The choice of Delhi as the venue of the annual meeting would be justified only when India moves with the times by making the travel conditions fit for the jet age. She has yet to give an earnest of her serious intentions in this respect.

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National Food Reserve

FOOD, principally wheat, is now being imported under so many different heads and under such varied terms and conditions that the press seems to be quite unable to cope with the flow of news. This week, two important conferences are in session, dealing with different aspects of the same problem. The renewal of the International Wheat Agreement is under discussion in Geneva, and the scheme for National Food Reserves is before the F A O General Assembly at Rome. Of these two, of course, the scheme for national food reserves is by far the more important.

India has been a signatory to the wheat agreement right from the beginning. She renewed the agreement even when Britain went out of it. At Geneva, this week, India has expressed her willingness to continue but has pressed for a reduction of prices, while Britain has again declined to join unless "substantial modifications are made in the agreement". Earlier, Britain's objection was that the renewal of the agreement would mean approval of the U S price support programme which helps the American farmer, but does nothing to help primary producers in other countries. Britain had thought then that by keeping out, she might be able to induce U S either to consider price support programmes for other commodities, e g, rubber and cocoa, which are of primary importance to the sterling area, or induce U S to lower wheat prices in the free market.

The scheme of national food reserves has by now a fairly long history. It was mooted by the FAO Councils years ago. The expert team which visited India and studied the problem of building up such a reserve for this country, recommended a minimum stock of two million tons for the purpose. It has all along been accepted that underdeveloped countries would not be able to build up such reserves unless stocks are contributed by the surplus countries as outright grants; otherwise the economics of it would not be workable. The proposal was presented to the Economic and Social Commission of the United Nations in last June and secured the approval of this body. It is assured of support by the General Assembly of the F A O, now in

session in Rome, and, as the major wheat producing countries, United States, Australia and Canada, are all expected to have very large surpluses this year, the scheme has a good chance of being put into actual operation.

At the final stage, however, the Government of the countries concerned will have to negotiate directly with the wheat surplus countries and enter into bilateral or multi-lateral agreements.

The point to be stressed is that the proposal is for building up and maintaining a reserve which must be kept quite apart from pipeline stocks, or stock secured for meeting current deficits, from whatever sources. Thus, if U S agrees to enter into a bilateral agreement with India to contribute to the national food reserve, this will be quite separate from the wheat we get under PL 480, or some other agreement. To repeat, pipeline stocks are for consumption; they are not reserves in the sense in which the National Food Reserve scheme has been conceived and worked out.

According to the F A O scheme, the reserves would be rotated once a year and would involve internal procurement during time of abundance and low prices. To the extent that the reserve is built up from imports, public accounts will have to be maintained to the satisfaction

Russian Credit for Aswan Dam

RUSSIAN credit for the Aswan Dam certainly adds another feather to Nasser's cap. Politically, its implications can hardly be over-exaggerated but what it means in terms of irrigation and power development in Egypt and in the riparian states—Sudan, Ethiopia, and Uganda, too, are involved—it is much too early to say. Equally difficult is it to relate the Russian offer of a'd, viz., 400 million roubles (£ 36 million roughly) to the cost of the dam estimated at the time when U S and U K were interested in financing the project and the World Bank had also offered to participate. The estimated cost, on the basis of which negotiations had been carried on, was of the order of £ 400 million. It was then given out that the project would take 12 to 16 years to complete.

of the F A O, so that the operation of the reserve stocks does not disturb normal international trade by cutting down imports. The creation of these reserves should not involve any strain on world's supplies this year since wheat exporting countries are burdened or threatened with stocks twice the level of annual world exports. Of course, with their huge surpluses, if Russia and China, especially the latter, start an export drive, the situation will undergo a seachange.

But even if the reserves do not cost anything, their maintenance and storage, and operation of the scheme would cost quite a lot. The net-work of Government and co-operative warehouses which are being constructed is intended for pipeline stocks or for helping co-operative marketing. True, the Government of India has also another storage programme for building up of capacity to carry two million tons, the capital cost of which has been estimated at about Rs 23 crores. The annual recurring cost of storage is expected to work out at about Rs 39 per ton or around 9 per cent of the average cost of imported rice and wheat. So, if the two million tons for the reserve can be had free, carrying charges alone would cost the Government about Rs 9 crores a year. The F A O scheme has several stringent provisions to ensure that the reserves will be maintained as reserves and not eaten into, to meet normal requirements.

Actually it was the British Government which had taken the initiative and the U S State Department had come in later "at the request of the Government of Egypt."

When the State Department broke off the negotiations, it issued a statement stressing that the project was not only one of great magnitude, it also involved "not merely the rights and interests of Egypt but of other states whose waters are contributory...." "The U S Government has concluded", the statement added, "that it is not feasible in present circumstances to participate.... Agreement by the riparian states has not been achieved, and the ability of Egypt to devote adequate resources to assure the project's success has become more uncertain than at the time the offer was made." Besides

non-agreement of the other riparian states, the statements issued at the time both by U K and USA mentioned these two economic factors, viz, Egypt's heavy expenditure on arms and her plans of industrial expansion. Nasser's reply is now history: 'The reply we give to this today is not the reply which we will give, if God will, on Thursday.' On Thursday, 26th July, Nasser announced the nationalisation of the Suez Canal Company.

The very special attraction of the Aswan Dam for Nasser was—incidentally, it is very special also from the stand point of multi-purpose projects in any part of the world—was that it is not an ordinary dam which stores up water when the river is in spate and uses this water over the lean months. The Aswan Dam, in its present form, which dates from late 1952, serves this purpose. It is for over-year storage. The project which

fascinated Nasser was that of a High Dam which would store up water over the years and use the water in the lean years. That is to say, that the dam was to stabilise the water supply over a cycle of years. The storage for a number of years at the very point on the Nile which is most arid and where, therefore, evaporation would be highest, is indeed, a very ambitious project. The technical data released at the time of the Anglo-American negotiations suggested that when completed, the dam would increase the area under irrigation in Egypt by a third and confer corresponding, though not proportionate, benefits to Sudan and other countries which draw their water from the Nile. Besides, there was also, of course, colossal power potential of so big a project. Since the World Bank finally backed out, its technical assessment never saw the light of day, which

is a pity, for intelligible comparison of the Aswan High Dam Project with multi-purpose projects in other parts of the world was denied to the public. The subsidiary role which alone the World Bank was prepared to play, however, suggests that the project did not meet with its standard criterion of adequacy of returns.

The American press has not concealed its chagrin that Russia should go up in popularity rating by undertaking to finance the Aswan Dam. The 'New York Times' is frank enough to point out that the terms of the Soviet loan to the United Arab Republic are far more lenient than those of any loan known to have been made by the United States or Britain for similar purposes in other countries. It does not make the point that the dam would be uneconomic and, therefore, the withdrawal by U S was justified.

Weekly Notes

Long Delayed Remedy

THE reasons, underlying the continuing crisis in the cotton textile industry appear to lie in an unanticipated decline in exports and in the hesitation of traders to restock their depleted inventories. Among the other factors responsible are the increase in costs other than those of cotton, which accounts for 50 per cent of the total cost; illiquid financial position of mills; and the continuance of compulsory deliveries of yarn by composite mills, which have to face severe competition from spinners enjoying the advantage of low wage cost. The fact that excise duties are still significantly higher than in August 1956 is also a not unimportant factor.

Traders are, moreover, not very eager to take delivery as long as there is hope that the duties may be lowered still further, and the hope will linger as long as the industry bemoans its fate sufficiently loudly. Denials of any such contemplated reliefs by Ministers are not taken at their face value, because only a month elapsed between a similar denial and the reduction in duty last year. Added to these factors is the consumer's diminished ability to buy. His purchasing power has been cut into by rising prices of foodgrains and, astonishing as it may sound, he has not

benefited from the successive reductions of excise duties on mill cloth. A recent study goes even further, and claims that in the last two years, the prices paid by consumers have actually increased by 2 to 3 per cent.

That such a situation should have been allowed to develop and linger is an adverse commentary both on the industry's capacity to understand the market and anticipate future developments, and on the thinking and analysis which help formulate Government policy. The anti-inflationary measures adopted by Government and the Reserve Bank in late 1956 came at least six months too late, for by that time trade and industry had been lulled into the belief that a severe cloth shortage was imminent, and that it would pay to increase inventories and production. None of the parties concerned at that time had any idea that the trends in consumer demand were being magnified out of all proportion by speculative buying on the part of traders, and industry's excessive optimism.

Government suddenly realised that the Plan targets of cloth consumption had been unduly conservative. Given the absence of consumption data, it is not surprising that a speculative increase in trade demand

was mistaken for a genuine increase in consumer demand. Before this largely self-generated boom could be pricked by normal market forces, the excise duties were steeply increased and, during the course of the two subsequent years, rising food prices and paring down of public and private investment expenditure in relation to Plan targets combined to bring about the present situation. Having landed the industry into this mess, it is now being found difficult to get it out of it.

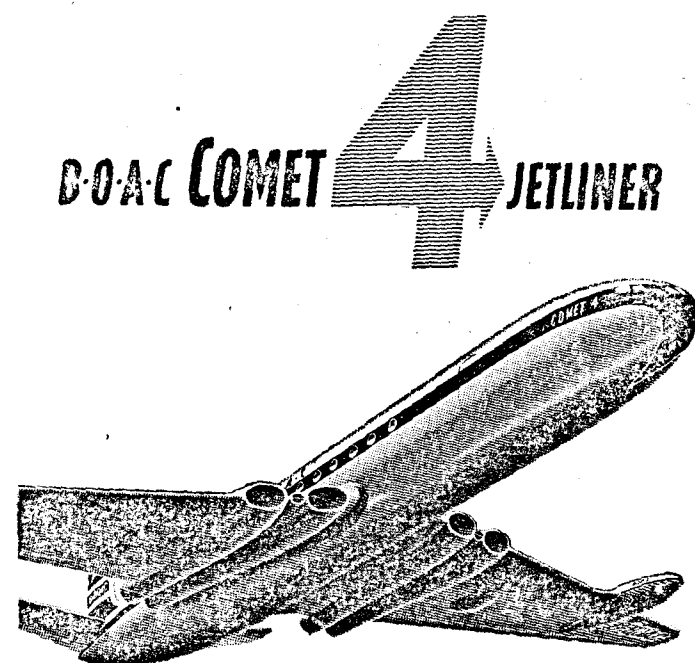
Eager for revenue, the Government is none too willing to lose excise receipts, while heavy corporate taxation and rising prices of machinery and other imported materials curtail the industry's capacity to rehabilitate its equipment, and reduce its costs. And yet there is no way out except to rationalise and reduce costs.

Pondicherry Assembly Dissolved

THE decision of the Central Government to dissolve the Representative Assembly of Pondicherry, though regrettable, does not cause much surprise. The move to resolve differences among Congressmen through what was to be a 'unity pact' having failed, there was not much ground to hope for political stability. The alliance between the dissident Congressmen

and the Opposition, being essentially a matter of expediency, could not have done anything tangible to improve the situation. The Government's decision has followed immediately in the wake of the election of a President by the Assembly after it had been adjourned and its further proceedings which have been described as being 'of doubtful validity'. However, the chief reason given by Government for its action is that the 'frequent change in the alignment of parties in the Assembly' had made it impossible to secure the 'effective and continuous representation' of elected members in the Council of Government to assist the Chief Commissioner.

While Shri E. Goubert, former Chief Councillor and leader of the Congress Legislature Party, has welcomed the latest development, the leader of the Opposition People's Front, Shri V. Subbiah, has described the decision as being 'arbitrary and undemocratic'. But Shri Subbiah does not seem to realise that Pondicherry's merger is yet to be made de jure and that in the interim period there is need for a cautious approach, lest uncertainty and insecurity in the political sphere should give rise to further complications. Anyway, the general elections that are to follow the dissolution of the Assembly will give an excellent opportunity to him to go to the people with his charges against the Congress Party and Government and also his claims regarding his own party. Instead of making do with dissidents of another party, whose allegiance could never be relied upon, he would have a chance to strengthen the representation of his own party in the Assembly. That the Opposition leader does not seem yet to enthuse over this opportunity is not very reassuring. In any case, it does little credit to his capacity to convince the people of the superior virtues of his party or policy. Meanwhile, a heavy responsibility rests on the Congress organisation in Pondicherry. If the recent chapter is not to be repeated and the future of the territory not compromised in any way, Congressmen must bestir themselves to sink their differences and strive for the emergence of a strong, well-knit party in the Assembly, which can take Pondicherry safely and confidently through the transitional stage.



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Nuclear Ban Debate at Geneva

THE new Geneva Conference on the banning of nuclear tests cannot be said to have opened with the best possible omens. Last Monday the Soviet Union announced its rejection of the Anglo-American proposal to suspend the tests for a year, and sometime earlier it abandoned its own "unilateral suspension" of tests by holding a number of them in a row. These are discouraging portents. And yet one must hope, in the interests of the survival of the human race, that the Geneva talks will not be entirely barren of result.

On the face of it, of course, Russian intentions have been made suspect by recent Soviet moves; nevertheless it might be hasty to conclude from them that Moscow is at heart indifferent to the dangers of nuclear pollution of the atmosphere. The sudden ending of the "unilateral suspension" of Russia's tests need not necessarily be taken as an act of bad faith; for the Soviet Union had made it clear from the start that it would in fact resume its tests if the West did not follow its example and stop them. In other words, what the Russians had done was to give the West a lead in the suspension of the tests. This lead was not followed; it is therefore impossible to say with absolute certainty whether or not the Russian declaration was a huge piece of clever bluff. The only way in which the truth could have been found out was if the West had taken Russia at her word and tried to call her bluff, if that is what it was. That, however, was not done—so that Moscow is entitled to the benefit of the doubt at the present stage.

Given this benefit, her present stand seems not unreasonable. Having invited the West to follow the good example she had set, she was perfectly entitled to withdraw her example when the invitation was not taken up. After all, it is unrealistic in the extreme to imagine that the Soviet Union would stand idly by, and continue to do so, while its rivals in the field of nuclear weapons, went ahead. In other words, Russia could not possibly countenance the West abusing her "unilateral suspension" of tests.

The second point is that of Moscow's refusal to suspend the tests for a year from the date of the

present conference. This is unfortunate, but not necessarily fatal. A year's suspension would be no more than a gesture—and, for all one can say, a rather empty gesture at that. It is a fair scientific estimate that a period of twelve months is more or less what is needed to study the results of a test which has just been concluded and to make preparations for the next one. If that is true, a year's suspension (while useful perhaps in creating a better atmosphere for a longer suspension) would be useless for all practical purposes.

Furthermore, the Soviet rejection of the Western proposal is accompanied by the important qualification that Russia would be quite ready to consider an absolute and unconditional ban on the tests for all time. Though having every appearance of declaring half a loaf as being worse than no bread at all, this qualification is in fact, welcome. It injects the only ray of hope in a situation of gathering gloom. It means, for one thing, that Moscow is not banging the door on negotiating a permanent ban on nuclear tests; and for another, that it might therefore be willing to agree to a system of international control and policing of tests. The scientists have already agreed at an earlier conference that detection is feasible. It now remains for the politicians to agree that it is acceptable. That cold war issue is the real one before the Geneva delegates now in session. If both sides are as sincere in wanting the end of the tests as both claim to be, all they have to do is to give the talks a scientific rather than a political approach. The world cannot afford that the conference should fail entirely; but if unfortunately it does, the credentials of both sides—and not those of Russia alone—will be open to doubt.

Exit Mirza

THE ill-concealed internal rivalries in Pakistan's new regime, of which these notes spoke a fortnight ago, have this week come into the open—and speedily resolved. President Iskandar Mirza, the thundering denouncer of the country's corrupt politicians, is now a quiet holidayer in Quetta; and Miss Fatima Jinnah has lost no time in making it plain that Mirza has gone for the same reasons for

which the other politicians were thrown out. That this was bound to happen, was clear from the start. The question now to consider is not who has been the latest to go, but what remains.

General Ayub Khan is now the supreme boss of the country with almost unlimited and unquestioned power. The last pathetic trappings of the democratic system—a Prime Minister and his Cabinet—have vanished. Pakistan is nakedly a dictatorship. That it is at the moment something of a benevolent dictatorship attempting to rid the country of corruption and inefficiency, is not quite as important as it might seem. The overriding point is that Pakistan is for the General to do what he likes with it. That the will of the people has ceased to be material. That the future must shape itself according to the personal likes and dislikes of the dictator, not according to the welfare of the people as the people see it. Pakistanis must accept what they get, because they will now be in no position to get what they have the right to expect.

Nigerian Success

THE Nigerian delegates to their Constitutional conference in London are entitled to be very pleased with themselves and with the Colonial Office for the way in which their talks have gone. At the beginning of September, when the delegates were arriving in London for the conference, few political observers would have felt safe in predicting that the discussions would end on a note of such wide agreement. The only thing on which the delegates were agreed among themselves at that stage was their desire for complete independence for Nigeria in 1960.

The astonishing thing is that it is just that solitary point of agreement which has carried the conference with it, so that it has succeeded in spite of every other conflict. This is gratifying as well as somewhat risky. The thorny question of minority rights has been postponed rather than solved; and the danger is that it might crop up again in all its ferocity immediately after the independence has been declared. The conference has decided that the Constitution should provide for special minority areas to be created in the country, with considerable autonomy of local ad-

ministration but not complete local self-government. In addition, the rights of every individual citizen will be written into the Constitution; and the police, being a responsibility of the Centre, will mean a further safeguard for the minorities in the States.

That is undoubtedly as far as the Constitution can go in allaying minority fears in the three main regions of the country without actually splitting Nigeria into a larger number of States. The latter alternative was particularly favoured by the Western Region, but it would have succeeded only in multiplying the minority problems in the various parts of the country. The element of apprehension on this point can be removed if the Nigerian leaders show the same goodwill to each other in 1960 as they have done this month in London.

Metereology of the Monsoon

COMMENTING years ago on the challenge which the monsoon presented as much to the meteorologist as to the statistician, this paper had been guilty of being faint hearted in despairing that we would ever get an appropriate measure of the rainfall which would be meaningful from an economic standpoint (issue of June 13, 1953). The subject, naturally, induced some easy rhetoric and led to an elaboration of the obvious. The editorial ran somewhat as follows:

"India is a vast country and conditions differ, in the matter of rainfall as in other things. How can one get a connected picture of the situation, a measure in this particular case, of the distribution of rainfall through space and time? For, both are equally important. Unseasonal rains can be injurious to crops as timely showers, even light ones, can be favourable to them. This is a job for the meteorologist and the statistician to work out between themselves—an index of rainfall which will tell us something of its distribution, so that one can have an assessment which is sorely needed for so many different purposes. And why the total alone? The idea can be expanded and one can some day expect a break down of the figure—the sub-index, for example, of the rainfall for rice-growing areas or the cash crop component of the rainfall for the year!"

The editorial ended on a note of deep despondence—"Had the annual rainfall meant so much in the economic life of Europe as it does in this country, it is a permissible guess that some measure would have been found for it ere long. As things stand, it is perhaps a safe bet that the West—in this particular case it is the US—will have perfected methods for producing artificial rain, if not for controlling rainfall, long before we have succeeded in developing a sensible method of estimating the rainfall in the country".

After this outburst, it was an agreeable surprise to be pulled up by the Director General of Meteorology and told that the question raised in this editorial was not so hare-brained after all and that it had engaged the attention of some thoughtful people in the Department. Meteorology, even meteorology in India, has made some progress in reporting of weather to people to whom it matters. It is now being attempted on a scale not thought possible in the past and wherever suitable agencies are available, such as Community Development or N E S Blocks, weather forecasts are transmitted by telegraph and radio, with a view to help the farmers.

It was more exciting to be told that someone in the Department had been working on the very same problem to which attention had been drawn in these columns and that the hope of getting a meaningful measure of the monsoon some day was not such an idle hope after all. Padma Bhushanas and Padma Shrees have depreciated faster, perhaps, than any other standard of value one can think of. Even so, it is pleasant to find that the meteorologist who has done pioneering exploratory work in this field has been given recognition in this not too desirable form. In the Honours' List this year was Dr L A Ramdas who has done very valuable work in the development of agricultural meteorology and has been responsible, to quote from the citation "for the production of 'Crop Weather Calendar' giving the life history of the principle crops in each district and their weather environments." The work in the Department, however, is not primarily the work of any one individual and the honour given to him is a recognition of the awareness in the Department of the fundamental problems raised by the

monsoon in India, and of the response, however imperfect or inadequate, on the part of the meteorologist to the challenge presented by it.

Letters to the Editor

Seamen and Shipping Bill REJOINDER

I AM afraid I have to trespass once again on your space because Shri Ghatak, President of the Seamen's Association, Bombay, indulges in some wrong facts to set my facts right. He says that he tendered evidence before the Joint Select Committee in Bombay. Unfortunately, in the published records, I do not find his name in the list given in Appendix III of the Report of the Joint Committee, listing "Associations/individuals who tendered evidence before the Joint Committee". But perhaps he was among those whom the Committee "questioned in detail for eliciting first-hand information on the provisions of the Bill" when the Committee was in Bombay. But surely, Sir, this is not tendering evidence before a Committee, as the phrase is ordinarily understood.

There are other points in Shri Ghatak's letter which could be commented upon, but as my purpose is to expose inaccuracies, I say no more on the other aspects.

A Reviewer

Bombay,
October 23.

REPLY

No useful purpose can be served by dilating on purely terminological inexactitudes when the facts of the case are clear. The undersigned is the co-author of the Memorandum submitted by the Maritime Union of India and also the author of the Memorandum submitted by the Society of Indian Mercantile Marine Home Trade Officers, both of which cover the case for Indian seamen and both are listed in the Appendix to the Report among the 63 Memorandums and representations received by the Joint Select Committee. He was also among "those questioned in detail etc".

I was constantly in touch with Shri Barman and a number of others in the Select Committee at Delhi, and as a result of my effort, the first note of dissent listed in the Report was moved by Shri Tanga-

mani and others; it referred to Home Trade Officers, but gave the proper opening for our M Ps to speak, which was what we needed. Technically, "tendering evidence" means speaking before the full quorum of the Committee at one of its meetings; the Committee, in the brief period of three months, had only 12 such sittings and interviewed only 9 representatives out of the 63 listed. But having made our representation as well as many others and having succeeded in getting our amendments to Clause 150 moved as explained in the report we seamen as a whole were (and Bombay seamen are not a category apart from others) contented enough that we had indeed tendered such evidence as was needed, without

worrying much about splitting hairs over a Parliamentary term which meant the same thing in effect.

I would ask "Reviewer" to read my letter of 4-10-58 again and to appreciate the fact that my whole intention was to draw the attention of your readers to the fact that out of the ten hours devoted to this monumental Bill, a dead controversy was allowed to be revived and occupy most of that time to the detriment of the interests of seafarers.

Lokesh Ghatak

Bombay.

October 29.

Working of State Transport

WHAT is profitable business? Is it not a venture which leaves a margin between revenue and ex-

penses which should provide for reasonable wear and tear and a progressive fund from which wasted assets can be replaced? Will this criterion apply to the working of State Transport? It is understood that depreciation formulae have been changed from time to time without even correcting the previous errors. In other words, depreciation is not adequately provided for, or in still other words, the profitability may be illusory, the taxpayer footing the bill.

A B Pandya

Alice Building,

339, D Naoraji Road,

Bombay 1.

October 27.

Calcutta Letter

Extra-ordinary Ordinance

THE 22nd of October was the last day of Puja this year, and it was a Public Holiday. On the day in an extraordinary issue of the Calcutta Gazette was published an Anti-Profitteering Ordinance empowering the West Bengal Government to fix the maximum prices of some of the essential articles for daily use at each stage of their transaction. The essential articles are rice and rice in the husk, wheat and wheat products, pulses, spices, edible oil, sugar, baby food, paper, drugs and medicines. The Ordinance provides for punishment for any transgression, and all offences punishable under it shall be cognizable.

Any dealer who profiteers in any of the specified articles shall be punishable with rigorous imprisonment which may extend to two years or with fine or with both, and the specified article in respect of which the offence has been committed shall be forfeited. "Any Police officer not below the rank of a sub-inspector may arrest without warrant any person against whom a reasonable complaint has been made or against whom credible information has been received of his having been concerned in any of the offences punishable under the Ordinance. Any dealer who fails to furnish information and maintain accounts shall be punishable with rigorous imprisonment which may

extend to six months or with fine or with both. Any dealer who without reasonable excuse refuses to sell any specified article or refuses to sell at the price fixed under the Ordinance shall be punishable. The possibility or expectation of obtaining a higher price shall not be deemed to be reasonable excuse for such refusal. The word dealer includes producer, importer, wholesaler and retailer."

Price of Rice Not Fixed!

The Ordinance became effective on and from Friday in respect of wheat and wheat products. (Retail prices for wheat at 37 nP, flour at 56 nP, atta at 41 nP and suji at 59 nP a seer. Maximum prices chargeable by the producers and wholesalers were also fixed on that day. These are: Rs 20.81 nP for a maund of flour by a producer against Rs 21.31 nP by a wholesaler; Rs 15 and Rs 15.50 for atta; Rs 22 and Rs 22.50 for suji.- These prices became effective only in the Calcutta industrial area. On Sunday the 26th of October it was published in the local Press that maximum prices for all commodities, except rice, mentioned in the Ordinance, were expected to be announced in a week by the State Government. The same report gave out that the fixation of maximum price of rice at this time of the season would unsettle the market and might hurt the people who had purchased large stores, and an important corollary or corrigendum was tagged on to the Ordinance that the maximum prices might vary from district to district. Any fixation of the price of rice might have to wait till the harvesting of the new aman crop.

So then with the announcement of the maximum prices for wheat and wheat products, the Ordinance made a stir but since the price of rice was not announced when it mattered most, the Ordinance has practically petered out. There then is the formidable law for the State of West Bengal that was promulgated on 22nd, became effective from the 24th in respect of wheat and wheat product, without the maximum for the producer and the wholesaler for wheat.

Scarcity Continues

Even this limited application had its effect on the market. Flour and Suji from the retail shops were difficult to come by, and the wholesalers had hardly any stock to supply at a reasonable price. During the puja markets are usually high, but after the Puja, this year, there is as yet no tendency of prices going low. This is true in respect of all commodities that are necessary for daily life. And yet it is for this piece of Ordinance to regularise the sale of essential commodities (they forgot to add fish and cloth) that the Government, the Congress, the Leftists, and, perhaps,

the people too were eagerly waiting for a pretty long time.

At this stage it is necessary to go deep into the background and find the essentials at every stage of the gradual emergence of this Ordinance in its present shape.

Too Many Lapses

The year 1957 was a very lean year for this State and in the latter part of that year West Bengal Rice and Paddy Control order was passed. This was mainly concerned with inter-district cordoning and latterly with procurement of rice under levy system from the mills. In March 1958, Sri Siddhartha Sankar Ray, the then Judicial Minister, resigned from the Assembly and the Congress, charging the Food Minister of malpractices in enacting the above order. He had levelled many other charges against the Government, but the Food Minister was his main target. Some time after his resignation a Committee of seven members with Sri Tarun Kanti Ghosh, the State's Minister for Development and Refugee Rehabilitation, as the Chairman was appointed to enquire and report about the activities of the Food Directorate mainly in the enactment of the order. The Committee's report was released on 21st September, though, it was rumoured, it had been submitted to the Government on 3rd August.

This report referred to many lapses in regard to the issue and enforcement of control and cordoning orders. The Committee pointed out that though derived from the Essential Commodities Act, 1955 (which provides for penalty under Section 7) the present order had no provision for any penalty excepting that of cancellation of licences in case the offender had any licence. The Committee felt that there should be adequate provision for penalty for contravention of any orders relating to food. Examining how the cordoning order was put into effect, the Committee felt that for a long time after the promulgation of such orders, no effective step was taken to enforce the orders by employing adequate number of officers, patrol leaders or National Volunteer Force men. Under a notification of the Food Department, officers starting from the Director of Food down to the sub inspector and the assistant sub inspector of Police were empowered to take necessary action.

Officers Overburdened

The Committee could not know in how many cases the Food Director or other officers of the Food department exercised their powers. The cordoning order was enforced in different areas on different dates from September 1957. The main task was left to the police who were overburdened with departmental work. The Committee noted the evidence of the District Magistrate of Midnapore who had admitted that he himself had been a helpless spectator at Kolaghat of smuggling on a large scale.

The Committee found out many other surprising lapses, but enough, perhaps, has been quoted to show that the year 1958 with its new Ordinance might be repeating the history of 1957 in some of the essential points like lack of sufficient officers, imposing the various orders by and by at different dates at different places etc.

That Committee had suggested that maximum and minimum prices of food at different levels should be fixed and enforced strictly. The Government, it said, should keep a close watch on trade in food to prevent profiteering.

Awaiting President's Assent

We do not know when this report was placed before the West Bengal Government, but even before the release of the report to the press the Government had already sent for President's assent a draft Ordinance on September 10. On October 18, a press report stated: "A few changes are understood to have been incorporated at the suggestion of the Food and Commerce Ministries (of the Centre). Under the modified provisions the Government will fix the maximum prices at each stage of sale and require traders to display these prices prominently in their establishments. The original draft is stated to have only suggested the manner in which individual traders were to have determined the maximum price of an article at their stage of sale".

On the 15th of September the Famine and Price Increase Resistance Committee launched a movement throughout the State and it stopped the movement on the 27th on some assurances offered by the Government. And one of the assurances was the promulgation of the Ordinance. What is their reaction now? Sri Jyoti Basu, Leader of the

Opposition in the State Assembly, said: "Due to dilatory tactics of the Government and the more than adequate notice given to dishonest big traders and profiteers the people do not yet feel optimistic about the effects of the Ordinance." But Dr Suresh Chandra Banerji, the P S P Leader, said: "Though late, the measure is welcome. We hope that the Government will give effect to it with all the seriousness it deserves. If worked out seriously, it may, within a short time, reduce the prices of essential commodities to the relief of all people with limited income". At least Dr Banerji did not open another gate to walk out of the arena—did they not fight for this!

Congress Reaction

The leftists may be very vociferous, but what is the reaction of the Congress leaders? Yes, this is a pertinent question today. The Congress is the ruling party but on this issue of food, the party differed from those who run the Government. The Executive Council of the West Bengal Pradesh Congress Committee, as reported in the Press on the 19th September, expressed concern over the State's food problem and suggested, among other measures, the fixation of ceiling prices for rice, wheat and other essential commodities.

Again, the Press reported on the 14th October that Dr B C Roy, the Chief Minister, and Sri P C Sen, Food Minister, had written to the Secretary, Pradesh Congress Committee, intimating that Government was not prepared to accept any of the suggestions, though the actual text of the letters written by them was not published. This deficit State (Agricultural Department forecast a deficit of 1,200 thousand tons, while the Statistical Section of the Food Directorate puts the deficit at a little above half this figure, viz, 700 thousand tons) is being helped by the Centre not only with food grains but also with valuable suggestions such as those contained in the Ordinance. The Centre has agreed to supply 185 thousand tons of rice and 655 thousand tons of wheat during the year. The only point which is not clear is: Why did the Centre wait so long to give its assent to the Ordinance?

As regards the effects, we have to wait till the Aman paddy is harvested, when the Ordinance would become so ordinary!

THE ECONOMIC WEEKLY

From the London End

The West German Economy at the Zenith

THE recovery of the West German economy from the ruins of war and the early post-war chaos has almost become proverbial. And there can be little doubt that this recovery is just short of a miracle. In the eight years since 1950, the West German gross national product has doubled, with gross fixed capital formation higher by some two and a half times. The value of exports has quadrupled and that of imports trebled. The volume of employment has increased regularly with wage rates at some 80 per cent above 1950. The surplus on the balance of payments has been of an ever increasing magnitude, reaching the peak of \$ 1,353 million for 1957 compared to less than \$ 450 million for 1955 and a negative amount in 1950. Thus, within a period short of a full decade, the West German economy has been transformed into a dominant economic power in continental Europe, sharing with Britain an almost equal place in world trade and finance.

And now there remains little doubt that the common market project is becoming, in spite of French confidences, a major instrument in German hands for economic expansion, so that in the course of time West Germany will be able to shape the relations of the members of the common market among themselves and with the outside world. The seriousness of this development can be gauged from the deep anxiety in Britain as to its own place in Europe. The exceptional state visit of the West German President to London must be seen as a desperate act on the part of Mr Macmillan to achieve an Anglo-German understanding on the place of each in West Europe's political and economic framework.

Slower Rate of Growth?

The miracle of recovery has by and large been achieved, and today the West German economy stands delicately poised, like the economies of other industrial countries in the West, between an economic recession and economic balance. The O E E C in a recently published survey of the West German economy found that something of a turn-about was visible—the rate at which output has been expanding has slow-

ed down considerably, the labour force is growing less rapidly and total demand has been rising less steeply. In 1957, the export trade was the main expansionary element in the economy, with the growth in fixed investment tapering off.

The changes that took place in the economic climate of Germany in 1957 have, of course, continued well into 1958. In the first five months of this year, industrial production has developed very unevenly. The seasonally corrected index rose sharply in the first quarter of 1957, remained at this new level in the second and third quarters and rose again (by 2 per cent) in the last quarter of 1957 and the first quarter 1958. Since then it has fallen and in the second quarter of 1958 it was no higher than in the last quarter of 1957. The coal and steel industries—most sensitive of economic indicators—have suffered most heavily through the fall in the rate of growth of the economy. Coal stocks have risen sharply in spite of a reduction in the number of shifts worked while the demand for steel has fallen heavily and some mills have had to stop production for some weeks. The back log of orders has declined in most sectors of industry during the last 18 months.

Labour Productivity

In this situation the growth of the national product was not due to the conditions of demand but was entirely the result of increased productivity. The adjustments which the price mechanism brought about in West German economy as a result of the changed economic climate is most revealing. Industrial productivity rose by 7.5 per cent in 1957, a rate of increase which has slowed down in 1958. This marked improvement in productivity is seen as the result of the high rate of

capital investment in recent years, which has enabled capital equipment to be improved and to the more efficient use of labour induced by rising wages. Further, as the expansion in demand has ceased, less efficient plant has been kept idle. The possibility of further increases in labour productivity is strong—fixed investment of the capital intensive type continues to absorb as much as 22 per cent of the gross national product, and this alone is likely to raise industrial output per man-hour in the future.

On the question of man-power supply, the West German authorities have displayed a deft policy of maintaining, even in times of rising production, a sufficiently large pool of unemployed and this has more than anything else moderated the upward pace of wage rates. Unemployment has been rising since the last quarter of 1957 and in August 1958 comprised 17 per cent of the labour force. In spite of this, the West German authorities continue to attract foreign labour, particularly Italian labour. The influx of refugees is regarded as an important source of new labour.

Exports—the Mainstay

The absence of any expansionary element within the West German economy has placed the whole burden of economic stability on the export trade and the Federal German authorities are not unaware of this. They have stimulated a tremendous campaign to maintain exports at a high level and to provide a number of financial incentives to West German exporters. Thus, the large overall payments surplus secured in 1957 was once again due primarily to the expanding levels of export. West German export prices have been maintained at relatively stable levels. In 1957 the value and volume of exports rose

West German Gross National Product (at 1954 prices)			
	% Change over Previous Year		
	1955	1956	1957
Consumer Expenditure	+ 9.4	+ 8.7	+ 4.6
Government "	+ 2.2	+ 1.0	+ 6.8
Gross Fixed Capital Formation	+18.6	+ 7.4	+ 0.3
Export Surplus	-10.2	+37.5	+15.6
GNP at Market Prices	+11.8	+ 6.4	+ 5.0

by 15 per cent and of this, machinery and transport equipment exports accounted for nearly half of the increase. But this favourable export position has since been undermined by the slackening of activity in most industrialized countries and a new pronounced fall in the demand for capital goods has contributed to a decline in foreign orders. In the first half of 1958, export values have tapered off sharply. But so, too, have imports—the fall in raw material prices has accounted for a stagnant volume of imports to be paid for by about 6 per cent less in foreign exchange.

In spite of adverse trends in export markets and in the West German exports, the balance of payments remain characterised by a large and growing surplus on current account which has led to a heavy increase in foreign exchange reserves. The monthly average rate of increase in the reserves has gone up from \$ 97 million in 1956 to over \$ 140 million in 1957. By the end of June 1958 the reserves held by the Central Bank reached an all-time peak of \$ 5,772 million. These reserves represent well over 80 per cent of West Germany's annual imports compared to a reserve-import ratio for the United Kingdom of 22 per cent and of other West European countries at about 30 per cent. For West Germany, then, there exists no liquidity problem.

Outflow of German Capital

It is against this highly favourable position that West Germany's entry into the field of international investment needs be seen. In the first half of 1958 some DM400 million flowed out of West Germany on capital account—this represents about 10 per cent of the value of exports in the same period and about one-third of the current account payments surplus. While no details of German capital transfers are available, that on official account shows the important position West Germany has come to occupy in world finance. In the first half of 1958 various countries drew about £ 52 million in DM currency from the IMF—a drawing financed by West German exports. Substantial payments have been made on past debts, and loans have been made to various countries. In total, official capital transfers from West Germany in 1957 reached \$ 1269 million and in the first half of 1958 to \$ 409 million.

The passing away of domestic stimulants to economic growth and the growing difficulties in world trade now place West Germany in a position of some difficulty. No longer can the Federal German economy depend on the so-called "natural forces" which in the past

eight years have transformed that country into an industrial giant. What appears in the offing is a more aggressive economic policy based on the common market on one hand and capital exports on the other. It is this which posits for European economic relations a not too happy prospect.



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STP 30

Order and Disorder in the Labour Force

The Jamshedpur Crisis of 1958

Morris David Morris

1958 MARKS the fiftieth anniversary of the beginning of construction of the Tata Iron and Steel Company plant at Jamshedpur. To celebrate this notable event, the Company and the distinguished founder of the House of Tata, Jamshedji, were honoured by a commemorative stamp and the presence of the Prime Minister at the inauguration of the Rs 50 lakh Jubilee Park. The role of the Company as the pioneer of modern large-scale steel production in India is well-known and needs no further praise. In keeping with the record of Tata enterprises everywhere, TISCO has been noted for progressiveness in every phase of its activities. Jamshedpur, built from the Singhbhum jungles, is now an impressively clean and well-administered company town of 250,000, with facilities that serve as an example for the rest of the country.

A Haven of Industrial Harmony

In addition to the social welfare aspects of Company administration in the community it owns and governs, TISCO is noted for its modern, sophisticated and progressive industrial relations policies. In recent years the Company has made extensive use of industrial consultants, time-and-motion studies, job evaluation programmes, incentive schemes, and all the other devices in the arsenal of Western practice. Although there were general strikes in 1920, 1922 and 1928, and disturbed years during the 1930s, beginning about 1938 Company relations with its workers entered a new phase that culminated with the signing of the widely-hailed "Agreement" of January 8, 1956 between TISCO and the Tata Workers Union. Compared with the situation in other large industrial centres, Jamshedpur since 1938 has been a haven of industrial harmony. So exemplary have relations been that TISCO was selected for the first Government-sponsored tripartite study of the causes of industrial peace in India.* On the whole, it would seem that the Company successfully and quite early accomplished what so many social scientists despair of seeing achieved in India, not only the creation of a stable, disciplined indus-

trial labour force but also the development of responsible voluntary collective bargaining between management and labour.

But suddenly the apparently peaceful, harmonious environment was shattered. The crisis was publicly foreshadowed by J R D Tata's warning at the TELCO and TISCO annual stockholder meetings in August 1957 that the Communist Party of India was attempting to take over Jamshedpur's industries. From that date, the public was aware of the mounting tension. Despite the continuing efforts of Company and TWU, the Communist-led Jamshedpur Mazdoor Union increased its activities and finally called a general strike for the morning of May 12, 1958. The Government of Bihar declared the impending strike illegal, but, despite the addition of the weight of official authority to the endeavours of management and the recognized union, the strike occurred. It was marked by intimidation, violence, dacoity, arson, the destruction of property by mobs, the calling out of the military, and culminated in the complete shut down of the plant by the Company on May 20th. The cessation of operations and the vigorous action taken by public authorities broke the back of the strike. But because a steel plant is a complex productive unit, the restoration of production is necessarily a phase-by-phase affair; it was not until June 7th that the Company was able to call back the last of the regular complement of workers and not until June 18th was production restored to normal levels. The cost of the strike was enormous. Four lives were lost, at least 114 persons were injured, Rs 11.15 lakhs of property was destroyed, and 335,000 mandays of work and 45,000 tons of steel were forfeited.

May Debacle

On July 15, 1958, under the imbrication of J J Ghandy, Director-in-

*Labour Bureau, Ministry of Labour, Government of India, 'Labour-Management Consultation and Co-operation in the Tata Iron and Steel Company' Publication No 35, 1957.

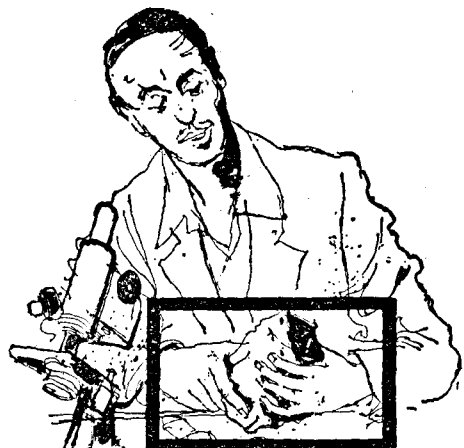
Charge, the Company issued a booklet giving its analysis of the events that culminated in the May debacle.† Describing the "spirit of mutual trust and cooperation" which had made possible the "three decades of industrial peace" that culminated in the long-term Agreement of 1956 with the Tata Workers' Union, the booklet sets the 1957 election of Kedar Das to the Bihar Assembly on the Communist ticket as the beginning of the Jamshedpur trouble. "This isolated success... was the signal for a concentrated move to establish Communist dominance over the labour movement." ('Booklet', p 11) Even before this, in 1956, a CPI Action Committee had been formed to dislodge the INTUC-affiliated Gwa Workers' Union, located at the Gwa mining operation of the Indian Iron and Steel Company, 95 miles south-west of Jamshedpur. In April 1957 an Action Committee mob attacked the union office there, killing two and injuring several others. In June 1957, an AITUC conference presided over by S A Dange, M P, was held in Jamshedpur. With this, the long-dormant Jamshedpur Mazdoor Union was resurrected and a series of demands were put forward, the three principal ones being a 25 per cent increase in basic wages, increased dearness allowance, and the recognition by TISCO of the JMU instead of the TWU as the bargaining agent for the workforce. From that time agitation and trouble mounted. Apart from minor incidents, there were strikes at TELCO, the Tinplate Company, the Tatanagar Foundry, and the Kaiser Engineering project that is expanding TISCO capacity to two million tons, culminating in the May disaster at TISCO itself.

To TISCO the explanation is simple. The troubles of 1957-58 were a direct result of CPI efforts to capture the "Ruhr Valley of India" and thus lay the basis for the conquest

†The Tata Iron and Steel Company Limited, 'The Story of a Strike—May 1958: The Communist Bid for Power at Jamshedpur'. (Jamshedpur: July 15, 1958.) Henceforth referred to as 'Booklet'.

Men and Oil . . . I

THE GEOLOGIST



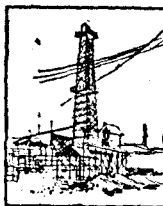
Geologists are people whose main business in life is to know rocks, to work and live among them. In the oil industry they look for certain types of rocks that hold oil.

In 1865, a Government geologist was sent to the coal areas of Assam. He reported the presence of several oil shows south of the Dihing river and advised testing, by experimental boring, those near Makum. A well was drilled there in 1867, followed by more wells at Makum and Jaipur. Several of these wells

yielded a little oil but went dry in a short time. But in 1889 the first well at Digboi was drilled and the Assam Oil Industry was born.

Geologists still play an important role in the Assam Oil industry. They decide the new locations, examine the rock cuttings during drilling and guide the industry in its search for more oil.

At present, the Geological Department of the Assam Oil Company is manned entirely by a number of well qualified and highly experienced Indian geologists.



ASSAM OIL

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of the country's economy. Discussing the effectiveness of the Communist appeal, the Company writes: "A responsible union cannot possibly afford to make sectional demands but the JMU, being under no such obligation, sponsored and actively encouraged such demands, using disgruntled men as their tools, and whipped up agitation both against the employers and the recognized union" ('Booklet', p 13) The JMU, taking advantage of "all the disgruntled elements in the various unions at Jamshedpur," made "a number of unwarranted and unrealistic demands, clearly for the purpose of pitching labour claims substantially higher than those put forward by the INTUC union." (ibid, p 12) The May disorders took place in an environment of steadily mounting intimidation and mass picketing by JMU adherents. There is no question that the CP-led JMU was the proximate cause of the Jamshedpur disorders and that its activities included the encouragement to violence. (Evidence of official restraint in the presence of strong provocation is the fact that of the 114 persons injured, 103 were policemen.) In this sense the Company's analysis is correct. But the situation is far more complex than the Company describes it. While the violent disorders were Communist-sponsored and encouraged, the JMU built on dissatisfactions that were widespread and destined to produce troubles in any event. Unfortunately, the Company does not see this, although much of the pattern was obvious to outside observers very early in 1957, at least six months before Mr Tata discussed the problem.

Inadequate Tri-partite Study

At this point I ought to say that I was in Jamshedpur during the first six months of 1957. An economic historian interested in 19th and early 20th century economic change, I am not preoccupied with current labour relations problems nor did I deem it appropriate to give scholarly attention to these matters while I was in Jamshedpur working on the early career of the Company. The TISCO staff and officers generously co-operated in my historical work, and these comments are written with gratitude for the Company's hospitality to scholarly endeavour and with respect for the enormous responsibilities which it has borne so well. However, no social scientist

can be completely sheltered from the harsh realities of the present, and often even the historian must look to the present for insights into the past. Stories in the Calcutta and Bombay press provided some information, and contacts with many Company workers around the town gave familiarity with the contemporary scene. But most important to my understanding of the problem was an illness that resulted in an unpredicted stay of some duration in a workers' ward in the Tata Main Hospital. During my hospitalization in May 1957 there was a ten-day strike of some three thousand Town workers, including a large number of the hospital lower staff. For special reasons this experience provided a variety of insights of great usefulness both to my own work and to this analysis. I am not and have not been privy to the inner workings of Company or Union policy and can only comment on the basis of what any reasonably well-trained, uncommitted outside observer spending more than a few days in Jamshedpur could discover.

This last comment is deliberately intended as a reflection upon the inadequate tri-partite study of TISCO industrial relations already mentioned. If Government or any group is going to spend large sums to study industrial relations, the work requires skillful investigation and penetrating analysis. The Government study is mechanical and uninformative on all but the most trivial matters. The New India cannot afford the luxury of self-praise. It needs to see "warts and all." A proper study of TISCO industrial relations would have shown the much that is good and it would have described the points of serious tension. It would have marked those capable of resolution by the Company or the Union or by the two acting in concert, and it would have noted those that were the inevitable consequence of rapid economic change and beyond the effective control of these two protagonists.

II

It should be recognized that any great industry or firm is destined to face periodic difficulties with its workforce. No matter how disciplined the labour, how strong and democratic the union, how reasonable the relations between union and management, how generous and sophisticated the wage and social welfare benefits provided by a com-

pany, periodic upheavals are inevitable. In fact, occasional strikes may be necessary cathartics to release the tensions of urban-industrial life, as festivals and village brawls release the tensions of rural-agrarian existence.

The troubles in Jamshedpur do not begin with the election of Kedar Das to the Bihar Assembly in 1957. If harmony existed prior to that time between Company and Union and inside the Union, one can legitimately ask why Kedar Das defeated the TWU-sponsored candidate by a thumping majority and why a second CPI candidate in Jamshedpur was only narrowly defeated by another TWU-sponsored candidate at the same time? While it is possible that CPI strength in Jamshedpur during the General Elections was associated with the Bengali-Bihari controversy, it is more likely that support for the CPI stemmed from strictly industrial issues.

Non-Works Employees

There is no doubt that a considerable element of discontent was associated with the Tariff Commission ruling that increases in the pay of TISCO non-Works employees, traditionally linked with those granted to production workers, would no longer be considered as costs for purposes of determining the retention price of Tata steel. Another source of discontent existed among the substantial number of workers who were employed by TISCO on a casual basis for many years and who sought to be included in the permanent workforce in order to obtain the many benefits involved in that status. But the main source of the tension on which the Communists have been able to work arises from the Company's remarkable programme of expansion of capacity from one to two million tons. "One of the main objectives of the expansion programme was to secure a rational deployment of the labour force, which, for historical reasons, was greatly in excess of requirements, as confirmed by independent experts and the Planning Commission." ('Booklet' pp 9-10) The new steel plants at Rourkela, Durgapur and Bhilai are designed to employ some 7-8,000 production workers in million-ton-plants, while the present TISCO plant, designed during the first World War, employs some 30,000 workers to achieve the

same output. This is no reflection against TISCO efficiency. The plant was designed in accord with wage costs and technical necessities of that earlier period. Nor were economic conditions favourable to a revamping of the plant before World War II. Not until after Independence could the Company consider a major reorganization and the enhancement of efficiency. The current Two-Million-Ton Programme not only involves the doubling of steel output but also the modernization of existing facilities. The TMT Programme will permit the production of a doubled output with substantially fewer workers. (An American technician associated with the Kaiser organization privately estimated that the Company could achieve this doubled production with perhaps 7,000 fewer workers than are now employed to produce one million tons of steel.)

Total Transformation

While the Company has stated frequently that no workers would lose their jobs, it obviously recognized that the rationalization of the labour force on the monumental scale required would be accompanied by many difficulties. It was with this in mind that the "path breaking" agreement between TISCO and the Tata Workers' Union was signed in 1956. In this way the Company hoped, by associating the Union more closely with its efforts, to obtain the support of the workers in carrying through the enormous task of reorganization.

It is interesting that none of the commentators at the time saw the Agreement as anything more than a typical collective bargaining contract, albeit "the most comprehensive of the agreements reached... at any time in the history of the labour movement in this country." ('Economic Weekly', January 14, 1956, p 32) None saw that the Agreement was an effort to deal, not so much with the normal issues of labour-management relations but with the incredibly difficult process of total transformation of all work relationships in the Company. If anything, this made the TISCO-TWU agreement all the more remarkable but all the more difficult to make viable. Its success depended entirely and completely on the capacity of the TWU to "deliver the goods." This required that the Union be able to enforce acceptance upon its twenty thousand

members and on the rest of the labour force of the decisions reached between it and the Company.

Poor Union Discipline

Unions in India are notorious for their inability to maintain the quality of discipline over the workforce on which effective collective bargaining and union-management relations depend. While unions now exist widely in the economy and membership in the millions is claimed by them, they remain in effect merely vehicles of protest. A strong union in the typical meaning of the term is an institution which through the disciplined mobilization of its members is able to impose on employers concessions relating to wages, working conditions and control of the work process. But if the union is to be more than a vehicle of social protest, it has one major obligation. The terms exacted from the employer require a quid pro quo. The quid is the guarantee by the union that the workforce in whose name the bargain is struck will perform its work under such terms and in such a way as have been settled upon. The union is not strong if it cannot guarantee the continuing adherence to the rules of the game. In effect, it does not then command the loyalty and obedience of the membership; the leaders are not leaders but only spokesmen. The task of creating strong unions in the described sense of strength is a long and difficult affair and is not yet achieved in India. Scholars, both Indian and foreign, have often discussed the problem, and the reasons for this weakness should be clear. However, the one critical feature accounting for the absence of strong unions has always been neglected.

For reasons never completely explored, Indian unions tend almost always to be industrial rather than craft in structure. Part of the reason lies in the fact that modern Indian industry, borrowing across the board, has tended to be relatively large scale from its inception, requiring minimum amounts of great skill and maximum amounts of semi- and unskilled labour, exactly the type of workforce that can only be effectively organized along industrial lines. Nevertheless, it remains paradoxical that Indian labour, typically divided by the same social, religious, caste and linguistic elements

as characterize the whole society, should seek in this special instance to organize in unions that ignore special skills, needs and functional differences.

No Craft Unions

There has been one special feature that historically may have tended partly to frustrate the growth of unions along craft lines in factories. It is possible that because many of the most highly skilled operations in Indian industry have been in the hands of foreign workmen, the craft unions that could have emerged would have encompassed only these non-Indian workers. And foreign workmen, the "covenanted hands", had other ways of enforcing their demands.

But whatever the reasons for the attachment to the industrial union type, the very concentration on this form makes strong unions more difficult to establish. The first strong, permanent unions that developed in Britain and America were craft organizations. Having solved the problems of organizing relatively well-paid skilled workers, industrial unions were ultimately erected on the base of the administrative experience and cadres of organizers developed in the craft units. It is important to recognize, however, that successful industrial unions did not appear in Britain until the 1890s and in the United States until the 1930s. In other words, it was not until about a century after the appearance of the factory system in each country that the very complex administrative problems associated with the creation of strong, responsible industrial unions were solved. Thus, the weakness of Indian unions—while explicable in terms of poverty, illiteracy and the rest—is best explained by the fact that the workers lack any tradition of craft union experience, and do not possess any of the administrative talents therein developed. Yet, they are directly trying to build industrial unions that require an elaborate bureaucratic structure in order to sustain the degree of loyalty to the organization and the discipline to its decisions upon which strength depends.

Basic Problems Not Solved

Looked at in these terms, there was little in the history of the Tata Workers' Union to suggest

that the basic organizational and administrative problems had been solved. There is no evidence in events between 1938 and 1956 that TISCO could sign an agreement with the Union and in return for concessions be assured that the union could deliver the goods, the goods being the disciplined acceptance of the Agreement by the workforce. One gets the impression that while the Company may have been aware of this weakness, it hoped that the very act of signing a contract with the TWU, designating it as the sole bargaining agent, establishing a formal grievance procedure dominated by the Union, and attempting to enhance the prestige of its leaders on every occasion, would augment Union power to enforce discipline over the workforce.

This judgment by the Company was not unreasonable. The workforce itself was not new to factory work and a remarkable proportion of the employees had been long employed by the Company. (In 1952, more than 71 per cent of the permanent workforce had been employed for more than ten years.) Not only did the workers have a strong sense of identification with the steel plant, but they tended to respond to their problems in the rational fashion characteristic of a long-habituated factory proletariat. And finally, although union membership had declined from its 1947-49 peak of 31,000, it apparently had since then stabilized itself at about 20-21,000.

Impressively Western!

Apart from these rational calculations there were certain elements of prestige that seem to have enhanced the Company's eagerness to push for the 1956 Agreement. The House of Tata has always prided itself on its progressiveness. Progressiveness seems always to be unduly associated with Western techniques and devices. While this has encouraged flexibility in technical terms, there are occasions when the Tatas have taken action not so much because of overriding technical necessity but because it is impressively Western. One gets a sense of this in the speech delivered by J R D Tata at the Duke of Edinburgh's Study Conference at Oxford in July, 1956. On the same occasion another Company officer commented that "In a way our little weakness for 'foreign experts'

(the more 'foreign' the better!) is itself evidence of our humility and our anxiety to do the right thing." So it was with the 1956 Agreement. Such an elaborate settlement would once again put the House of Tata in the vanguard of Indian progress. A further aspect of its progressiveness was the Supplemental Agreement signed with the Union in August 1956 in which the Company agreed to establish or reorganize a host of joint committees, the object being to achieve "an increasing measure of association of Works employees with Management in the working of the industry... giving employees a better understanding of their role and importance in the working of the industry and in the process of production, and... satisfying the urge for (worker) self-expression." (Supplemental Agreement, Clause 2)

However, it is necessary to recognize from Western experience that even in the best of unions there is no necessary identity of interest between union and membership. Workers are generally interested in additions to their income and improved working conditions, those features that directly affect the conditions of their working lives. The union as an institution is concerned with the survival and enhancement of its sovereign power. For the union, exclusive bargaining rights, maintenance-of-membership clauses, check-off schemes and the like are the crucial objectives because they strengthen its survival power as an institution. In the process of bargaining with the employer the union presents a package that typically combines "union-oriented" and "worker-oriented" demands. Normally not all the demands made of the employer during the negotiations will be satisfied. Union negotiators will have to sacrifice some demands in order to gain others. Do the negotiators sacrifice union-oriented or worker-oriented demands? The issue, of course, is not as clear-cut as this. Settlements that strengthen the union may in future negotiations make possible the enhancement of the pay packets of the membership. Settlements which satisfy urgent worker-oriented demands typically will strengthen the union by enhancing member loyalty. Successful unions in the West have achieved their strength and stability just because they have been successful

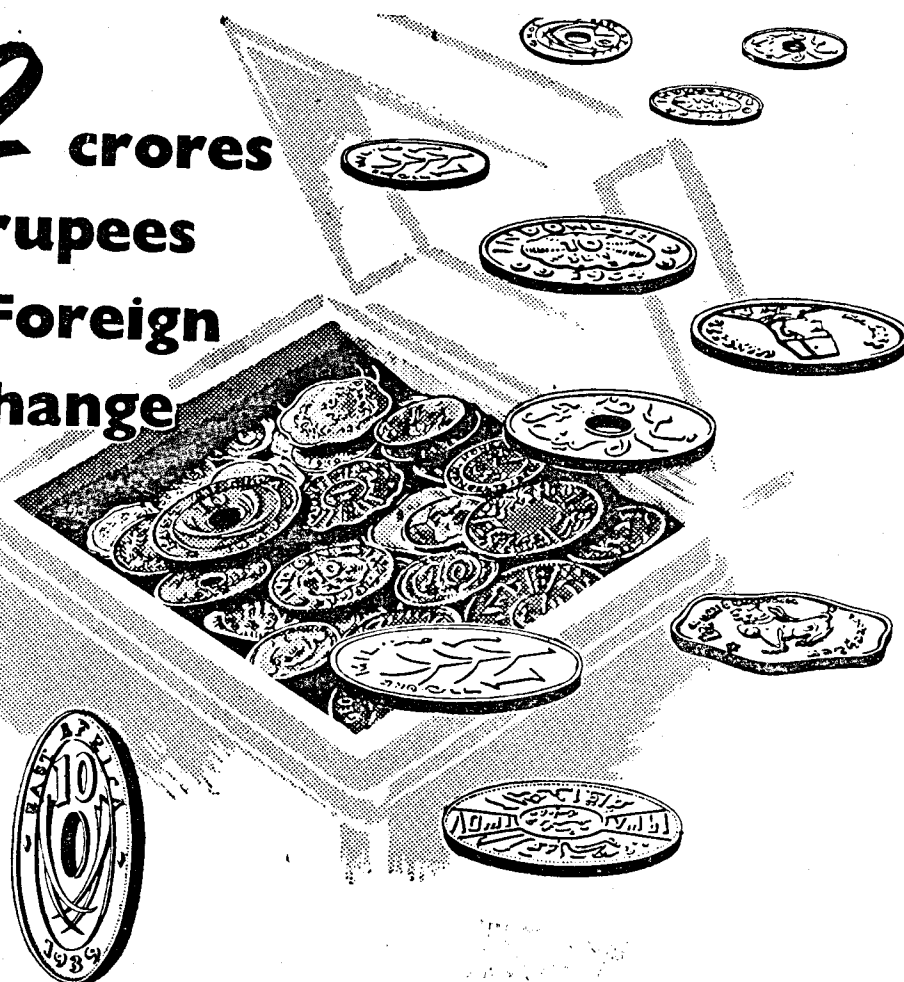
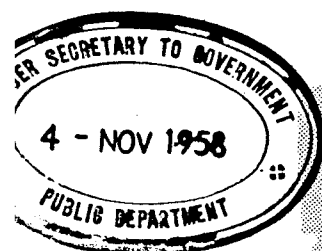
over many years in balancing the satisfaction of these sometimes contradictory objectives.

Urgent Issues Not Reflected

Viewed with these elements in mind, the recent difficulties had their origin not in the election of Kedar Das but in the 1956 Agreement. From what evidence there is, it seems clear that the terms of the Agreement did not reflect the urgent issues as seen by the workforce at the time. Moreover, the contract was not even the result of the Union's initiative, or an effort to get a solution to these problems. As I have suggested, one gets the impression that the whole idea of a comprehensive contract originated with the Company as a device to resolve the critical problems associated with the Two Million Ton Programme. Certainly this was a far-sighted and entirely laudatory objective, and the Agreement that emerged contained a great many union-oriented provisions but relatively inadequate worker-oriented clauses. This is not to say that workers got nothing. Far from it. But while the union got recognition as sole bargaining agent, the promise of maintenance-of-membership and dues check-off and effective control of the elaborate paraphernalia of the worker-participation-in-industry scheme, the workforce gains were limited and frustrated by vagueness. Workers got a modest improvement in gratuity rules, some added housing and hospital facilities, a reiteration of the promise of no retrenchment and two modest ad hoc pay increases for the lower-paid employees, one effective at the beginning of 1956 and the other at the beginning of 1957. (Neither of these increases, however, were to rank as part of substantive pay for any purposes.)

The main worker-oriented provision was the Company statement that it was "prepared to offer, in recognition of the increased labour productivity and the larger profits resulting from the plant expansion programme, an appreciable upward revision in the wages and emoluments of the Works employees." (1956 Agreement, Clause 24.) However, there were basic qualifications in this guarantee. Apart from the fact that non-Works (Town) employees were not included, the proposed increases had to wait on "the completion of the Company's plant

12 crores of rupees of Foreign Exchange



That was the beginning of exports by the Indian White Sugar Industry to earn foreign exchange. Geographically, India is within easy reach of sugar importing countries in the Middle, Near and Far East. In quality too, Indian Sugar compares favourably with that produced in other countries. With a better understanding of the industry's structure and problems and co-operation from the Government and consumer, the Industry can consolidate the position it has secured in the world market and improve it further to earn more foreign exchange; so vital for the progress of the Second Five Year Plan.

Today the White Sugar Industry provides scope for Indian capital investment of more than 100 crores of

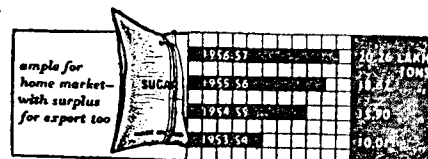
rupees; it provides employment to over 1,40,000 skilled and unskilled workers and 3,600 university educated men, their total earning representing 5% of the national wages and salaries; it supports 20 million cultivators; it constitutes 12% of the total value of production of major Indian industries; it contributes over 65 crores of rupees (@ Rs. 13.19 per maund) in levies to the national exchequer.

It offers even brighter prospects for the country. With a lighter burden—with some of its present-day handicaps removed—this industry can contribute to achieving a more stable national economy. Its upward trend of production can continue to meet the needs of a growing home market and yet leave a surplus for export in order to earn foreign exchange.

Indian WHITE sugar ...

vital to India's national economy

THE INDIAN SUGAR MILLS ASSOCIATION



and ... the job evaluation programme" that was to be undertaken. (1956 Agreement, Clause 24.) In effect, the promise of substantial wage increases was completely vague both as to amount and date of introduction. They would not come before the new plant had been in operation for some time, certainly not before 1960 and probably not until 1961. In return for the ad hoc wage increases of 1956 and 1957 and the promise of the future wage revision, the Union agreed that "there should be no further demands for increases in wages or emoluments (including gratuities)" during the intervening three or four years. (1956 Agreement, Clause 23.) Nor was there any provision in the Agreement for the future wage settlement to be retroactive to any fixed date.

Chronology of Disorder

This is no place to resurrect the chronology of disorder. It is sufficient to say that the ten thousand Town workers reacted immediately and with great hostility to the section in Clause 24 that proposed that "the larger profits resulting from the increased productivity in the Works should not entitle the Town and other employees outside the Works to an upward revision" Trouble brewed all through 1956 and culminated in the strike of 3,000 low-level municipal employees in May 1957. During the whole period of agitation the Union refused to take up the issue, and the May 1957 strike was in fact a rebel attack on Michael John's failure to satisfy the Town workers' grievance. While the Communists made every effort to take over this strike, the Town worker leaders at this time still refused to be seduced by them. The strike remained a purely intra-union issue provoked by a clear and probably correct feeling that if Town wages were no longer to be linked to those of Works employees, they would inevitably be linked to municipal wages around the country. If so, the Town employees would have to wait a long time for the national municipal wage average to catch up with the Jamshedpur average.

While trouble on the Town side developed quickly, tension in the Works took somewhat longer to appear. But from October 1956, as the impact of the new programme began to be felt, more and more

incidents took place in production departments, and by the beginning of 1957 they were common occurrences. While long-service temporary workers, seeing the labour-saving character of the programme, recognized that they now had no hope of ever being made permanent and became increasingly disturbed, permanent employees, being shifted into new or renovated labour-saving processes, protested. It is interesting that the protests from the permanent workers were not so much directed against the new labour deployment patterns as against the Company's refusal, based on the Agreement, to establish new rates until the whole Two Million Ton Programme was in effect.

By mid-year the tensions had become so pervasive that my own expectation was that major trouble would engulf the whole operation during the last half of 1957. But there is a climatic factor I underestimated. A thoughtful anthropologist in the area had pointed out to me that the tension was exacerbated by the rising pre-monsoon heat, being reflected in more frequent and vicious quarrels at outdoor water taps in the bustee areas where the unskilled workers lived. Having gone through the 1957 pre-monsoon period with no major trouble, the critical explosion was delayed until the pre-monsoon period of the following year.

III

Not all the collective bargaining agreements made in the West adequately satisfy the ambitions of workers or union bureaucracy. Frequently, bargaining weaknesses of one sort or another will force the acceptance of contracts that are unsatisfactory. In such cases, however, the membership is made aware of the limitations of bargaining power that forced such concessions. Presented with the facts, the union is usually able to "sell the contract" to the membership. But no such effort was made by the Tata Workers' Union in the case of the 1956 Agreement. In fact, the Union officers thought of the Agreement as a magnificent achievement, not a weak one. That contract, signed by Michael John and V G Gopal, General Secretary of the Union, was not ratified, so far as I can determine, either by the Union's general executive body or by the membership at large so that at no point did

it come under the serious scrutiny of the workforce. This fact is important because it is evidence that although the Tata Workers' Union has presented a public impression of power and vitality, it has never successfully established those basic forms of organization that give to effective unions in the West the reality of democratic participation no matter how authoritarian the leadership.

Ordinary and uninspired leadership in an organization can succeed only if the bureaucratic apparatus is efficient. Organization makes it possible for mediocre men to do what great men can do by themselves. The organization responds in a routine fashion, but it is geared to do certain jobs well. However, as I earlier pointed out, the building of an effective organization in an industrial union is difficult, and the Tata Workers' Union is no exception to the general proposition that in India the task has not yet been accomplished.

Not The Great Leader

A dynamic individual may triumph over the absence of organization. In fact, it may be that a great leader necessarily precedes the emergence of the bureaucracy. In this context, the great leader is one who in some way senses and summarizes the ambitions, needs, ideals and resentments of his followers. He must have that sense of flair which by a single dramatic act or pose can win support and create the legend on which continuity can in the first instance be based. Mr John's predecessor, Professor Abdul Bari, apparently had that charismatic flair. In the minds of the Jamshedpur workers he remains today, more than a decade following his death, the symbol of "a good union leader". They tell the story, how true I don't know, of his refusal to take a cup of tea with the Company chairman during the 1945 negotiations. "You are my enemy and I am yours. I will take a cup of tea with you only if you will also give all the workers a cup of tea." The legend has it that the workers got their cup of tea! This type of belligerence summed up certain needs in his followers. Having created this record of verbal hostility, he was able to defend his 1945 agreement with the Company and get his followers to go along with him.

The present leader, Mr John, has a long and honourable record of intimate association with Jamshedpur trade unions going back to the 1929 strike when he was a foreman at the Tinplate Company. But apparently Mr John does not have the personality necessary to generate the truly vital sense of leadership that demands and obtains loyalty from the workforce. Perhaps it is his sense of "responsibility", his unwillingness to make "unreasonable" demands, that deprives him of the capacity to express ritually the violence and temperament that can attach his membership to him and his decisions.

Widely Suspect

Despite his years of service to the cause of the Jamshedpur workers, by the beginning of 1957 Mr John had become widely suspect among the workforce. Although he has refused to take a salary from the Union, he drives a Mercedes-Benz which has become the cause of much comment. The desire for a large, elegant car is a human instinct in the modern world. Nor should it necessarily deprive him of the loyalty of his membership. John L Lewis, President of the United Mine Workers of America, has certainly not lost the support of his members because he lives on a salary and at a standard of luxury rivalling that of the coal owners with whom he deals. To the contrary, his members in some ways take considerable pleasure in this materialistic manifestation of the fact that their leader is "no slouch" and can meet the opposition on its own ground. But John L Lewis, despite the comfort in which he lives and his reputation for sympathy to the problems of the employers, has by the vigour of his advocacy preserved the reputation that he is fighting for his membership. That reputation is sustained not only in the annual or bi-annual contract negotiations but in the day-by-day struggle to advance the cause of his membership within the terms of the agreement. Unfortunately Michael John did not get an Agreement that was satisfactory, and he has not been able to provide the impression of a day-by-day preoccupation with the needs of his members. In fact, despite the elaborate grievance procedure that has been established under the Agreement of 1956 its inefficient functioning is one of the underlying causes of resentment against him.

Mr John has not been identified as possessing a persistent, energetic and driving ambition to defend his workers at every turn. Perhaps it is because he has dissipated his energies. He is president of thirty (some say sixty) unions. Perhaps he is getting too old to make the fight; or perhaps he has seen the needs of the Company in the broader context of the Five Year Plans and recognizes that the workforce will have to make sacrifices. But whatever the reason, Michael John is not looked upon as a powerful leader nor has he been able to build a formal organization to overcome the limits of his personality. The lower the level of workers one speaks with, the stronger and more pervasive is the feeling that "Michael John is the dalal of the Company."

Consequences Ironical

While no top-level Company official is willing to admit John's failure, his inability to control the workforce became clear soon after the 1956 Agreement was signed. There were innumerable grievances that were ostensibly settled between John (or his subordinates) and the Company. However, when the workers refused to accept a settlement, Mr John would in effect shrug his shoulders and tell the Company that it would have to proceed on its own course of negotiations with the aggrieved workers and find a solution acceptable to them. Nor apparently did he try to mend his deteriorating position. Witness his inability to recognise that something had to be done to placate the Town workers. Nevertheless, the Company persisted in its determination to make the TWU under Mr John's leadership a successful union. In its efforts to bolster Union leadership, the Company frequently violated the basic principles of work discipline, went against its own standing orders and often reversed the decisions of its foremen in disciplinary cases. The reasons for the Company's behaviour are unclear. Partly it seemed to arise from the fear that the failure of Mr John's leadership would mean a less responsible—i.e., a more aggressive—workforce. Partly, perhaps, there was the Company desire to be seen as a progressive employer, and a progressive employer is one that has a strong union with which it deals. But whatever the reasoning, the consequences have been ironical. The

greater the support the Company gave to the Union leadership, the more suspicious did the workers become of their leaders, especially in the context of the urgent and unresolved problems that agitated the workers. At the same time, the concessions made to the Union on minor grievance and disciplinary matters undermined the authority of the Company middle management responsible for effective on-the-job performance, thus weakening Company control over the workforce. While the workers increasingly referred to Mr John as the Company's dalal, the foremen and supervisors claimed that Mr John was running the Company. Thus, by its attitude, the Company at one and the same time compromised the Union leadership and weakened its own internal disciplinary and productive organization. From this policy there have been only disadvantages; there have certainly been no benefits.

A Double Drama

Since the beginning of 1956 there has been a double drama working itself out. On the surface there were the formal and elegantly satisfactory relations between Union and Company; below the surface there was the growing discontent unrecognized by either group. The failure of the Town workers' rebellion in May 1957 to force Michael John to recognize that the Agreement was thoroughly disagreeable not only to them but in various ways to almost every group of the workforce set the stage for the Communists. On this widespread and fundamental disaffection the Communists could work with great effectiveness.

There are always minor grievances arising in any large industrial enterprise. Unfortunately, the grievance procedure tended to be dilatory in many cases. When the Communists appeared on the scene in June 1957 they not only attacked the 1956 Agreement but they also applied the tactic of direct action to various minor grievances. In many cases the tactic succeeded, and their successes produced strength. When the Union finally recognized the threat and itself attempted to act more vigorously in grievance matters, the Communists were in a position to claim that they were responsible for the victories. The quick scramble by Company and Union to deal cooperatively with some of the problems merely rein-

forced the impression of collaboration between these two groups and thus cost additional worker support.

IV

The Jamshedpur debacle does not indicate that the Tata Iron and Steel Company was evil, the Tata Workers' Union corrupt or the Tata workforce irresponsible. The unhappy aspect of the incident is that tensions are to be expected in an environment of economic change, and in a democratic society even the wisest proposals may not eliminate such explosions. The problems of labour reorganization produced strains that were foreseen by the Company but for which the instrument of resolution, the Union, was inadequate.

While discontent and occasional upheavals by the workforce must be expected, there are some steps that can be taken by the Company to eliminate certain sources of tensions and the type of violent outburst that took place last May. In 'The Story of a Strike' (pp 18 and 25) we are properly reminded that the "Steel Company's workers enjoy a degree of job security which has few parallels. Very few have ever been dismissed and that too only on grounds of gross misconduct.... But in Jamshedpur... the Steel Company has traditionally been reluctant to take strong disciplinary action." What is intended here as a management boast may well be in fact a gross miscalculation of appropriate personnel policy. Despite its pretensions that it knows exactly where it is going, the Company in the day-by-day conduct of its industrial relations has been uncertain and vacillating. The flaccidity of Company disciplinary policy has been a disservice both to itself and to the workforce. Good and stable industrial relations do not obtain in an environment where it is recognized that pressure can get results outside the established rules. The softness of the Company in disciplinary and related matters is an aspect of a paternalism that has historically characterized TISCO policy and lies at the root of much of the Company's difficulties.

At the same time, it is difficult to expect, for reasons already indicated, that the Tata Workers' Union—or any union, for that matter—will be able to achieve in the near future that loyalty and discipline from the workforce that is imperative if the

union is to play a part with the Company in the vast reorganization that is required by the new programmes of expansion. In other words the Company cannot count on the Union to help it carry the enormous burden of reorganizing the labour force. It will probably have to do the job itself. The Company's failure has been that it lulled itself into thinking that the Union was strong and capable of disciplining the workers into the acceptance of any set of proposals.

Workload and Pay

But if the Company feels obligated to deal with a union—or even if it does not—certain facts of life have to be recognized. One fact is that worker memories are in some ways exceedingly short and have to be frequently stimulated. It is not a question of how good the Company has been to the workers generally but what the Company has done for them recently. A second fact is that workers are fundamentally interested in improvements that enhance the pay packet. Ambitious work-participation schemes and elegant social welfare programmes with similar intent are frills that have little if any meaning to the workforce at this stage of economic development. There are, of course, many other axioms that could be set down, but these two will suffice for my point that, apart from the Town worker issue, the critical weakness of the 1956 Agreement was the long delayed and extremely vague basic wage proposal.

The Company should not have bound the Union to the long interval between the ad hoc increases of 1956 and 1957 and the ultimate settlement in 1960 or 1961. While the proposal was completely rational in economic terms and entirely consistent with the long-run interests of the economy, it was not reasonable to expect that the workers would quietly accept the massive readjustments of workloads without expecting to have their pay packets "sweetened". It would have been possible to have applied the new job-evaluation scheme as new units came into operation and modest wage increases could have been introduced at frequent intervals to ease the transition. The total cost would probably have been no greater than that ultimately envisaged by the Company.

In terms of strengthening the Union, it would have been better not

to have bound the Union to that inflexible Agreement. It would have been more satisfactory to have had an annual reopening of the Agreement to negotiate projected wage changes along lines I have suggested. It is possible that there would have been some tension associated with each year's negotiations. But this in itself would have served as a catharsis, satisfying the workers that their leadership was vigorous and would have left less room for successful Communist agitation.

V

There is one final comment I would like to make about the events in Jamshedpur. A distinctive feature of the strike and immediate pre-strike period was the great influence of wild rumour. This is primarily a consequence of the fact that in this company town of a quarter of a million souls there is no independent local newspaper. Events in Jamshedpur are reported in the Patna and Calcutta press only occasionally and then in very cursory fashion. In the absence of any effective medium of local news coverage and reportage, what goes on in the Company and the town gets transmitted by gossip. Consequently, much of importance is not known or is known only in distorted form. The situation lends itself to the most dangerous possibilities, which the Communists were able to take advantage of.

This is no reflection on the Company. In fact, a paper run (or even financed) by the Company could never achieve the reputation for independence and objectivity that is necessary if inflammatory hearsay is to be kept to a minimum. The problem is not an easy one to solve. In 1957 it was estimated that the combined daily circulation of all newspapers in Jamshedpur was not much more than five thousand copies. In other words, Jamshedpur is not a town of newspaper readers. However, a local paper, devoted largely to local news, might well find a much larger audience. To be effective, such a newspaper would have to establish a reputation for independent and indefatigable reporting of all events that occurred. This sort of enterprise might be somewhat difficult for the Tata Iron and Steel Company to tolerate in its town. On the other hand, the long-run advantages in terms of stability and citizen responsibility might be very great.

Report on Dalda... 1

Its effect on health

What is the authoritative view on vanaspati in general and DALDA in particular? Here, in layman's language, is a summary of the scientific facts on a topic of importance to all. In future Reports, it is hoped to deal with DALDA Vanaspati's role in nutrition, its place in the diet and so on.

The first point to remember about DALDA is that any doctor can confidently give it a good 'health certificate.' It is common ground among leading dietitians and other authorities on nutrition that vanaspati is a wholesome food and that there is no objection from the nutritional standpoint to an increase in its consumption. The Government of India has more than once endorsed this view. In the Lok Sabha on 10th June 1952 the Prime Minister stated: "Government are quite clear and convinced of the fact that the use of vanaspati is not harmful to health. By repeated scientific and medical tests it has been found that vanaspati or its like has been used in three-fourths of the world and nobody has suffered from it." And of course DALDA, like all vanaspati, is manufactured according to strict Government specifications.

Anyone who visits the Hindustan Lever factories where DALDA brand Vanaspati is made, will come away full of confidence in the safe, wholesome quality of this popular cooking medium. DALDA is untouched by hand at any stage of manufacture and the most rigid hygienic precautions are taken to preserve its purity. The double-lid tins in which it is packed are a further assurance of its freshness and freedom from contamination.

So much for the negative aspect—what about DALDA's positive food value?

Fats are an essential item in everybody's diet: they are our main source of energy (providing $2\frac{1}{2}$ times as much as wheat or rice). In India milk and milk products cannot alone supply the recommended fat requirement of 2 oz per head per day (and in any event milk is best consumed as milk, because it provides much-needed animal protein, calcium and vitamins). DALDA helps to make good the short supply of fat.

Extra food value

Authoritative scientific evidence shows that hydrogenated oils as used in vanaspati possess the same energy and food value as the original

oils from which they are prepared. Research also demonstrates that as a source of fat, they are as good as ghee or butter. Indeed, DALDA has a higher calorific value than butter since the latter contains a certain amount of water.

Essential vitamins

We need fats for energy: we also need them as carriers of the valuable, health-giving and body-building Vitamins A and D. As recommended by the Indian Council of Medical Research, DALDA has 700 International Units of Vitamin A added to every ounce—as much as there is in good ghee. Vitamin A promotes sound growth, fights infection, and helps to keep the eyes and skin healthy. Vitamin D (of which 56 I.U. are added to DALDA) helps to build firm, strong bones. Thus DALDA adds much-needed extra nourishment to the daily diet of millions of people.

DALDA and digestion

DALDA has a low melting point and so is easily digested and utilised by the body. Research by nutrition experts has clearly shown that hydrogenated oils are as digestible as butter fat and liquid vegetable oils. Of course, anyone may suffer indigestion after over-eating food cooked with vanaspati—but for this he has only his over-eating to blame.

To sum up, DALDA is a hygienically prepared and reasonably priced cooking medium which supplies the valuable fats and vitamins so often lacking in the Indian diet.

WHY WE PUBLISH THIS REPORT

In millions of homes throughout India, the DALDA tin is a familiar sight, showing how many people now rely on this famous vanaspati. Nevertheless, even some "well-informed" people appear to be unaware that DALDA Vanaspati is "more than a cooking medium," that it is in fact a wholesome, nourishing food in itself. This Report should help to provide the reassurance they need.

HINDUSTAN LEVER LIMITED, BOMBAY

Changing Population Growth Rate Its Effect on Per Capita National Income

Ranjan Kumar Sen

IN deriving the per capita national income (pcNI) from the total national income relating to a current period in India, the Census 1941-51 population growth rate is assumed. No firm estimate of the current growth rate is, however, available. A number of population projections have been made with implicit growth rates at higher levels than the Census rate, and some others with lower rates. This paper illustrates, on certain simple assumptions, the percentage differences in the pcNI corresponding to variations in the "true" growth rate from the assumed.

Method

The total national income at time t , reckoned from the base year 1951, in India, $I(t)$ is built up from the national incomes of two sectors—the first sector (agriculture and related industries, mining, and manufacturing establishments) using the product approach, contributing the national income $I(t_1)$, the computation of which does not involve any assumption about the growth rate, to the total national income, and the second sector (other industries) the income approach, contributing $I(t_2)$. The pcNI at time t , $i(t)$ is then given by

$$i(t) = [I(t_1) + I(t_2)]/P(t)$$

where $P(t)$ is the population at time t , obtained by using the growth rate r .

The national income from the income sector can be written as

$$I(t_2) = S[G(t_2j) \times i(t_2j)]$$

where $G(t_2j)$ is the "true" number of gainfully employed, and $i(t_2j)$ the average income per gainfully employed, in the j -th industry in the income sector at time t , and S indi-

cates the sum over all the industries in the income sector.

The average income per gainfully employed in the j -th industry in the income sector, $i(t_2j)$, as calculated is not affected by a variation in the growth rate as such. If $P'(t)$ is the total population obtained on an assumed growth rate r' , and $G'(t_2j)$ the corresponding number gainfully employed in the j -th industry in the income sector at time t , then assuming that

$$G(t_2j)/P(t) = G'(t_2j)/P'(t)$$

the contributions to the pcNI from the income sector on "true" and assumed rates become the same and so the difference between the "true" pcNI and the pcNI $i'(t)$, obtained by using the rate r' , becomes equal to the difference between the contributions to the pcNI from the product sector on "true" and assumed rates, i e,

$$i(t) - i'(t) = I(t_1) \times [1/P(t) - 1/P'(t)]$$

Results

The percentage differences in the pcNI*

$$100 [i(t) - i'(t)]/i(t)$$

* Neglecting terms of second and higher orders in r and r' the percentage difference in the pcNI takes the simple form, $ct(r'-r)$, where $c = I(t_1)/I(t)$ is the proportional contribution by the product sector to the total national income. This equation cannot be operated on as c is not currently known; what is known is $c' = I(t_1)/I'(t)$, where $I'(t)$ is the total national income, obtained on the growth rate r' . However, for rough calculations, 0.6 can be substituted for c in the above equation.

Percentage differences in the per capita national income for different growth rates other than the assumed, 1.3 per cent, for 1952-53 to 1956-57.

true growth rate (percentage per year)	percentage difference in the per capita national income				
	1952-53	1953-54	1954-55	1955-56	1956-57
(1)	(2)	(3)	(4)	(5)	(6)
1.0	0.2	0.4	0.5	0.7	0.9
1.8	-0.4	-0.7	-0.9	-1.1	-1.5
2.0	-0.6	-1.0	-1.3	-1.6	-2.1
2.6	-1.1	-1.8	-2.3	-2.9	-3.8
3.0	-1.4	-2.4	-3.0	-3.8	-5.0

calculated from the above equation for different arithmetic growth rates other than that assumed (r') of 1.3 per cent per year are shown in the Table for the years 1952-53 to 1956-57. Taking, for example, the period most remote from the base year 1951, viz, 1956-57, it is seen that if the "true" rate is 1.8 per cent, the pcNI of Rs 294.3 (at current prices), calculated on basis of the assumed rate, would be -1.5 per cent off the "true" pcNI; if the "true" rate is 2.6 per cent, double that of the assumed, the percentage difference in the pcNI is -3.8 per cent, and if the "true" rate is as high as 3.0 per cent, the difference is -5.0 per cent. The percentage differences for years closer to the base period are naturally much smaller.

Further refinements are possible. The percentage differences are, however, not likely to differ materially from those obtained on basis of the simple assumptions made.

References

'Final Report of the National Income Committee', February 1954, Government of India.

'Estimates of National Income, 1948-49 to 1956-57', March 1958, Government of India.

Neyveli Thermal Power Station

THE detailed project report on the Thermal Power Station in Neyveli of a capacity of 250,000 kw, was submitted last week by the representatives of Soviet Government to the Government of India. The report on the development of the basic drug industry in India, prepared by Soviet experts at the invitation of the Government of India was also submitted last week.

The establishment of a Thermal Power Station in Neyveli, based on lignite, was included in the agreement concluded between the two Governments on November 9, 1957. The agreement provides for a credit arrangement of 500 million rubles for setting up five industrial enterprises. The other enterprises are: a heavy machine building plant, a coal mining machinery plant, an optical glass factory and enterprises for mining and treating of coal.

Around Bombay Markets

Firm Trend

ALTHOUGH activity was somewhat subdued towards the week-end, following developments in Pakistan and the possibility of a curtailment in the working hours of cotton mills, Dalal Street has been in a mood to move upward. Viewed against the prevailing trend of industrial production and yields, this may look a little paradoxical. Thus, while the index of industrial production, with 1951 as the base, came down from 146.9 in July 1957 to 128.2 in June 1958 (the last month for which complete figures are available) and continues to present a disquieting trend, the index of variable dividend industrial securities (1952-53=100) shot up from 123.0 in the second week of October 1957 to 142.5 during the corresponding period this year. Likewise, yields have fallen very low as a result of prevailing high price level. Market observers who thought that these two factors would check further rise in equity values are now having second thoughts. Almost all the counters stood firm and a number of them recorded sizeable gains despite a three-week settlement.

The stock exchange is essentially a futures market in which genuine investors are generally supposed to take a long-term view of industrial prosperity. The slackening off of the rate of growth of industrial production must therefore be regarded by them as a temporary phenomenon and they must also feel confident that soon the market would pick up once official policy was suitably changed. Such an optimistic attitude coupled with easy money conditions has been responsible primarily for the prevailing bullish fervour. But the crucial question is how far this rise is justifiable in view of the prevailing economic conditions. Shortage of consumer goods on the one hand and extreme scarcity of foreign exchange on the other have placed the economy in a strait jacket.

Cotton

Stabilizing Factors

IN contrast to the share market, cotton futures were erratic with prices moving up and down on alternative bouts of buying and selling.

The undertone continued to be weak. The market which was fairly steady in the beginning of the week suddenly turned bearish, following the general disappointment over the long-awaited and much-expected export promotion drive and duty reduction. Consequently, Jarilla March touched a new low of the season at Rs 604.75. The enthusiasm was further chilled by the reports that some of the mills were thinking of sealing about 10 per cent of their looms. Sewri remained featureless.

The position with regard to raw cotton export is far from satisfactory. It is reported that from the previous quota of 30,000 bales, there is still a balance of 12,935 bales left. Traders argue that in the absence of any firm indication by the Government in regard to export duty, foreign buyers are not keen to cover their requirements. Overseas inquiry is very poor. The following table showing the quotas announced and the quantity passed for shipment clearly indicates the position:

Variety	Quota released	Quantity passed for shipment of quota	Balance
Bengal	35,300	19,498	15,802
25/32"	30,000	17,065	12,935
3/4"	61,200	26,078	35,122
New crop			
Bengal	150,000	100	149,900
3/4"	100,000	—	100,000

Notwithstanding all this, however, a major fall in cotton prices is considered unlikely. This is because of the downward revision of the crop estimate, in view of the recent reports regarding the damage caused to crops by pests, to 52-53 lakh bales from the original estimate of 57 lakh bales. A smaller crop and the fear that the Government might intervene if prices go down to uneconomic levels should check any big fall in cotton prices. These two factors are thus acting as powerful stabilising forces.

Oilseeds

Narrow Movements

THE oilseeds market which started on a quieter note with prices moving within a narrow range

picked up following the political developments in Formosa and rumours regarding the issue of fresh export quota for H P S groundnut and groundnut oil cake. Fluctuations over the week, however, were narrow.

	Closing 22-10-1958	Closing 29-10-1958
Groundnut (Feb)	163.75	162.12
Castorseed (May)	145.37	144.37
Cottonseed (Feb)	104.00	104.00
Linseed (May)	30.87	30.56

The market, which reacted favourably to the announcement of an extension of shipment period for H P S groundnut, wants a further release of about 20,000 tons upto the end of March. At prevailing price trends, business is believed to be possible for Feb/March shipments.

As regards exports of groundnut, the position appears to be a little difficult. Trend all over the world is somewhat bearish. This is attributed to the excellent crop reports received from a number of important producing countries such as Argentina, British West Africa, Nigeria, United States and above all China, which is expected to reap a harvest of 63,30,000 tons of peanuts during the current year, recording an increase of nearly 139 per cent over the last year's performance. This enormous increase in supply is bound to affect the market adversely, and Indian sellers would be well advised to sell as much as possible when the prices are relatively attractive.

Export business in groundnut oil seems to be equally difficult. As this country is being gradually pushed out of international markets, the Government should take immediate export promotion measures to increase our exports of groundnut oil.

Company Note

TATA CHEMICALS

THE sales of Tata Chemicals during the year ended 30th June 1958 increased from Rs 266 lakhs in the previous year to Rs 342 lakhs. The gross profit margin, however, declined from 8.2 per cent to 6.8 per cent. While profits before tax increased from Rs 21.92 lakhs to Rs

THE ECONOMIC WEEKLY

November 1, 1958

23.22 lakhs, after providing less depreciation at Rs 17.25 lakhs against Rs 26.57 lakhs, taxation took away a larger slice at Rs 12.42 lakhs against Rs 7.97 lakhs. Net profit after tax has declined, therefore, from Rs 13.95 lakhs to Rs 10.80 lakhs. Setting aside 75 per cent of the development rebate earned, dividend on ordinary shares had to be reduced and even dividend at this lower rate has to be paid by drawing Rs 2.80 lakhs from reserves.

A part of the decline in profits is attributable to the erroneous over-

valuation of stocks to the extent of Rs 1.5 lakhs in the previous year. This is, however, a minor matter. The unfavourable results of the year are largely due to higher manufacturing costs, and a donation of Rs 1.3 lakhs to Congress Party funds, which together account for Rs 13.17 lakhs.

The net block has expanded from Rs 248 lakhs to Rs 286 lakhs, and trade investments have risen from Rs 1.49 lakhs to Rs 6.90 lakhs largely on account of the company's holding in Tata Fison. The share capital of the company increased during

the year from Rs 208 lakhs to Rs 264 lakhs, and reserves went up to nearly Rs 10 lakhs from Rs 9 lakhs.

In addition to expanding the production of chemicals the company has been manufacturing for some time, the company has also undertaken the manufacture of a number of new products, which are expected to be put on the market in the current year. The expansion schemes which had earlier been estimated to cost Rs 424 lakhs are now expected to cost Rs 510 lakhs.

The company has been granted a loan of Rs one crore by the Export-Import Bank of the U S A.

Reserve Bank of India

APPLICATIONS are invited for the following posts in the various departments of the Reserve Bank of India :—

(A) POSTS AND SCALES OF PAY

Rural Credit Officers,
Agricultural Credit Department.
Probationary Assistants

Rs. 375-55-815 E.B. 55-925-60-1045

Rs. 250-25-450 E.B. 25-650

Economic Assistants,
Agricultural Credit Department

Rs. 175-12-50-300 E.B. 20-440

Note: Candidates possessing exceptionally good qualifications and experience of value to the Bank may be given a higher starting pay in the prescribed scales.

In addition to pay, the selected candidates will be eligible to draw local pay, house allowance and dearness allowance at the rates prescribed by the Bank from time to time.

(B) AGE LIMITS AS ON 1st NOVEMBER 1958

Rural Credit Officers

Candidates should not ordinarily be over 30 years of age but the age limit may be extended upto 35 years in the case of candidates with exceptionally good qualifications and/or experience of value to the Bank.

Probationary Assistants

Between 21 and 24 years.

Economic Assistants

Between 18 and 24 years.

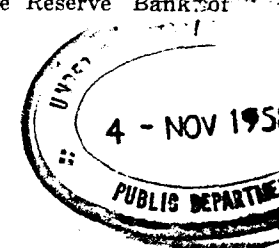
The maximum age limit is relaxable but not beyond 30 years in the case of—

1. Probationary Assistants, possessing special qualifications and experience of value to the Bank,
2. candidates with approved war service,
3. ex-employees of Banking Institutions whose services had to be terminated for reasons of economy or as a result of the Banks going into liquidation,
4. personnel retrenched from the Government Offices after at least one year's service applying through Employment Exchanges, and
5. candidates belonging to the Scheduled Castes or Scheduled Tribes.

(C) QUALIFICATIONS

1. Rural Credit Officers, Agricultural Credit Department

Applicants should possess very high academic qualifications of Indian or Foreign Universities (preferably post graduate) in Economics, Sociology or other Social Sciences, and possess degrees which are either first class or high second class. Special study or knowledge of rural economics or rural sociology will be an



2. Probationary Assistants, Agricultural Credit Department

Applicants should possess a first or high second class Master's degree of an Indian or Foreign University in Economics, Sociology or other Social Sciences or in Commerce. Special study or knowledge of rural economics or rural sociology will be an additional qualification; so also will be the experience gained in a responsible position in a Co-operative Department or in a Co-operative Institution. Due weightage will be given to the successful completion of the courses organised by the Central Committee for Co-operative Training at its training centres.

3. Economic Assistants, Agricultural Credit Department

Applicants should possess a high second class Master's degree or a first class Bachelor's degree in Economics or Commerce of an Indian or Foreign University and have practical experience in the Co-operative Department of any State in India or abroad or in a Co-operative Institution of standing. Specialised study in Rural Sociology will be an additional qualification. Due weightage will be given to the successful completion of the courses organised by the Central Committee for Co-operative Training at its training centres.

Note:—Experience in community development, small scale and cottage industries, marketing, training and publicity etc. will be given due weightage for the posts in the Agricultural Credit Department and especially for the posts of Rural Credit Officers and knowledge of regional languages such as Hindi, Bengali, Oriya, Kannada, Marathi will be an additional qualification.

4. Probationary Assistants, Department of Research and Statistics

Applicants should possess a first or high second class Master's degree in Economics or Agricultural Economics or Commerce of an Indian or foreign university. A period of research work in one or more of the subjects, viz. (a) Agricultural Economics (b) Co-operation (c) Rural Sociology or experience of field investigation work, or experience gained in a responsible position in a co-operative institution or co-operative department will be considered as an additional qualification.

5. Probationary Assistants in Department of Banking Operations and on the General Side.

Applicants should have a brilliant academic record with a first or high second class Master's degree of a recognised Indian or Foreign University in Economics, Commerce, Banking, Accountancy or Law as a special subject. Preference will be given to the candidates possessing practical experience of commercial banking in a supervisory capacity and who have passed the Institute of Bankers' Examination.

THE BOARD WILL INSIST ON A VERY HIGH STANDARD OF SUITABILITY IN MAKING SELECTIONS FOR THE ABOVE POSTS AND ONLY CANDIDATES WHO POSSESS GOOD ACADEMIC QUALIFICATIONS AND ADEQUATE EXPERIENCE OF THE TYPE SPECIFIED ARE ADVISED TO APPLY.

2. Candidates selected must be prepared to serve in any office of the Bank in India and to undertake tours when required.

3. Candidates who wish to apply for more than one category of posts must submit separate applications accompanied by separate application fees and should clearly indicate the post and the department for which they have applied.

Applicants for all the above posts except Economic Assistants must remit with their applications a fee of Rs. 7.50 for each category of post in each department by cheque or bank draft on a Scheduled Bank payable at Bombay or by postal order. Applicants for the posts of Economic Assistants must remit a fee of Rs. 2.00. The application fee is in no case refundable. Bonafide refugee candidates not in employment applying through the Employment Exchanges are exempted from payment of application fees while in the case of candidates belonging to Scheduled Castes/Scheduled Tribes, the fee will be reduced to ¼th.

Applications in the candidate's own handwriting in the prescribed forms obtainable from the Reserve Bank's offices at Bombay, Calcutta, Kanpur, New Delhi, Nagpur, Madras, Bangalore, Lucknow and Trivandrum accompanied by copies (originals should not be sent) of at least two testimonials, and copies of statements of marks secured in Graduate and Post Graduate degree examinations should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay No. 1 so as to reach him on or before the 22nd November 1958.

Candidates should also indicate in their applications whether they had applied previously for a similar post in the Reserve Bank and if so with what result.

Candidates already in service must submit their applications through their employers. Candidates belonging to Scheduled Castes/Scheduled Tribes should mention this fact prominently on their applications and also enclose a copy of certificate to that effect from a competent authority.

4. Appointments will be subject to candidates being found medically fit for service in the Bank.

5. If any candidate desires to have his application acknowledged, he should send it by "Registered Post Acknowledgement Due". Apart from those who may be specially called, interviews will not be granted to candidates nor will the Bank enter into correspondence with them.

6. Canvassing will be regarded as disqualification.

NOTICE

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

Rohtas Industries Limited

Notice is hereby given that an Extraordinary General Meeting of the members of the above named Company will be held at the Registered Office of the Company at Dalmianagar on Saturday, the 15th November, 1958 at 11-30 A.M. to consider and if thought fit, to pass, with or without modification the following resolutions, which will be proposed as Special Resolutions, namely:—

1. "Resolved that a sum of Rs. 16,20,209/- being the amount of Share Premium and Rs. 6,59,791/- being portion of the undivided profits of the Company standing at the credit of the General Reserve be capitalised and that this amount be used as a Capital Bonus which shall be applied for and on behalf of the holders of 22,80,000 Ordinary Shares of Rs. 10/- each being the existing Paid-up Capital of the Company, in payment in full for 2,28,000 new Ordinary Shares of Rs. 10/- each and that such 2,28,000 new Ordinary Shares created as fully paid up shall be accordingly allotted to such persons respectively in the proportion of one new Ordinary Share to the holders of every 10 existing Ordinary Shares standing registered in the Register of Members on the 31st day of October, 1958 and that the said new shares so distributed shall rank in all respects pari-passu with the existing Ordinary Shares save and except that they will not be entitled to dividend declared in respect of the financial period of the Company ended 31st March, 1958, and shall also be treated for all purposes as an increase of the Subscribed and paid up Capital of the Company."

2. "Resolved that pursuant to the above resolution and in satisfaction of the said Capital Bonus, the Directors be and they are hereby directed to allot and distribute 2,28,000 new Ordinary Shares of Rs. 10/- each credited as fully paid up amongst the persons whose names stand registered in the Register of Members of the Company on the 31st day of October, 1958 as holders of the 22,80,000 existing Ordinary Shares of the Company in the proportion of one such new share of Rs. 10/- each for every 10 existing Ordinary Shares of Rs. 10/- each so registered in their names with the proviso that in the case of non-resident shareholders the allotment and distribution of newly created Bonus Shares shall not be made until such time as sanction is obtained from the Reserve Bank of India in this connection."

3. "Resolved that for the purpose of giving effect to the above the Directors are empowered to settle any difficulty which may arise in regard to the distribution as they think expedient and in particular may issue fractional certificates on such terms as the Directors consider proper."

The Share Transfer Books of the Company will remain closed from 31st October to 15th November, 1958, both days inclusive.

By Order of the Board
For Sahu Jain Ltd.,

A. K. Jain
Managing Director,
Managing Agents.

Calcutta,
18-10-58.

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

Necessary consent for the issue of Bonus Shares by capitalisation from the Share Premium Account and a portion from the General Reserve as aforesaid has been obtained from the Controller of Capital Issues. Requisite approval has been also obtained from the Industrial Finance Corporation of India.

An application has been made to the Reserve Bank of India seeking their consent for allotment of Bonus Shares to the non-resident shareholders.

The interest of the Directors and the Managing Agents of the Company, in the proposed issue shall be to the extent of the shares, they will receive in proportion to their holdings.

Record Import Applications

DURING the import licensing period, April to September, 1958, the Import Trade Control Organization disposed of 1,41,691 applications for import licences out of a total of 1,42,370 applications received during the period. The number of applications received was the highest for any licensing period since January 1957. The number disposed of was higher than the figure for the previous half-year, October 1957 to March 1958, when 1,35,829 applications were disposed of. At the end of the period, only 679 applications were pending.

During the half-year, 98,477 import licences of a total value of Rs 263.86 crores were issued by September 13, 1958, as compared with the previous half-year when 80,964 licences of the value of Rs 299 crores were issued.

During the period 42 firms were black-listed for contravention of Import and Export Control Regulations, etc.

Aid to Handicrafts for Exports

TO encourage production of handicrafts for export and for improving internal marketing Government has sanctioned financial assistance to different organisations. A loan of Rs four lakhs has been sanctioned to the Indian Handicrafts Development Corporation for the current financial year. Another Rs four lakhs has been sanctioned to the Indian Cooperative Union.

The Corporation, set up by Government in April this year, will organise production of handicrafts on commercial basis to ensure prompt supply against orders particularly in regard to exports. Supplementing the efforts being made at present by private as well as official agencies, it will generally assist in promoting the development of handicrafts. The amount now sanctioned will be utilised by the Corporation for giving aid to private parties and co-operatives to finance firm orders for exports of handicrafts.

The loan to the Indian Co-operative Union Limited, New Delhi has been sanctioned for running the Central Cottage Industries Emporium.

A scheme to open show rooms at the All India Handicrafts Board's pilot and design centres at Bombay, Calcutta and Delhi has been approved by the Government of India. A sum of nearly Rs two lakhs has been sanctioned to the Board for the purpose.

CURRENT STATISTICS

BANKING RETURNS					INDEX NUMBER OF WHOLESALE PRICES				
Reserve Bank	Rs Crores				(Base : 1952-53=100)				
	Latest Week†	Week Ago	Month Ago	Year Ago	Group and Sub-Group	WEEK ENDED			
						4-10-58	27-9-58	9-9-58	5-10-57
1. Note circulation	1544.70	1514.80	1515.99	1486.20	Food Articles	120.4	120.6	121.5	107.1
2. Rupee Coin	39.17	138.80	139.97	133.72	Cereals	113.7	113.4	115.1	101.7
3. Deposits					Pulses	105.7	105.4	105.4	82.4
a) Central					Fruits & Veg.	123.6	124.8	123.8	107.9
Government's	49.00	51.32	48.54	52.55	Milk and Ghee	107.8	107.0	110.4	107.6
b) Banks'	112.05	112.97	104.60	106.91	Edible Oils	130.6	133.9	130.2	128.0
c) Other					Fish, Eggs & Meat	111.9	114.5	114.9	96.3
Government's	31.97	36.13	26.11	11.02	Sugar & Gur	135.6	135.6	135.5	111.3
d) Others'	114.48	114.36	113.27	111.73	Others	157.0	157.5	157.7	128.0
4. Foreign Securities	164.68	164.68	169.63	429.47	Liquor and Tobacco	92.8	91.3	90.5	94.3
5. Balances held					Tobacco	91.1	89.4	88.6	92.6
abroad	14.74	15.07	14.21	15.39	Fuel, Power, Light & Lubricants	115.8	116.0	116.1	115.2
6. Rupee Securities	1131.36	1131.37	1129.37	950.78	Industrial Raw Materials	117.3	118.5	118.8	114.2
7. Investments	374.37	375.30	300.71	241.84	Fibres	105.9	105.9	109.0	112.9
8. Loans and advances					Oilseeds	134.8	133.2	136.0	119.8
to Governments	16.24	15.90	13.67	49.92	Minerals	107.3	107.3	107.3	109.1
9. Other loans and advances	53.06	53.02	51.74	67.87	Others	107.0	106.3	106.0	106.6
Scheduled Banks					Manufactures	108.9	108.9	108.8	108.8
1. Demand liabilities (net)	694.64	697.23	733.69	705.73	Intermediate Products	110.5	111.4	111.4	106.7
2. Time Liabilities	838.00	831.24	843.04	627.15	Finished Products	108.6	108.5	108.4	109.1
3. Cash on hand	38.94	38.36	40.86	42.02	Textiles	103.9	103.8	103.7	108.4
4. Borrowings from Reserve Bank	1.45	1.73	5.37	31.19	Cotton	111.8	111.8	111.7	116.8
of which against Usance Bills	0.97	1.10	3.43	26.81	Jute	87.5	86.9	87.2	-
5. Advances and Bills discounted	491.12	502.48	511.01	803.20	Woollen	105.9	105.9	105.9	103.0
of which State Bank's	161.67	162.67	164.43	162.64	Silk & Rayon	96.3	96.8	95.7	82.6
6. Invst. in Govt. Sec. of which State Bank's	594.90	594.71	588.14	335.09	Metal Products	143.1	143.0	143.0	143.3
Cheque Clearance	113.51	172.07	164.78	61.98	Chemicals	107.9	108.4	108.8	98.9
					Oilcakes	139.2	139.0	135.0	118.1
					Machinery and Trans Equipment	103.5	103.5	103.5	101.6
					Others	114.1	113.8	113.8	110.6
					All Commodities	115.9	116.1	116.6	108

COAL PRODUCTION AND DISTRIBUTION				
(Monthly Average or Calendar Months) ('000 tons)				
	Raisings	Despatches	Stock at Pit heads*	
1955	3,184	2,742	3,608	
1956	3,286	2,913	2,766	
1957	3,628	3,137	3,275	
1956: July	3,165	3,165	3,379	
Aug	3,308	3,176	3,018	
Sep	3,123	2,819	2,881	
Oct	3,177	2,940	2,662	
Nov	3,323	3,026	2,566	
Dec	3,678	3,038	2,766	
1957: Jan	3,627	3,138	2,780	
Feb	3,519	2,841	3,029	
Mar	3,653	3,251	3,000	
April	3,726	3,158	3,087	
May	3,794	3,187	3,246	
June	3,330	2,915	3,252	
July	3,331	3,045	3,091	
Aug	3,376	3,239	2,780	
Sept	3,647	3,193	2,755	
Oct	3,555	3,321	2,538	
Nov	3,930	3,160	2,835	
Dec	4,051	3,163	3,275	
1958: Jan	3,947	3,321	3,418	
Feb	3,712	3,063	3,655	
Mar	3,701	3,351	3,523	
April	3,802	3,433	3,422	
May	3,834	3,372	3,464	
June	3,554	-	3,452	
July	3,749	-	3,537	

Bombay Money Rates (per cent per annum)				
	17-10-58	10-10-58	19-9-58	18-10-57
Call Money				
From banks	3	2 $\frac{1}{8}$ -3	2 $\frac{1}{8}$ -3 $\frac{1}{2}$	2 $\frac{3}{4}$ -4 $\frac{1}{2}$
From public	4	3 $\frac{1}{2}$ -3 $\frac{3}{4}$	2 $\frac{3}{4}$ -4 $\frac{3}{8}$	3 $\frac{1}{2}$ -4 $\frac{3}{8}$
Three Months	2 $\frac{1}{2}$ -4 $\frac{1}{2}$	2 $\frac{1}{2}$ -4 $\frac{3}{8}$	2 $\frac{1}{2}$ -4 $\frac{3}{8}$	2 $\frac{1}{2}$ -4 $\frac{1}{2}$
Six Months	2-4	2-4 $\frac{1}{8}$	2-4 $\frac{1}{8}$	2-4 $\frac{1}{8}$
Bombay Bullion (In Rupees and nP)				
	30-10-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	110.28	110.44	107.00	103.26
Forward	111.47	110.25	107.50	107.87
Silver (per 100 tolas)				
Spot	187.42	188.69	187.00	182.50
Forward	188.75	189.66	187.44	183.50

* At or about the end of each period. — = not available.

Sources: DCIS, Calcutta, and Central Statistical Organisation, New Delhi.

* At or about the end of each period. — = not available.
Sources: DCIS, Calcutta, and Central Statistical Organisation, New Delhi.

INDEX NUMBER OF AGRICULTURAL PRODUCTION

	Weight	(Base 1949-50 = 100)							
		19:50-51	51-52	52-53	53-54	54-55	55-56	56-57	57-58
Kharif Cereals	47.8	87.7	90.4	98.5	120.0	110.4	111.8	116.0	107.5
Rice	35.3	87.9	90.1	96.8	118.6	105.8	114.2	119.1	104.5
Jowar	5.0	89.8	96.4	106.6	117.0	132.3	96.7	105.9	117.7
Bajra	2.7	83.8	75.8	94.8	135.0	107.8	108.3	92.0	113.6
Maize	2.1	84.4	101.3	123.3	130.2	127.5	112.3	132.0	134.4
Ragi	1.2	87.6	80.4	82.0	115.0	108.6	119.7	112.9	113.0
Small Millets	1.5	88.9	97.4	97.9	125.9	126.8	105.1	101.3	90.7
Rabi Cereals	10.5	102.0	95.1	114.5	120.6	133.3	128.9	137.7	111.9
Wheat	8.5	101.1	93.9	112.7	120.0	135.4	131.3	141.6	116.4
Barley	2.0	105.6	100.0	122.4	123.2	124.4	118.5	120.9	93.0
Cereals	58.3	90.3	91.2	101.4	120.1	114.5	114.9	119.9	108.3
Pulses	8.6	91.7	90.3	98.8	112.0	118.5	118.4	124.5	100.9
Gram	3.7	98.0	88.2	109.2	125.4	145.9	138.9	163.2	123.9
Tur	1.1	91.8	97.7	90.9	99.5	91.8	99.4	106.0	75.7
Other Pulses	3.8	85.6	90.2	90.9	102.6	99.6	103.9	92.1	85.9
Foodgrains	66.9	90.5	91.1	101.1	119.1	115.0	115.3	120.5	107.3
Oilseeds	9.9	98.5	97.4	91.9	103.7	122.6	108.6	118.9	112.3
Groundnut	5.7	101.4	93.0	85.3	100.3	123.6	112.4	124.2	126.3
Sesamum	1.2	101.6	103.2	106.9	127.6	135.1	104.8	100.7	82.7
Rape & Mustard	2.0	94.6	116.0	105.5	107.3	127.7	105.8	128.3	113.2
Linseed	0.8	87.8	77.1	86.0	89.1	90.3	97.1	90.3	63.7
Castorseed	0.2	80.5	82.8	79.7	80.5	95.4	96.1	96.9	75.8
Fibres	4.5	108.6	128.3	128.4	132.1	140.4	149.7	171.4	167.2
Cotton	2.8	110.7	119.2	121.0	151.8	163.6	153.9	182.2	182.9
Jute	1.4	106.3	151.4	148.6	100.0	94.8	135.8	138.7	132.3
Mesta	0.3	100.0	104.8	103.3	98.5	136.5	174.7	223.9	183.5
Plantation Crops	3.6	104.0	109.4	115.7	104.0	113.2	113.6	120.6	121.8
Tea	3.3	103.8	109.6	115.4	100.6	110.4	108.8	114.1	115.0*
Coffee	0.2	112.3	112.7	125.9	146.5	151.8	176.3	216.3*	221.1*
Rubber	0.1	93.8	94.4	106.1	131.8	127.6	146.1	143.9	145.9*
Miscellaneous Crops	15.1	110.3	114.0	101.5	97.4	115.8	120.1	128.0	123.1
Sugarcane	8.7	113.7	122.8	101.6	89.5	115.9	119.8	135.3	127.6
Tobacco	1.9	97.3	78.0	91.3	101.5	95.1	112.9	115.9	108.7*
Potato	1.0	107.4	110.8	128.9	126.5	114.1	120.3	110.0	116.0*
Pepper	1.2	97.2	107.5	102.8	113.3	127.3	132.6	131.6	127.3
Chillies (dry)	2.0	119.4	118.4	98.0	104.9	131.9	122.9	118.4	122.9
Ginger (dry)	0.3	94.4	96.0	89.6	90.9	94.3	105.7	101.0	94.3
Non-Foodgrains	33.1	105.9	110.5	103.8	104.7	120.9	120.0	130.4	125.7
All Commodities	100.0	95.6	97.5	102.0	114.3	117.0	116.9	123.8	113.7

* based on provisional estimates. Note: Indices for 1956-57 and 1957-58 are subject to revision.
Source: Ministry of Food and Agriculture.

ALL INDIA FINAL CROP ESTIMATES

	Area (000 acres)				Production (000 tons)			
	1954-55	1955-56	1956-57	1957-58	1954-55	1955-56	1956-57	1957-58
Cereals	212,025	214,082	217,135	212,717	55,734	54,456	57,245	52,810
Rice	75,949	76,864	79,320	79,027	24,531	26,846	28,282	24,821
Jowar	43,446	42,904	40,367	41,411	9,093	6,602	7,249	8,056
Bajra	27,983	28,042	27,884	27,453	3,421	3,379	2,885	3,565
Maize	9,311	9,116	9,197	9,762	2,939	2,554	3,009	3,064
Ragi	5,711	5,693	5,831	5,897	1,646	1,820	1,715	1,716
Small Millets	13,799	12,713	12,230	11,979	2,456	1,937	1,964	1,759
Wheat	27,517	30,386	33,580	29,657	8,778	8,569	9,314	7,654
Barley	8,309	8,382	8,726	7,531	2,870	2,749	2,827	2,175
Pulses	55,300	57,064	58,215	54,655	10,870	10,831	11,503	9,216
Gram	22,047	24,157	24,265	22,405	5,393	5,331	6,264	4,754
Tur	5,944	5,637	5,686	5,598	1,688	1,830	1,954	1,396
Others	27,309	27,270	28,264	27,652	3,789	3,670	3,285	3,066
Foodgrains	267,325	271,146	275,350	267,372	66,600	65,287	68,748	62,026
Sugarcane*	3,994	4,564	5,057	5,021	56,923	59,317	66,998	63,954
Oilseeds	30,822	29,848	30,778	30,418	6,242	5,705	6,176	5,907
Groundnut†	13,548	12,692	13,450	14,457	4,128	3,862	4,200	4,271
Castorseed	1,394	1,445	1,415	1,325	124	124	124	97
Sesamum	6,501	5,653	5,446	5,268	589	457	442	363
Rape and Mustard	6,025	6,317	6,311	6,050	1,019	848	1,026	905
Linseed	3,354	3,781	4,156	3,318	382	414	384	271
Cotton†	18,684	19,978	19,893	20,158	4,227	4,001	4,735	4,753
Jute**	1,243	1,739	1,908	1,754	2,928	4,197	4,288	4,088
Mesta**	528	572	733	726	1,018	1,159	1,478	1,211

Note: Estimates for 1956-57 and 1957-58 are subject to revision. * In terms of cane † Nuts in shell.

† 000 bales of 392 lbs each

** 000 bales of 400 lbs each

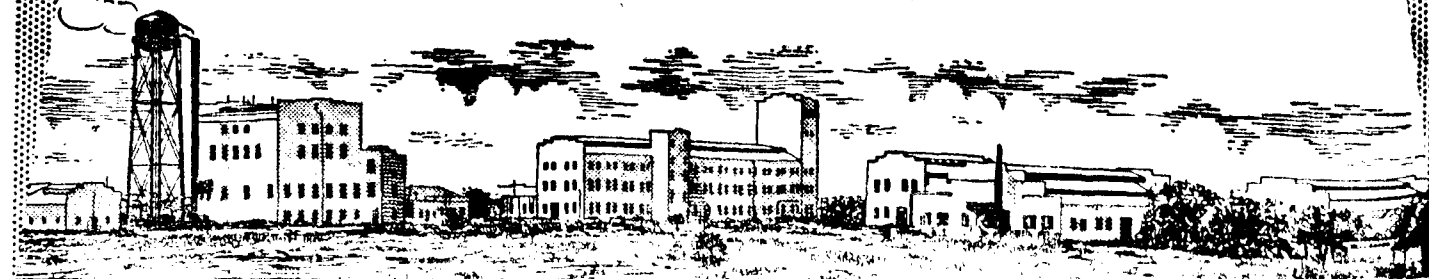
Source: Ministry of Food and Agriculture.

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Bloodthirsty Stupidity

ONE does not know how far Boris Pasternak is to be persecuted and harassed for the sin of putting down on paper a description of his times, not as a politician, but as an artist. This latter qualification is of the very essence. If the author of *Doctor Zhivago* had written a political tract denouncing the foundation on which the Soviet society is built, he would have done so with all the risks and perils of his venture fully in mind, and would presumably have been prepared to face the consequences of his action. That, however, is not what he has done. He has set down in the form of fiction the reality he found staring him in the eye. As a great novelist, he has mirrored his times. For the rulers of his country to distort this artistic endeavour into a political misdemeanour, and to penalise him for this distortion, is the real horror of the Pasternak affair.

Naturally, it is not to be assumed that the novelist did not recognise the bias of his story. But it is in the distortion of this bias through excessive exaggeration that the fact of the unfairness to him consists. And it is here that his allegedly Western champions have served him ill. The widest quoted passages from the book are confined to three pages in a volume of 700. If these had been left in their context and their proper, minor perspective, the storm would not have blown up the top of the kettle. But the West, in seeking to make Pasternak a hero, has ended by making him a martyr. The creator of *Doctor Zhivago* has been sacrificed at the altar of a misguided—and perhaps a mischievous—friendship.

This is a point on which Western critics would do well to dwell for a while. If Khrushchev deserves to be condemned (and he assuredly does) for twisting a literary accomplishment into an ideological scandal, Dulles deserves no less to be condemned for the not dissimilar crime of making the book a grist in the mill of the cold war. There seem to be no clean hands here.

Not the least of the lessons to be drawn from the Pasternak episode is that it is no service to democracy to try and drive the local fighters of totalitarianism from the back seat. Boris Pasternak must have felt fully entitled to pick holes in the social structure in which he exists; and it is not altogether inconceivable that his title to do so might ordinarily have been tolerated, if not positively respected. But when the propagandists of the West took up the domestic protest of the Russian novelist and inflated it to the proportions of an ideological war on an international plane, they both lost Pasternak his right and killed the effect of his exercise of it. There is little doubt that this is how the situation must look to the great man himself. The terms in which he couched his rejection of the Nobel Prize make this clear. He could not accept the award, he said, because of the interpretation placed on it by the society in which he lived. Those are pregnant words. They signify that he felt unable to have his honest picture of the Soviet State rewarded as a piece of treason.

This point is further underlined in the eloquent letter written by the unfortunate novelist to Khrushchev. Pasternak has not retreated from his stand. He has not sought to unsay what he has said; but he is eager to have his criticism restored to its proper perspective. He does not wish it to be thought that he has become Dulles's spokesman in Moscow.

This same attitude is commendably brought out by the novelist's courageous decision to stay on in Russia and suffer whatever might lie there in store for him. It is by every test a brave decision; for Pasternak knows plainly that the stage of forgiveness is past. What lies ahead is continued political denunciation, literary isolation and, indeed, social ostracism. He has deliberately chosen these rather than the "free" and "honoured" existence he could have led in the West, had he preferred to leave his country. Vast royalties await him in Europe and in America; and his emigration from Russia in the present circumstances would undoubtedly make him the toast of every capitalist propagandist. But Pasternak has spurned this easy path—

U P Ministers Resign en bloc

WITH the resignation of Acharya Jugal Kishore, Minister for Labour and Social Welfare and spokesman of the dissident group in the Congress Party, Dr Sampurnanand, the Chief Minister, is supposed to have given the 'impression of being relieved of a nervous strain'. But this relief could not but have been short-lived; for, the first resignation has been followed by seven more Ministerial resignations with yet another strongly indicated. Never have the Congress Cabinet and Party in U P faced a more severe crisis than the latest; and its repercussions are bound to be far-reaching. The immediate cause of the crisis, as publicised is no more than a cover to the group rivalries and wranglings for power that have bedevilled the politics of U P and doubtless, of many other States. The uneasy alliance between the two groups has now ended. The dissident group, led by Shri C B Gupta, is believed to have lost its position of dominance in the Legislature Congress Party in recent months though his followers appear to be still confident of swaying the Party to their viewpoint. In any case, with the two groups more or less balanced in strength, what follows may be a game of seesaw in Ministry-making.

Giving the main reason for resigning from the Cabinet, Acharya Jugal Kishore has said, "The principle I have advocated in my resignation letter has general application.

principally, we think, because he has no desire, whatever the reward, to become the centre of a new campaign against his own land and people. And that is precisely what he would have become if he had made the wrong choice at this age. His decision to remain in his country—in the certainty of ill-treatment and humiliation—is not, as some might suppose, an act of penance. It is a logical and consistent link in the entire chain of Pasternak's thought and action so far. It fits in with his explanation to Khrushchev; it fits in with his reasons for rejecting the Nobel award. It is of one piece with his whole attitude. He will not be rewarded by the West for the wrong reasons; nor would he be rejected by his own people for reasons no less wrong.

And if a choice has to be made between the two, he would rather suffer from the misunderstanding of his own people than profit from the misunderstanding of the West.

Only one point remains to be made. It is idle to pretend that Russia comes out of this whole unfortunate incident with anything but the most drooping colours. That a novelist and poet of undeniable merit should have to suffer for his views in post-Stalin Russia is no credit to the present rulers in the Kremlin. One can only hope that Pasternak's remarkable decision to stay on and face the anger of his people when he could easily have escaped to wealth and adulation will open Russia's eyes to the real character of Doctor Zhivago.

The issue is whether any Chief Minister can deny, or obstruct, the freedom of his colleagues to act according to their lights on organisational questions." Expressed thus in general terms and taken by itself, it does sound like an estimable principle. But when considered in the context of the Chief Minister's view, it takes on a different colour. Dr Sampurnanand's stand has been that Ministers cannot function independently in deliberations of the Pradesh Congress Committee when the issue involved has direct or indirect bearing on Government.

Had there been no serious differences within the Cabinet, such an issue would never have arisen. Members of the Cabinet would have acted as a united team in relation to deliberations at the Pradesh Congress Committee meeting, particularly on issues likely to have an

impact on the Ministry. That is as it should be; else that measure of understanding and spirit of teamwork which are so essential to the smooth working of any Cabinet would be in jeopardy. The position would, of course, be different in regard to purely organisational issues or other issues which have no relevance to the Ministry or its working. There is not much divergence of principle between the viewpoints, as presented in broad terms by the rival exponents. The divergence has been in the practical application of the principle; and here it is not so much devotion to any principle as the compulsion of group rivalries that has been at play. In the circumstances, the solution that has to be striven after is not so much the clarification of a political doctrine as the removal of the present rivalries.

The trouble in U P politics, as elsewhere, does not arise primarily from the conflict between the Legislature and the organisational wing of the party. It goes deeper. The Congress still professes to be a national forum, and much more than a political party. Organisation of enthusiasm is still its prior aim. But in practice, it has nothing much to do except to run the Government and those in the party who are left out from the running of the Government, may not always resign themselves to take the back seat.

Bypassing Calcutta Port?

WITH the silting up of the Hoogly river, the Calcutta port has been going down and going down for years and years. So, it is not news. But the concern of the Minister of Transport and Communications, Shri S K Patil, for the Calcutta port is news. It might even be very important news if he had anything to say on how the river would be revived and the port saved. The development of a deep sea port further down the Hoogly, below Diamond Harbour, which is favoured by the World Bank, does not solve the problems of Calcutta port. The World Bank experts have been impressed by the necessity of expanding the port facilities of the rapidly expanding industrial belt around Calcutta, but the solution that they have in mind is to supplement and not supplant the Calcutta Port. The entire industrial complex of the area and the railway system have developed with the present port as the terminus. Fuller utilisation of the port, therefore, is an essential condition for the fuller utilisation of the social overheads that have been built up over the decades at such a heavy cost. Even if that were the intention, it would be physically impossible to bypass the Calcutta port. A port for big ocean-going steamers will increasingly become necessary with the further development of the industrial belt and if the refinery and the Assam Oil projects come up to expectation, berthing of heavy tankers will have also to be provided for, among other things. In its heyday the Calcutta port was never able nor was it intended to handle ships any bigger than 10,000 tons draught. To-day, the draught in the Hoogly is so low that 7,000 ton ships cannot carry full load and have to be diverted to other ports, mostly to Vizagapatam, to pick up the balance of the load. Shri S K Patil himself pinpointed the situation when he said that the port was not able to utilise even 10 per cent of what is expected of it."

Even if the World Bank proposal for building another port below Diamond Harbour comes through, the problem of saving the Calcutta port will thus remain and the only way in which the port can be saved, the increasing salinity of the

Hoogly arrested and the city's water supply adequately safeguarded is by strengthening the flow of water in the river. The proposal of constructing a channel for diverting water from the Ganga to the Hoogly for this purpose had been mooted many years ago. Many expert bodies have investigated this project and none of them had rejected it as unworkable or not feasible, either on technical or on financial grounds. Against this background, the concern of the Minister of Transport and Communications is particularly intriguing since he had nothing to say on the Farakka or Ganga Barrage project. The World Bank in principle keeps out from all projects which may have the slightest impact, real or imaginary, on any adjacent riparian state or states. This is, presumably, the reason why

it never considered the Bhakra-Nangal project. It would be nothing short of a disaster if the preference of the World Bank, for reasons of its own, for a deep sea port below Hoogly, were made an excuse for deflecting attention from the Ganga Barrage which alone can revive the Hoogly river and restore the Calcutta port to its normal capacity.

It is high time that the Transport Minister got a move on, instead of uttering platitudes about major ports in the country being shallow draught, the future of which was increasingly threatened by silting of sand which was going on rapidly. The least he can do and do immediately is to dispel legitimate suspicion that his implied approval of the World Bank's scheme to the new port does not mean that a final decision has been taken to abandon the proposal of reviving the Hoogly river.

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Greetings

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There will be no issue of The Economic Weekly on November 15 on account of Divali Holidays.

The next issue will be out on November 22, 1958.

Weekly Notes

Action on Textile Committee

THE only recommendation of the last Textile Enquiry Committee which the Government of India immediately acted upon was that of reduction of Excise duties. This was actually announced even before the Committee had submitted its report. The Government has now announced its decisions about the other recommendations. The proposal for setting up a Corporation to take over inefficient mills has been rightly rejected. The other recommendations of the Committee which have been accepted, the Government feels, would make such a body superfluous.

The diagnosis of the Committee that imbalance in the pattern of production has been largely responsible for the present crisis, has been accepted and it has, therefore, been proposed to vest the Textile Commissioner with powers to watch and regulate the pattern of production. How directives from the Textile Commissioner will enable the mills to adjust their production to the changing pattern of demand and consumer preferences beats commonsense. But, for once, the Ministry of Commerce and Industry has been sensible enough to recognise the need for more adequate statistical information about stocks and prices from the production to the consumption end and if this is acted upon, statistics on trade stocks, hitherto a missing link in the chain, would be available for the first time. Since the changes in the pattern of finance and marketing in addition to the decline in exports have been largely responsible for the present glut, Government has decided to liberalise bank credit to the trade in order to enable it to carry normal stocks and thus strengthen one of the buffers which takes a part of the stock.

It is curious, however, that the press note makes no adequate mention of the impact of the decline in exports over the last two years, nor does it seem to assign an important role to it in the accumulation of stocks.

The assessment of consumption at the end of the Second Plan

period at 17.5 yards per head as made by the Committee has been accepted as the more realistic, but the Committee's proposal that regulation of production at any rate in certain centres has been rejected on the ground that the need for such a measure is unlikely to arise. The Government has also refused to impose restrictions on expansion of spinning capacity, since restrictions on yarn exports have been removed, and since this policy will be maintained as a long term measure for three years in the first instance.

While accepting the sealing down of the target of per capita consumption, Government has not commented directly on the Committee's suggestion that the target for expanded production from the handloom sector may have to be restricted. Implicitly, however, it is clear that Government has, for the first time in many years, decided to attach greater importance to the state of the mill industry than to the interests of handloomers.

Direct Dollar Loans?

NEHRU is getting tired and leaving things more and more to others. Shifts in the Cabinet and recent changes in the composition of the Planning Commission suggest also that he has been yielding more to the party than had been his wont in the past. And this is widely interpreted as a move to the right on the part of the Government. How far has the foreign assistance we have received and further assistance that is under negotiation directly contributed to the change? This is not so easy to answer. Expectations persist, however, that a change in the climate for foreign investment is bound to come and that along with it, the condition for private enterprise will be much more favourable than in the past.

Prospects of an immediate accession of strength to private enterprise, here and now, and not in the distant future, revolve on two specific possibilities: direct loans from the U.S. Development Fund and from the counterpart funds arising from the latest PL 480 loan agreement. On the subject of direct loans to private enterprise from the U.S.

Development Loan Fund, Mr. Demster McIntosh, the Managing Director of the Fund, held out some hopes, according to reports of his press conference at Calcutta which appeared in some papers, but not in others. According to one of the Calcutta papers, he is reported to have said that 'the Fund authorities in future, would be giving loans directly to Indian industrial establishments, as they have been doing in other countries'. According to the version appearing in other papers, he did not think that the terms of the next loan from the Development Loan Fund would be any different.

Mr. McIntosh did mention, however, that approaches had been made by Indian business men and that the applications received from private industries in this country, which were not many, had been referred to the Government of India. As details of the next 100 million dollar loan had not been settled, nor the loan agreement signed, there was still hope. Features of the Development Fund Loans, which sustain this hope of 'direct link' for Indian business men, are that they do not require to be spent on dollar goods or repaid in dollars, as in the case of loans from the Export Import Bank. Moreover, in advancing loans to private industrialists, the Fund did not require any guarantee from the Government as in the case of the World Bank.

Newspaper reports, suggesting the possibility of direct loans from the Development Loan Fund to Indian business men, has provoked a correspondent to write as follows:

"Yes, the Americans and Indian business men have long wanted 'direct' links. I suppose that is why some of them like S. P. Jain go abroad. The reasons why Americans want to deal directly with Indian business men are obvious. The Indian business man also finds a direct loan more attractive because thereby he is saved the bother of having to find all the rupees immediately. A loan negotiated by the Government would mean only release of foreign exchange to the private importer who will have to buy the exchange as usual with costs. (That

is what the business man means by his complaint that the Government does not pass on foreign loans to private importers!) There are internal loan associations galore—but why not have one more fool whom you might tackle, especially when he is likely to be a gullible foreigner anxious to salvage private enterprise?"

The Government's claim that direct links might imply non-adherence to over-all priorities, the correspondent goes on to say, is not valid. "The private business man can negotiate a loan only when he has got a licence—and even now he freely negotiates loans from foreign banks or suppliers. The Government of India does, and will continue, to scrutinise specific loans negotiated by private parties before revalidating the licence in question. The real objection is political. But then, should Dr. V. K. R. V. Rao negotiate grants for his Music College directly? And if this is different because Dr. Rao negotiates only with essentially private agencies, that is precisely the reason why the Americans have taken the trouble of setting up the DLF as an agency outside the State Department, and even I. C. A. Anyway, why don't you ask what Government policy is in this regard and whether Mr. McIntosh was speaking after obtaining the Government's approval on this point?"

On second thoughts, after going through the different versions of the reports on the press conference, the first thing to ask is: which version of Mr. McIntosh's speech was the correct one?

Cooley Amendment to PL 480

SPECULATION on the possibility of direct loans to Indian businessmen from the Counterpart Funds of the new P. L. 480 Agreement rests on the Cooley Amendment to Public Law 480 passed in August last year. Section 104 of the Act lays down that the counterpart funds arising from the loans of surplus agricultural produce obtained under the Act may be used for the following purposes:

- To help develop new markets for United States agricultural commodities on a mutually benefiting basis;
- To purchase or contract to purchase strategic and critical materials, within the applicable terms of the Strategic

and Critical Material Stockpile Act;

- To procure military equipment, material, facilities, and services for the common defence;
- For financing the purchase of goods or services for other friendly countries;
- For promoting balanced economic development and trade among nations;

The amendment in the question adds to (e) above:

"for which purposes not more than 25 per centum of the currencies received pursuant to each such agreement shall be available through and under the procedures established by the Export-Import Bank for loans mutually agreeable to said bank and the country with which the agreement is made to United States business firms and branches, subsidiaries, or affiliates of such firms for business development and trade expansion in such countries and for loans to domestic or foreign firms for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of, and markets for, United States agricultural products."

All this is subject to the proviso "that no such loans shall be made for the manufacture of any products to be exported to the United States in competition with the products produced in the United States or for the manufacture or production of any commodity to be marketed in competition with United States agricultural commodities or the products thereof." This need not occupy us here, nor the other purposes for which the counterpart funds may be used such as

- To pay United States obligations abroad;
- For loans to promote multi-lateral trade and economic development, made through established banking facilities of the friendly nation from which the foreign currency was obtained;
- For the financing of international educational exchange activities under the programmes authorised by the United States Congress;
- For translation, publication, distribution of books, periodicals

abroad, not more than \$5 million in any fiscal year.

These are, however, permissive uses of the Funds. None of them are mandatory.

For the question under discussion, the operative part of the amendment is the one authorising loan up to 25 per cent of the counterpart funds to U.S. business firms, and branches, subsidiaries, or affiliates of such firms for business development and trade expansion in this country. Direct loans to Indian businessmen is suggested in the next clause, but it is a very, very restricted one, viz., "for establishment of facilities for aiding in the utilization, distribution or otherwise encouraging the consumption of, and markets for, U.S. agricultural products." Indian firms may qualify for loans from these sources therefore under two heads: (a) as affiliates of U.S. firms, setting up business or manufacture in India, and (b) as wholesalers, cold storage or warehousing companies handling U.S. products obtained under P. L. 480. In the latter capacity, however, cooperative agricultural wholesale societies and warehousing corporations are more likely to qualify than private enterprise in the grains trade.

Age of Cotton Mill Machinery

HOW old is the machinery of our cotton mills and how much of it is obsolete? To what extent have replacement and rehabilitation been effected since the end of the war? These questions have often been asked but they have never been fully answered. The Textile Working Party tried to collect some data on the age of cotton mill machinery. That was in 1951. Response to the questionnaire, which the Technical Sub-committee of the Working Party issued to the mills, was by no means adequate. The answers that came, unsatisfactory though they were, served, nevertheless, to give some idea of the aggregate situation in regard to the condition of the equipment in cotton mills. Fuller information on the age of machinery in Bombay mills is now available in the Memorandum to the Central Wage Board for Cotton Textile Industry submitted by the Indian Cotton Mills Federation. The data relate to the beginning of 1956. They were collected by the mills in Bombay for their evidence before the Rehabilitation Commis-

sion set up under the Chairmanship of Justice K T Desai of the Bombay High Court. Neither the report of the Commission nor the evidence submitted by mills in Bombay to the Commission has, so far, been published.

A very rough comparison of the situation in the middle of 1951, when the Working Party investigated the question, with that at the beginning

of 1956, when Bombay mills collected the information, is now possible. The comparison, however, is subject to the serious limitation that the data supplied by the Bombay mills cover 60 mills while only 38 responded to the Textile Working Party's questionnaire.

These have been brought together in Table I. The table throws some light on change in the age of equip-

ment in the various departments between 1951 and 1956. Judging from the figures given in the table, the looms and sizing machines, which showed the highest incidence of obsolescence among all types of mill machinery, appear to have registered the greatest improvement. The improvement under Inter frames, however, must be deceptive indeed, since these are largely going out of



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use through short-cut processing, which eliminates several intermediate processes.

At first sight, it also appears surprising that the pace of modernisation should be greatest in items of equipment relating to the later processes of the industry and smallest in those of earlier ones like blow room and carding engines, the efficiency of which largely determine the quality and output of the final product. The explanation for this disparity, perhaps, lies in this that the total number of looms installed has remained practically unchanged, and modernisation of weaving sheds has largely taken the form of outright replacement of old by new looms. In the case of preparatory equipment, however, new machinery works side by side with the old, and does not replace the latter to a significant extent. This perhaps leads to a high average of equipment in the earlier, processing stages of production.

Though considerable progress had been made since 1951, the situation in 1956, as suggested by the table, was far from satisfactory. In fact, apart from Combers which are, relatively speaking, innovations recently introduced, and ring frames, in respect of which the Indian industry has generally been ahead save for shortages during and after the war, the overall picture was quite depressing. More than two-thirds of the blow room and carding equipment in 1956 could be considered obsolete, having been installed before 1926. The proportion of sizing machinery and looms belonging to this category was even higher, being three-fourths of the total. In view of considerable advances that have been made in the design of machines since 1926, the equipment installed since that year till the outbreak of the War, cannot be pro-

ductive enough to enable the mills to compete abroad.

Machinery prices are now many times higher than those on the basis of which most mills had provided for depreciation. This has been one of the most intractable of problems faced by industry in capitalist countries all over the world. In many cases, transfers of mills have facilitated revaluation of equipment and amortisation at higher rates, but the mills, thus transferred, have generally been burdened with such out-of-date equipment that revaluation has hardly been of much help. According to the estimates given in the above Memorandum, the mill industry requires Rs 400 to 500 crores to modernise its equipment fully, mills in Bombay alone needing Rs 150 crores.

Census, Global or National?

IN preparation for the world-wide series of censuses to be taken around the year 1960, the United Nations has issued a final version of its proposals on content and procedures under the title: "Principles and Recommendations for National Population Censuses." (Symbol: ST/STAT/SER.M/27*) Although brief, in fact less than thirty pages, the document deals with basic problems of census planning and administration, specific topics on which data are to be collected, tabulations to be made of these data, and possible auxiliary uses of sampling methods. It also includes a report on the progress of national and international activities leading up to the world population census programme, and a useful listing of relevant United Nations publications.

For all the panoply of Statistical and Population Commission Sessions, regional conferences, methodological studies, technical manuals, and numbered draft revisions, the

statement itself is distinguished by a refreshing modesty. The document is frankly described as "a compromise of methods and points of view among a large number of countries in different stages of development, with different needs, resources and census experience." Almost every page suggests alternative possibilities for the consideration or use of countries which for one reason or another do not choose to follow the proposed global standard. It is pointed out that whereas in the 1945-1954 census decade, the emphasis was on ways of increasing international comparability, the aim of the present set of world-wide and regional recommendations is primarily to improve the quality of data for national purposes.

In connection with India's projected Census of 1961, special interest attaches to the discussions of size of locality (in which an important distinction is made between actual population clusters and administrative units such as the "revenue village"), types of household structure in terms of family relationships, and economic characteristics. It is particularly in respect of this last subject that severe criticisms have been voiced of the questions asked and tables constructed in the Census of 1951. Hopes have been expressed that the next Census may provide a wider range of significant economic information, and may present it in a form designed to facilitate its use for policy and planning purposes.

*Statistical Papers, Series M, No 27, Sales No 58. XVII-5, June 1958. Price \$ U. S. 0.30. United Nations, New York.

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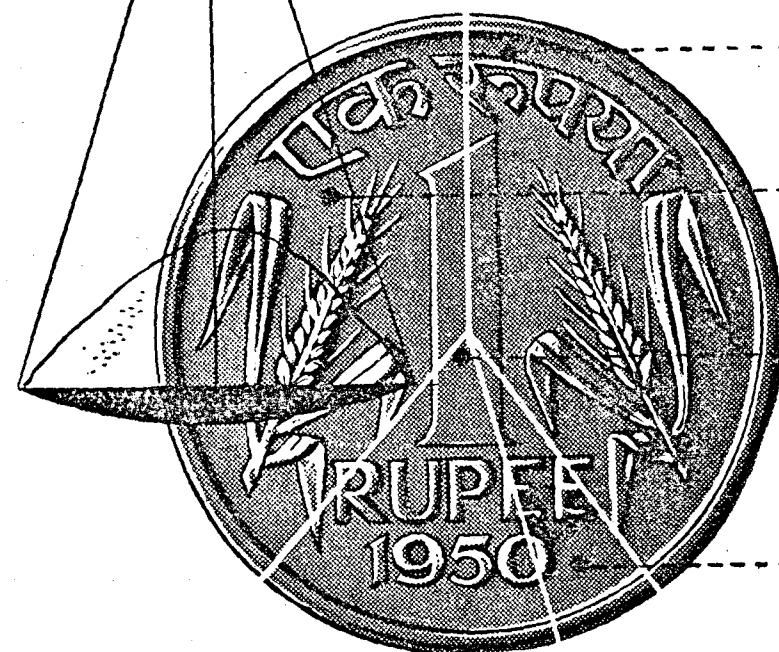
TABLE I
Age of Bombay Mills Equipment

	Installed Prior to 1910		Installed 1911 to 1925		Installed 1926 to 1956	
	1951	1956	1951	1956	1951	1956
Blow Room	29	34	33	32	38	34
Carding Engines	42	40	34	29	24	31
Combers	4	—	3	12	93	88
Inter Frames	44	35	44	38	12	27
Ring Frames	24	18	42	34	34	48
Sizing Machines	47	38	41	39	12	23
Looms	65	42	23	33	12	25

Source: Indian Cotton Mills Federation

Data for 1951 relate to 38 Mills and for 1956 to 60 mills.

For every rupee of sugar you buy...



40 nP.
for Statutory
Cane Price.

38 nP.
for Excise and other
production levies.

16 nP.
for manufacturing
expenses including
Salary, Wages
and Packing.

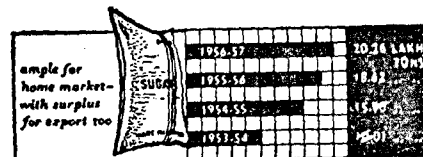
6 nP.
for overhead charges
and profit subject
to taxation.

Sugar is plentiful. The Indian White Sugar Industry has made that possible, by doubling the production from 10.01 lakh tons in 1953-54 to 20.26 lakh tons in 1956-57. Yet when you buy sugar, you probably feel you are being overcharged for the producer's benefit. Actual facts, however, prove this impression to be groundless. From the cost structure given above, you will see that the profit margin allowed to the Industry is low indeed, and is shrinking further. However, nearly 38 per cent of what you pay is for taxes and levies on sugar, which form your contribution to the Second Five Year Plan—an investment in the country's future.

Today the White Sugar Industry provides scope for Indian capital investment of more than 100 crores of

rupees; it provides employment to over 1,40,000 skilled and unskilled workers and 3,600 university educated men, their total earning representing 5% of the national wages and salaries; it supports 20 million cultivators; it constitutes 12% of the total value of production of major Indian industries; it contributes over 65 crores of rupees (@ Rs. 13.19 per maund) in levies to the national exchequer.

It offers even brighter prospects for the country. With a lighter burden—with some of its present-day handicaps removed—this industry can contribute to achieving a more stable national economy. Its upward trend of production can continue to meet the needs of a growing home market and yet leave a surplus for export in order to earn foreign exchange.



Indian WHITE sugar ...

vital to India's national economy

THE INDIAN SUGAR MILLS ASSOCIATION

From the London End

The Free Trade Area in Peril

“OUR terms of reference state January 1st 1959 as the date for agreement, and on all major matters on the Free Trade Area proper, little if any agreement has been reached”, so reported Mr Reginald Maudling, the tried and overwrought British negotiator in the long, tortuous and sometimes incomprehensible negotiations with other West European countries for a British link with the European Common Market. What in truth this statement means is that unless there is some miracle, the Free Trade Area as originally visualised by Britain will soon be buried, and that what hopes Britain had of reducing the impact of the first scheduled cut in the tariff structure of the European Common Market on January 1st will now be fully frustrated.

But there is considerably more behind this impasse. The obdurate French, or so they seem to Britain, increasingly see themselves playing a dominant political role in Continental Europe, and this more so since the emergence of General de Gaulle's somewhat singularly placed regime. To them the Common Market project represents a major success for French diplomacy and now they are not going to see Britain bustle in with what to all intents and purposes is a proposal having the effect of negating much for what the Common Market stands. And therefore, within this impasse something of a crisis has been reached in Anglo-French negotiations. It has had its pure political counterpart in the brusque refusal of Mr MacMillan to countenance General de Gaulle's proposal for the setting up of a new Anglo-French-American directorate at the head of N A T O.

French Suspicions

Irrespective of the merits of the British proposals for a Free Trade Area, (a review of the French response—the twists and turns in French tactics—would make an interesting study in the art of obstruction in negotiations) what appears particularly surprising is the patience and at times blind belief of success which the British negotiators have shown. That the Free Trade Area negotiations turned in the main on to an Anglo-French

exchange in itself is significant. The virtual absence of West Germany in these discussions reflects the fundamental Franco-German agreement secured at the recent meeting between General de Gaulle and Dr Adenauer at Colombey to allow France to emerge as the effective European spokesman in economic matters.

The French dislike of the FTA proposals is not particularly easy to understand. At the beginning the French believed that the British proposals were much too narrowly conceived—institutional procedures were, in French eyes, lacking, particularly in establishing fair competition and providing assistance to areas likely to suffer initially from the effects of free trade. The British proposals, further, did not provide for a sufficient community spirit in the making of European policy. But the basic French attitude was one of suspicion—that the British proposals were calculated to torpedo the Common Market. Britain, recognising this, therefore agreed to suspend the FTA negotiations and so enabled the European Economic Community Treaty to be signed (March 1957) and ratified by the Parliament of the six countries (by August 1957).

Common External Tariff

Since the ratification of the Common Market Treaty much progress has been made in establishing the institutional framework within which the new Economic Europe is to work. At present the staff on the Community's organisation numbers 700 and within a year may rise to well over 2,000. The supreme organ of Community, the 'European Commission' has been appointed and so too have the crucial Economic and Social Committee and the Monetary Committee. In addition, the Court of Justice has been set up and the European Investment Bank has appointed its executives.

On current activities, the measures now being taken on trade policy are noteworthy. One of the main tasks of the Community at present is to prepare the ground for the reduction in tariffs and increase in quotas, to be effected on 1st January 1959. Since the first tariff reductions are to be automatic—at the rate of 10 per cent of the tariffs

levied at the beginning of 1957—no difficulties are expected here. At the same time the common external tariff is being worked out, and to bring this about the foreign trade policies of the six members are already being co-ordinated in a number of ways. Here the Commission is said to have already submitted its proposals to the Council of Ministers of the six countries.

Colonial Territories

The most interesting progress has been that relating to the incorporation of the overseas territories. The department of the Commission concerned with the colonial aspect is one of the largest administrative departments of the Community; its staff already numbers 125 persons. In connection with the first tariff reductions and quota increases planned for the beginning of next year, the European Commission has already examined the methods by which these might be extended to the Overseas Colonial Territories. It is stated that the most important task of this department is the administration of the \$581 million Investment Fund for the Colonial Territories concerned. The first investment project will probably be started in November.

French Terms of Agreement

The European Economic Community appears therefore to be a going concern and all this progress has taken place while the most intense haggling over the Free Trade Area between Britain and France was being witnessed. The haggling clearly related to the French demand for the surrender of certain vital British interests. The French demanded the harmonisation of import tariffs on the levels settled in the European Economic Community which were high for many raw materials. The French further demanded the ending of the imperial tariff preference system—in both directions. And so it was clear that the French were hardening their terms of agreement and in certain instances making such violent volte faces in approach as to make negotiations impossible.

For example, as soon as the British began conceding the initial French demand for institutions in the F T A to deal with such ques-

tions as fair competition, general economic conditions, the interpretations of escape clauses and the like, the French, strangely enough, put forward proposals for considerably weaker institutions. Now after some two years of negotiations, the French, when asked point blank, "Do you or do you not accept the principle of the Free Trade Area?", reply innocently, "We cannot make up our minds until we know what that notion implies."

With no solid progress at hand, with the European Economic Community a going and an institution established and with an obdurate French regime bent on becoming the leader of Continental West Europe, the economic prospect is now one of open economic warfare and a further political fragmentation of the West. Mr Maudling has reached the stage of making threats and of declaring that the solution of the impasse can only be political, suggesting thereby that the alternative to the Free Trade Area is a political division of Europe, in which Britain with all its resources will have little political qualms over commencing the most violent discrimination against the six members of the European Common Market known in the post-war years. General de Gaulle has rejected any solution through a meeting of the countries concerned at 'heads-of-Government level'. The much-vaunted prospect of European unity is increasingly turning into an anti-British, rather than an anti-Russian combination.

Re-Rolling Units

APPLICATIONS to set up new re-rolling units will not ordinarily be entertained by Government, according to a press note issued last week by the Ministry of Steel, Mines and Fuel. Government has taken this decision in the light of the findings of the Committee which reported on the various aspects of the steel re-rolling industry including undertakings for electric furnaces and steel foundries. The Committee was appointed by the Government of India in July 1956.

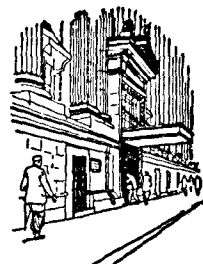
The press note adds that all but four applications for setting up re-rolling units had been rejected by Government. These four were sanctioned in areas where there was no capacity at all.

The Call To Save

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

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Lebanon and the Arab Renaissance

BEIRUT, basking in the bright Mediterranean sun presents a deceptively quiet appearance, but behind the facade of the silent shores and the cedar-studded hills is a struggle of minds that remains to be solved. The American troops have left quietly, as indeed they had no alternative but to, and there are no further cries of Western interference in the domestic affairs of a Middle Eastern nation; but Lebanon's problems remain unsolved and, for the time being, insoluble.

Beirut, once the proud capital of Lebanon, famous for its natural beauty, its clean streets and its gay night clubs is today practically in shambles. The streets are dug in. Rubble heaps lie unremoved; and six months of internecine, undeclared warfare is clearly to be seen on the faces of its citizens. Lebanon today is an unhappy country. To understand the Lebanese problem a quick glance at its history and composition will prove useful. Time was when it was part of the Turkish empire; then it was mandated to France by the League of Nations, but during the war it was liberated from the Vichy regime to be declared a free country.

Maronites and Muslims

Next to Luxembourg it is the smallest, in point of area, of all the member states of the United Nations. Its area is 10,400 square kilometres and its total population 1,450,000—less than that of Delhi. It is pertinent, however, to point out that Liberia with an area ten times as large (113,370 square kilometres) has a smaller population (1,250,000) and Libya with an area nearly a hundred times as large (1,759,540 square kilometres) has a population still smaller (1,105,000).

The Lebanese—the Levantines of history—are part Maronites, a Catholic sect now owing allegiance to Rome, and part Muslim. Muslims are divided among the Shia and Sunni sects, and among the Christian population are members of the Greek Orthodox Church. And then there are the Druzes, an ob-

from Syria. They are led by a youthful looking man, Kamal Jumblatt, who might easily be mistaken for a film star. He spent some time in Gandhiji's ashram at Wardha many years ago and today is a great devotee of Guru Krishna Menon of Kerala. Despite Jumblatt's own non-violent associations, his followers, the Druzes, have a reputation as fighters.

Nation of Minorities

Lebanon and Syria have had long association dating back in history, and there has always been free movement of peoples between the two countries. Known as the twin sister republics in the past, the interchange of people and ideas is, in this part of the world, a fact of life, no more to be disputed than the existence of Everest. But the greater fact of life about Lebanon has been that down the ages it has been the haven of the oppressed. The Turks let it be that way, so, in a manner, did the French, for the Lebanese, who are a collection of minorities, have always adopted the policy of live and let live—with success.

Few nations, as a matter of fact, are more cosmopolitan than Lebanon, for it has benefited from both Christian and Arab civilisations from which it freely borrowed. This cosmopolitanism, however, is now being challenged by the great Arab renaissance. This, in part, is the meaning of the struggle today. The fact of the matter is that there has been in recent years a significant shift in population ratio between the Christian and the Muslim. A generation ago, the ratio was one Muslim for two Christians, but today the Muslim is fast outnumbering the Christian to the discomfiture of the latter.

Religion and Politics

There must be some relationship between standards of living and the size of families, but in Lebanon it is true to say that among the richer Christians, families tend to be smaller while among the majority of the poorer Muslims it is the other way round. Christian

there are more Lebanese outside Lebanon than inside—all of which have contributed to the precarious balance between the Christian and Muslim groups within the country. Leaders of both the groups vehemently deny that their differences are religion-bound, but the fact is that, stated simply, the Lebanese problem is one of reconciling the demands of the Muslims in terms of the general welfare of the state.

How can this be done without destroying the essential character of the nation? Lebanon, Christian or otherwise, is surrounded by Muslim nations which are pressing for unity. Both consciously and unconsciously these nations are working towards one goal: Arab Unity. They are thirsting for the day when there will be only one Arab nation, from the desert sands of Libya to the shores of Iran. And they are not likely to countenance much opposition. Can the Christians of Lebanon hold out against this rising tide of Arab, and Muslim, nationalism? So long as Lebanon had a Christian majority, it had a chance of holding out; in any election, the Christians could win. But today the Christians are outnumbered; and the Muslims, who know this, are pressing forward relentlessly knowing that victory is ultimately theirs.

American-Egyptian Interference

There can be no doubt that in this struggle, both the Christians and the Muslims are seeking outside support. The Christians look to the West, especially to the United States, for money and material. There are thousands of Lebanese Christians in the United States who would be willing to send in their contributions to their Christian compatriots. Lebanon has a long stretch of beach, which is a paradise for smugglers. Though few mention it, the West has made a liberal supply of arms and ammunition to the Christian factions—illegally. And the United Arab Republic has been equally active. To say that interference has been one-sided is to speak only half the truth. Interference has been multi-

Wiser elements among the Lebanese Christians already know that they are licked, and that the most sensible course would be to make their peace with their Muslim brethren. The Lebanese Patriarch, who claims direct lineal descent from St Peter, is known to have warned his Christian flock to make its peace with the Muslims. But habits of thought die hard. The Christian leaders, who in the past have almost always had their way, are loth to give up their privileges. This is understandable—but it does not make for a quick or easy solution of the Lebanese problem.

Anti-West

The hatred of the Muslim toward the Christian leadership is a compound of many strains, some completely irrational. It was pointed out in some circles that Charles Malik, the former Lebanese Foreign Minister and present President of the General Assembly, is U S-educated, as if that is a holy crime committed against the nation! A highly educated Lebanese made the disparaging remark that the wife of former President Camille Chamoun is of British descent. Such remarks seem obviously pointless; nevertheless they bear out the fact that Arab nationalism, in its blind groping towards fulfilment, sees an enemy in every western symbol, an obstacle in every alien form.

In the circumstances, what can be expected of the Western powers? Lebanon, by itself, is of no value to the Western powers as a source of raw material. Lebanon has no oil. Its only source of internal revenue is the tourist trade. But in the context of the cold war it has tactical significance: a Western-oriented Lebanon can provide a foothold to Western armies, should, in the event of a world war, Turkey fall to the Soviet Union.

Partition Not a Solution

Since the end of World War II, Lebanon has been on the side of the West and when the Eisenhower Doctrine, that ill-defined and ill-fated proposition, was first proposed, Lebanon was the first to accept it, even before it had been formally adopted by the U S Congress! Undoubtedly this was an attempt by the fast-dwindling

Christian majority of Lebanon to cling on to any support in times of distress. It was a wrong move—especially in view of the suspicion with which the rest of the Arab world regarded the West. That move, more than anything else, cost the Christians the goodwill of Muslims. It set the seal for Muslim "rebellion". But now that the Muslim faction has won the day, it is finding it equally hard to rule with an iron hand. For the Christians are still a substantial minority and will probably remain so for many a year to come. Their interests will have to be safeguarded if they are to continue as useful citizens of the country; moreover, they form the intelligentsia and the professional people: driving them to despair will only hurt the country.

Were Lebanon a large state like India, partition might have solved the issue for the time being, but Lebanon is a pocket-size country with an integrated economy that does not lend itself to further subdivision. Necessarily, it will have to practice the sound principle of co-existence and gain the confidence of all elements in the country. This is more easily said than done.

Eight Point Plan

A few weeks ago, when this correspondent asked Kamal Jumblatt, the spokesman of the Muslims, what the incoming government of General Chuab will have to do, he laid down for it an eight-pronged programme. In order of importance it consists of:

- (1) Disarming the country.
- (2) Pacification of the people.
- (3) Establishment of a sound and regular militia.
- (4) Purging of a corrupt administration.
- (5) "Purification" of the High Court.
- (6) Signing of a mutual defence pact with the United Arab Republic.
- (7) Creation of new Ministries for Rural Development, Economic Planning and Social Insurance.
- (8) Reform of labour laws.

But note the order of precedence. Disarming the country, pacification of the people and the establishment

of a regular militia on sound lines take pride of place, for the Muslims know that there are still wandering bands of Phalangists who would not surrender their arms unless they are assured of justice. People can be pacified both through strength of arms and by assurances that their interests are safe.

Lebanon is Arab Dominated

This will take some time, but meanwhile the Government in power is faced with a colossal task—that of rebuilding the nation's crumbling economy. Tripoli, once a prosperous port, is today in ruins. Beirut, the capital, looks as if a plague has visited it, though boats ply in the harbour, the deluxe hotels get their clientele and the night clubs do business as usual. But streets have to be mended, buildings repaired, peace established and above and beyond these, a reconciliation of hearts and minds effected. More important to the country is the emotional damage wrought as between segments of the people.

Equally important, to the world is the necessity for the West to reconcile itself to the fact that Lebanon is Arab and Muslim dominated. The Christian majority is a matter of past history and the Christians will have to learn to adjust themselves to the new orientation they find themselves in. Islam is coming into its own today in the Middle East, and it is a wise world that accepts this.

There is a parallel to this in history. Back in the Middle Ages, a determined Christian force was engaged in the Crusades against the might of Saladin. Then Islam was riding on the crest of civilisation. All knowledge of the arts and sciences, of chemistry, astronomy and metallurgy belonged to the Saracens, the Muslims. It took many more decades before the walls of Islam crumbled.

Today the roles are reversed. Riding on the crest of civilization are the Western forces with their supremacy in science and technology and the Muslims are fighting their holy crusades with the bitterness and zeal of a Richard the Lion Hearted. History may not repeat itself, but to observers of the human scene, the pattern is familiar. Haven't we seen the faces before?

The Role of Rent in Agricultural Development

A Methodological Note

T Shea

AN important task which should precede the drafting of land reform legislation is that of estimating the extent to which an existing land tenure system aids or inhibits the flow of agricultural rent into sound investment channels. In the case of the owner-cultivator, the functions of decision maker and recipient of (imputed) rent are clearly embodied in one and the same person. Here, the cultivated holding may be treated as a firm, and tests of allocative efficiency analogous to those employed in industry may be used. Where tenancy prevails, however, investment decisions may be split in various ways between the tenant and the landlord, as is often true in share-cropping, or the rent recipient may take no active part whatever in the planning and management of cultivation. Even where all major investment decisions are taken by the landlord, however, there is some division of responsibility, so that the researcher must study the income and expenditure patterns of both the cultivator and the landlord(s) in order to ascertain the degree of departure from maximum allocative efficiency. In most over-populated agricultural countries, tenancy exists, and there is a tendency for contractual rent paid by tenants to approach the full economic rent. The demand of labourers and tenants for the limited supply of agricultural land tends to reduce labour costs to minimal subsistence levels, and returns to farmers to the level of agricultural wages plus technologically minimal material costs. In such contexts, the expenditure pattern of landlords tends to become the exclusive determinant of capital investment patterns. We shall, in this article, study the economic significance of alternative patterns of rent expenditures in the context of densely-populated areas where small scale peasant agriculture prevails.

The problem may be stated in the form of the following questions: What is the volume and proportion of rental income in any given area which is saved, and how is the saved income utilized? Is it invested, consumed, or hoarded? If invested, is it invested in agriculture, or else-

where? If invested in agriculture, is it done more efficiently or cheaply than it could be done by alternative agencies, or by the peasant himself? If the rental income is invested outside agriculture, does the investment contribute either directly or indirectly to agricultural development?

Plurality of Claimants

The larger the number of recipients of a given rental income, the smaller will be the amount which can be diverted from consumption, provided the rent recipients have no alternative income sources. In many densely populated agricultural regions, extensive sub-infeudation, or layering of land rights is common. A large proportion of the agricultural plots have three or more layers of right-holders. Where this is the case, rental income from each cultivator's holding tends to be split up among a plurality of claimants. Thus the presence of more than one claimant to each cultivator's rent tends to reduce the amount of the investible surplus by multiplying the number of claimants dependent on a given rental income.

Where the bulk of the rent receivers are small holders, wholly or predominantly dependent upon income from rent, the surplus available for investment will, other things equal, tend to be smaller than where there is substantial inequality in the distribution of rental income. However, mere volume of gross rental income alone does not necessarily determine the availability or otherwise of a surplus. In most underdeveloped countries with "feudal" traditions, there appears to be a high degree of correlation between the size of a right-holder's estate and the number of dependents which he is expected to support. Not infrequently, the largest right-holders are at once the most numerous joint families, and the families with the greatest prestige. Managers of these large family estates must meet not only the subsistence requirements of their numerous kin, both near and remote, but are also obliged by custom to support a vast array of servants, rent-collectors, office employees, court retainers, priests, and artisans. The amount

left over after these claims are met is, even in the largest estates, usually a much smaller fraction of the total income than one would be led to suppose from merely perusing the gross rental figure.

Hoarded Savings

The influence on economic development of the disposition to which the landlord puts his savings will depend upon the behaviour of other investment agencies. If the landlord is the only investing agency, hoarding of rent receipts will reduce overall income and discourage economic development. If the government, lacking confidence in the ability or willingness of landlords to invest in agricultural development, finances its own development programmes, or makes investment funds available on favourable terms to tenants, landlords would perform a more useful role by hoarding their rental income than by spending their money in ways which would conflict with the government's investment programme.*

In countries where the government has not undertaken extensive investment programmes in agriculture, and where capital investment is usually undertaken directly by landlords, such investment may consist either of direct material assistance to cultivators, with or without supervision of cultivation operations, or it may take the form of money advances (or rent remissions). Where there are no alternative investment agencies, the relative efficiency of the landlords' investment patterns in terms of alternate investment possibilities cannot be directly evaluated. The researcher is obliged to form, from comparative studies of agricultural needs in other areas with comparable land utilization patterns, some idea of sound investment criteria by which to judge the effectiveness of the landlords' programmes.

*The government, pending the drafting of comprehensive land reform legislation, may desire to neutralize landlords' hoards either by confiscation (e.g. via high taxes) or by obliging landlords to buy non-redeemable bonds with funds in excess of their consumption needs.

Landlord-Sponsored Investment

Questions which would aid in the evaluation of existing patterns of landlord-sponsored investment include: How much of the interest charges levied on loans to tenants may be attributed to the monopoly position of landlords? Would the tenants, were they in possession of the full economic rent, have enough left over after meeting their enlarged subsistence needs, to purchase the investment goods otherwise supplied by landlords? Are there any co-operative organizations in the village equipped to take over the landlords' investment functions? Do the landlords enjoy unique access to sources of supply unavailable to the peasants for reasons other than lack of funds? Do the landlords possess special capacities or talents requisite to sound decision making that peasants or peasant organizations lack? Answers to these questions must necessarily depend in large measure on the judgment of investigators. If actual investment is carried out by landlords, not tenants, the supposed investment propensities of the tenants are hypothetical, premised on what they presumably would do if they were relieved of their rent obligations.

Where landlords utilize rental incomes to invest in non-agricultural sectors of the economy, the investment must be judged in terms of its indirect effects on agriculture. If the investment is in, let us say, the construction of a factory which will provide full-time employment to 20 per cent of the villagers, the beneficial influence on agriculture of removing surplus labourers and dependents on agricultural income from the scene may be far greater than any form of direct investment in agriculture undertaken with the equivalent sums. If, on the other hand, rental incomes are used to finance the import of luxury goods for sale in urban areas, the rents will constitute a net drain on agriculture.

Efficiency of Landlord and Peasant

A distinction should be made between the portion of the economic rent actually available for investment, and that which would be available were estates managed efficiently. It was pointed out that many "feudal" landlords maintain, in addition to their own families, armies of court retainers and employees. Often these retainers are

corrupt and highly inefficient in their work habits, so that the cost of employing them far exceeds that which would be required were sound principles of estate management followed. Where it can be demonstrated that the landlord does, in fact, perform investment functions which peasants would be ill-equipped to carry out, even if they did not pay rent, the costs to the peasant of the "services" rendered may nonetheless far exceed the benefits received. The peasant, even were he to consume the whole of the rental surplus would, under circumstances widely prevalent throughout Asia, probably be able to produce more than he can under existing rental arrangements, simply through greater efficiency generated by improved nutrition.

A formal statement of the economic significance of alternate savings and expenditure patterns of rental incomes is a far less difficult task than that of obtaining information showing the actual source, volume, and disposition of rental income in a concrete situation.

Rental and Non-Rental Income

Many, perhaps most, agricultural landholders in densely populated, underdeveloped areas have multiple sources of income. It is common in many areas to encounter small cultivators who lease land from half a dozen different landlords. Often the same person will be a cultivator of one set of plots, an intermediary tenant of another, and an absentee landowner of a third set. Many right holders work part time as agricultural labourers. Others derive part of their income from non-agricultural pursuits. The proportions of income derived by different recipients from the non-agricultural sector appear to show almost as many fine gradations as there are numbers of income recipients. Some right holders receive no earnings from sources outside their holdings; others derive but a nominal proportion of their total earnings from agriculture. There is currently little or no information from the underdeveloped countries showing the proportion of rental income going to rent recipients whose income is derived predominantly from non-agricultural sources, but in view of the prestige accompanying landholding in most underdeveloped countries, the close links persisting between village and city, and the pre-

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cariousness of business enterprise in such countries, the proportion is probably large. When the incomes of supplemental family earners are taken into consideration, the picture becomes even more complex.

The pitfalls inhibiting the collection of reliable family income figures in underdeveloped countries are well known. The volume, periodicity, and source of the incomes of rural residents tend to be irregular. Ignorance of accounting techniques and just plain indifference tend to discourage families from maintaining records. There is, in addition, the ever-present difficulty of eliminating sources of bias in statements to interviewers. Under prevailing circumstances, obtaining aggregate family income statements with breakdowns into rental and non-rental categories is a Herculean task.

Income, Expenditure and Outlay

Since a postulate has been made about the probable effect of concentration of rental income on the propensity to save, it is necessary to find some way of measuring the degree of concentration of rental income prevailing in a given area. The tendency for each right-holder to occupy more than one tenure status, and the elaborateness of the pattern of sub-infeudation and fragmentation which is found in many densely populated underdeveloped areas complicates the task of tracing rent payments from cultivators through various layers of intermediaries. Public records are often of little help in locating the aggregate right-holdings of a given family. Few if any underdeveloped countries have comprehensive up-to-date records of rights showing rent assessments. Such records as exist are almost invariably fragmentary and obsolete. In many densely populated areas, where the typical landlord's holdings are widely dispersed, the individual claimants to the lands in a given village may reside far away from their holdings in that village. An investigator desiring to determine the aggregate rental income of each claimant to land rights in a single sample village may, in some areas where landholdings are widely dispersed, be obliged to track down landlords resident in dozens of widely scattered localities.

The complexities of the task of tracing the pattern of rental income distribution also affect enquiries

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directed towards expenditures. Furthermore, rent incomes are seldom earmarked for special outlays—most landlords don't maintain sector accounts. There is thus no way of directly relating rental incomes to outlays. Yet sector accounts may yield valuable clues to an understanding of the determination of investment patterns. The lower the proportion which agricultural rent bears to the total income of the recipient, the less likely he will be, other things equal, to take an interest in promoting agricultural development. The very smallness of the proportionate investment in agriculture suggests a lack of either the requisite motivation or the appropriate skills, or both.

Sampling of Families—the Solution

It is apparent that empirical studies of rent, income, and outlay patterns in areas where tenure relations are complex will have to be based on the sampling of families rather than of areas. The important variables in such studies would be:

- (1) the proportion of rental to total family income,
- (2) the proportion of income invested to total income, by sector of investment (agriculture, trade, industry),
- (3) the proportion of agricultural investment to rental income,
- (4) appropriate measures of the relevance of the investment to agricultural development, and
- (5) family per capita income.

The fourth group of measures might include the proportion of rental investment in (a) agricultural stock and equipment, (b) land improvements, (c) loans to cultivators, and (d) employment-creating investment in non-agricultural sectors. It would be desirable to eliminate from Class 4, wherever possible, all outlays not directly contributory to economic development in agriculture, as for example usurious loans, speculative land purchases and fictitious improvements. It would also be desirable to eliminate misinvestment leading to malallocation of resources, such as the excessive duplication of cattle and equipment so frequently found in small-scale agriculture.

The ability to make these deductions would, however, depend upon a degree of knowledge of production alternatives at present not available

for agriculture in most underdeveloped areas. Also, estimates of productive expenditures in agriculture derived from interviews with landlords will tend to show a consistent upward bias because rent receivers faced with the possibility of expropriation may be expected to depict their economic role in as favourable a light as possible.

Khandsari Units in Factory Zones

PERSONS desirous of setting up Khandsari units have been advised to refrain from setting them up in or near factory zones. This warning was made by the Ministry of Food Agriculture in a press note.

With the doubling of excise duty on vacuum pan sugar in May 1957 and imposition of an additional ex-

cise duty in December 1957 in lieu of sales tax, the Khandsari industry now enjoys a high tax advantage over the vacuum pan industry. On account of this, the press note explains, a large number of units for manufacturing Rab and Khandsari sugar have been set up or are in the process of being set up.

Though plenty of cane is available elsewhere, some Khandsari units have been located in or near the factory zones. This has adversely affected the cane supplies to vacuum pan factories. If this trend continues the production of refined sugar by the factories may be seriously affected. Government is therefore examining the question of regulating the establishment of Khandsari units.

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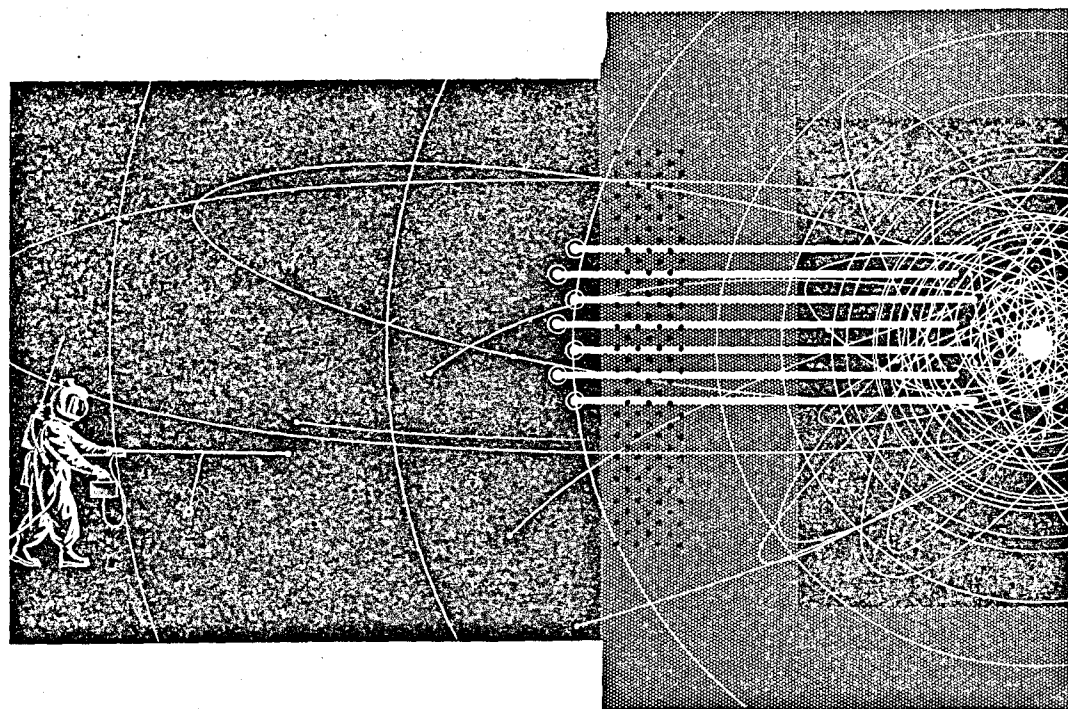
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Here was the challenge...where was the answer? Shell was first to foresee the problem. In 1953, a special group was set up at Shell's Thornton Research Centre to study the effects of atomic radiation on lubricants. Searching tests took place there and under actual reactor radiation at the Atomic Energy Research Establishment at Harwell; and in 1957, after four years of research, Shell

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A Study of Inter-Corporate Investment

The Birla Group of Companies

R K Hazari

THE present paper is part of a research project to analyse the extent, direction and technique of inter-corporate investments by the leading industrial houses, and, on the basis of this analysis, to make a comparative evaluation of their investment policies. This attempt* has been made possible by the provisions of the Companies Act of 1956 which require all public limited companies, other than banking, insurance and purely investment companies, to disclose complete particulars of their investments in their annual statements of accounts, with effect from April 1, 1956. These data on inter-corporate investment have, thus, become available for the first time and it is now possible, therefore, to estimate within certain limitations, the volume and direction of the flow of investment funds within the corporate sector. A beginning has been made with the Birla group, for this group is known to control the largest single block of companies, and also because inter-corporate investment, it is believed, plays a significant role in its investment policy. In due course, the study would be extended to cover other industrial groups as well.

Scope and Method

The scope of this paper is limited to presentation of information on:

- (1) the number and names of Birla companies, with their authorised and paid up capital, age structure and form of management;
- (2) the total volume and nature of their investments in other companies, together with the yields earned from them; and
- (3) the distribution by industries of these investments.

While some features which emerge from an analysis of the data have been commented upon, no evaluation of inter-corporate investment as such is essayed in this paper. A proper evaluation will necessarily have to await completion of the entire study, and the collection of

more data than have been gathered so far.

The data analysed here have been gathered entirely from published sources, and have not been supplemented by the issue of any questionnaire or correspondence or communication with the companies concerned. The primary sources of data are:

- (1) the Alphabetical Index of Joint Stock Companies in India for 1951-52 and 1952-53, Part II, which, unfortunately, happens to be the latest available;
 - (2) Investors' Year Books published by Place, Siddons & Gough, Calcutta, and by Kothari, Madras;
 - (3) Library Catalogue of the Bombay Shareholders' Association; and
 - (4) Telephone Directory of Greater Bombay.
- The Birla group of companies referred to in this paper include

- (i) companies which are managed by any one of the 7 Birla managing agencies named in List 'A' of the statement attached;
- (ii) subsidiaries, as defined under the Companies Act, of companies in List 'A' of the statement;
- (iii) companies of which the Directors are drawn from members and close associates of the Birla family, and from the executives of Birla concerns;
- (iv) companies which can be taken to belong to the Birla group from the location of their registered offices, as ascertained from the Alphabetical Index of Joint Stock Companies; and
- (v) companies which stand in such relationship to well known Birla companies that the shareholders of the latter have to approve of contracts entered into with such companies, as required under the new Companies Act. The names of such companies

were culled from the published Annual Reports of the Birla companies.

The total number of companies under these five heads comes to 182. Those under the first three are less than half this number, but the volume of business transacted by them is quite substantial.

The number of companies in the Birla group listed above is not likely to be exhaustive, however. For, if Birla House has maintained the momentum of its growth in various fields, a number of companies registered since 1952-53 may have gone untraced. For our present purpose, nevertheless, this list may be considered sufficient, even though, in the majority of cases, the only data available are from the Alphabetical Index, relating to classification under public or private, and occupation, date of registration, authorised, subscribed and paid up capital, and situation of registered office. Balance sheets could be secured for only about 70 companies, not all of which were for the latest year, i.e., for a year closing on or after April 1, 1956, when the new Act came into effect. The deficiency in this respect is particularly great in the case of investment companies.

Definition of Terms

Before presenting and analysing the data, it would be necessary to define some of the terms used in this paper. 'Inter-corporate investment' has been taken to mean investment of funds by a public or private limited company in the share capital and/or debentures of another public or private limited company. A 'Birla Company' is one falling within the definition given above. An 'affiliated company' is one in which Birlas are either significantly large investors or directors or both, and are, presumably, in a position to influence policy decisions, but without a controlling interest, which is generally taken as one-third of the voting rights.

For the purpose of this study, certain departures from the accepted definitions of (i) paid up capital, and (ii) reserves were found necessary. Thus, paid-up capital has

* Acknowledgement is due to Shri Umakant Bhat for assistance on various occasions.

been taken to include share premium account, as the latter appeared to be the more realistic for valuation of inter-corporate investment. Reserves are taken straight from balance sheets without any reduction in respect of reserves for taxation, etc, purely for the sake of convenience of computation.

A modification of occupational classification of companies as laid down in the Alphabetical Index was found necessary in order to have a more detailed and meaningful breakdown. A number of companies officially classified under 'trade', for instance, were found to have no sales whatever and were actually investment companies. The misleading official classification of these companies, however, turned out to be useful, for as non-investment companies, they have had to publish complete particulars of their investments, which investment companies are not required to do.

Preliminary Data

Subject to limitations stated above, it is estimated that the Birla Group

consists of 182 companies, with an authorised capital of Rs 175 crores and a paid up capital of Rs 58.35 crores (Table 1). Of these, only 31 are private companies accounting for Rs 3.45 crores of authorised and Rs 1.68 crores of paid up capital. 'Miscellaneous' and 'Trading' between them have the largest single number of companies, about one-third of the total, and within this category are found nearly two-thirds of all private companies.

The largest portion of paid up capital is in 'Textiles' (cotton, woollen, rayon and jute), accounting for about 38 per cent of the aggregate, followed by 'Engineering' with about 20 per cent. Seven managing agencies, with a paid up capital of Rs 1.30 crores, control, directly, 34 companies with total paid up capital and reserves of Rs 63.20 crores and, indirectly, their 23 subsidiaries, with paid up capital and reserves of Rs 3.19 crores. Among the highlights of the occupational distribution of the companies, which might turn out to be rather unique, is the consider-

able interest in such strictly non industrial activities as trading publishing, investment, and real estate and construction.

While the total number of companies registered in and after 1946 (93) is not much more than those registered before 1946 (89), the former have significantly larger capital, authorised as well as paid up, and their ratio of paid up to authorised capital is higher, despite a greater frequency of non-availability of data (Table 1). The registration of new private companies has declined noticeably since 1946, both by number as well as by proportion of total companies in the group. There is a predominance of pre-1946 companies under managing agency, real estate and construction, coal, glass and plastics, and publishing, by number as well as paid up capital. More sugar and tea companies have been registered in the later period but their average size is smaller compared to pre-1946 companies. On the contrary, relatively fewer engineering companies have come up in and after

1946 but their average size is larger.

One noticeable feature in this connection is the practice of floating new companies instead of activating old ones, which had apparently been set up earlier for the same purpose. For instance, Hindustan Motor Corporation was registered in 1937 with an authorised capital of Rs 20 crores but instead of activating it, a new company, Hindustan Motors was registered in 1950 with the same authorised capital. The older company, which now has a paid up capital of Rs 13 lakhs, then became a subsidiary of the new company, the paid up capital of which is Rs 659 lakhs. This practice was repeated with some variation in the case of India Glass (1944) and Hindustan National Glass (1946).

Volume and Nature of Investments

Out of the 70 companies for which the latest or fairly recent balance sheets were available, as many as 45 have an investment portfolio. Of the latter, only 3 come under Banks and Insurance and another 2 are statutory investment companies. The total value of investments in India by these 45 companies comes to Rs 34.77 crores, net of Rs 13.07 lakhs written off under private securities by 9 companies, and excluding Rs 138.39 lakhs invested abroad. Of this figure, a little more than Rs 30 crores are 'quoted' investments. Eight companies have investments of less than Rs 1 lakh each, accounting for a total of Rs 2.31 lakhs. These may be safely excluded from the analysis without affecting the conclusions. The remaining 37 companies have paid up capital and reserves aggregating Rs 63.73 crores and total investments in India of Rs 34.75 crores (Table 2). Of this, quoted investments are Rs 30.08 crores, and Government securities, including National Savings Certificates, amount to Rs 21.74 crores. Excluding Banks and Insurance, paid up capital and reserves of these 37 companies aggregate Rs 59.73 crores, and their investments in India total Rs 15.94 crores; of the latter amount, Rs 11.27 crores are 'quoted', of which Rs 3.71 crores are in Government securities.

Investment in Government securities is necessitated by the need to deposit first class collateral with banks against loans, and with railway, customs and excise authorities against various dues. Two companies, Sirsilk and Bharat Commerce,

have all their investments in gilt-edged, the latter owing to the holding of Indian Airline Corporation bonds as compensation for nationalisation of Bharat Airways while 12 companies have no gilt-edgeds at all. Nearly all investment companies, as defined in this paper, Piloni Investment Corporation excluded, have investments significantly larger than their paid up capital but nearly equal to paid up capital plus reserves, except Bajrang Trading and Saran Trading, in the case of which investments are larger than all owned capital resources.

While banks and insurance companies may have to invest abroad on account of their foreign branches, it is difficult to understand why Jiyajeerao Cotton and Birla Jute have to invest Rs 5.43 lakhs in non-associated foreign companies like Unilever, Van Den Bergh Jurgens, Associated British Malsters, Associated Electrical, Bovril, Bowater Paper, British India Steam, Burmah Oil, Dunlop Rubber, General Electric, Imperial Tobacco, International Tea Co-Stores, Lancashire Steel, Lipton, and Macdonald Martin Distilleries. These investments have, surely, little or nothing to do with the normal trade connections of these companies abroad.

Finance of New Units

Inter-corporate investments proper, i.e., investments in shares and debentures in India, amount to Rs. 13.01 crores in the aggregate, and to Rs 12.23 crores, if investments of banks and insurance companies are excluded. Owing to non-availability of complete particulars of investments by 2 statutory investment companies, breakdowns are available only in respect of a total inter-corporate investment of Rs 8.67 crores. Of this amount, Rs 1.80 crores has gone into pre-1946 companies and Rs 6.87 crores into companies registered subsequently. Pre-1946 companies have made investments amounting to Rs 4.86 crores while those by younger companies amount to Rs 3.81 crores. Of the inter-corporate investments made by pre-1946 companies, only 17 per cent has gone into companies registered in the same period, and the remaining 83 per cent into companies registered in and after 1946. The comparable percentages for companies registered in and after 1946 are 26 and 74.

This does not necessarily mean that a relatively much higher proportion of the investments of younger companies have gone into the existing capital stock of older ones, for it might represent, to some extent, subscription to new issues by older companies. On the whole, it may be stated that funds of older companies have been used to finance the floatation of new ones—a fact which is well in accord with plausibility and with prevalent impressions. How this conclusion would be affected by the missing particulars in respect of about Rs 3.6 crores worth of inter-corporate investment is difficult to say definitely.

Investment within the Group

Most inter-corporate investment of the Birla group in India appears to be within the group. Out of the investment of Rs 867.30 lakhs, net of Rs 13.07 lakhs written off by 9 companies, for which particulars are available, Rs 295.82 lakhs has gone into statutory subsidiary companies, and Rs 453.10 lakhs into other companies within the group, making an aggregate of Rs 748.92 lakhs, or 86 per cent of the total invested within the group. A further Rs 54.13 lakhs or 6 per cent has been put into 'affiliated' companies, as defined above, leaving Rs 67.19 lakhs or 8 per cent spread over 99 companies outside the group.

The last mentioned figure includes debentures of Burmah Shell Refineries and shares in Tata Steel, Indian Iron and Titaghar Paper. Apart from these four major investments, which account for Rs 60.55 lakhs, investments under this head are very thinly distributed, with an average of roughly Rs 700 each for the remaining 95 companies. It is interesting to note in this context that Kesoram Cotton has made 18 investments of and under Rs 500 each, one of which is for Rs 33/31 nP and another of Rs 50 only; a further 4 investments are in the range of Rs 501-1,000 each. Jay Shree Tea, similarly, has 18 investments of and under Rs 500 each, four of them being under Rs 100 each, and another three are within the range Rs 500-1,400 each. Most such investments by these two companies are in other cotton mills and tea companies, respectively. Birla Jute which has in-

TABLE I—BIRLA COMPANIES

(Rs 000)

Classification	No.	Total Auth Capital	Paid up Capital	Regd. before 1946			Regd. in & after 1946		
				No	Auth Capital	Paid up Capital	No	Auth Capital	Paid up Capital
1. Managing Agencies	7	2,81.00	1,30.20	5	2,80.00	1,30.00	2	1.00*	20*
	(4)	(2,06.00)	(1,00.20)	(3)	(2,05.00)	(1,00.00)	(1)	(1.00)	(20)
2. Banking & Insurance	3	9,75.00	2,60.36	1	75.00	21.76	2	9,00.00	2,38.60
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
3. Investment	15	15,66.70	6,38.24	4	2,13.20	40.04	11	13,53.50	5,98.20
	(1)	(20)	(5)	(1)	(20)	(5)	(—)	(—)	(—)
4. Textiles (cotton, woollen, rayon, jute)	23	49,75.71	21,74.09	10	24,65.00	11,48.55	13	25,10.71†	10,25.54†
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
5. Sugar (incl farms)	10	4,40.00	2,15.98	2	1,50.00	99.27	8	2,90.00	1,16.71
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
6. Engineering	16	51,18.00	11,64.61	10	28,90.00	4,38.40	6	22,28.00*	7,26.21*
	(1)	(3.00)	(3.61)	(—)	(—)	(—)	(1)	(300)	(361)
7. Tea & Coffee	8	1,91.00	89.33	3	1,61.00	68.33	5	30.00†	21.00†
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
8. Coal & Mining	6	6,32.81	1,19.28	4	6,20.00	1,06.47	2	12.81	12.81
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
9. Paper & Stationery	4	13,02.50	5,45.71	1	7.50	5.00	3	12,95.00	5,40.71
	(1)	(7.50)	(5.00)	(1)	(7.50)	(5.00)	(—)	(—)	(—)
10. Glass & Plastics	4	2,02.00	66.48	3	1,52.00	52.48	1	50.00	14.00
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
11. Veg oil	2	1,50.00	46.59	1	50.00	16.00	1	1,00.00	30.59
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
12. Real Estate & Constn	13	3,88.00	1,14.90	7	1,82.00	92.57	6	2,06.00	22.33†
	(5)	(32.00)	(22.25)	(4)	(27.00)	(22.25)	(1)	(5.00)	na
13. Publishing	10	79.50	49.10	7	67.00	47.18	3	12.50*	1.92*
	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
14. Misc & Trading	61	12,93.20	2,20.59	31	4,04.20	1,03.34†	30	8,89.00†	1,17.25†
	(19)	(96.20)	(37.08)	(13)	(59.20)	(29.46)†	(6)	(37.00)*	(7.62)*
TOTAL	182	175,95.42	58,35.46	89	77,16.90	23,69.39	93	98,78.52	34,66.07
	(31)	(3,44.90)	(1,68.19)	(22)	(2,98.90)	(1,56.76)	(9)	(46.00)	(11.43)

Notes: 1 Figures in parentheses relate to private companies. Data exclude patently inactive companies.

2 Includes older companies transferred to Birla control in and after 1946 and companies for which year of registration is not available.

Data not available for—* one company, † two companies, ‡ three companies ** eight companies. Totals are subject to error accordingly.

Sources: (i) Alphabetical Index of Joint Stock Companies for 1951-52 & 1952-53.

(ii) Balance Sheets of Companies.

TABLE II—NATURE OF INVESTMENTS
(Rs '000)

No	Company	Year regis	Total Inves in India	Govt Quoted	Private Secs	Foreign Invs	In Coys regd before 1946	In Coys regd in & after 1946 X	In Subs Coys	In other Coys	In other Paid up Coys Capital Reserves				
		2	3	4	5	6	7	8	9	10	11	12	13	14	15
Banks & Insurance :															
1	New Asiatic*	1933	13.62	13.62	6.64	6.98	40	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	21.76	8.89
2	Ruby General*	1947	30.53	30.53	10.50	20.03	24.47	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	38.60	14.79
3	United Comm*	1947	18,36.46	18,36.46	17,86.24	50.22	1,06.71	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2,00.00	1,15.00
	Sub-total		18,80.61	18,80.61	18,03.38	77.23	1,31.58	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2,60.36	1,38.68
Investment :															
4	Bajrang Trading (S-15)	1948	1.31	—	—	1.31	—	1.31	—	—	—	1.31	—	50	—
5	Champanan Mktg (S-24)	1951	2.09	—	—	2.09	—	5	2.04	—	2.09	—	—	1.36	4.28
6	Darbhanga Mktg (S-23)	1951	6.46	5.29	—	6.46	—	14	6.32	—	1.17	5.29	—	79	8.58
7	Hind Cellulose (S-35)	1946	21.52	21.11	—	21.52	—	10	21.42	—	11.39	10.13	—	10.00	11.60
8	Hind Woollen	1945	30.60	24.82	—	24.82	—	—	5.78	—	5.78	—	—	34.99	—
9	Investments* (S-15)	1946	2,41.49	2,28.55	1,74.23	67.26	n.a.	(4.10)	(8.83)	—	(11.62)	(1.31)	n.a.	2,00.00	2.99
10	Pilani Inv Corp*	n.a.	3,93.96	3,51.63	49.93	3,44.03	n.a.	(34.50)	(7.82)	10.11	(32.21)	n.a.	n.a.	3,70.00	60.07
11	Saran Trading (S-21)	1951	3.21	2.64	—	3.21	—	4	3.17	—	57	2.64	—	1.50	2.38
12	U P Trading (S-27)	1951	6.36	5.29	—	6.36	—	5	6.31	—	1.07	5.29	—	80	6.45
	Sub-total		7,07.00	6,39.33	2,48.98	4,58.02	n.a.	(40.29)	(61.69)	10.11	(65.90)	(25.97)	(—)	6,19.94	96.35
Cotton :															
13	Birla	1947	26,69†	15.61	31	26.38†	—	18.27	8.11	—	10.87	60	14.91	35.00	1,02.26
14	Century	1897†	11.17	7.07	49	10.68	—	24	10.44	—	3.00	7.30	38	1,13.86	2,88.50
15	Jyajeerao	1921	3,82.20	1,69.63	50.60	3,31.60	2.94	15.16	3,16.44	1,95.57	1,24.70	11.33	—	5,63.65	3,26.54
16	Kesoram	1929	45.83	26.69	6.86	38.97	—	19.04	19.93	8.00	29.74	1.09	14	2,29.99	2,50.16
	Sub-total		1,83.49	1,77.33	33.83	1,49.66	10	3.61	1,46.05	—	1,30.89	26	18.51	15.00	3,91.80
17	Sutlej	1947	6,49.38	3,96.33	92.09	5,57.29	3.04	56.32	5,00.97	2,03.57	2,99.20	20.58	33.94	9,57.50	13,59.26
	Sub-total		7,65.8	38.27	1.54	75.04	2.73	39.22	35.82	24.00	22.41	5.43	23.20	1,97.99	2,22.50
Other Textiles :															
18	Birla Jute**	1919	8.90	41	41	8.49	—	5.49	3.00	—	8.49	—	—	24.00	11.38
19	Soorah Jute	1892†	7.46	7.46	7.46	—	—	—	—	—	—	—	—	3,01.99	—
20	Sir silk	1946	92.94	46.14	9.41	83.53	2.73	44.71	38.82	24.00	30.90	5.43	23.20	5,23.98	2,33.88
	Sub-total		12.85	—	—	12.85	—	1.13	11.72	11.50	1.35	—	—	20.00	13.59
21	Bharat	1948	70	—	—	70	—	5	65	60	10	—	—	8.85	10.42
22	C & E Morton (S-21)	1947	16.69	11	11	16.58	—	5.56	11.02	6.29	10.29	—	—	18.70	23.15
23	New India	1948	6.30	26	26	6.04	—	1.40	4.64	5.06	91	—	7	13.59	48.09
24	New Swadeshi	1931	4.29	2.14	2.14	2.15	—	51	1.64	—	2.15	—	—	85.68	64.52
25	Oudh	1932	3.54	1.54	1.54	2.00	—	—	2.00	—	2.00	—	—	16.00	6.24
26	Ryam	1913*	7.08	34	34	6.74	—	21	6.53	80	5.94	—	—	35.00	34.84
27	Upper Ganges	1932/1948	51.45	4.39	4.39	47.06	—	8.86	38.20	24.25	22.74	—	7	1,97.82	2,00.85
	Sub-total		2.35	—	—	2.35	—	2.35	—	—	2.35	—	—	1.40	1.04
Engineering :															
28	Central Distributors	1951	14.15	13.72	5	14.10	33	13.10	1.00	13.04	1.06	—	—	6,58.70	—
29	Hind Motors	1950	18.22	17.91	18.22	—	—	6.14	12.08	4.50	7.58	—	—	6.14	60.00
30	National Bearing	1946	1.16	91	54	62	—	17	45	—	45	—	17	1,90.00	28.85
31	Texmaco	1939	35.88	14.68	59	35.29	33	21.76	13.53	17.54	11.44	—	6.31	9,10.10	30.10
	Sub-total		2.75	1.17	10	2.65	71	59	2.06	1.05	—	1.00	60	60.50	50.97
Tea :															
32	Jay Shree	1945	1.67	35	—	1.67	—	13	1.54	—	1.61	—	6	49.98	8
33	Central India	1944	1.50	18	—	1.50	—	9	1.41	—	1.48	—	2	49.98	78
34	Western Bengal	1944	3.17	53	—	3.17	—	22	2.95	—	3.09	—	—	—	—
	Sub-total		3.17	—	—	3.17	—	—	—	—	—	—	—	—	—
Paper :															
35	Orient	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Table III—DISTRIBUTION OF INVESTMENTS BY INDUSTRIES
(Rs 000)

(RS 000)																		
Company	Total Inv. in Pte Secs	Income	X	Fin. Inv. & Mg Agency	Cotton	Rayon & Sugar & Woolen	Farms	Steel	Other Engg	Tea	Coal & Paper & Jute & Mineral	Glass & Plastics	Estate & Publi Misc & Trading					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Investment:																		
Jrang Trading (S-12)	1.31	3 (2.0)	1.31	—	—	—	—	—	—	—	—	—	—	—	—	—	8	—
ampanan Mktg (S-20)	2.09	36 (17.2)	—	—	—	2.01	—	—	—	—	—	—	—	—	—	—	7	—
rbhanga Mktg (S-19)	6.46	1,26 (19.3)	—	1.00	—	—	—	5.39	—	—	—	—	—	—	—	—	—	—
id Cellulose (S-31)	21.52	1,27 (5.9)	—	10.99	—	—	—	10.13	—	—	—	—	—	—	30	10	—	—
id Woollen	5.78	—	90	—	4.88	—	—	—	—	—	—	—	—	—	—	—	—	—
estments* (S-12)	67.26	70 (1.0)	(4.19)	(—)	(—)	(—)	(—)	(1)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(1.25)	(—)	(7.49)
uni Inv Corp* (S-17)	3,44.03	18,46† (5.4)	(1.64)	(—)	(—)	(—)	(—)	(21.66)	(—)	(3.06)	(—)	(—)	(—)	(—)	(—)	(15)	(8.37)	(7.45)
an Trading (S-17)	3.21	1,23 (38.3)	—	50	—	—	—	2.64	—	—	—	—	—	—	—	—	7	—
Trading (S-23)	6.36	1,25 (19.7)	—	1.00	—	—	—	5.29	—	(—)	(—)	(—)	(—)	(—)	(—)	7	—	—
ub-total:	4,58.02	24,56 (5.4)	(8.04)	(13.49)	(4.88)	(2.01)	(—)	(45.12)	(—)	(3.06)	(—)	(—)	(—)	(—)	(30)	(1.50)	(8.66)	(14.94)
ton:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
af	26.38	65 (2.4)	2	19	—	—	14.92	66	—	neg	—	—	—	—	13	1.44	2.60	6.43
tury	10.68	25 (2.3)	6.72	—	—	—	—	96	—	—	—	—	—	—	3.00	—	—	—
jeerao	3,31.60	1,17 (0.4)	2,06.75	—	1,11.21	—	—	7.49	1	1	—	—	—	—	4.66	65	30	52
gram	38.97	1,47** (3.8)	8,27	7.15	9.13	—	—	1.08	16	—	—	—	—	—	7	1.60	1,77	9.74
el	1,49.66	2,24 (1.5)	30	1,15	1,24.66	—	neg	41	—	1	—	—	—	18.51	9	2.00	2,10	41
ub-total:	5,57.29	5.78 (1.0)	2,22.06	8.49	2,45.00	—	14.92	10.60	17	2	—	—	—	18.51	4.95	8.69	6.77	17.10
**:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
ah	75.04	2,87** (3.8)	1,14	12.81	—	27	13.10	5.01	1.29	—	7.88	26.56	—	—	—	12	3.47	3.40
ah	8.49	8 (0.9)	—	5.44	—	—	13.10	5.01	3.00	—	7.88	26.56	—	—	—	5	—	—
b-total:	83.53	2.95 (3.5)	1.14	18.25	—	27	13.10	5.01	4.29	—	—	—	—	—	—	17	3.47	3.40
ir:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
at	12.85	1.80 (14.0)	—	—	—	10.05	—	—	5	—	—	—	—	—	—	17	1.08	1.50
E Morton (S-17)	70	Neg (—)	—	—	—	—	—	—	—	—	—	—	—	—	—	65	5	—
India	16.58	3.60 (21.7)	79	—	—	—	—	10.11	—	—	—	—	—	—	—	17	5.51	—
Swadeshi	6.04	Neg (—)	1.43	—	—	3.12	—	60	—	—	—	—	—	—	—	36	53	—
l	2.15	Neg (—)	—	—	—	—	—	—	—	—	—	—	—	—	—	55	26	1.34
n	2.00	Nil (—)	—	2.00	—	—	—	—	—	—	—	—	—	—	—	—	—	—
r Ganges	6.74	Nil (—)	80	—	—	—	—	5.03	—	—	—	—	—	—	—	75	16	—
b-total:	47.06	5.40 (11.5)	3.02	2.00	—	13.17	—	15.79	—	—	—	—	—	—	—	2.65	7.59	2.84
neering:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
al Distributors	2.35	57 (24.3)	—	—	—	—	—	—	—	—	2.35	—	—	—	—	—	—	—
Motors	14.10	Neg (—)	—	—	—	—	—	—	—	—	—	—	—	—	—	1.05	1	13.04
nal Bearing	18.22	16 (0.9)	—	—	—	—	6.14	—	—	—	7.58	—	—	—	—	—	—	4.50
laco	62	3 (4.8)	—	1	—	—	—	—	—	16	20	—	—	—	—	25	—	—
b-total	35.29	76 (2.1)	—	1	—	—	6.14	—	—	16	10.13	—	—	—	—	1.30	1	17.54
Shree	2.65	4 (1.5)	1.00	—	—	—	—	—	7	—	—	—	—	—	—	—	—	1.58
al India	1.67	5 (3.0)	—	—	—	—	—	—	—	35	—	—	—	—	—	32	—	1.00
ern Bengal	1.50	5 (3.3)	—	—	—	—	—	—	—	18	—	—	—	—	—	32	—	1.00
total:	3.17	10 (3.1)	—	—	—	—	—	—	—	53	—	—	—	—	—	64	—	2.00
ng:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
t	22.90	4.52 (19.7)	10.00	2	—	—	—	—	5.30	—	18	1.15	77	—	4.33	1.13	2	—
ng:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
at Kala Bhandar (S-13)	13.41	46 (3.4)	3	1.38	—	—	—	—	2.08	3.37	—	—	—	—	—	52	—	6.03
AL	12,23.32	44.57 (3.6)	2,45.29	43.64	2,49.88	15.45	34.16	83.90	7.90	3.77	18.19	27.71	77	18.51	9.58	16.60	26.52	65.43
a available with	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
ge distribution	8,67.30	—	28.3	5.0	28.8	1.8	3.9	9.7	0.9	0.4	2.1	3.2	0.1	2.1	1.1	1.9	3.1	7.6

vested Rs 23.20 lakhs in companies outside the group has, excluding its large investment in Tata Steel and Titaghur Paper, spread the remaining Rs 2.22 lakhs over 29 jute companies, 3 tea companies and 2 companies each in sugar and cotton. The purpose behind these investments is difficult to perceive or appreciate at first sight.

Low Yields

The 32 public companies listed in Table 3 have a total investment in private securities in India of Rs 12.23 crores, and their income from it amounts to Rs 44.57 lakhs, giving an average yield of 3.6 per cent. The largest single investor, Pilani Investment Corporation earns Rs 18.46 lakhs or 5.4 per cent, of which Rs 17.68 lakhs is in kind (i.e., shares) on an investment of Rs 344 lakhs; while the next two largest investors, Jiyajeerao Cotton and Sutlej Cotton earn 0.4 per cent and 1.5 per cent, on investments of Rs 331.60 lakhs and Rs 149.66 lakhs, respectively. Cotton mills, which account for 46 per cent of the total group inter-corporate investment, earn the least dividend on their investments, on an average 1 per cent only. Most sugar companies earn little or nothing by way of dividend on their investments in the shares of other companies, but their trading subsidiaries, which actually operate as investment companies, earn what are, by any standard, very high yields. One of these, Saran Trading, is shown to have earned 38.3 per cent, though scrutiny of the schedule of investments attached to its balance sheet failed to reveal anything in the nature of a gold mine. As many as 7 companies earn negligible or nil dividend, though their investments total Rs 38.18 lakhs.

It may not be warrantable to infer from these data that Birla investments are made entirely with a view to enhance the importance of the group as a whole, without regard to earning dividends, but it is definitely true to say that there is considerable disparity in the earnings of various companies. Even if investment holdings are managed on a group basis, such disparity in earnings is difficult to explain nor does it appear to be fair to shareholders of at least some companies. Indeed it is hardly possible to discover any rationale

in the distribution of holdings among the various constituent companies.

Distribution by Industries

Data on industrial distribution are available in respect of a total investment of Rs 867.30 lakhs (Table 3). Out of this figure, 'rayon and woollen' claims 28.8 per cent, and 'financial investment and managing agency' companies 28.3 per cent. 'Engineering' comes quite some lengths behind with 9.7 per cent only, and 'Miscellaneous & Trading' takes up 7.6 per cent. The last mentioned includes some interest in dairying and a negligible interest in electricity supply. 'Cotton' accounts for 5.0 per cent, 'Steel' receives 3.9 per cent. Most of the other heads get less than 3 per cent each. Prominent absentees are cement, chemicals and shipping, though a beginning has been made in the former two with plants owned by Birla Jute. The major industries in which Birlas have a relatively negligible direct stake are steel, cement, shipping, coal, and electricity.

Out of the investment of Rs 458.02 lakhs by investment companies, breakdown data are available for Rs 102 lakhs only. Of this, the largest single amount, Rs 45.12 lakhs, has gone into 'engineering', Rs 14.94 lakhs into 'miscellaneous & trading', and Rs 13.49 lakhs into 'cotton'. 'Publishing' comes next with Rs 8.66 lakhs.

Cotton mills, for which complete particulars are happily available, appear to be even more substantial investors than investment companies. Their funds have flowed profusely into 'rayon and woollen' and 'financial investment and managing agency' companies. Out of a total investment of Rs 557.79 lakhs made by them, the former have received as much as Rs 245.00 lakhs and the latter a little less at Rs 222.06 lakhs. While the industry persists in sending out distress signals, and Jiyajeerao Cotton with investments of Rs 331.60 lakhs and a cash balance of Rs 202.91 lakhs threatened to close down some time back, it is not merely possible for five Birla cotton mills to contribute substantially to the expansion of the group at an extremely low yield, but also to invest nearly Rs 19 lakhs in Burmah Shell Refineries, and another Rs 15 lakhs in Tata Steel. Miscel-

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laneous & Trading' together with 'real estate & construction' and 'publishing', all of them within Birla domains, receive Rs 32.56 lakhs without yielding practically anything at all. 'Engineering' receives by comparison a miserly Rs 10.60 lakhs, and 'glass and plastics' Rs 4.95 lakhs. 'Cotton' gets Rs 8.49 lakhs but most of it is accounted for by Kesoram's interest in Century.

Inter-corporate investments by jute mills amount to Rs 83.53 lakhs. Of this, the largest single portion, Rs 26.56 lakhs has gone into 'jute and linoleum', Rs 18.25 lakhs into 'cotton', and Rs 13.10 lakhs into 'steel'; 'Engineering' claims Rs 5.01 lakhs and 'tea' Rs 4.29 lakhs. The three heads, 'real estate & construction', 'publishing' and 'miscellaneous & trade', which are scarcely absent from any investment portfolio, together absorb Rs 7.04 lakhs. It is well known, moreover, that Soorah Jute was acquired from McLeods partly with the help of funds from Birla Jute, which has recently paid a part of its dividend in shares of the former.

Sugar mills' investments, aggregating Rs 47.06 lakhs, have flowed mostly into 'engineering' and back into 'sugar', which together account for nearly Rs 29 lakhs. The near-ubiquitous heads 'publishing', 'miscellaneous & trading', and 'real estate & construction' are not far behind with a total of Rs 13 lakhs.

Engineering companies, though new, have accumulated enough to put Rs 19 lakhs into the above three heads, Rs 10 lakhs into 'paper and stationery' and Rs 6 lakhs into Indian Iron & Steel. The high yield earned by Central Distributors comes from the stationery firm of Kores (India) Private which was originally registered as a public company.

Investments by tea and coal companies are relatively negligible and so are their yields. Orient Paper, however, earns a substantial dividend through judiciously distributed investments including Rs 10 lakhs in 'financial, investment and managing agency', Rs 5.30 lakhs in 'engineering' and Rs 4.33 lakhs in 'glass & plastics'. It is one of the very few Birla companies studied which do not have an interest in 'miscellaneous & trading'.

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The lone trading company in Table 3, Bharat Kala Bhandar, a subsidiary of Kesoram Cotton, has invested Rs 6.03 lakhs out of a total of Rs 13.41 lakhs in 'trading & miscellaneous', Rs 3.37 lakhs in 'tea', Rs 2.08 lakhs in 'engineering' and Rs 1.38 lakhs in 'cotton'.

In so far as available data on industrial distribution of Birla inter-corporate investments warrant any inference, it is that, compared to their scale and the business acumen that has guided and regulated them, the results are on the whole disappointing, whether viewed from the standpoint of yield or the direction of investment. Nearly three-fourths of Birla inter-corporate investments can be said to have gone into activities which,

under a regime of planning, do not generally receive a high priority. This mechanism may no doubt have helped the process of setting up new and/or relatively unprofitable industries with the surplus funds of older and well-established industries. Nevertheless, the Birla group remains over-burdened with excessive trading and financial activity.

Summing Up

As stated at the outset, it was not the purpose of this paper either to evaluate inter-corporate investment as a whole or to pass judgments. The primary emphasis has been, as is perhaps advisable in view of the novelty of the information, on presentation and analysis of data which can be culled from

List of Birla Companies

A. List of Companies managed by Birla Bros (P), Cotton Agents (P), Hindusthan Investment Corp, Birla Gwalior (P), Wattal (P), Jute & Gunny Brokers, and Adarsh Publications:

1. Hindusthan Cellulose, 2. Birla Cotton, 3. Birla Jute, 4. Century, 5. Gwalior Rayon, 6. Jay Shree Textiles, 7. Jiyajeerao Cotton, 8. Kesoram Cotton, 9. Rameshwara Jute, 10. Shree Digvijay Woollen, 11. Sirsilk, 12. Soorah Jute, 13. Sutlej Cotton, 14. Bharat Sugar, 15. C & E Morton, 16. Gobind Sugar, 17. New India Sugar, 18. New Swadeshi Sugar, 19. Oudh Sugar, 20. Upper Ganges Sugar, 21. Hind Cycles, 22. Hindusthan Motor Corporation, 23. Hindusthan Motors, 24. National Bearing, 25. Texmaco, 26. Jay Shree Tea, 27. Central India Coal, 28. Western Bengal Coal, 29. Orient Paper, 30. Sirpur Paper, 31. Indian Plastics, 32. Tungabhadra, 33. Calcutta Electrical, 34. Nilgiri Plantations, 35. Indo-Ethiopian Textiles (no place of business in India), 36. Hindusthan Woollen.

Total paid up capital & reserves: Rs 63.20 crores (excluding 34 & 35)

B. List of Companies* managed by associated houses of East India Development (P), G Das, and Bacchraj (P):

1. Kusum Products, 2. Bengal Scientific & Cotton, 3. Bacchraj Factories (P), 4. Bacchraj Trading

*Not analysed in study, with exception of Kusum Products.

Corp (P), 5. Baroda Industries (P), 6. Hindusthan Sugar, 7. Hindusthan Housing, 8. Jamnalal Sons (P), 9. Jeevan (P), 10. Mukund Iron & Steel.

C. Subsidiaries of Companies in List A above:

1. Bajrang Trading, 2. Champaran Marketing, 3. Darbhanga Marketing, 4. Hindusthan Cellulose, 5. Investments (now merged with holding coy Jiyajeerao), 6. Saran Trading, 7. India Linoleum, 8. Bharat Farms (in liq), 9. C & E Morton, 10. Narkatiaganj Farms, 11. Rajpur Farms, 12. Hindusthan Motor Corp., 13. Orient General, 14. Tims Products, 15. Air Conditioning (P), 16. Usha Development, 17. Jaipur Mining (now nationalised), 18. Behar Journals, 19. Motolite, 20. Woodcrofts, 21. Assam Jute Supply, 22. Bharat Kala Bhandar, 23. Bharat Trading, 24. Punjab Trading (amalgamated with Bharat Trading in Jan. 1957), 25. U P Trading, 26. Pakistan Motors, 27. National Bearing (Jaipur), 28. Bharat Overseas Corp.

Total paid up capital & reserves: Rs 3.19 crores (excluding 4, 9, 12, 26 & 28).

D. List of Companies, other than subsidiary companies, managed by Boards of Directors controlled by Birlas:

1. New Asiatic Assurance, 2. Ruby

† Also in List A above.
\$ Company with business abroad and no place of business in India.

balance sheets and related sources. These do not indicate any interlocking of investments in the sense of companies A and B holding shares in each other, though there is considerable evidence of interlocked directorates. The links appear to form fragments of a chain with A owning shares in B, which owns shares in C and so on, but they are not continuous, nor do they proceed consistently in the same direction. The ramifications are many and do not indicate a clear-cut consistent pattern. Liquidity, the essence of which is shiftability, cannot be said to be a characteristic of most inter-corporate investments of the Birla Group, since the proportion of liquid investments to the total is quite small.

General, 3. United Commerical Bank, 4. Pilani Investment Corp, 5. Bally Jute, 6. Gondalpara Mill (now General Industrial Society), 7. Shree Bhawan Cotton, 8. Ryam Sugar, 9. Central Distributors, 10. CIMMCO, 11. Electric Constn & Equipment, 12. Hindusthan National Glass, 13. Bharat Commerce, 14. Bhulanbararee Coal, 15. Mundulpoor Coal, 16. Indian Smelting & Refining, 17. Aditya Investments, 18. Bharat Produce, 19. East India Investments, 20. Jayanta Investment Corp, 21. Mahabir Trading, 22. Calcutta Share Dealers (P), 23. Gwalior Webbing, 24. New Gujarat Cotton, 25. New Swadeshi of Ahmedabad, 26. Padmavati Raje, 27. Prabha, 28. Prasad Hosiery, 29. Premier Textiles, 30. N. Bihar Sugar, 31. Indian Tools Manufacturers, 32. McKenzies, 33. Bengal Tea, 34. Borahi Tea, 35. Gaya Ganga Tea, 36. Ghillidary Tea, 37. Kingsley Golaghat Tea, 38. Premier Tea, 39. Hind Construction, 40. India Exchange, 41. Industry House, 42. Jay Shree Land, 43. Regent Estates, 44. Basant Properties (P), 45. Hindusthan Properties (P), 46. Madho Properties (P), 47. Magadh Constn. (P)*, 48. Ranchi Zamindari (P), 49. United Coal, 50. Cardboard Containers*, 51. Central India Paper* (in liq), 52. India Glass, 53. Premier Glass, 54. Akhil Bharat Publishers* (in liq), 55. Associated Journals, 56. Eastern Economist, 57. Hind Textile Publications* (in liq), 58. Hindustan Times, 59. Navneet Prakashan*, 60. Newspapers, 61. Rajkamal Publications, 62. Yugantra Prakashan Mandir, 63.

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vested Rs 23.20 lakhs in companies outside the group has, excluding its large investment in Tata Steel and Titaghur Paper, spread the remaining Rs 2.22 lakhs over 29 jute companies, 3 tea companies and 2 companies each in sugar and cotton. The purpose behind these investments is difficult to perceive or appreciate at first sight.

Low Yields

The 32 public companies listed in Table 3 have a total investment in private securities in India of Rs 12.23 crores, and their income from it amounts to Rs 44.57 lakhs, giving an average yield of 3.6 per cent. The largest single investor, Pilani Investment Corporation earns Rs 18.46 lakhs or 5.4 per cent, of which Rs 17.68 lakhs is in kind (i.e., shares) on an investment of Rs 344 lakhs; while the next two largest investors, Jiyajeerao Cotton and Sutlej Cotton earn 0.4 per cent and 1.5 per cent, on investments of Rs 331.60 lakhs and Rs 149.66 lakhs, respectively. Cotton mills, which account for 46 per cent of the total group inter-corporate investment, earn the least dividend on their investments, on an average 1 per cent only. Most sugar companies earn little or nothing by way of dividend on their investments in the shares of other companies, but their trading subsidiaries, which actually operate as investment companies, earn what are, by any standard, very high yields. One of these, Saran Trading, is shown to have earned 38.3 per cent, though scrutiny of the schedule of investments attached to its balance sheet failed to reveal anything in the nature of a gold mine. As many as 7 companies earn negligible or nil dividend, though their investments total Rs 38.18 lakhs.

It may not be warrantable to infer from these data that Birla investments are made entirely with a view to enhance the importance of the group as a whole, without regard to earning dividends, but it is definitely true to say that there is considerable disparity in the earnings of various companies. Even if investment holdings are managed on a group basis, such disparity in earnings is difficult to explain nor does it appear to be fair to shareholders of at least some companies. Indeed it is hardly possible to discover any rationale

in the distribution of holdings among the various constituent companies.

Distribution by Industries

Data on industrial distribution are available in respect of a total investment of Rs 867.30 lakhs (Table 3). Out of this figure, 'rayon and woollen' claims 28.8 per cent, and 'financial, investment and managing agency' companies 28.3 per cent. 'Engineering' comes quite some lengths behind with 9.7 per cent only, and 'Miscellaneous & Trading' takes up 7.6 per cent. The last mentioned includes some interest in dairying and a negligible interest in electricity supply. 'Cotton' accounts for 5.0 per cent. 'Steel' receives 3.9 per cent. Most of the other heads get less than 3 per cent each. Prominent absentees are cement, chemicals and shipping, though a beginning has been made in the former two with plants owned by Birla Jute. The major industries in which Birlas have a relatively negligible direct stake are steel, cement, shipping, coal, and electricity.

Out of the investment of Rs 458.02 lakhs by investment companies, breakdown data are available for Rs 102 lakhs only. Of this, the largest single amount, Rs 45.12 lakhs, has gone into 'engineering', Rs 14.94 lakhs into 'miscellaneous & trading', and Rs 13.49 lakhs into 'cotton'. 'Publishing' comes next with Rs 8.66 lakhs.

Cotton mills, for which complete particulars are happily available, appear to be even more substantial investors than investment companies. Their funds have flowed profusely into 'rayon and woollen' and 'financial, investment and managing agency' companies. Out of a total investment of Rs 557.79 lakhs made by them, the former have received as much as Rs 245.00 lakhs and the latter a little less at Rs 222.06 lakhs. While the industry persists in sending out distress signals, and Jiyajeerao Cotton with investments of Rs 331.60 lakhs and a cash balance of Rs 202.91 lakhs threatened to close down some time back, it is not merely possible for five Birla cotton mills to contribute substantially to the expansion of the group at an extremely low yield, but also to invest nearly Rs 19 lakhs in Burma Shell Refineries, and another Rs 15 lakhs in Tata Steel. Miscel-

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laneous & Trading' together with 'real estate & construction' and 'publishing', all of them within Birla domains, receive Rs 32.56 lakhs without yielding practically anything at all. 'Engineering' receives by comparison a miserly Rs 10.60 lakhs, and 'glass and plastics' Rs 4.95 lakhs. 'Cotton' gets Rs 8.49 lakhs but most of it is accounted for by Kesoram's interest in Century.

Inter-corporate investments by jute mills amount to Rs 83.53 lakhs. Of this, the largest single portion, Rs 26.56 lakhs has gone into 'jute and linoleum', Rs 18.25 lakhs into 'cotton', and Rs 13.10 lakhs into 'steel'; 'Engineering' claims Rs 5.01 lakhs and 'tea' Rs 4.29 lakhs. The three heads, 'real estate & construction', 'publishing' and 'miscellaneous & trade', which are scarcely absent from any investment portfolio, together absorb Rs 7.04 lakhs. It is well known, moreover, that Soorah Jute was acquired from McLeods partly with the help of funds from Birla Jute, which has recently paid a part of its dividend in shares of the former.

Sugar mills' investments, aggregating Rs 47.06 lakhs, have flowed mostly into 'engineering' and back into 'sugar', which together account for nearly Rs 29 lakhs. The near-ubiquitous heads 'publishing', 'miscellaneous & trading', and 'real estate & construction' are not far behind with a total of Rs 13 lakhs.

Engineering companies, though new, have accumulated enough to put Rs 19 lakhs into the above three heads, Rs 10 lakhs into 'paper and stationery' and Rs 6 lakhs into Indian Iron & Steel. The high yield earned by Central Distributors comes from the stationery firm of Kores (India) Private which was originally registered as a public company.

Investments by tea and coal companies are relatively negligible and so are their yields. Orient Paper, however, earns a substantial dividend through judiciously distributed investments including Rs 10 lakhs in 'financial, investment and managing agency', Rs 5.30 lakhs in 'engineering' and Rs 4.33 lakhs in 'glass & plastics'. It is one of the very few Birla companies studied which do not have an interest in 'miscellaneous & trading'.

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The lone trading company in Table 3, Bharat Kala Bhandar, a subsidiary of Kesoram Cotton, has invested Rs 6.03 lakhs out of a total of Rs 13.41 lakhs in 'trading & miscellaneous', Rs 3.37 lakhs in 'tea', Rs 2.08 lakhs in 'engineering' and Rs 1.38 lakhs in 'cotton'.

In so far as available data on industrial distribution of Birla inter-corporate investments warrant any inference, it is that, compared to their scale and the business acumen that has guided and regulated them, the results are on the whole disappointing, whether viewed from the standpoint of yield or the direction of investment. Nearly three-fourths of Birla inter-corporate investments can be said to have gone into activities which

under a regime of planning, do not generally receive a high priority. This mechanism may no doubt have helped the process of setting up new and/or relatively unprofitable industries with the surplus funds of older and well-established industries. Nevertheless, the Birla group remains over-burdened with excessive trading and financial activity.

Summing Up

As stated at the outset, it was not the purpose of this paper either to evaluate inter-corporate investment as a whole or to pass judgments. The primary emphasis has been, as is perhaps advisable in view of the novelty of the information, on presentation and analysis of data which can be culled from

balance sheets and related sources. These do not indicate any interlocking of investments in the sense of companies A and B holding shares in each other, though there is considerable evidence of interlocked directorates. The links appear to form fragments of a chain with A owning shares in B, which owns shares in C and so on, but they are not continuous, nor do they proceed consistently in the same direction. The ramifications are many and do not indicate a clear-cut consistent pattern. Liquidity, the essence of which is shiftability, cannot be said to be a characteristic of most inter-corporate investments of the Birla Group, since the proportion of liquid investments to the total is quite small.

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Lokraj Printing Press, 64. Arya Dharma, 65. Associated Machinery* 66. Bengal Rubber*. 67. Bharat Airways (in liq)* 68. Bijli. 69. Bragop. 70. Departmental Stores. 71. Eastern Equipment & Sales. 72. General Commerce. 73. Great Eastern Electrolaters* 74. Hindustan Discounting. 75. Hindusthan Gas. 76. Indian Air Travels* 77. Indian Shipping. 78. Indian Starch Products. 79. Jayasree Commercial* 80. Jute Carriers. 81. Mahajati Industries. 82. Nawalgarh Electric. 83. Nav Bharat Ice. 84. Orient Arts. 85. Aviquipo (P) 86. Geoffrey Manners (P)* 87. Kores India (P). 88. Krishnalal Thirani (P). 89. Orissa Forest. 90. Central Traders*. 91. Hindusthan Sugar Selling Agents* 92. India General Trading* 93. Indore Export & Import. 94. Jute & Stores. 95. Jute Investments. 96. Mahabir Commercial. 97. Mahabir Trading. 98. Premier Stores. 99. Premier Suppliers. 100. Punjab. 101. R. B. Rodda. 102. Sugar Traders* 103. Sutlej Cotton Mills Supply Agency. 104. Textile Stores. 105. Bengal Stores (P). 106. Burlap Dealers (P). 107. Enterprisers (P)* 108. General Produce (P). 109. India Industrial & Sales (P). 110. Kedia (P)* 111. Kothari (P). 112. Madhya Bharat Business Corp (P). 113. Nikhli Jute (P). 114. Oudh Trading (P). 115. Purshottam (P). 116. Surajmal Moha (P). 117. Sushil Therani Stores (P). 118. Universal Shippers (P). 119. Yung Mo (P). 120. Bombay Trading (P). 121. Cawnpore Trading* 122. J. C. Mills Factory* 123. Jamod Ginning (P). 124. Jayashree Traders (P). 125. Rajputana Investment (P). 126. Shree Factory (P). 127. Shree Dutt Factory (P). 128. West Punjab Factories (P). 129. Pekin Syndicate* (Sterling capital of £1,540,000). 130. Express Dairy.

Total paid up capital Rs 17.39 crores (excluding companies marked*). Data on reserves not available. E. List of Birla Companies registered and with places of business outside India:

1. American East India Corp. 2. Bharat Overseas Corp. 3. East Indian Produce. 4. Indo-Ethiopian Textiles†. 5. Pakistan Motors††

F. List of 'affiliated' Companies as defined in the Text (see p 1421):

1. Ashok Leyland (4,50,000 shares of Rs 5 each) 2. Bagalkot Cement

† Also in List A above.

†† Also in List C above.

(Dir R D Birla) 3. Bank of Baroda (Dir. R. D. Birla) 4. Bengal Laxmi Cotton (Dir. D N Bhattacharjee) 5. Bombay Life Assurance (1600 shares of Rs 25 each paid up. Dir. R D Birla) 6. East India (Oberoi) Hotels (200 shares of Rs 10 each. Dir D N Bhattacharjee) 7. Hind Bank (now merged with Bank of Baroda. Dir. B K Birla). 8. Hukumchand Jute (17,500 shares of Rs 7.50 each. Dir. B M Birla) 9. Hyderabad United Insurance (1,000 shares of Rs 50 O. S. each) 10. Industrial Credit & Investment Corporation of India (11,627 shares of Rs 100 each. Dir G D Birla) 11. Jorhat Electric Supply (Dir. P D Himatsingha) 12. Karanpura Collieries (Drs. K P Goenka, R K Kejriwal). 13. Khas Kajora Coal (Dir P D Himatsingka) 14. Madhya Bharat State Finance Corp* (5,000 shares of Rs 100 each) 15. National Machinery Manufacturers (3,870 shares of Rs 100 each. Dir. G D Birla, resigned in February, 1957) 16. Shree Digvijay Cement (Dir. R D Birla) 17. Frank Ross (Dir. B P. Khaitan). 18. West Bengal State Financial Corp (Chairman B M Birla) 19. Bihar State Finance Corp. (70 shares of Rs 100 each) 21. Bombay State Finance Corp. (140 shares of Rs 100 each).

Paid up capital Rs 17.12 crores (excluding company marked*)

G. List of Companies controlled by other groups in which Birlas are large investors:

1. Burmah-Shell Refineries (18,000 5¼ per cent Debs. of Rs 100 each) 2. Indian Iron & Steel (20,000 ordy. shares of Rs 10 each) 3. Tata Iron & Steel (21,610 ordy. shares of Rs 75 each). 4. Titagur Paper (26,000 ordy. shares of Rs 10 each).

NOTES TO TABLES

Table II

Figures in Column 3 exclude investments abroad which are found in Column 7. It is assumed that Investments and Piani Investment have no investments abroad. All breakdowns exclude investments abroad.

Figures in Column 6 are net of amounts written off, values of which are indicated in parentheses.

Figures in parentheses outside Column 6 indicate partial availability of data.

@ Includes companies registered

before 1946, but transferred to Birla control in and after 1946.

‡ Transferred to Birla control after 1946.

S Subsidiary of company numbered.

* Not required to publish details of investments.

** Owns plants manufacturing calcium carbide, staple fibre yarn and cement also.

† Gross of amounts written off, breakdown of which is not available.

Table III

X Includes dividends and interest from private securities receivable. Figures in parentheses indicate (3) as per cent of (2).

S Subsidiary of company numbered.

* Details of quoted private securities not available.

† Gross of Rs 8,04,000 'adjusted downward', for which details are lacking.

‡ Includes Rs 17,68,000 in shares received as dividend.

** Computed. No separate figure for dividends in profit & loss account.

Licences for Steel Import

IMPORTS of steel will be on a restricted scale during the October-March licensing period. Consequently, import licences will be issued to established importers only for industrial scrap to the extent of 7½ per cent of the base quota.

Import licences to actual users would be issued, as during the last period, for the following categories only: tool, alloy and special steels, scrap industrial and re-rollable, wheels, tyres and axles, terne plate, forgings and tinplate secondaries.

No import licences would be issued for the following categories: tinplate—prime, steel wire—all types, strips, tapes and electrical steel sheets—transformed and dynamo grade.

However, the Iron and Steel Controller would arrange for the import and supply of these categories of steel to actual users of approximately the same quantities for which import licences were issued during the previous period.

'Social Education' as a Control to Acculturation

Evelyn Wood

IT is fairly clear that rural development in India needs an unique pattern. Its size is so vast as to invite regimentation. The supposed "backwardness" of village-people offers further excuse for making them accept what is "good for them". Tradition has established a habit of didactic teaching. The facilities for crude communications have been so enormously multiplied that the tendency is to make "progressive" teaching to village-folk follow identical form and content from Kashmir to Kanya Kumari. This tendency is increased by the human facts of growth. Within ten years, the National Extension Service, dependencies of the Central Social Welfare Board and various Sarvodaya organizations have put tens of thousands of teachers into the rural field.

Most of these are immature, semi-urbanized young men and women, who are neither intellectually nor academically distinguished. Consequently, they raise no difficulties about the content or the form of the lessons with which they are instructed to relieve the villagers' "backwardness". One further standardizing factor is the placement of the rural development workers, which is very seldom arranged to fit into their native countryside. The educational aspect of such Extension Teaching seems therefore to be narrow. Even if the fieldworkers had time and personal ability to do so, it is by no means certain that their administrators would permit them to "draw out" the knowledge, skills and desire to learn from village-people in different ways and with different objects.

Values among Villagers

Yet there is obviously a great variety of values felt by village-folk. It may be that two villages both need to improve their sanitation, and are both ready to do so, as a first priority of "progressive" action. But it does not follow that village A, situated on the rocky banks of a perennial stream, will take to bore-hole latrines; while village B, in an undulating range of sandy hills, may very well do so. What village-folk want to adopt as fresh knowledge or action will nearly always

have a history of frustration as motive. No two families need have the same values; and the variety of values, with their relative strength, ranking and impact, will obviously differ between neighbour villages. Such differences are more obvious as between mountain-people and dwellers in the river-valleys. The latter, again are obviously different as between the Gangetic Plain and the Cauvery Valley. Such broad regional variations, without further refinement, reveal widely different bases for village-people's judgments. In principle, the Community Development programme accepted the fact of such differences. We all know that change cannot follow a single, imposed pattern, unless it be for the villagers' paramount need of making a good impression on powerful outside persons—or their possible agents.

Unfortunately, village-people have one habit of many generations' standing. This is the practice of complaisance towards any prosperous stranger, especially if he looks likely to be connected with the ruling class, or with commercially powerful organizations. This useful trick causes villagers to show a different face to "educated" outsiders from that which they show to each other. Within mixed-caste villages, too, the same needs of a double-face are felt and satisfied by lower-caste persons. It is all too easy for an educated person to persuade himself that the new ideas, which he has introduced, are making great headway with people in any one village. Then he moves out; and on coming back to the same village two or three years later, the happy innovator finds no trace of the practices based on his new ideas which the villagers previously swore would remake their lives for them. They will usually say that they did not get enough help, so that the new practices did not stick.

Why Didn't New Ideas Stick?

When the lapse is examined, two adverse factors are usually discovered. The first is envy on the part of the majority who did not try the new ways. This envy is not often connected with the value of the

results from the innovations. It is more often resentment of the fact that the villagers who accepted the new practice got themselves into the good books of the proposer. Since it is assumed that anyone who comes to plant new ideas in a village has powerful connections, either money or official, the experimenters are thought to have taken advantage of their neighbours. The second factor may be more connected with true conservatism. The less-adventurous villagers wait till the outside innovator has gone. Then they point out that the safe customs of the place and the family have been set aside. They claim that the traditional values are improperly vitiated by the new practice. In either case, social pressure can discourage the experimenter. Within his own family, particularly the mother of his children may also feel an egoistic resentment because she was not consulted. His life can also be made very hard by critics of his own or a superior caste.

It is lack of moral support against such envy and conservatism that the experimenting villager complains of, when he is finally brought to a candid admission of his backsliding. Usually the innovator from the outside takes the villager's complaint superficially, as registering his dependence for money or for technical support. The villager will let the townsman think this way, firstly because it seems too difficult to explain pressures which are outside the townsman's experience, and secondly because no one likes to appear weak-charactered.

One conclusion to be drawn from such failures of development is that every village needs a minimum of simultaneous experimenters, to make a new practice stick. There has to be a powerful enough group to withstand all types of social pressure. Envy of the experimenter's favourable connections with more powerful outsiders disappears when several people have undertaken the new practice. Another conclusion is that these negative factors proclaim a feeling for the need to seek patronage.

Lokraj Printing Press* 64. Arya Dharma. 65. Associated Machinery* 66. Bengal Rubber*. 67. Bharat Airways (in liq)* 68. Bijli. 69. Bragop. 70. Departmental Stores. 71. Eastern Equipment & Sales. 72. General Commerce. 73. Great Eastern Electrolaters* 74. Hindustan Discounting. 75. Hindusthan Gas. 76. Indian Air Travels* 77. Indian Shipping. 78. Indian Starch Products. 79. Jayasree Commercial* 80. Jute Carriers. 81. Mahajati Industries. 82. Nawalgarh Electric. 83. Nav Bharat Ice. 84. Orient Arts. 85. Aviquipo (P) 86. Geoffrey Manners (P)* 87. Kores India (P). 88. Krishnalal Thirani (P). 89. Orissa Forest. 90. Central Traders*. 91. Hindusthan Sugar Selling Agents* 92. India General Trading* 93. Indore Export & Import. 94. Jute & Stores. 95. Jute Investments. 96. Mahabir Commercial. 97. Mahabir Trading. 98. Premier Stores. 99. Premier Suppliers. 100. Punjab. 101. R. B. Rodda. 102. Sugar Traders* 103. Sutlej Cotton Mills Supply Agency. 104. Textile Stores. 105. Bengal Stores (P). 106. Burlap Dealers (P). 107. Enterprisers (P)* 108. General Produce (P). 109. India Industrial & Sales (P). 110. Kedia (P)* 111. Kothari (P). 112. Madhya Bharat Business Corp (P). 113. Nikhli Jute (P). 114. Oudh Trading (P). 115. Purshottam (P). 116. Surajmal Mohita (P). 117. Sushil Tharani Stores (P). 118. Universal Shippers (P). 119. Yung Mo (P). 120. Bombay Trading (P). 121. Cawnpore Trading* 122. J. C. Mills Factory* 123. Jamod Ginning (P). 124. Jayashree Traders (P). 125. Rajputana Investment (P). 126. Shree Factory (P). 127. Shree Dutt Factory (P). 128. West Punjab Factories (P). 129. Pekin Syndicate* (Sterling capital of £ 1,540,000). 130. Express Dairy.

Total paid up capital Rs 17.39 crores (excluding companies marked*). Data on reserves not available. E. List of Birla Companies registered and with places of business outside India:

1. American East India Corp. 2. Bharat Overseas Corp. 3. East Indian Produce. 4. Indo-Ethiopian Textiles. 5. Pakistan Motors††

F. List of 'affiliated' Companies, as defined in the Text (see p 1421):

1. Ashok Leyland (4,50,000 shares of Rs 5 each) 2. Bagalkot Cement

† Also in List A above.

†† Also in List C above.

(Dir R D Birla) 3. Bank of Baroda (Dir. R. D. Birla) 4. Bengal Laxmi Cotton (Dir. D N Bhattacharjee) 5. Bombay Life Assurance (1600 shares of Rs 25 each paid up. Dir. R D Birla) 6. East India (Oberoi) Hotels (200 shares of Rs 10 each. Dir D N Bhattacharjee) 7. Hind Bank (now merged with Bank of Baroda. Dir. B K Birla). 8. Hukumchand Jute (17,500 shares of Rs 7.50 each. Dir. B M Birla) 9. Hyderabad United Insurance (1,000 shares of Rs 50 O. S. each) 10. Industrial Credit & Investment Corporation of India (11,627 shares of Rs 100 each. Dir G D Birla) 11. Jorhat Electric Supply (Dir. P D Himatsingha) 12. Karanpura Collieries (Dirs. K P Goenka, R K Kejriwal). 13. Khas Kajora Coal (Dir P D Himatsingka) 14. Madhya Bharat State Finance Corp* (5,000 shares of Rs 100 each) 15. National Machinery Manufacturers (3,870 shares of Rs 100 each. Dir. G D Birla, resigned in February, 1957) 16. Shree Digvijay Cement (Dir. R D Birla) 17. Frank Ross (Dir. B P. Khaitan). 18. West Bengal State Financial Corp (Chairman B M Birla) 19. Bihar State Finance Corp. (70 shares of Rs 100 each) 21. Bombay State Finance Corp. (140 shares of Rs 100 each).

Paid up capital Rs 17.12 crores (excluding company marked*)

G. List of Companies controlled by other groups in which Birlas are large investors:

1. Burmah-Shell Refineries (18,000 5¼ per cent Debs. of Rs 100 each) 2. Indian Iron & Steel (20,000 ordy. shares of Rs 10 each) 3. Tata Iron & Steel (21,610 ordy. shares of Rs 75 each). 4. Titaghur Paper (26,000 ordy. shares of Rs 10 each).

NOTES TO TABLES

Table II

Figures in Column 3 exclude investments abroad which are found in Column 7. It is assumed that Investments and Pilani Investment have no investments abroad. All breakdowns exclude investments abroad.

Figures in Column 6 are net of amounts written off, values of which are indicated in parentheses.

Figures in parentheses outside Column 6 indicate partial availability of data.

@ Includes companies registered

THE ECONOMIC WEEKLY

before 1946, but transferred to Birla control in and after 1946.

† Transferred to Birla control after 1946.

S Subsidiary of company numbered.

* Not required to publish details of investments.

** Owns plants manufacturing calcium carbide, staple fibre yarn and cement also.

† Gross of amounts written off, breakdown of which is not available.

Table III

X Includes dividends and interest from private securities receivable. Figures in parentheses indicate (3) as per cent of (2).

S Subsidiary of company numbered.

* Details of quoted private securities not available.

† Gross of Rs 8,04,000 'adjusted downward', for which details are lacking.

‡ Includes Rs 17,68,000 in shares received as dividend.

** Computed. No separate figure for dividends in profit & loss account.

Licences for Steel Import

IMPORTS of steel will be on a restricted scale during the October-March licensing period. Consequently, import licences will be issued to established importers only for industrial scrap to the extent of 7½ per cent of the base quota.

Import licences to actual users would be issued, as during the last period, for the following categories only: tool, alloy and special steels, scrap industrial and re-rollable, wheels, tyres and axles, terne plate, forgings and tinplate secondaries.

No import licences would be issued for the following categories: tinplate—prime, steel wire—all types, strips, tapes and electrical steel sheets—transformed and dynamo grade.

However, the iron and Steel Controller would arrange for the import and supply of these categories of steel to actual users of approximately the same quantities for which import licences were issued during the previous period.

THE ECONOMIC WEEKLY

'Social Education' as a Control to Acculturation

Evelyn Wood

IT is fairly clear that rural development in Ind'a needs an unique pattern. Its size is so vast as to invite regimentation. The supposed "backwardness" of village-people offers further excuse for making them accept what is "good for them". Tradition has established a habit of didactic teaching. The facilities for crude communications have been so enormously multiplied that the tendency is to make "progressive" teaching to village-folk follow identical form and content from Kashmir to Kanya Kumari. This tendency is increased by the human facts of growth. Within ten years, the National Extension Service, dependencies of the Central Social Welfare Board and various Sarvodaya organizations have put tens of thousands of teachers into the rural field.

Most of these are immature, semi-urbanized young men and women, who are neither intellectually nor academically distinguished. Consequently, they raise no difficulties about the content or the form of the lessons with which they are instructed to relieve the villagers' "backwardness". One further standardizing factor is the placement of the rural development workers, which is very seldom arranged to fit into their native countryside. The educational aspect of such Extension Teaching seems therefore to be narrow. Even if the fieldworkers had time and personal ability to do so, it is by no means certain that their administrators would permit them to "draw out" the knowledge, skills and desire to learn from village-people in different ways and with different objects.

Values among Villagers

Yet there is obviously a great variety of values felt by village-folk. It may be that two villages both need to improve their sanitation, and are both ready to do so, as a first priority of "progressive" action. But it does not follow that village A, situated on the rocky banks of a perennial stream, will take to bore-hole latrines; while village B, in an undulating range of sandy hills, may very well do so. What village-folk want to adopt as fresh knowledge or action will nearly always

have a history of frustration as motive. No two families need have the same values; and the variety of values, with their relative strength, ranking and impact, will obviously differ between neighbour villages. Such differences are more obvious as between mountain-people and dwellers in the river-valleys. The latter, again are obviously different as between the Gangetic Plain and the Cauvery Valley. Such broad regional variations, without further refinement, reveal widely different bases for village-people's judgments. In principle, the Community Development programme accepted the fact of such differences. We all know that change cannot follow a single, imposed pattern, unless it be for the villagers' paramount need of making a good impression on powerful outside persons—or their possible agents.

Unfortunately, village-people have one habit of many generations' standing. This is the practice of complaisance towards any prosperous stranger, especially if he looks likely to be connected with the ruling class, or with commercially powerful organizations. This useful trick causes villagers to show a different face to "educated" outsiders from that which they show to each other. Within mixed-caste villages, too, the same needs of a double-face are felt and satisfied by lower-caste persons. It is all too easy for an educated person to persuade himself that the new ideas, which he has introduced, are making great headway with people in any one village. Then he moves out; and on coming back to the same village two or three years later, the happy innovator finds no trace of the practices based on his new ideas which the villagers previously swore would remake their lives for them. They will usually say that they did not get enough help, so that the new practices did not stick.

Why Didn't New Ideas Stick?

When the lapse is examined, two adverse factors are usually discovered. The first is envy on the part of the majority who did not try the new ways. This envy is not often connected with the value of the

results from the innovations. It is more often resentment of the fact that the villagers who accepted the new practice got themselves into the good books of the proposer. Since it is assumed that anyone who comes to plant new ideas in a village has powerful connections, either money or official, the experimenters are thought to have taken advantage of their neighbours. The second factor may be more connected with true conservatism. The less-adventurous villagers wait till the outside innovator has gone. Then they point out that the safe customs of the place and the family have been set aside. They claim that the traditional values are improperly vitiated by the new practice. In either case, social pressure can discourage the experimenter. Within his own family, particularly the mother of his children may also feel an egoistic resentment because she was not consulted. His life can also be made very hard by critics of his own or a superior caste.

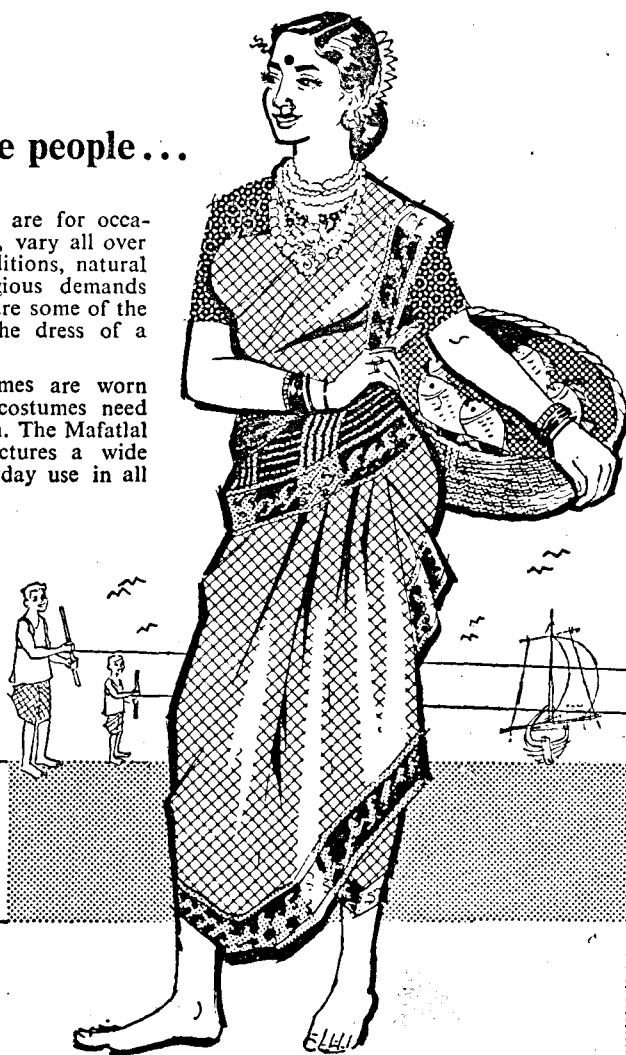
It is lack of moral support against such envy and conservatism that the experimenting villager complains of, when he is finally brought to a candid admission of his backsliding. Usually the innovator from the outside takes the villager's complaint superficially, as registering his dependence for money or for technical support. The villager will let the townsman think this way, firstly because it seems too difficult to explain pressures which are outside the townsman's experience, and secondly because no one likes to appear weak-charactered.

One conclusion to be drawn from such failures of development is that every village needs a minimum of simultaneous experimenters, to make a new practice stick. There has to be a powerful enough group to withstand all types of social pressure. Envy of the experimenter's favourable connections with more powerful outsiders disappears when several people have undertaken the new practice. Another conclusion is that these negative factors proclaim a feeling for the need to seek patronage.

The dress of the people...

Costumes, whether they are for occasions or for daily wear, vary all over the world. Climatic conditions, natural materials available, religious demands and individual ingenuity are some of the factors that determine the dress of a people.

Many varied costumes are worn in India but different costumes need different qualities of cloth. The Mafatlal Group of Mills manufactures a wide range of cloth for everyday use in all parts of the country.



The fisherwoman of Bombay, a familiar figure in the market, wears a nine-yard saree. The style is indicative of the freedom and strength these women draw from the ocean.

SHORROCK, Ahmedabad. NEW SHORROCK, Nadiad. STANDARD, Bombay. NEW CHINA, Bombay. SASSOON, Bombay. NEW UNION, Bombay. SURAT COTTON, Surat and Dewas. MAFATLAL FINE, Navsari. GAGALBHAI JUTE, Calcutta.

MAFATLAL GROUP OF MILLS



CLOTH FOR THE NATION

Mafatlal's other interests include Sugar and Dyestuffs

MAFATLAL HOUSE, BACKBAY RECLAMATION, BOMBAY I.

The village-experimenter takes up the new practice at least partly to please a patron. He thus shows a trace of positive dependence. His critics make no comment while the supposed patron is working in the village. They are thus making their negative dependence quite clear.

The test of the new practice being established as a habit, and contributing a new value to the village is simple. Does the new way stick when it cannot possibly benefit any villager by pleasing a powerful person?

Change in Trivial Matters

Beneath all this temporary appearance of unsecured change, the process of self-promoted acculturation goes on. Village-folk move around much more today. They don't feel that they have any values to contribute to modern life in Indian towns. Yet they do, unconsciously, contribute something. They have their own peculiar range of choices from the townsman's new ways. These choices by villagers can only be in fields where their living traditions no longer offer a guide.

Indian Film music is a case in point; it would be interesting to try it on the people of a village where traditional bhajans have kept up to a high level of frequent performance for several generations. But in the broad way, where a village has no particular musical tradition, the crudest of sentimental songs, without thematic vigour or representative freshness, lifted bodily from some Hollywood ditty, gives such pleasure that village-people will repeatedly ask for it. The broad colour-stripe pyjamas and shorts worn by younger men is another All-India adoption, having no connection whatever with previous clothing styles in most parts of India. No earnest development officer has urged villagers to find a new satisfaction in these oddities. Yet they have spread throughout the land from the Punjab to Assam, and to the Tamilnad.

There has quite recently not been any encouragement of the coloured-stripe shorts by anyone except the younger men, possibly the Sikhs, who have travelled fairly widely, and the cloth-dealers, possibly also tailors. Most older people in non-Sikh villages, and the dedicated townfolk who earnestly desire to

see the poor village brothers "uplifted" must have tried to discourage these garments. It is not so sure that so many dissident voices have been raised against Indian Film Music. With the striped shorts, however, the perpetual question is re-presented. Whose is the standard of "good", of "improvement" or of "uplift"? A spontaneous growth of new values among big enough village-groups is the only explanation for changes at which rural development workers do not connive.

The Central Questions

The writer could give a dozen or more examples of such officially undesired changes. The central problem is to find the more constructive changes which are desired both by village-people and towns-people. How do village-groups form new values to admit new choices? Precedent to this question are two others. One: how does a new idea, a new skill, and some idea of its value come to the attention of every person in the village who might be connected with it? Two: how are such persons to be gathered together as a group, in order to consider the new thing?

If the above three questions could be easily answered, the job of rural development would be simple. In fact, the gram sevak (or gram sevika) is supposed to be the specialist for his circle of villages, in each of which he ought to be able to answer those three questions in respect of any innovation. It is necessary to point out, though, that the Development Block or Welfare Extension Project in which the administration has provided the village-level workers with time to develop such specialization in local people is in practice somewhat of a Shangri La. It is a secondary problem for villagers, but primary for planners, to find out where these changes have to differ because the values of the region considered are different. This strongly suggests that planners must either draw more copiously from the prime experience of VLW's; or else leave the planning to each for his or her circle of villages.

Mechanisms of Change

Elements from many different Western cultures have started off changes throughout India. Perhaps the one example of an officially approved change which has also

caught the villager's fancy is the trick of physical drill. Marching, saluting, flag-hoisting and other Fighting Services evolutions of the parade-ground are very broadly popular. This popularity indicates a general desire to work in groups. It should be noted that this range of tricks is now common to all the strong nations, Western or Asian. Surely the common desire for group-action could be used for more constructive purposes?

On the other hand, the encouragement of competitions and personal distinctions seems to fit only the more adventurous Indian cultures, like some of the large Punjabi groups. A society with a more spatially compact family system, as in South India, tends to reject such new forms. Personal distinction is more usually considered in rural India as proper for the saint, or the person on the way to becoming a saint. Then one is safe in the expectation that the distinguished person will not want to push the rest around. This insistence on group-safety as a value clearly has a high social strength. But can it be used on a large scale? Acharya Vinoba Bhave's Bhoodan movement seems to suggest that there are possibilities. But the exemplar proposition, which causes people to surrender land on a wave of emotional conviction, needs to be followed up by men or women with an equal dedication to practical, detailed action. The land which is gifted or shared must yield more, rather than less.

Those whose personal concern to help village-folk to catch up with the rest of the world is persistent will always find out, by living in contact with many simple people, that it is very hard to see just what can be broadly accepted as a new habit. The people are simple, but the societies which hold them together are complex. The people themselves feel no need to explain the social mechanisms to which they are accustomed. In the same way, they see no need to externalize their local understanding of their own practice of agriculture. Trial and error is the only way.

Individual vs Group Decisions

Obviously, the pressures of material success are now beginning to affect at least a quarter of the villages in India. What will large groups of villagers choose to try first? So many western principles

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and skills are now suggested to them in a steady stream that some must unquestionably be adopted as new habits. How will the new ways fit with the old values? How will the values be remade to enable the new habits to fit in, when and because they are deeply desired by a really large number of neighbours?

We only know one answer which applies throughout India. People are now very much more conscious of their need to change, but they are also less inclined to trust in their own powers, except for one thing. When a new practice looks promising, most villagers still feel sure that it is wrong for an individual to take it up without reference to others. This mental habit is strong evidence for a lively social conscience. In fact, some of his group will make it impossible for the individual experimenter to continue, unless he is prepared to assert his independence, socially as well economically. This suggests a society which is internally coercive, but not a basically weak society. Should development officers build on the assertive individual?

It is still a good generalization to say that group-decisions are highly valued. Equally, however, village-people are painfully conscious of their slowness and uncertainty in reaching such decisions, unless it be in very small groups with previous, common interests. The individual decision is far more frequently distrusted in Indian villages than it is in Western cultures. It is easier to let the powerful man boss the group in rural India. Yet he cannot do this unless he has personal contact with all members of the group. Then he tries to get the appearance of a unanimous group-decision.

Time, Space and Human Capacities

Experience has not given Indian villagers a high opinion of their successive rulers. Those who get and misuse money-power or other political power are regarded much as the climate: bad, but one must accept it as the inescapable environment, and carry on somehow despite its capricious interference. Can this attitude be altered? If it can, should it be altered? Perhaps the warmth of human relationships in small groups is one of the great social strengths. How are such small groups to cross-fertilize each other, so as to act through a narrowing

pyramid of less-numerous groups, each equally small?

It appears that acculturation is social dynamite unless two elements are controlled. In the first place, there must be exchange of appreciation from both sides. Village-folk must know that townsfolk admire them for—say, their adaptability to crisis. The townsfolk must occasionally regret their own dependence on particular social or professional groups to keep the streets clean, to supply water, tackle serious illness and collect taxes. All these services get poorly done in the village, and in such a way that a flood or a famine will bring even enemies to each other's aid. This social quality of individual adaptability is lost in the impersonality of the town. The townsfolk (or urbanized villagers), who take on the promotion of changes in a village, can divest themselves of their professional impersonality by making such confessions of failure or inferiority. Such revaluing of urban principles, and action based on them, need not be literally verbalized. A word here or there will convey the high value placed on the village way, by comparison.

Two-way Appreciation

When this fresh thinking by the promoter of changes gets across to village-folk, they are then more easily able to consider some of the urban propositions he raises. The secondary effect of professional admiration for something amateur in the village is of great educational importance. Villagers can be encouraged thereby to study how they have obtained their good results.

The rural development worker's promotion of analytical self-examination is basic to all social reconstruction. But it must be preceded by warm appreciation of the good points of village-life, so that the villagers can feel it is worth seeing how and why they do so well, with their poor resources. Only after they have begun to look at their unconscious successes through the townsman's appreciative and analysing eyes, will his suggestions make emotional sense to them. This process of building up a mutual appreciation takes a long time. That delay is constructive, however, for acculturation is dangerous only when it goes too fast for the more slowly adaptable people. A truly social education must slow down the

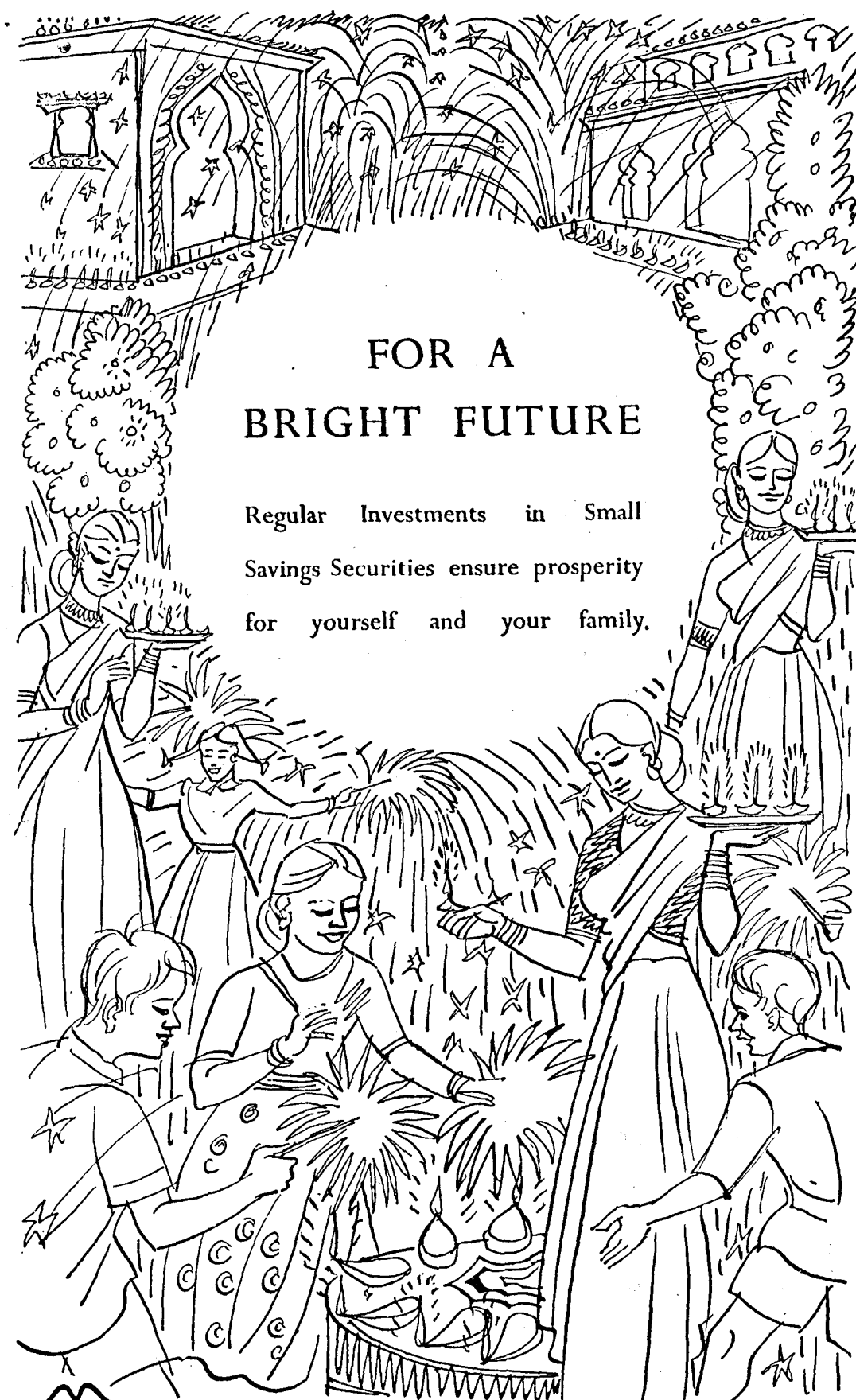
pace of change till literally everyone can see what goes on.

Patient exploration of human mechanisms in the village and their capacities to take on the new ways must come before serious promotion of the latter. With such a programme, both the groups inside a village and the earnest development worker are together laying an agreed foundation on which they can build together. Even more important is the deliberate process of testing the security of every bit as it is built—foundation or superstructure. When both the development worker and his village friends agree as they go ahead on the soundness of their mutual work, it becomes perfectly possible for him to be replaced by another individual of the same professional qualifications. The new man from outside will have no difficulty, provided he gets the village-people to teach him about the work done before he took over the job.

Exploring New Ways in Villages

Brand new social mechanisms, like the secret ballot, may be worth fitting into villages. Only villagers can decide. It has to be pointed out to them that the change in values which a secret ballot causes will have many long-range effects. By the time village-folk have been warmed by a townsman's admiration, they are in the best state to consider re-ranking their own social values, or altering the relative strengths.

Social education would help them to look critically and comparatively at the form of their own previous mechanisms for delegating political, economic or social powers to particular persons, and for taking and acting upon decisions reached by the exercise of such powers. Individual despotism is remarkably unusual in rural India. The control of powerful and strong-charactered individuals is, however, most often so loosely defined as to result in a purely negative check on any kind of action. If social education can enable large numbers of people in a village to analyze their joint action with some precision, the controls on personal power may get better defined; hence more positive. Then village-people can use their groups with some consciousness of what they are doing. In this (undeniably) improved state, a comparison between the value of the old and the new—on their own, possibly recon-



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sidered scales—can be made to everyone's satisfaction. The writer is not theorizing about this possibility of improvement in group-decision and action by village-people. He has actually lived in a village where this very transformation took shape within two years.

Need for Social Analysis

It is not so much villagers' ignorance which has to be enlightened; it is the ignorance of townsfolk who work with villagers about the scope and effect of the traditional ways in the villages. City life looks good to a visiting villager. He needs to know its bad points, contrasted with what is good, though vague, in his own arrangements with neighbours. Both villager and townsman are ignorant of the total picture of their own and the contrasted societies. The villager never looks at his own system analytically. This is not the method consistent with his traditional philosophy. It remains to be seen whether one of the changes brought by rural development will be a partial adoption of the westernized social analysis which has already supplanted the traditional, philosophic holism in the towns of India.

In any case some method will have to be found by which village-people can organize their social, technical and economic knowledge better. They themselves can quickly recognize the need to do so; but they can't know how to do it. By analysing his town-life, the development worker can open a way to villagers for similar critical examination.

Motives for Change

Even a knowledge of the need, and some idea of the method is not enough to get villagers' knowledge organized. Some more powerful motive is required to provide the drive to do it. A Marxist would doubtless postulate economic gain as essential; but this seems an improbable source of strength in rural India. The denigration of village-people, which has been habitual to other Indians as well as foreigners for many generations, has left a large gap of self-respect or prestige to be filled. It would therefore appear that if a development worker in a village can convince the people of the unique values of their organized knowledge to others, he will have sparked the most likely motive

to drive them towards some sort of critical study of themselves.

The function of social education appears to be just this. In every village, some very strong and common activities can be found which benefit all the people—sometimes, alas, excluding the Harijans. One should look for an activity which brings the Harijans in too. Then a quiet, mutual examination of this common bond of action can justly bring admiration from a townsman. Once the village-folk have been praised for a running system of group-work, they will look in a different way at the analysis which made it clear. They may even try to take other group-operations to pieces, so as to set out the knowledge contained in them.

In the process of exploration, the townsman should avoid making any suggestions towards changing any existing practices—unless he is asked directly to do so by villagers. If he fails to observe this single rule, he will lose the attention of the villagers as a large group, and so his education will once again cease to be social. If it be truly social, of course, education must extend the educator's own knowledge—perhaps even of his own social forms and their values.

Killick Group

THE energy sales of Ahmedabad Electricity Company continue to expand at a satisfactory rate, the increase in the latest year ended 31st March 1958 being as high as 15 per cent over the previous year. The total generating capacity has remained constant at 142,500 kW, but the peak load has improved by 15,200 kW to 178,600 kW. The gross profit margin on energy sales, however, has declined from 17.4 per cent in the previous accounting period of 6 months to 16.2 per cent. Taxation takes away Rs 5 lakhs against Rs 4.93 lakhs, leaving a net profit of Rs 59.93 lakhs against Rs 26.03 lakhs in the previous half year. The net earning per ordinary share has, therefore, risen on an annual basis to Rs 6.85 against Rs 5.96. Withdrawal from dividend equalization Reserve is lower at Rs 2.07 lakhs against Rs 6.07 lakhs, though dividend has been raised from Rs 5.75 to Rs 6.50. The steady depletion of this reserve necessitates early Government decisions on the problems of the electricity industry, if

investors' interest is to be maintained. Total reserves have, nevertheless, gone up from Rs 83 lakhs to Rs 90 lakhs, largely owing to accretion to capital and statutory reserves, while share capital remains at Rs 875 lakhs.

The debenture liability of Rs 2 crores is more than 5½ times covered by the net block, which has expanded from Rs 10.95 crores to Rs 11.16 crores. Cash has been run down from Rs 26 lakhs to Rs 12 lakhs.

Surat Electric

The sales performance of Surat Electric might have matched that of its sister Ahmedabad concern, but for the diminished off-take of energy by the art silk and jari industries. Drastic curtailment of imports, on which these industries depend for their raw materials, has led to a slowing down in the expanding off-take of low tension power. The address of Mr K G Milne from the Chair has expressed the hope that larger power supplies would become available from Utran in the near future, and that the current disparity in the rates of high tension power would be removed. He has pleaded for relief in the super tax on dividends for the previous accounting period of 15 months which has been taken as a 'year' for income tax purposes. The divergence in depreciation permitted under the Electricity Act and the Income Tax Act, together with the grossing up of dividends for the purpose of tax credits in the hands of shareholders have also been commented upon.

Hingir-Rampur Coal

The fiftieth annual report of Hingir-Rampur Coal for the year ended 30th June 1958 discloses a higher loss of Rs 6.52 lakhs against Rs 4,000 in the previous year, owing to the effects of a lock-out which stopped production for 5 months, and the flooding of one of the pits by Hirakud Dam waters. Sales have declined to 63,000 tons from 164,000 tons and output to 71,000 tons from 179,000 tons. Energetic steps are being taken to develop two new areas in the only pit now available for mining, in order to restore raisings to the original level.

Net block stands at Rs 17 lakhs, and liquid assets at Rs 13 lakhs, against a current liability of Rs 4 lakhs and loans totalling Rs 11 lakhs.

From the Chair

The Indian Iron and Steel Company Limited

Statement by the Chairman, Sir Biren Mookerjee

THE Annual General Meeting of the Indian Iron and Steel Company Limited will be held at 12, Mission Row, Calcutta, at 3 p.m. on Friday, the 28th November 1958. The following statement by the Chairman, Sir Biren Mookerjee, has been issued to the shareholders along with the Directors' Report and audited accounts for the year ended 31st March, 1958:—

It has been the custom in the past for the Chairman in a speech at the Annual General Meeting to supplement the Report of the Board of Directors with additional information regarding the year under review and to deal at the same time with matters affecting the general interests of the Company. It is, however, thought that it would be more advantageous to shareholders and assist in a better understanding of the Accounts and the position of their Company that this further information should be made available to them at an earlier date. The innovation is, accordingly, being introduced this year by issuing this statement which will take the place of my previously customary speech and will enable shareholders to attend the Annual General Meeting with a fuller knowledge of matters affecting their interests. If this meets with general approval it is intended to adopt this procedure in future years.

Production

There was a reduction in the production of saleable steel of no less than 31,679 tons in 1957-58 compared to that in 1956-57, as has been stated in the Directors' Report. I shall now explain some of the more important causes which led to that result. There was an unavoidable diminution in the use of purchased steel scrap during the year on account of difficulty of procurement which largely accounts for the fall in the output of ingots relative to the increased availability of Hot Metal. The output ratio of saleable steel has registered a decrease due to the fact that in 1957-58 more steel was produced in fully finished form commanding a higher realisation

price but involving naturally a lower overall yield per ton of ingot.

As foreshadowed last year, the disorganisation of production by reason of the extension works gradually increased throughout the year and has since reached the point where the maximum effect on current production is being felt. It has to be realised that the new constructional works have involved diversions of normal supply routes for raw materials, the re-organisation of the movement of semi-processed and other materials within the works, interference with the distribution of gas, water and power and a general congestion of the entire works area. This has been inevitable and looking back I may say that it reflects the greatest credit on all concerned that, for so long a period of the construction, the effect on production has been kept at such a remarkably low level.

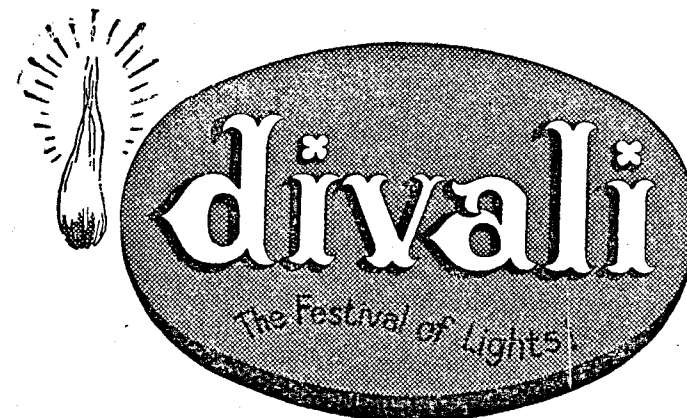
Another factor of a graver character however operated during the year under review to adversely affect production. This was the growing lack of discipline on the part of the workers generally and the marked deterioration in the effort put forth by them. We are, together with the other main producer, being made to suffer by reason of Communist plans to foster discord in an endeavour to supplant the recognised labour unions. What this effort to gain control of a key industry can lead to has been demonstrated in a most unfortunate form by the chaotic conditions that were brought about at the Jamshedpur Works of the Tata Iron & Steel Co. Ltd. in May last. In our own case there were seven sporadic strikes and a two-day lightning strike in the Melting Shop earlier in the year. It is most disappointing that the workers who had previously established such a good record of production in this section in the face of many difficulties should have allowed themselves to be led astray by agitation. In their case unrest centres primarily around the question of production bonus which they claim should be based on total shop

output irrespective of additions to the capacity of the plant, a proposition which is clearly untenable.

The result of these factors will be apparent from the production figures set out in the Directors' Report from which it will be seen that although the new Open Hearth Furnace 'E' contributed an output of more than 20,000 tons, the total production of ingots in 1957-58 fell short by approximately 25,000 tons compared to the previous year. This is a regrettable state of affairs and I can only express the hope that the workers will quickly come to realise where their true interests lie and to appreciate that to allow themselves to be swayed by political agitators can result only in detriment to their own welfare and the complete disruption of the country's planned progress.

In February 1958 there was a strike of workers employed by the contractors engaged on the construction of the 1953 and 1955 extensions which lasted from the 24th February to the 21st March and spread to the Company's own contract labour both at Burnpur and Kulti, the ostensible issue being the question of permanency of employment. This had a further detrimental effect on plant operation by reason of increased disorganisation and the general lowering of morale throughout the Works. The consequences of this strike will delay the completion date of the expansion programme and it is estimated will involve a loss in foreign exchange to Government to the extent of some Rs. 5 crores.

With the virtual completion of the first stage of the 1953 Extensions, the Melting Shop capacity is now approximately 62,500 tons of ingots per month against which production is only averaging some 44,000 tons as a result of the unsatisfactory and continuing conditions I have explained above. In terms of the imported cost of the equivalent saleable steel this means a loss of foreign exchange to the country of approximately Rs. 95 lakhs for every month that these conditions continue.

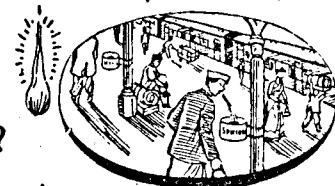


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Employees' Welfare and Emoluments

In the Chairman's speech of last year a full account was given of the Company's policy in respect of its employees' emoluments in cash and the many free amenities at Burnpur, Kulti and the Ore Mines. At the same time information was given to you as regards minimum and maximum daily and monthly earnings of several classes of your Burnpur employees. Since then a general increase has been made in the rate of dearness allowance to all workers and a considerable improvement effected in the scale of incentive bonus payable to departments of the Iron Section to bring this more in line with that applicable to the Steel Section. In the case of the Steel Section it is disappointing to record that despite the high scale of incentive bonus, production was such that the bonus earned by the workers showed appreciable decline in all departments with the exception of the Sheet Mills, the creditable performance of which beat all previous records and enabled the workers to earn a higher production bonus than ever before.

Housing

Up to the end of March 1958 approximately a crore of rupees had been spent on the provision of additional housing accommodation. The Company's programme for 1958/59 is set at an expenditure of some Rs. 88 lakhs. It is the policy of the Company to continue the extension of housing facilities subject to the availability of finance, building materials and labour.

In lieu of quarters the Company continues normally to pay a monthly house allowance.

Medical Facilities

Your Board attach great importance to the provision of amenities in kind to the Company's workers and perhaps that in which we take some pride is the provision of free medical services not only for the workers themselves but also for their families and dependents. Although very adequate medical facilities are maintained at Kulti, the Ore Mines and the Collieries, under constant supervision from headquarters, the centralised medical services are located at Burnpur where we have now a hospital which will compare favourably with any

in the country. Under the supervision of the Chief Medical Officer, Maj. Genl. P. P. Chowdhry, the hospital is manned by a staff of fully qualified medical officers and with the recent enlargement is now equipped with 260 beds. The growth of the medical services will be apparent from the following statement of the number of patients treated:—

	1956	1957
Indoor	35,985	56,691
Outdoor	152,389	214,896

While the work of the Medical Department is of course intended primarily for the benefit of employees and their families the expansion of the Company's activities has inevitably brought with it responsibilities extending considerably further. Satellite townships have arisen in the Works neighbourhood and for the protection of the Company's workers and their families it has been found necessary to undertake the task of epidemic control in these areas involving widespread inoculation and vaccination against cholera and smallpox and the control of mosquito and other disease carrying pests.

Kulti

Under the 1955 Extensions programme it was decided that with the large amount of pig iron available from the two additional Blast Furnaces at Burnpur and from the Blast Furnaces of the Government plants, the two old, obsolete and uneconomic Blast Furnaces at Kulti with their Coke Ovens and ancillary plant would be scrapped and the requirements of the Kulti Foundries met from Burnpur. With the bringing into operation of No. 3 Blast Furnace at Burnpur on the 11th October, 1958 one of the Kulti Furnaces was accordingly closed down and this will be followed by the closing down of the second towards the end of 1958 to synchronise as nearly as possible with the bringing into operation of the Blast Furnaces at two of the Government plants. Workers affected, who are not absorbed at Burnpur, will receive full retrenchment compensation and the services of these men have been offered for the manning of the Government plants, which have therefore the opportunity of commencing operations with a solid nucleus of trained and experienced workers. It is disappointing under these circumstances to have to re-

cord that the closure of the first Kulti Blast Furnace was seized upon by Communist elements to incite general unrest leading even to attempted interference with the inauguration ceremony of the new No. 3 Blast Furnace at Burnpur performed by the wife of an American official closely associated with the World Bank. Our thanks are due to the authorities both of Delhi and West Bengal for the prompt measures taken to ensure that these plans were thwarted and the good name of the country preserved with an institution that has done so much for the development of India.

Future Prospects

It will take a bolder person than a mere business man, who is not a politician, to venture on any forecast of the future of this key industry or of the trend of economic, financial or industrial development of the country as a whole. This much, however, I think, can be reasonably said that the prospect is uncertain in the absence of the correction of adverse circumstances which persist in many directions of which I would mention a few. The most hazardous and a grave hindrance to industrial development is the almost daily occurrence, frequently accompanied by violence, of strikes in industry, transport, administrative and other services. It cannot be denied that some of the more recent strikes have been organised by the Communist Party for political purposes and for supplanting existing recognised Unions. The material for these and other strikes is greatly fostered by the lack of effective measures to reduce the cost of living, to produce more food and to augment the supply of cheap cloth, housing and other indispensable necessities of life.

The present level of direct taxation, both corporate and individual, has, undoubtedly, destroyed incentive to a great extent and reduced the desire to earn more and to save for industrial investment to a negligible factor. The heavy burden of indirect taxation, both Central and State, is borne almost entirely by the common man who falls an easy victim to the promises and propaganda of careerist labour leaders.

Whatever the foreign aid by way of loans, gifts or technical assistance may be, it will not help India to achieve the over-emphasised and

unduly speedy development of its heavy industries, whether in the public or in the private sector, unless immediate and adequate remedial measures are set in train to counteract the general sense of frustration now prevalent in all classes of the people of this country.

The worker must feel that he and those dependent upon him have security and a reasonable condition of life. Increase in money wages is no remedy and merely tends to the creation of more inflation. The grant of increased wages, irrespective of productivity, to some industries or services which appears to have become a corollary to a strike can only encourage disruption in other industries and the vicious circle instead of breaking will continue to grow larger paralysing, in turn, every national activity.

In the case of the steel industry, there will be a very large increase in the number of workers when the Government plants in the public sector come into operation, and it would seem essential that if future labour unrest is to be eliminated there must be a uniform formula for the determination of wages for the industry as a whole. As a legacy from the past, existing producers are already saddled with a most complicated wage structure which has been activated by the many divergent Tribunal and Adjudication Awards in the face of constant demands for greater emoluments, in addition to new demands of every description. This threatens to entirely disrupt the wage and cost structure of the industry. With the advent of the Government plants the position within the industry would, in the absence of a uniform formula for a wage structure, possess the makings of a labour agitator's paradise and inevitably lead to most serious adverse consequences on production. If the tremendous capital expenditure incurred on the expansion of the country's heavy industries does not produce the relevant increase in production the consequences may well be disastrous. Apart from internal considerations, a fact which must not be lost sight of is that a large part of the expenditure involved will be represented by foreign liabilities which must be repaid. Repayment of these liabilities, together with the building up of the sadly depleted

foreign exchange balances, can only be achieved by exports. This being so, it is absolutely essential, as a first step, that a statutory Wage Fixing Tribunal be set up without delay to determine a wage structure on the basis of (a) an evaluated basic wage in relation to productivity and world standards for each particular class of work, which would consolidate most of the multifarious allowances now being given by the private sector; (b) a zonal dearness allowance; (c) an incentive bonus; and (d) an annual bonus based on the financial results achieved.

Accounts

Whatever may be one's views on the equity of the new levies on Companies, Wealth Tax now finds its place in the Profit and Loss Account for the first time as an added burden on profits in addition to the heavy rates of current corporate taxation. The act relating to this new imposition makes a provision for two years necessary in the accounts under review, by reason of the fact that it was passed in September 1957 with retrospective effect.

Regarding the amounts of Rs. 16,50,000 and Rs. 1,04,83,856 set aside from profits to Development Reserve (Tax Rebate) and Development Rebate Reserve (Statutory) respectively, I would explain that it has always been our practice voluntarily to place to Reserve the tax saving arising by reason of the allowance of Development Rebate in respect of new plant installed and the two amounts in total represent the tax saving on this account in respect of the year under review. The Finance Act, 1958 has, however, introduced a provision that in respect of plant installed after the 31st December, 1957 a pre-requisite to the grant of Development Rebate shall be that an amount equal to 75% of such Rebate shall be charged in the Profit & Loss Account and set aside to Reserve. The transfer of Rs. 1,04,83,856 to the Statutory Reserve has accordingly been made in terms of this requirement and after allowance for this sum the balance of the tax saving for the year amounting to Rs 16,50,000 has been set aside to Development Reserve (Tax Rebate). In future it will be necessary to set aside to reserve 75% of the entire Development Rebate claimable in

respect of plant installations for any year in order to qualify for the tax remission. At current rates of taxation the tax remission amounts to 51½% of the Development Rebate and it is accordingly difficult to understand why the compulsory reserve transfer should have been enacted at 75% although this represents a considerable improvement on the rate of 100% that was proposed in the original Finance Bill.

In the past we have maintained a number of separate reserve accounts relating to various aspects of the general development of the Company's undertaking. It is considered unnecessary to continue to maintain this segregation and, as you will see from Schedule B to the Balance Sheet, a number of accounts have now been amalgamated under the head of General Development Reserve. To this Reserve has also been transferred the balance standing on the Kulti Blast Furnaces Plant Rehabilitation Reserve in view of the decision taken under the 1955 Extension programme to close down these two very old and uneconomical Furnaces with their ancillary plant before the end of the current year and to supply pig iron to Kulti from Burnpur.

Consequent upon the redemption of the 4¼% First Mortgage Sterling Debentures the balance of Rs. 66,03,147 standing to the credit of the Debenture Sinking Fund on the 31st March, 1957 has now been transferred to General Reserve.

In the Chairman's speech last year there was fully explained the reason for the maintenance of the Taxation Contingencies Reserve and the principles governing the write back to profits from this Account. As a result of the Special Depreciation allowable for the year under review a sum of Rs. 41,00,000 has been credited to the Reserve while the amount to be brought back to profits in respect of the calculated adjustment upto the 31st March, 1958 is Rs. 14,00,000.

Capital Structure

The Balance Sheet now presented shows the effect of the changes mentioned in the 1957 Report of your Directors. Following upon the release by the Trustees of the mortgaged properties the former charge securing the 4¼% First Mortgage Sterling Debentures disappears from the Schedule of secured loans, the

small balance of Debentures not yet surrendered for repayment being now included in Schedule D under the head "Debentures of Past Issues Redeemed but not Paid". As a result of the Rights Issue of Ordinary Shares last year the subscribed capital of the Company is increased to Rs. 13,06,69,560 by inclusion of the par value Rs. 5,18,37,080 of the Rights Shares, while the share premium account is raised to Rs. 2,42,88,327 by inclusion of the premium of Rs. 3.50 per share at which these shares were issued. Requests have been received from a number of shareholders that the share premium account should be utilised for an issue of bonus shares. Your Directors are in full agreement and I am pleased to confirm that, as already publicly notified, the Board have authorised application to be made to Government for their consent to the capitalisation of the major portion of the share premium account to cover an issue of bonus shares in the proportion of one bonus share for every five Ordinary shares held at a date to be determined in due course by the Board of Directors, with the intention that the new shares shall rank in all respects pari passu with the existing Ordinary shares save and except that they will not participate in any distribution of dividend in respect of any period ending on or before the 31st March, 1959.

This bonus issue, however, touches only the fringe of the problem of the Company's capital structure. It is desirable that a reasonable relationship should be maintained between share capital and reserves and that, in turn, share capital should reasonably reflect the value of the nett assets of the undertaking. Our reserves, which are already substantial in relation to capital, will increase from year to year as profits are set aside to provide for repayment of our heavy indebtedness and it would normally be the policy of your Directors that a part of these reserves should be capitalised from time to time by means of bonus issues. The present penal rate of tax on bonus shares, however, effectively precludes such a course being taken and the bonus issue for which application has now been authorised, being made out of the share premium account and not accordingly attracting the tax, represents the maximum extent to

which the problem can, under the existing taxation structure of the country, be resolved.

Since the close of the year under review the security for the Second Loan of \$20,000,000 from the World Bank has been legally constituted. The security takes the form of a First Mortgage of the Company's undertaking as security for Bonds issued or deemed to be issued against withdrawals on Loan Account and has been merged with the security for the First Loan of \$31,500,000 so as to constitute security for a single consolidated series of Bonds to the extent of the equivalent of \$51,500,000 issuable against withdrawals on both the Loan Accounts. In this connection I would express our appreciation of the action of the Government of India and the State Bank of India as holders of the equal ranking second charges in having agreed to the introduction of the further charge of \$20,000,000 ranking in priority to their own security.

Share Holdings

As a matter of interest I have had an analysis made of the Company's Share Registers at the 31st March, 1958. The position disclosed is illu-

THE ECONOMIC WEEKLY

minating as showing the wideness of distribution of the share capital and is summarised in the following table:—

Ordinary Shares			
Number of Shares held	Number of Holders		Percentage
1 to 100	5,489		41.58%
101 to 500	5,693		43.12%
501 to 1000	1,110		8.41%
Over 1000	909		6.89%
	13,201		100.00%

Preference Shares			
Number of Shares held	Number of Holders		Percentage
1 to 10	2,573		49.25%
11 to 50	1,981		37.91%
51 to 100	401		7.67%
Over 100	270		5.17%
	5,225		100.00%

Acknowledgments

In conclusion I should like to express on behalf of your Board our appreciation of the services rendered by the General Manager, Mr. J. McCracken, his senior executives and other supervisory staff throughout the year under the very difficult and frustrating circumstances that have existed.



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THE ECONOMIC WEEKLY

Around Bombay Markets

IN an otherwise featureless session, the Government of India's announcement of the much-talked of incentive scheme for textile exports and its decision accepting most of the major recommendations of the Textile Enquiry Committee were the twin factors that influenced the market behaviour. The immediate reaction was unfavourable. As usual, these incentives were considered below the expectations. Thus, textile shares presented a weak front on Monday with Bombay Dyeing and Century declining by 40 nP and Rs 7 respectively. Poor performance at Mulji Jaitha Market also imparted weakness in textiles.

Other counters remained more or less colourless. Fluctuations were moderate and activity remained poor. The undertone towards the close, however, was steady.

Since sometime past, the textile industry has been experiencing difficulties both by way of huge accumulation of yarn and cloth and by a sharp decline in exports. The Textile Enquiry Committee in its Report submitted in July last had suggested inter alia the replacement of old and outmoded machinery, regular survey of un-economic units, provision of financial assistance from appropriate agencies and grant of timely financial relief and advice. These recommendations have been accepted by the Government and it is to be hoped that this would help the industry in setting its house in order. The only important recommendation which the Government has rejected relates to the setting up of an autonomous Corporation for taking over and running mis-managed mills.

No Incentive to Trade

The main problem—accumulation of stocks—continues to worry the industry. Cloth stocks which stood around 592,000 bales in September crossed the 600,000 mark in October. While offtake at home is poor, competition in export markets is becoming stiffer and exports are steadily declining. Exports during the current calendar year

Dull Trading

Thursday, Morning

upto the end of August aggregated only 354 million yards against 541 million yards in the corresponding period in 1957.

The export incentive scheme was subjected to severe criticism especially by the trade. Under this scheme, exporting mills will be given special licences upto a certain percentage of their export earnings for the import of dyes and chemicals. The trade argues that such incentives should not be confined to exporting mills alone since it handles about 80 per cent of the export trade. Such a situation will, in its opinion, cause serious disruption to the pattern of trade. Mill interests retort that the trade could come to some sort of arrangement with the mills. The immediate question is to increase exports and earn foreign exchange and not that of retaining it. Meanwhile, trading conditions in the cloth market continues to deteriorate.

Cotton

Dramatic Developments

KALBADEVI witnessed dramatic developments during the week. There was a decline in cotton futures with Jarilla March touching the lowest level of Rs 593/25. The trend was distinctly bearish. This induced a section of the traders to approach the Forward Markets Commission with a suggestion to impose margins around Rs 600/00 level. Likewise, it is reported that a member of the Lok Sabha from East Khandesh also asked the Union Government and the Forward Market Commission to intervene and arrest the declining trend. These factors together with technical considerations strengthened the sentiment subsequently. There was a moderate recovery towards the week-end with Jarilla March rising to Rs 607/75. Buying support from North Indian operators and expectation of relief in export duty on Indian cotton were the chief factors that enabled this week-end rise. Meanwhile, rumours that Pakistan has reduced export duty on her cotton gave market men additional hopes. They thought India would follow suit.

The outlook for cotton, however,

remains bearish. Earlier expectations of a decline in crop have been belied now. Indications are that supplies would be plentiful. As against 52 lakh bales estimated previously, it is now said that the new crop would be of the order of 57 lakh bales. In the terminal markets the new crop has already begun to arrive. With mill demand being what it is, outlook for cotton cannot but be bearish. In sympathy with Kalbadevi, Sewri spot market was also weak in the beginning and steady towards the close. Inquiries were few. Shippers were hesitant. Popular varieties like Laxmi, Surti, 0394, Co2 and 197/3, however attracted buyers.

Oilseeds

Erratic Movements

FOLLOWING bull liquidation and short-selling oilseeds suffered a moderate all-round set-back. While export houses supported the market in view of bigger prospects of overseas trade, speculative bears brought the prices down. Thus, price movements were erratic. However, any further decline is regarded as unlikely. The possibility of increasing exports especially after the recent freight reduction of 5 dollars, is quite bright. Another factor is the downward revision of the Brazilian Castor Crop. In the case of groundnut the possibility of further decline is ruled out. Owing to short fall in the crops in Mysore, Madras and Andhra, the crop estimate has been revised downward. Linseed is also active with Australia entering as a big buyer. Despite week-end weakness, informed opinion is that the market is technically in a healthier position now.

Bullion

Arrivals Dampen Enthusiasm

TRADING on the Local Bullion Exchange was dull. As the performance on Spot was poor, despite the approach of Diwali, futures failed to pick up. Enthusiasm was also chilled by the pressure of heavy arrivals from up country. However, prices advanced on Wednesday on bull support but only to decline towards the close. This is attributed to the lack of any follow up support. Kartik closed the

CURRENT STATISTICS

week at Rs 111.38. Silver moved in sympathy with gold. Distinctly easy conditions prevailed in the silver sections. The position was particularly weak towards the end. The reasons were bull liquidation and heavy arrivals of "Kutch" metal.

Indian Trade & General

THE reorganisation of its Miscellaneous Department and expansion of activity in all Departments has enabled Indian Trade & General Insurance (Chairman: Lala Karam Chand Thapar) to increase its total net premium for the year ended 31st December 1957 by nearly 17 per cent to Rs 79 lakhs. The Miscellaneous Department has recorded an improvement of nearly 53 per cent in premium income. More than one-half of the Company's premium income is derived from business effected outside India. The company is, therefore, taking active measures to put its foreign business on a sound footing by opening branches instead of relying upon the cheaper expedient of entrusting business to agents.

Funds in reserve have increased from Rs 43 lakhs to Rs 49 lakhs. Losses transferred from Miscellaneous and Marine Revenue Accounts have declined slightly from Rs 3.26 lakhs in the previous year to Rs 3.16 lakhs, but profit transferred from Fire Revenue Accounts has shrunk considerably from Rs 4.46 lakhs to Rs 2.37 lakhs. As a result, balance of profit for appropriation has gone down from Rs 1 lakh to Rs 41,000. Dividend has been cut from Rs 2 to Re 1 per share and payment of even this reduced amount has been made possible largely by excess provision for taxation made last year.

Yarn Exports to Germany

A REDUCED rate of import duty will be applicable to Indian cotton yarn imported into West Germany.

The Federal Republic of Germany has applied in regard to trade with India the Most-Favoured-Nation clause under which, among other items, cotton yarn from India would be imported at a reduced rate of import duty. The quantity thus importable annually would be upto 120 per cent of the quantity imported from India into Germany in 1950 calculated according to weight.

In order to get this concession, Indian exporters of yarn to Germany should obtain from authorised chambers of Commerce in India a Certificate of Origin in the form prescribed and present it to the German Customs authorities along with the necessary export documents.

Import of Dyes and Chemicals CONCESSIONS in issue of import licences for imports of coal tar

dyes, textile chemicals, and machinery for modernisation and rehabilitation of textile mills, against exports of cotton textiles and yarn, etc, it has been clarified, will be given only in favour of manufacturing textile mills.

The grant of licences will, of course, be subject to conditions prescribed by Government on October 31.

The Indian Iron and Steel Company Limited

NOTICE

NOTICE is hereby given that the Annual General Meeting (being the Forty-First Ordinary General Meeting) of the Company will be held at the Registered Office, 12, Mission Row, Calcutta, at 3 p.m. on Friday, the 28th November, 1958, for the following purposes:

1. To receive and adopt the audited Accounts for the year ended 31st March, 1958, and the Directors' and Auditors' Reports thereon.
2. To confirm as the final dividend for the year ended 31st March, 1958, the interim dividend on the Ordinary shares declared by the Board on the 12th August, 1958.

3. To appoint Directors in place of those retiring.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

5. To consider, and, if thought fit, to pass the following Resolution as a Special Resolution.

"That Article 113 of the Articles of Association of the Company be altered in manner following:—

The first two sentences in lines 1 to 13 shall be deleted and the following substituted therefore:—

"Unless otherwise determined by the Company in General Meeting each Director shall be paid out of the funds of the Company by way of remuneration for his services in attending Meetings of the Directors a fee of Rs. 100/- for each Meeting attended by him. Each Director shall also be entitled to receive a share of a commission (to be divided among the Directors in such manner as the Directors may determine and in default of such determination equally) of one per cent of the net profits of the Company computed in the manner referred to in sub-section (1) of Section 198 of the Companies Act, 1956 in any financial year. The commission payable to the Directors shall be payable for a period of five years up to and including the financial year ending on the 31st March, 1961, but this provision may be renewed or reviewed from time to time in accordance with the provisions of any statutory enactment from time to time in force and applicable thereto."

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and a proxy need not be a member.

By Order of the Board,
Martin Burn Limited,
F. G. Liversedge,
Managing Director,
Managing Agents.

Calcutta,
4th November, 1958.

N. B. Explanatory Statement for Resolution No. 5 as required by Section 173 of the Companies Act, 1956, has been sent to all shareholders.

BANKING RETURNS

Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1534.44	1544.70	1527.70	1470.44
2. Rupee Coin	140.01	139.17	139.26	134.31
3. Deposits				
a) Central Government's	71.75	49.00	52.78	53.81
b) Banks'	110.62	142.05	96.43	108.77
c) Other Government's	32.12	31.97	17.31	9.60
d) Others'	115.01	114.48	113.65	111.36
4. Foreign Securities	164.67	164.68	169.67	311.70
5. Balances held abroad	13.75	14.74	13.38	16.07
6. Rupee Securities	1134.70	1134.76	1129.37	950.76
7. Investments	331.79	376.87	299.30	230.75
8. Loans and advances to Governments	16.87	16.24	14.50	49.51
9. Other loans and advances	53.35	53.06	51.82	63.08
Scheduled Banks				
1. Demand liabilities (net)	719.48	694.64	730.81	738.06
2. Time Liabilities	917.87	833.60	830.10	638.86
3. Cash on hand	42.33	33.94	38.71	47.75
4. Borrowings from Reserve Bank of which against Usance Bills	1.81	1.45	1.55	29.77
5. Advances and Bills discounted of which State Bank's	.97	.97	1.08	27.63
6. Invest. in Govt. Sec. of which State Bank's	795.93	801.12	801.49	808.36
Cheque Clearance	161.05	161.67	161.17	165.64
	600.85	594.20	590.52	394.10
	268.63	253.20	248.55	154.19
	153.90	113.54	160.72	263.05

† For Reserve Bank and Cheque Clearance Week ended 31-10-58 Scheduled Banks Week ended 14-10-58.

Bombay Money Rates (per cent per annum)				
Call Money	24-10-58	17-10-58	26-9-58	24-8-57
From banks	3	1½-3	2½-3½	3½-4½
From public	3½	3½-4	2½-4½	3½-4½
Three Months	2½-4½	2½-4½	2½-4½	2½-4½
Six Months	2-4½	2-4½	2-4½	2-4½

Bombay Bullion (In Rupees and nP)				
	7-11-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	110.90	110.23	108.09	108.22
Forward	111.31	111.47	108.28	108.22
Silver (per 100 tolas)				
Spot	186.94	187.62	187.69	182.06
Forward	187.94	188.75	188.62	183.06

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53=100)				
Group and Sub-Group	WEEK	ENDED		
	13-10-58	11-10-58	20-9-58	19-10-57
Food Articles	122.1	121.3	120.9	107.8
Cereals	113.3	113.9	114.5	104.9
Pulses	110.0	108.2	104.6	88.4
Fruits & Veg.	123.5	124.8	124.0	108.4
Milk and Ghee	112.2	111.7	107.5	105.3
Edible Oils	131.8	131.1	133.7	128.9
Fish, Eggs & Meat	110.0	112.3	115.9	96.8
Sugar & Gur	137.2	133.6	136.1	112.3
Others	160.2	157.6	155.3	130.9
Liquor and Tobacco	92.8	92.8	91.3	95.8
Tobacco	91.1	91.1	89.4	94.2
Fuel, Power, Light & Lubricants	115.7	115.8	115.9	115.2
Industrial Raw Materials	117.8	117.1	119.2	114.5
Fibres	106.7	104.3	108.2	113.1
Oilseeds	135.5	136.1	137.4	120.0
Minerals	105.2	105.2	105.2	109.1
Others	106.6	106.6	106.6	107.0
Manufactures	108.6	108.9	109.0	108.9
Intermediate Products	110.1	110.7	111.4	105.9
Finished Products	108.4	108.6	108.6	109.4
Textiles	103.4	103.8	104.0	108.6
Cotton	111.1	111.8	111.9	116.4
Jute	87.9	87.0	87.5	100.6
Woollen	105.9	105.9	105.9	103.0
Silk & Rayon	94.7	96.3	96.3	82.6
Metal Products	143.1	143.1	143.0	143.3
Chemicals	107.0	107.7	107.9	98.7
Oilcakes	143.2	141.5	137.1	120.1
Machinery and Trans Equipment	103.5	103.5	103.5	102.3
Others	113.9	113.9	113.8	111.2
All Commodities	116.7	116.3	116.4	109.1

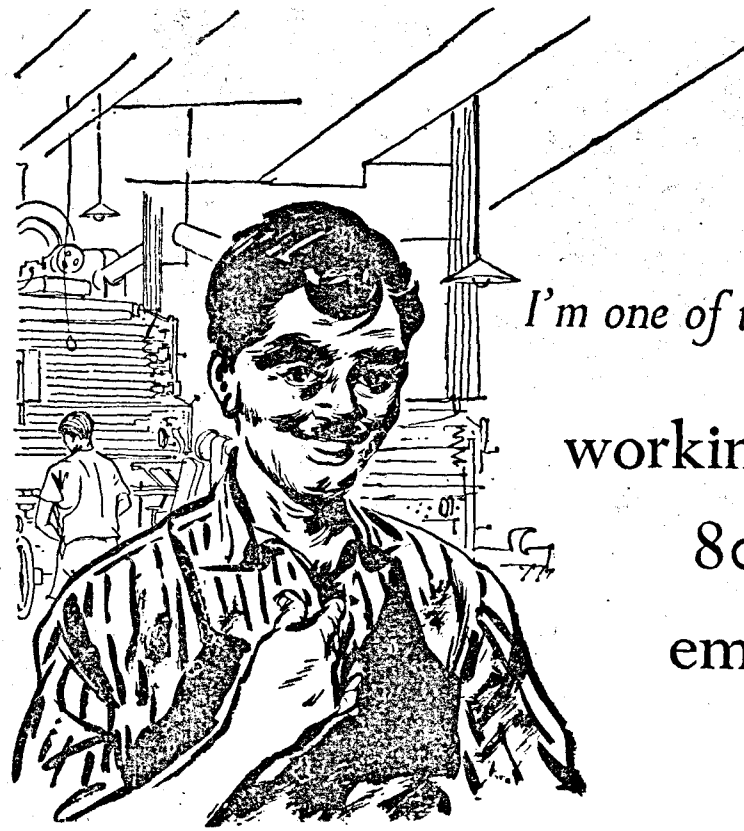
FOREIGN TRADE OF INDIA

(Merchandise Value, Rs lakhs)

Year/Month	Imports	Exports*	+ or -
1956	808.73	613.46	— 195.27
1957	1,025.82	642.85	— 382.97
1956 July	59.40	43.03	— 16.37
Aug	66.56	51.30	— 15.24
Sept	76.90	51.06	— 25.84
Oct	70.47	54.33	— 16.14
Nov	69.96	57.47	— 12.49
Dec	69.36	57.95	— 11.89
1957 Jan	78.00	55.27	— 22.73
Feb	70.60	54.44	— 16.16
Mar	79.41	53.94	— 25.47
Apr	89.40	47.85	— 41.55
May	85.38	52.83	— 32.55
June	86.23	48.34	— 37.89
July	81.13	55.79	— 25.34
Aug	80.98	60.25	— 20.73
Sept	83.29	61.55	— 21.74
Oct	73.07	53.64	— 19.43
Nov	78.18	59.02	— 19.16
Dec	66.58	54.59	— 11.99
1958 Jan	66.05	55.27	— 10.78
Feb	66.21	54.44	— 11.77
Mar	70.56	46.73	— 23.83
Apr	60.00	41.73	— 18.27
May	63.24	44.71	— 18.53
June	63.93	28.12	— 35.81
July	66.79	54.31	— 12.48
Aug	55.92	49.91	— 6.01

*Including re-exports

Source: DCIS, Calcutta



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80,000
employed*

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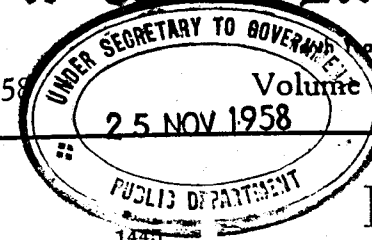
The Economic Weekly

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THE decision of doubling food production taken at the Hyderabad session of the A I C C was followed soon after by another striking decision—this time by the National Development Council, the highest political body in the country—that the State should take over the wholesale trade in foodgrains as a monopoly and license the wholesale traders as agents of the Government for the present while a more elaborate organisation for State trading and distribution of foodgrains was being worked out. The Prime Minister himself, it was announced, would take charge of this work in consultation with the Food and Agriculture Ministry and the Planning Commission. As the Government had so long fought shy of food control and had turned down the proposal for a Stabilization Board, this was a revolutionary decision in itself, going as it did against the principle of de-control which the Congress and the Government had inherited as a legacy from Gandhiji.

The A I C C had followed up its decision to double food production by appointing an Agricultural Production Sub-Committee which was to consider all aspects of agriculture, including land reforms. The findings of this Sub-Committee as reported in the press, however, completes the circle and has quietened mercifully the jitters created by the series of breath-taking resolutions passed earlier. Between the Hyderabad session of the A I C C and the meetings of the Sub-Committee, the problem of increased food production and land reform got somehow mixed up with the Multiple Purpose Service Cooperatives which subsequently became the centre of attention and these cooperatives are going to provide, at least for a time, the key to agricultural development and successful planning. A casualty, unlamented and un-advertised, are the large-scale cooperative societies which had hitherto been accepted as the principal instrument for initiating agricultural development and rural transformation.

While it has been officially denied that the Congress has gone back upon its earlier promise of land reforms and ceiling on land holdings, the latter is still retained as desirable social policy, but it is equally stoutly denied that it has any bearing on agricultural production. Instead the formula of technical coefficients, so well established by reiteration,—so much increase in production from better utilisation of water from major irrigation works, so much from minor irrigation works, better seed, green manuring and so on—is now being advanced. One has only to convert all these into the monetary equivalent of the investment expenditure required under each head and the picture is complete. There has been considerable progress along each of these lines. A Committee, following up the finding of the Agricultural Delegation to China has that the secret of China's agriculture was the excellence of its agricultural services which were three layers deep compared to what it is in this country, and has reported that agricultural policies fail to be implemented because the agricultural services in this country have such an inferior status and they are so poorly manned. Another Committee has discovered why irrigation water is so poorly utilised. It is not enough to complete a dam and store up water, it says in effect; channels have to be dug before the water can be taken to the fields. Who is to dig them? Shramadan, it is confirmed, fouled the cost estimates of many of the irrigation projects and threw a spanner into their working! This is where the thin

end of the wedge is sought to be inserted by those who have successfully blocked land reform on the specious plea that the prevailing uncertainty in regard to ownership of land has completely inhibited all investments for land improvement. That the diversion of the surplus from land into consumption by non-cultivating owners may be at the root of the stagnation in agriculture is glossed over by this specious theory which is now finding vocal advocates among the top level Congressmen.

The feverish thinking in the Congress camp may have encouraged the hope that some day, even the Congress will find the key which

has been eluding it so long. But what rules out the possibility of this discovery is the proximity of the next elections. The A I C C session, however, only opened the campaign. The deliberations of the Agricultural Sub-Committee sought to give the campaign a more definite direction and so, along with cooperative credit, the accent is increasingly on providing sufficient incentives to the agriculturists to put in their best efforts. Fixation of a minimum price for the producer can no longer be ruled out, nor a fair price for the non-food-producing consumer either. The case for both these measures is reinforced by the compelling necessities of plan finance.

Army Coup in Sudan

THERE are one or two points of striking similarity between the army take-over in Pakistan and the coup d'etat staged by the military commander in Sudan this week. In both cases, democracy has been struck a decisive blow—quite unlike Burma, where the Ne Win regime at least professes to be a stop-gap arrangement. Also, in both cases the reasons given by the authors of the coup are very much the same: disputes and wrangling among the politicians, corruption in public life and an unsound policy towards the Arab countries in particular.

But there the similarity ceases. All these reasons sounded much more valid in the case of Pakistan than they do now in the mouth of General Abboud. Sudan, in its short life of three years as a free country, has never experienced anything like the political chaos and opportunism to which Pakistan was only too clearly subject. The Sudanese politicians had their political differences, of course. But what country hasn't? Indeed it is only in a democracy that politicians can afford to differ; and if political differences among public men are to be taken as something unpardonable, then every democracy in the world must prepare to give way to totalitarianism.

The essential point is that in the case of Sudan, political disagreements had not deteriorated to the stage where they could be said to have endangered the stability of the

country. In fact for a largely illiterate and uneducated country trying the democratic system for the first time, Sudan was doing remarkably well. It had two political parties of national standing, besides a few lesser ones; and both of these have had their opportunity of exercising power in turns. It cannot be said either, as in Pakistan, that the politicians in power were hedging on an important issue and dodging the responsibility of holding elections in the country. Sudan has had a most successful general election (organised, incidentally, with the assistance of India). Both the Sudanese Governments which had been in office till now, followed enlightened foreign policies; and Khartoum was following a policy of considerable neutralism in international affairs. It is true that the Umma party, which was the senior partner in the coalition which has just been thrown out by military force, was considered as having pro-Western leanings; but any such leanings had never been allowed to go to the absurd length to which pro-Westernism had gone in Pakistan. Mr Abdullah Khalil's relations with the West were friendly without, at the same time, being hostile to the Soviet Union. The proof of this is to be found in the fact that both Moscow and Washington were willing to finance the development of Sudanese projects. As to Sudan's relations with the Arab world, they were excellent (except temporarily with Egypt); and Sudanese prestige with the

If deficit financing cannot be kept down, at least food prices have to be restrained, even at the cost of so drastic a measure as nationalisation of the wholesale trade in grain. This should not, however, unduly perturb the landed interests for, according to press reports, though the majority of the members pressed that land reform must be introduced all over the country before the next General Elections, the larger States, some members have strongly urged, should be given five years, instead of three, to enact legislation on ceilings. No one has yet suggested that implementation of such legislation should also be subjected to a time limit.

Arabs stood so high that it was Sudan, it will be recalled, which was selected by them to move the famous Arab resolution at the United Nations recently suggesting a compromise solution over Iraq and Jordan.

Relations with Nasser were strained in recent months by the border dispute and the disagreement over the sharing of the waters of the Nile. But the point here to be borne in mind is that these disputes were nearest solution when General Abboud butted in this week. An advance Sudanese delegation had already prepared a basis of agreement in Cairo last week, and Prime Minister Khalil had announced that he would himself be leading another round of talks in the very near future to finalise the agreement. Is it reasonable to assume that an army anxious to improve relations with Egypt would have supplanted a Government which had practically succeeded in normalising them already?

Indeed the timing of General Abboud's coup would seem to suggest, if anything, that it was to prevent this agreement between the Khalil Government and Nasser that it was staged. This interpretation of the developments in Sudan has been widely accepted in the West, which has hailed the coup as a welcome manoeuvre which has "foiled the Nasser plot" (Mercifully, it is not being suggested that it was Nasser

himself who had engineered the coup—in the circumstances, it could not be.) But even that interpretation cannot stand up to the facts. General Abboud cannot on the one hand be credited with the intention of improving relations with Egypt and, on the other, with wanting to consolidate and protect the independence of Sudan against Egyptian designs. Indeed, if the fortification of Sudanese independence was the only point at issue, surely Abdullah Khalil's main sin was supposed to be that he was too fiercely independent in his dealings with Nasser?

Since none of these explanations fit the situation, let us examine the claim that the army was obliged to

take over because of the corruption which was rampant in Sudan. First of all, this is the first time that the outside world has heard that corruption was so widespread in that country. But even if General Abboud's charge on this count is accepted for the sake of argument, is there any guarantee that an army dictatorship would necessarily be more honest? If that were the case, the cleanest administrations today would be found in Thailand and the banana republics of South America! Thoughtful world opinion cannot accept the contention that the only way to clean up a corrupt democracy (assuming that it was corrupt in Sudan) is to end democracy.

What, then, is the explanation of the Sudanese coup? It would be rash to try and give any dogmatic answer. Perhaps there have been forces at play of which the outside world has as yet had no inkling. But it appears strongly as if General Abboud—inspired presumably by the successes of other army coups in other countries recently—took advantage of the difficulties of the Khalil coalition to strike and take control for himself. In other words this looks like a case of pure military adventurism. But it would perhaps be best to wait for another few weeks to see if developments justify such a seemingly cynical assessment of the coup.

Co-ordination of Industrial Finance

AFTER ten years of operations, the Industrial Finance Corporation at last got into stride last year. But for the first half of the year, it was so severely handicapped by shortage of lendable funds that it sanctioned no new loans at all. This difficulty was overcome in the latter half of the year by raising its borrowing limits, by a further loan from the Government and by the floatation of 4½ per cent bonds redeemable in 1967. Though the proportion of the loans disbursed to loans sanctioned by it continues to be unsatisfactory, the demands being made on the I F C have increased to such an extent that even its Balance Sheet as on June 30, 1958 carried this curious entry under the head 'Bonds and Debentures'—“(iii) % Debentures (unsecured) Bonds of Rs each redeemable in (Guaranteed by the Government of India under Section 21)”. The I F C has now announced that it would be offering 10-year bonds of Rs 4 crores carrying interest at 4½ per cent, issued at 99 per cent. Since these bonds would be approved trustee securities and would also be eligible as securities for advance to scheduled banks by the Reserve Bank, the success of this issue may be taken for granted. After this operation, the total debenture liability of the Corporation would amount to Rs 16 crores. The interest of 4½ per cent on the proposed issue is to be compared with 4½ per cent on the last issue of Rs 4 crores, which was over-subscribed, and the 3¼ per cent bonds redeemable in 1964 issued previously.

The initial shortage of funds with the IFC and their replenishment now, raises some fundamental issues about the financing and coordination of the activities of the various Corporations set up to finance the private sector. While institutions like the Industrial Finance Corporation and the Industrial Credit and Investment Corporation are going short of funds, a large amount aggregating to more than Rs 30 crores is lying idle with the newly set up Re-Finance Corporation for Industries. How long the Re-Finance Corporation will take to get into stride and whether it will ever strike root at all, are questions which it is not easy to answer today. The money market situation has changed and changed vastly from the time when the proposal for floating this Corporation was first mooted. At that time banks were loaned up and a substantial part of their advances being continuing advances, were in a way frozen. This seriously impaired their flexibility and freedom of operations. The Shroff Committee had wanted a Consortium of Bankers to enable banks to advance medium term loans to industry and though not quite the same thing, the Re-Finance Corporation was thought of as an answer to the bankers' felt need at the time. Banks themselves are becoming increasingly sceptical whether (a) they would need re-finance, (b) whether it would be profitable for them to go to the Re-Finance Corporation, and (c) whether the terms and conditions of the latter are not unduly rigid and deterrent. The tempo and character

of future development can alone answer the first of these questions, but for an answer to the other two, it should not be necessary to wait and hope.

The multiplication of corporations and the lack of any dovetailing or coordination between them is leading to a situation where some are burdened with idle funds while others have to restrain their activities for lack of funds. It looks as if this situation is going to get worse. The different sources from which funds have to be drawn by these Corporations may have made it necessary to multiply their number. But it is a debatable point whether the setting up of new bodies helps to fill the gaps in and thus help the growth of the capital market more satisfactorily than might have been possible with fewer institutions more liberally provided with funds and making the best possible use of limited technical personnel that is available. None of the investment corporations so far floated, it may be mentioned in passing, has yet succeeded in building up technical staff competent to assess and supervise industrial credit.

It may, perhaps, be too late to pare down this somewhat prolific growth of institutions in the capital market, but surely it should be possible to link them up through an informal consortium so that there may be no glaring disparity between the availability of, and the need for, funds?

Weekly Notes

Kerala Plantations, Next Turn

Our Malayali Correspondent Writes:

THE plantation dispute in Kerala continues its ding-dong course. This is not a new dispute. It has been going on for years and as early as 1955, Government had appointed a special adjudication Tribunal for resolving it. But as the dispute involved over 1,000 estates and 80 trade unions, the Tribunal could proceed only at a snail's pace. Immediately after the Communist Government came to power, it was decided by mutual agreement to take away the dispute from the Tribunal and to settle it through negotiations. Here also the progress was not what one could have desired. One of the reasons for the slow progress was the rivalry among the Communist, INTUC and R S P led unions, of which the planters naturally took advantage.

The Congress defeat in Devikulam had given a jolt to the INTUC and the defeated candidate, Shri B K Nair, who happens to be the President of the INTUC led unions in Devikulam area, was waiting for an opportunity to stage a come back, and in order to create an opportunity for it, he set about to isolate the unions in Moonnar area, particularly those in the estates of Kannan Devan, the largest single plantation company in the South, by proposing to fight for a 25 per cent bonus for the year 1957. This was contrary to the usual industry wise settlement of the bonus issue. Other unions could not stand aside while INTUC got a special deal for itself and ignoring the negotiations which were proceeding, they decided to get their demands settled by strike. A joint action committee was formed in which INTUC was also included but when the strike actually commenced, INTUC entered into a separate agreement with Kannan Devan company to refer the dispute between these two to arbitration. This led to anti-INTUC demonstrations in the Moonnar region and to subsequent police firing on Communist workers. Under Government assurances, the strikes were called off and a conference of all the parties including INTUC was called to settle the disputes.

INTUC insisted at this conference that the Kannan Devan dispute

should be sent to adjudication. Neither the planters nor the other unions were agreeable to this. They wanted a settlement industrywise for tea, rubber and coffee separately. Attempts at settlement had, therefore, to be abandoned and the suggestion came from INTUC quarters that Centre should intervene and appoint a national tribunal to settle the dispute (or rather the disputes, for the number of disputes and separate issues, not too few in the beginning, has been growing). Other unions were strongly opposed to this suggestion. In the meantime, the Kerala Government announced its decision to constitute a Board of Conciliation under Section 5 of the Industrial Disputes Act with an independent Chairman of the status of a High Court Judge. Besides the presiding officer, the Board was to consist of an equal number of representatives of the parties to the disputes. Communist and R S P led unions and the planters welcomed the decision, but the INTUC was not very happy about it. It later changed its mind and has decided to nominate its representatives to the Board but in the meanwhile, the other unions had begun to have second thoughts also for they were not confident of getting quick and satisfactory results from the Board and were in any case in a fighting mood. This is where matters stand today; what turn the dispute will take tomorrow is anybody's guess.

How is the labour dispute in the Kerala plantations going to end and what is the future of the plantations in Kerala and the whole of South India? When the Communists first came to power, the prospect, immediate or eventual, of nationalisation, at least of the European plantations, was very much in the air. One does not hear much of nationalisation these days; but the long, protracted and tortuous course of the plantation labour dispute, clearly points to the futility of appeasing plantation labour by marginal adjustments. Labour on the plantations, whether in Kerala or in Assam, he continues, never had a fair deal, and the process of social transformation which is going on all over the country, perhaps at a faster pace in Kerala under the Communist regime, will inevitably lead to more drastic changes.

When one considers how inefficient are the majority of the plantations and how even the future of the Indian plantations hangs perilously on that of the better managed European concerns, one wonders whether the plantations would be able to undergo that radical change in outlook without which full and sustained cooperation of labour can no longer be sustained. The final solution, the Correspondent suggests, can be nothing short of unreserved acceptance of labour as equal partners. Labour in the plantations has been suppressed too long and unless it is given its rightful place, industrial peace in the plantations cannot be ensured. Accepting, for the sake of argument, that the fair deal to labour requires, as a pre-condition, a thorough re-organisation of plantations and bringing up their efficiency, how participation of labour in management or profit sharing will by itself help to bring about this transformation, the Correspondent does not say.

Indo-Soviet Trade Agreement

INDIA has sometimes been accused of being more neutral against some countries than others, but if she has strayed from the strait and narrow path of neutrality politically, she has more than made amends by leaning markedly on the other side in her trade and economic relations. That India has been running up an adverse balance in her trade with the Communist group of countries also or that she has accepted aid from it does not obscure in the least with which side her economic ties are closer. Whatever the professed intentions, India has not yet developed much trade with the Communist countries despite the trade agreements made and the rupee accounts opened with most of them. These agreements which usually include an impressive list of imports and exports have not prevented the accumulation of heavy deficits which have invariably to be cleared in a third currency, usually sterling. Indeed, the tendency has been for our balance of trade with the Communist countries to be more and more unfavourable. Published statistics show that India's foreign trade with the following from this group of countries

—Soviet Russia, Czechoslovakia, Rumania, Bulgaria, Poland, Hungary, East Germany, China and North Viet Nam—has been running at a heavy deficit. Our trade with this group balanced over the years 1954 and 1955, but in 1956, the deficit was Rs 11.9 crores, and in 1957, it increased further to Rs 19.1 crores. In the first six months of the current year, the deficit amounted to Rs 7.8 crores.

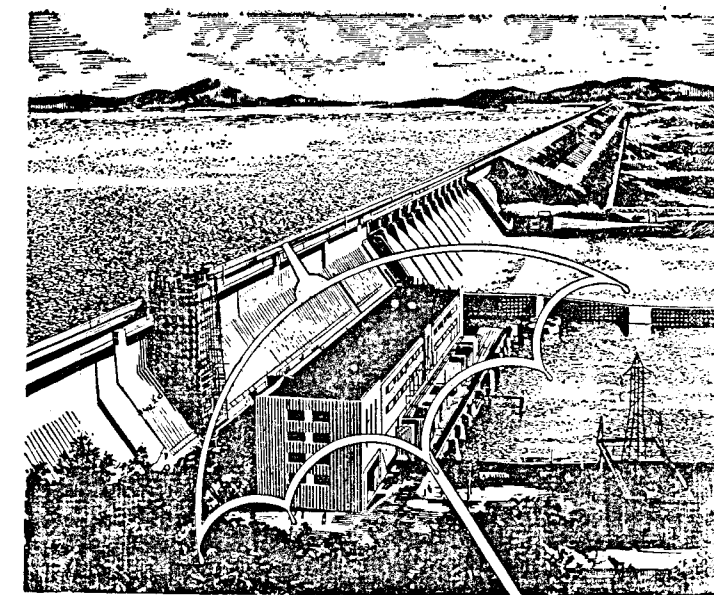
To end this unsatisfactory state of affairs, negotiations had been going on for some time for a new type of agreement. The first of these has just been signed with Soviet Russia, the existing trade agreements with which is to terminate in the next few days. It is to be presumed that similar agreements will be negotiated with the other countries of the group in due course. The basic idea behind the new agreement is that trade between the contracting countries must balance and that nothing could be left over to be settled in a third currency. Another feature of these agreements—whether concluded or under contemplation—appears to be that rupee balances accumulated by one of the contracting countries of the group would be transferable to the others. Hence trade need not balance bilaterally. It is to balance between India on the one hand and the entire group of Communist countries on the other, leaving no rupees to be converted into sterling which had been hitherto used for the purpose. Of course there is nothing to prevent these countries from maintaining idle balances in their rupee accounts.

What Is Swing Credit?

IT is the usual practice to publish the full text of the agreement whenever trade agreements are concluded with another country. On the present occasion, however, the full text of the agreement has not been released to the press yet, but along with the announcement from Moscow, Tass has sent out a brief summary of the terms and conditions of the agreement which has been publicised widely as an agreement for 'swing credit', whatever that may mean. It had also been reported that one of the reasons why Soviet Russia could not make adequate purchases in India was the inadequacy of her rupee balances and that to overcome this

difficulty, rupee overdraft would be opened for her. Since imports from Soviet Russia have exceeded by far our exports to that country, inadequacy of rupee balances as a possible handicap to larger Russian purchases of Indian goods appears at first sight to be somewhat puzzling. It is possible, however, that imports from Soviet Russia being largely of

heavy capital goods, it takes time to credit the rupees to the Soviet account and that other payments—repayment of loans, deferred credits and interest, etc.—may not always synchronize with the purchases which the Soviet authorities might want to make and hence an overdraft may be desirable and necessary. But by no stretch of imagination



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can it be called a 'swing credit' nor can the latter term be intelligibly extended to the transferability of rupee balances accumulating in favour of one country to other countries which agree to such transfers. If this type of agreement is extended to the other Communist countries, in effect, it would be a multiple convertibility of the rupee among these various countries.

How will the new type of agreement affect the future trade? Since the most favoured nation clause in trade is being extended to these countries, and since it is only by buying goods in the Indian market that these countries would be able to dispose of their rupee balances, to that extent, there would be a strong incentive on their part to buy more. But there will be no particular incentive for these countries to go in especially for the kind of goods which generally do not figure in our export trade, such as hand-made shoes. On the other hand, it is likely that importers of capital goods from the Communist countries will not experience the same kind of difficulties which they have experienced so far in obtaining import licences. Since we have been having such heavy deficit in our trade with these countries, there can be no warrant for the supposition that these countries will be able to buy for rupees what they would, otherwise, have paid for in gold nor can India's foreign exchange position be adversely affected. On the contrary, an important source of loss of foreign exchange would be sealed though quantitatively this loss is nothing compared to the deficits we have been running up with, say, the O E E C countries.

Air India International

AFTER completing five years of operation since nationalisation, Air India International stands on the threshold of the Jet Age with a financial position that is essentially sound. Possible decline in the utilisation of its carrying capacity, following restriction on the allocation of foreign exchange for travel purposes, however, is a potential threat to be reckoned with. The income of the A I I from operations during the year ended March 31, 1958 increased to Rs 12.82 crores from Rs 9.65 crores in the previous year. This increase of 12 per cent was, however, not commensurate

with the increase of 16 per cent in its operating capacity. Due to a drop in the overall load factor from 64 per cent to 59 per cent, the operating profit declined to Rs 72 lakhs from Rs 88 lakhs. The accrual of a substantial capital surplus of Rs 116 lakhs from the sale of its Constellations and their spares, however, has raised profit from Rs 80 lakhs to Rs 183 lakhs. After making provision for deferred taxation—there is no current tax liability—the total surplus has, therefore, gone up to Rs 126 lakhs from Rs 38 lakhs.

The Corporation has braced itself for the Jet Age by appropriating more than half of this disposable surplus as additional depreciation on the existing fleet; obsolescence is, thus, fully provided against, after taking into consid-

eration the fact that prices of second-hand piston-engined aircraft are likely to decline in future with the introduction of jet propulsion. Rs 41.5 lakhs have been taken to equipment renewals reserve, the amount being equivalent to the amount of interest at 4 per cent on Government investment in the Corporation. With the transfer of Rs 12 lakhs from the capital reserve, the depreciation fund now stands at Rs 3.36 lakhs against a gross bloc of Rs 10.54 lakhs.

Against a loan of Rs 8 crores negotiated in the U S A to meet the dollar cost of the Boeing jet planes, the total withdrawal up to the end of the year was a little more than a crore. The Corporation has given up its efforts to negotiate a loan to cover the sterling cost of the project estimated at Rs 2.5 crores,

as the interest charges would be prohibitive. The Government of India, however, has agreed to furnish both the capital and the foreign exchange required in lieu of the sterling loan contemplated earlier.

The capital of the Corporation has been increased from Rs 12.69 crores to Rs 13.24 crores, partly by the conversion of the outstanding loans from the Government which declined from Rs 92 lakhs to nil. This is more than offset, however, by the drawing of Rs 1.09 lakhs from the World Bank for the Boeing Project. Free reserves have increased from Rs 86 lakhs to Rs 1.21 lakhs, and deferred taxation reserves from Rs 60 lakhs to Rs 1.17 lakhs, making a total of Rs 2.38 lakhs in reserve at the end of this year against Rs 1.46 lakhs last year. Cash and balances at the end of the year showed an impressive rise from Rs 1.24 lakhs to Rs 2.55 lakhs.

The breakdown of expenditure shows how large a part—nearly one

fourths—of total operating expenses is incurred on traffic and passenger service and agency commission.

Operating Revenue and Expenditure 1957-58 (per cent)

Revenue from:	
Passengers	70.88
Mails	14.04
Cargo & Excess Baggage	10.68
Charters	1.17
Other Revenues	3.23
	100.00
Expenditure:	
Operations	27.86
Employees	20.88
Traffic & Passenger Service	16.87
Depreciation	12.77
Engineering	9.48
Agency Commission	6.74
Insurance	3.16
Administration	2.24
	100.00

It is not surprising, therefore, that the Chairman, Shri J R D Tata, should plead for a large scale extension, at least in high density traffic areas, of the austerity type of service introduced this year on

the Atlantic. The economy class service is also necessary in order to induce the substantial increase in traffic which is required in order to secure an economic load factor for the new aircraft, which cannot be expected to come solely from the normal annual growth nor from the additional traffic likely to be attracted by the extra speed of jet planes. A good part of the extra traffic will have to be drawn from the strata of the travelling public which to-day cannot afford air transport. Poised for a doubling of its carrying capacity, the Corporation, it is obvious, would not care for a surcharge on fares of jet aircraft, though the report makes no explicit statement to this effect.

A Correction

The name of the author of the article "Changing Population Growth Rate: Its Effect on Per Capita National Income" in the issue of November 1, was wrongly printed as Ranjan Kumar Sen. The author is Ranjan Kumar Som.

The error is regretted.—Ed.

Letter to the Editor

Doubling Production — Of What?

IN the field of land reform and its relation to agricultural output, the country has just been treated to another round of resolutions, committees and rosy prospects.

At the recent A I C C meeting in Hyderabad the Centre's programme of ceilings on land holdings was directly challenged, almost attacked. To resolve the debate a Sub-Committee on Agricultural Production and Land Reforms had to be appointed. According to the Press this Sub-Committee is going to issue yet another call to the State Governments to enact at breakneck speed (say by March, 1959) a comprehensive, thoroughgoing effective land reform programme. There is no need to consider in detail the Sub-Committee's recommendations, since the action which the State Governments will take on them is likely to be the same as on previous, similar resolutions, viz, nothing. The most desperate States will do next-to-nothing.

The rationale for the determined inaction of the States in the field of land reform was made plain once

again at Hyderabad, namely, that ceilings might interfere with efforts at increasing food output. Judging from this argument, one would have thought that in the absence of ceilings the country had been registering marvellous increases in production. Yet everyone knows that, despite the heavy emphasis on agriculture in the years since Independence, especially in the First Five Year Plan, no significant, sustained increase in food output has been recorded in the decade 1947-57. Nonetheless both the opponents and proponents of land reform joined hands at Hyderabad to pass without embarrassment a resolution calling for a doubling of the country's food output in the course of the next seven years! This call to the nation comes from Ministers and Party leaders whose previous appeals for increased production have failed, and whose campaigns for land reform have only too often ended disastrously for the actual working peasants.

At this interesting moment Shri Punjabrao Deshmukh, Union Minister for Agriculture, has made another bold bid for attention on the

national scene. Only the other day Shri Punjabrao Deshmukh was the hero of the campaign for the Japanese method of rice cultivation. The introduction and spread of this technique, he had declared widely, could be depended upon to transform India's countryside. Experts were imported from Japan; Indian agricultural officers were sent to Japan for training; and almost daily reports were published of the successes achieved in all parts of India. Now, after a fortnight's visit to China, he finds that the Chinese methods compare quite favourably with those of the Japanese. Instead of relying on experts, he reports, the Chinese trust to the farmers' own ingenuity and flair for innovation and experimentation. China was achieving an impressive "leap forward". Is this the opening shot of a fresh barrage of Ministerial announcements about yet another revolutionisation of India's agricultural production—in the name of which land reforms will once again be sidetracked?

Exasperated

Bombay
November 17.

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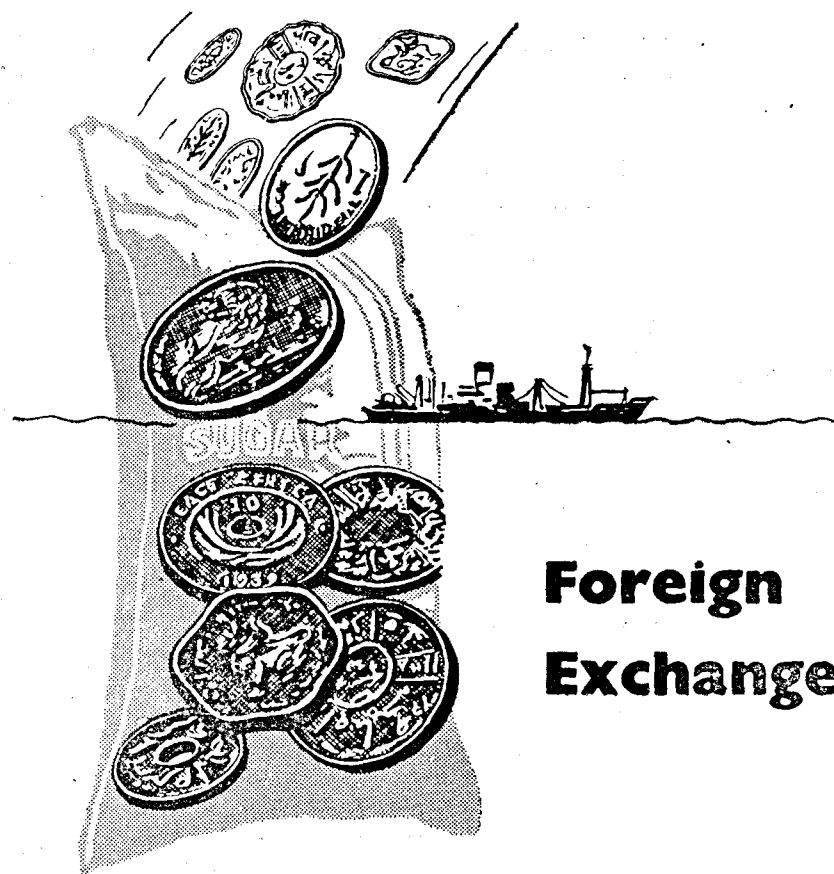
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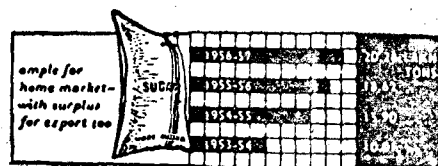
Never before has India stood in such dire need of foreign exchange as today. The country's development projects on which our future prosperity depends, call for straining every resource to earn this. Indian White Sugar Industry has risen to the occasion by increasing production, thus making white sugar available for export. But the present poor yield of cane per acre and its low sugar content make the cost of sugar production high. Yet in the national interest, Indian White Sugar must be sold abroad even at a loss—a burden to be shared by the Industry and people alike.

Today the White Sugar Industry provides scope for Indian capital investment of more than 100 crores of

rupees; it provides employment to over 1,40,000 skilled and unskilled workers and 3,600 university educated men, their total earning representing 5% of the national wages and salaries; it supports 20 million cultivators; it constitutes 12% of the total value of production of major Indian industries; it contributes over 65 crores of rupees (@ Rs. 13.19 per maund) in levies to the national exchequer.

It offers even brighter prospects for the country. With a lighter burden—some of its present-day handicaps removed—this industry can contribute to achieving a more stable national economy. Its upward trend of production can continue to meet the needs of a growing home market and yet leave a surplus for export in order to earn foreign exchange.

Indian WHITE sugar...



vital to India's national economy

From the London End

The German Question Once Again

THE Soviet hints of a possible unilateral change in the status of Berlin follows hot on the heels of the announcement of the revised Rapacki proposals for a de-nuclearized zone in Central Europe. And so with an almost breath-taking shift in emphasis and tactic, the Soviet Government have now given a totally new impetus to the solution of one of the most difficult of international questions—the German question. The new Soviet initiative inaugurates an intensive volume of diplomatic activity with a highly feasible culmination of a Summit Conference of the four great powers concerned. The Western powers, in their turn, have been sent into hurried consultations with one another and have been making the most confused pronouncements. The Bonn Cabinet, sitting deep into the night, found itself for once deeply anxious lest the principal Western powers find themselves recognizing the East German regime so as to continue their presence in Berlin.

The division of Germany, like that of Korea and Vietnam, has been the result of a mutual recognition on the part of the powers concerned that re-unification will introduce such a host of other problems, that it might just as well be shelved at this stage. And, as is well known, this recognition has introduced a relatively new technique in international relations: problems whose solution might well impair the status quo in the distribution of power are placed "on ice". But this development does not help the cause of peace in the long-run. The mere freezing of problems tends to perpetuate the elements of political instability in the world body-politic for ever. So, often some attempt is made to revive the problem or to use it as an instrument for seeking some position of advantage in the negotiation of solutions to other problems.

It is in this context that the German question is being revived: the Nato powers have gradually but effectively drawn Western Germany into the Nato alliance and now the rearming of Western Germany is reaching its final stage. The rearmament itself is portentous. The West German army of between six

to seven divisions is being equipped with tactical nuclear weapons and to all intents and purposes, when these divisions become fully integrated into the Nato network, West Germany's contribution of man-power to the Nato alliance will be second only to that of the United States. This in itself would be a sufficient provocation for "unfreezing" of the German question but for the simultaneous integration of East Germany into the Warsaw military system. What in fact has therefore happened is this: the status of both East and West Germany in Europe has risen and they have emerged as separate and distinct entities, each pursuing its own path and the prospect of unification of the two Germanies has become ever more dim and unrealizable. In terms of Realpolitik, this policy has much to commend itself. A major threat to European peace is obviated. Europe is no longer confronted by a united and powerful Germany again threatening expansion, and achieving the same domination of Europe which the impatient Hitler sought by war. At the same time, the massive Russian strength in Eastern Europe covers sufficiently well those inflammable areas of race hatred on the German-Slav frontiers and which in the past have provided the excuse (as distinct from the cause) for two world wars.

There are, however, two grave weaknesses in this trend of developments in Central Europe. First, the emotional factor generally going under the name of "German nationalism." A prosperous West Germany might forget the emotional factor for a few generations. But already there is much in evidence to suggest that Dr Adenauer's policies derive from ambition to satisfy the German national sentiment. His intensive lobbying of the capitals of the world for non-recognition of the East German regime and his largely unpublicized initiative at negotiations with the East Germans suggest that he visualizes his role in terms of bringing satisfaction to this emotional factor. 'The Times' recently published a remarkable despatch from Berlin of a reported overture by Bonn. Apparently two secret meetings between a Minister

of the Bonn Government and an East German Government representative were held in which the basis for a possible "confederation" of the two Germanies was discussed. The basis was the withdrawal of both from Nato and the Warsaw Pact respectively and agreement that the armed forces would be proportional to the population of the two countries. This, according to the Bonn Minister, was a possible compromise between "neutralization and large-scale armaments" and that "Dr Adenauer was being kept informed".

The second weakness of this policy and trend of acceptance of the German division into two separate sovereign parts is the status and situation of Berlin. In Berlin, the three Western powers have established an enclave in which they have made a considerable investment of prestige and of show of the so-called "Western" or "free" way of life. The maintenance of this enclave as a matter of policy is itself a crucial prop to the cold war in Europe. And in Western eyes a withdrawal from Berlin would constitute a humiliating defeat. It is partly towards removing this specific weakness that M Khrushchev has suggested the passing over to East Germany of the Soviet administration of East Berlin. In any event, the very character of the evolution of the status quo in Germany makes the Western position in Berlin largely untenable. There is a small allied garrison and an enclave of Western showmanship totally surrounded by Communist territory and this cannot be prolonged indefinitely. Sometime or other, a solution will have to be found.

The Soviet hint now forces the pace towards a Western recognition of permanence of the German division though no body, not even the Russians, would be prepared to explicitly declare that this is their aim. But this permanence is itself a function of the rearmament of the two Germanies. If there were a possibility of some agreement on an international arms control in both parts of Germany, together with a withdrawal of foreign forces, would there not be a basis for some type of unification—even a "confedera-

tion"—so that the first of the two weaknesses mentioned may be eliminated? It is in this context that the revised Polish proposal—the Rapacki plan—appears to be eminently relevant. The Rapacki plan falls generally within the scope of what has recently come to be called "disengagement": the creation of an intermediate area of arms control in which the essentially political element is neutrality.

The Rapacki plan visualizes not only a de-nuclearized zone in Central Europe but a second stage in disengagement in which the great powers would withdraw a part of their troops from the neutralized zone. The original Rapacki proposals excluded the second stage; the inclusion of the latter now appears to be designed to meet the Western objection that the mere establishment of a de-nuclearized zone does not solve the problem raised by the preponderance of Russian conven-

tional forces in Eastern Europe. Now M Rapacki has met these objections and it can only be hoped that, coming as it does from an authoritative East European source, it can provide the basis for great power negotiations with the aim of achieving a measure of German unity (some type of federation or confederation) and at the same time removing Germany from the rival military systems that now encompass the whole of Europe.

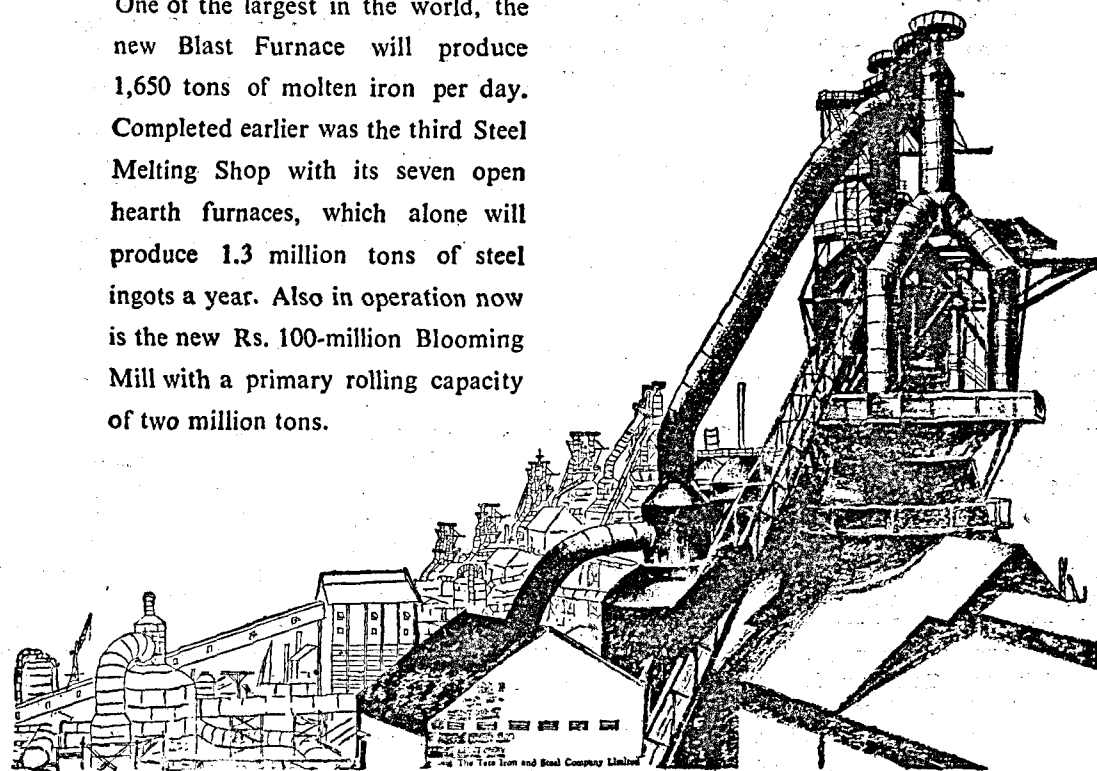
The Last Phase

THE COMMISSIONING OF THE NEW Rs. 70-million Blast Furnace in Jamshedpur in October marks the beginning of the end of the expansion programme started in December 1955 to double Tata Steel's capacity to two million tons a year.

One of the largest in the world, the new Blast Furnace will produce 1,650 tons of molten iron per day. Completed earlier was the third Steel Melting Shop with its seven open hearth furnaces, which alone will produce 1.3 million tons of steel ingots a year. Also in operation now is the new Rs. 100-million Blooming Mill with a primary rolling capacity of two million tons.

Covering every phase of operation from the winning of ore to the rolling of finished steel, the expansion will be virtually completed by the end of 1958. The capital investment on expansion and annual replacements by Tata Steel over the five years 1955-60 is estimated at Rs. 1,330 million—more than one-fifth of the total outlay by organised industries in the private sector.

TATA STEEL
ON TO TWO MILLION TONS



A Report on the Election

(From Our American Correspondent)

THE Democratic majorities in House of Representative and Senate compare with those of the days of Franklin Roosevelt's power. With almost three quarters of the governorships in Democratic hands, one has to go back to those same days in the mid-thirties to find the country so solidly Democratic. The only exception is the most important one—the Presidency.

In only two states—New York and Arizona, where the Republicans won both senatorial and gubernatorial victories—did the Republicans do better than they had hoped or others had expected. As a portent of things to come, Arizona is not important; its population is small and it is not a 'typical' state. New York is a different matter. As the most populous state, events there are important in their own right and the state is 'typical' of its neighbours in the north and east. However, it stands alone among these industrial states in its shift to the Republican party.

Why Did Democrats Win?

If one could answer this kind of question confidently, it would never be necessary to have elections. At his press conference immediately after the election, President Eisenhower expressed surprise at the reversal of Republican fortunes because he could see no change in the Republicans since his 9 million vote victory in 1956!

Part of the answer is that the President's 1956 victory was his own and not his party's. The Democrats in 1956 kept the control of Congress which they had won from the Republicans in 1954, only two years after President Eisenhower's first election. The country liked Eisenhower but was not so enthused about his party. The closeness of the congressional races in 1956 was to some degree due to the fact that the President actively headed the ticket.

Another element is the changing relationship of the farmer to the Republican party. Naturally conservative, the farming states have traditionally supported the Republicans in this century, but Secretary of Agriculture Benson's successful efforts to end the system of high

price supports for farm produce has alienated some of the farming community and, despite high agricultural incomes this year, it is no longer possible to view the Republicans as the obvious friend of the farmer. Meanwhile the Democrats have been free with promises to restore high price supports.

The effect of the administration's conduct of foreign affairs is more difficult to judge. For one thing, criticism of President Eisenhower is never expressed so strongly or so insultingly as was criticism of Presidents Truman and Roosevelt, even when it is felt as strongly. For another, the basic division of the country over ultimate aims, which marked the thirties and only began to disappear in the forties, is now a thing of the past. Some degree of responsibility in international affairs is now accepted by all major groups within both parties, and the ever-felt fear that Soviet Russia will come to dominate the international scene serves to bind the two parties together in the field of foreign affairs.

If opposition to the current conduct of foreign policy is not so vociferous as it was a decade ago, it is equally true that the policy has attracted few compliments and remarkably little enthusiasm in the past few months. The praise President Eisenhower received when he was credited with ending the Korean war was hardly to be won again by risking a Quemoy war.

Congress: 1959-61

A strongly Democratic Congress will not alter policy radically. A shift from Republican to Democrat does not involve great change in political philosophy. With varying regional experiences and interests, differences among politicians reflect the character of the areas they represent as much as the platforms of the party whose label they bear. The senatorial contests in New York, Connecticut, and Pennsylvania were all between 'liberal' Republicans and Democrats not noted for their radicalism.

The President's fear that the Democratic Congress will be more willing to spend will be realized. In home affairs more spending, parti-

cularly if the economic revival does not proceed rapidly, is almost certain. Higher prices for farm support programmes are probable; more funds will be appropriated for federal aid to education and to other agencies for scientific research; and more federal funds will be devoted to urban renewal.

In foreign affairs Congress will be more favourably inclined to spending on foreign aid, to working through the United Nations, and less favourably inclined to "brinkmanship."

The new Congress will not be very different, however, from the old, for the outgoing Congress was managed by a Democratic majority in both houses, and the leading men—Committee Chairman and particularly Senate Majority Leader Lyndon Johnson—will be the same. Confident that it has strong support in the country at large, the new Congress will not be so tractable to Presidential pressure. But the same larger majority also reduces party discipline. During the biennium just passed, the Democrats in Congress felt they had to stick together to make a record which could be presented to the electorate, but now the added strength will encourage each man to go his own way. This is possible in the US since the party in control of the legislature is not responsible for the administration of the country, as it is in a parliamentary system.

Racial Integration

The effect of the election on the problem of racial integration in the schools is not at all clear. The northern Democrats will take heart from their victory, for with more northern Democrats to back them up, they will feel less dependent upon support from their southern colleagues. On the other hand the present victory at the polls has made a more important one seem likely in the Presidential elections of 1960, so that many may hesitate to risk splitting the party before that date. It will therefore be tug and haul between fear of losing southern votes in 1960 and hope that a stronger pro-integration stand will release northern Democrats from reliance upon the south in that campaign.

Men and Oil No. 2



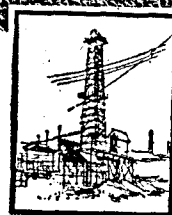
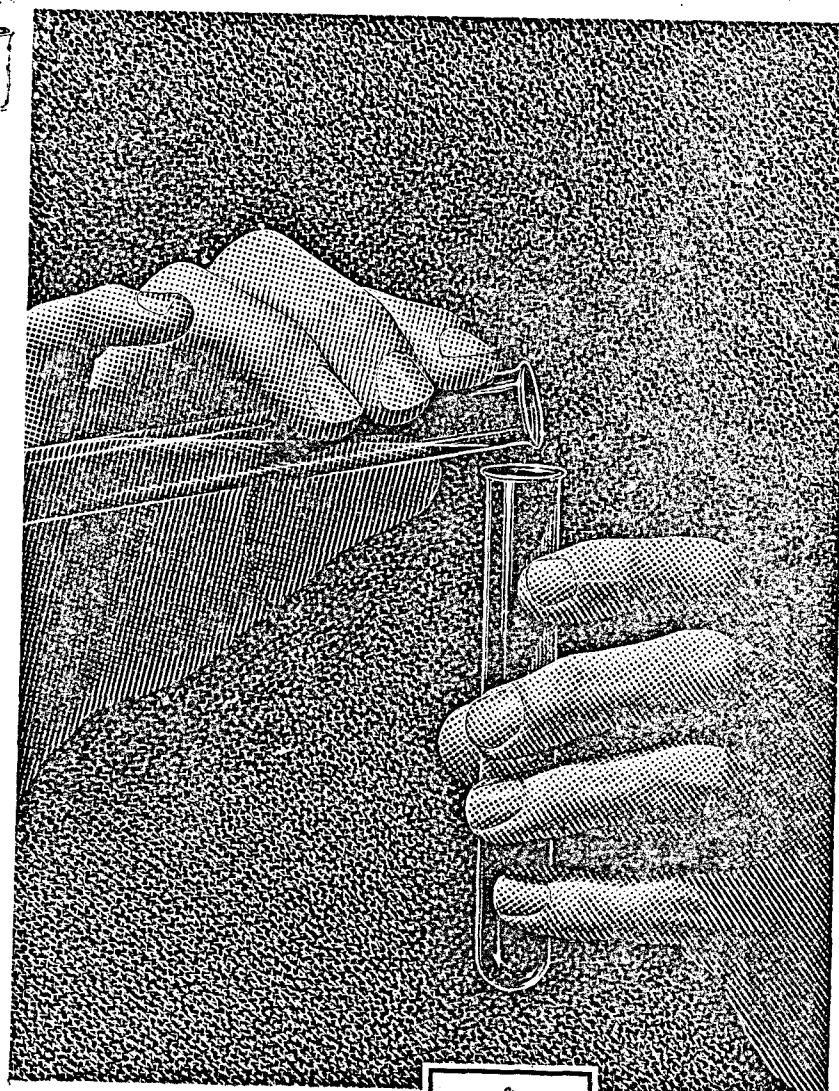
THE CHEMIST

In many ways, the oil industry is a pure application of chemical knowledge. From the earliest stages of exploring for new oil deposits, through to controlling the great refineries, the chemist is a key man.

He examines rocks and oil shows collected during exploration, helps in drilling and cementing operations and assists in the interpretation of electrical well logs to identify oil and gas bearing zones. He also analyses formation fluids and oil-bearing reservoirs in order to estimate the total amount of oil recoverable from an oilfield, and studies means for improving the recovery efficiency.

The chemist, again, controls the technical operation of the refinery. At Digboi, for example, chemists are responsible for the production on specification of more than 100 products. From the Assam crude oil, the main products are motor spirit, kerosines, deisel, lubricating oils, and various grades of waxes. The chemist is also concerned with other products such as mineral turpentine, jute batching oil, tea drier oil, bitumen — all these being vital to India's economy.

Chemists in the oil industry must, therefore, possess very high qualifications. Indian chemists play an important role in the working of the Assam Oil Company.



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More important for the future than the shift from Republicans to Democrats is the continued replacement of old-style American isolationists and pre-Keynesian conservatives with internationalist, UN-oriented, modern men. The defeats of Senators Knowland and Bricker are two noteworthy signs of this. While Knowland was running for governor of California and not for the Senate this time, the thoroughness of his beating leaves no doubt that the voters were rejecting him in any capacity. On international issues Knowland has been called 'the Senator from Formosa', and domestically he has been regarded as the leader of the right wing of the Republican party.

More Modern Outlook

Senator Bricker is noteworthy as the author of the 'Bricker amendment' to the constitution, which was intended to deprive the executive of control over foreign policy, but which was fortunately never passed. He represented the old American view that any arrangements with foreign powers were bad for the US. As a well-known and politically long-lived servant of his state both as governor and senator, his loss of a seat in the Senate is evidence that the middle western area of the country is leaving its inward-looking isolationism behind.

The same remarks may be made about the loss of the Minnesota Senate seat by the Republican Thye to the Democrat McCarthy (no relation politically to the late Senator from Wisconsin).

By themselves, these individual defeats would not indicate a strengthening of the newer views on foreign policy which began in the late thirties, but in recent years an increasing number of men of modern outlook have come from the states of the middle west, formerly the stronghold of isolationism. There is Senator Humphrey from Minnesota, Senator Douglas from Illinois, both of whom are clearly on the side of international responsibility; Governor Williams has just won a sixth consecutive term in Michigan, while Michael DiSalle, Truman's one-time price administrator, has been elected governor of Ohio. The senatorial defeats of Knowland and Bricker merely reinforce the trend.

And in 1960, What?

What happens in a Congressional election is a poor forecast of what

will happen in a Presidential election two years later; at least it did not presage victory in 1946, 1950, or 1954. But the country appears to be basically Democratic—only an unusually popular Republican (or perhaps an unusually unpopular Democrat) can alter this condition.

If this election does not determine the next one, it will certainly have its effects upon that one. On the Republican side the old guard will have trouble convincing the nominating convention that a right wing Republican will be a good candidate after the defeats of Knowland and Bricker. More important, Vice-President Nixon can no longer be sure of Republican nomination. Until this election there was no one to challenge his position as 'heir apparent'. However, Nixon took charge of the Republican campaign in a definite and personal fashion, and the loss can only reflect unfavourably upon him. Meanwhile, the fact that he ousted Democratic Governor Harriman of New York in a year when the country was running Democratic puts Nelson Rocke-

feller in a peculiarly strong position. He is new to active politics, despite a long career of government service, but this newness will not be such a disadvantage with the strength he has just shown. At the least it means that Rockefeller will control the New York votes at the nominating convention, and he does not like Nixon; at the most he might be nominated as Republican Presidential candidate in 1960.

On the Democratic side the election has provided no marked changes in power within the party except in the state of New York. Here Harriman has been eliminated as a power, and the 'boss' of the New York City Democratic party, Carmine di Sapio, is likely to lose his power since he was instrumental in the nomination of the Democratic Senatorial candidate Hogan, despite the better judgment of the rest of the party. Hogan's loss will be di Sapio's loss, and the New York delegation to the Democratic nominating convention will be in more liberal hands, probably those of Mayor Wagner of New York City.

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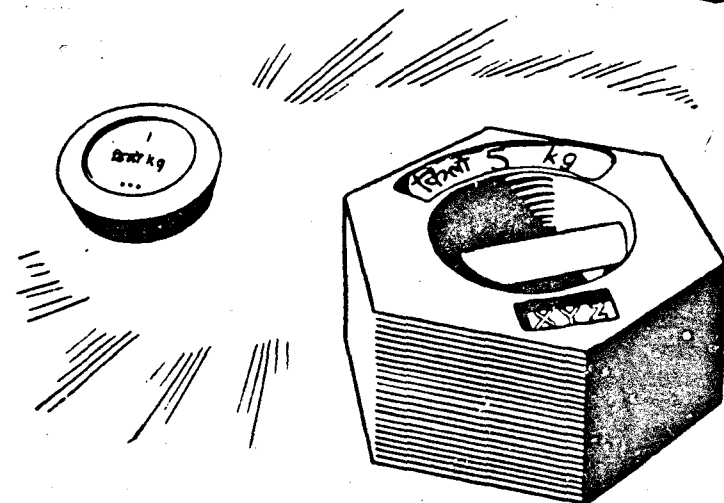
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First Phase



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1	58	1	—	930
2	117	2	1	870
3	175	3	2	800
4	233	4	3	730
5	292	5	4	670
6	350	6	5	600
7	408	7	6	530
8	467	8	7	460
9	525	9	8	400
10	583	10	9	330
11	642	11	10	260
12	700	12	11	200
13	758	13	12	130
14	816	14	13	60
15	875	15	14	—
		16	14	930
		17	15	860
		18	16	800
		19	17	730
		20	18	660
		21	19	600
		22	20	530
		23	21	460
		24	22	390
		25	23	330
		26	24	260
		27	25	190
		28	26	130
		29	27	60
		30	27	990
		31	28	930
		32	29	860
		33	30	790
		34	31	730
		35	32	660
		36	33	590
		37	34	520
		38	35	460
		39	36	390

1 KILOGRAM = 1,000 GRAMS

China's Economic Growth—I

Charles Bettelheim

IN the course of last summer, I had the opportunity of visiting China, together with a group of French economists, and studying the economic development of that country.

Not only has this journey enabled me to come into contact with numerous central economic services (in particular with representatives of the Planning Commission and the National Economic Council, as well as with representatives of the Ministries of Agriculture, Foreign Trade, Finance, etc), but also to discuss with people responsible for various (state, cooperative and mixed) industrial concerns, and agricultural and commercial undertakings. Of course, this journey has also given me the opportunity to have discussions with Chinese people who have no special responsibilities in the economic life of the country, in particular professors and students.

I should like to sum up here some of the reflections to which these conversations and my observations have led me.

Very obviously it is not after about a month's stay in such a vast country that one can pretend to know and understand all that happens there. However I believe that when such a journey is well organized it allows one to draw some significant conclusions. This is so in particular, when one concentrates one's attention on problems with which one is already familiar, and when one mainly tries to understand concretely things with which one is already acquainted through previous reading and studies.

It seems to me that two essential conditions for the significant character of the conclusions that a specialist can draw after a relatively short stay consist in the multiplicity of human contacts and sufficient diversity of the regions visited. Now, as far as our group of economists is concerned, I can say that these two conditions have been perfectly fulfilled. Thus we have visited, either together or separately, (and this by going to numerous villages) the regions of Peking, Chen-Yang, Anshan, Fouchoun, Wouhan, Canton and Lanchow (personally I have not visited this latter region).

The facts relative to the economic development of China are probably too well-known to the Indian reader to make it necessary to recall them here in detail. We must however come back to certain particularly important observations for it is in connection with them that some hard thinking is indispensable.

Some Observations and Remarks

I shall not dwell on the observations relative to the standard of living of the Chinese people such as it appears to any traveller. However I cannot but relate the extraordinary impression experienced by me when faced with the disappearance of all the social stigmas of "under-development". Knowing Asia and having seen the misery of some of the peoples of that continent, also being acquainted, from hearsay, with what Chinese misery was like ten or twenty years ago, I have been deeply impressed to see, in the towns as well as in the villages, a properly (I do not say luxuriously) dressed, apparently well-fed, healthy and cheerful population. Though I had read a lot about present China, I did not visualize such a transformation, and I can say that all along my stay in China, this feeling of a transformation, a change of a magnitude and rapidity unprecedented in history, never left me.

What has also impressed me is the remarkable variety of the goods available in shops, and this with regard to food products as well as with regard to clothes, cottage industry products and industrial consumer goods such as electric apparatus, cameras, fountain-pens, radio sets etc . . . manufactured in China. For a man like me who had seen the austerity of the Soviet second five-year-plan years, this has also been a great surprise.

But above all, the feeling prevailing with my economist colleagues and myself is that of finding ourselves in a country that goes ahead at an unbelievable speed and which, in this respect, outdoes all the performances that could have been achieved elsewhere. All the conversations we had with central economic leaders and leaders of enterprises, all the accounts given to us about the activity of this and

that branch of industry, this and that concern or cooperative, show rates of growth much superior to the already very high ones that were achieved in the course of the first five-year plan and which place China in the forefront of the world with respect to pace of growth.

The only country with whose growth the Chinese growth can be compared is the Soviet Union. It therefore seems indispensable, in order to size up the success China has met with in her present economic development, to compare her rates of growth with those recorded by the USSR at the beginning of its period of industrialisation. We shall afterwards have to ask ourselves how China achieved her results and what are the original characteristics of the Chinese economic development.

Comparative Rates of Industrial Growth

It is indeed always artificial to compare the economic evolution of two countries. Each has to face different problems and specific difficulties, and it is only after a long and thorough study that a somewhat general lesson might be drawn from such a comparison. Therefore, while quoting side by side figures relative to China and to the USSR, I do not pretend to compare their economic evolution but only to size up the rapidity of the Chinese development by comparing it with another particularly rapid development.

I shall begin with recalling some rates of growth in the field of industry.

One knows that in the course of the first five-year-plan (1952-1957) Chinese industrial production (not counting production of artisans)* progressed at an average annual rate of 19.2%. This average annual rate of 19.2%, though very remarkable, is not superior to the rate of progress of Soviet industry in the course of the first five-year plan of the USSR (1927-28/1932) which was also of the order of 19.2% to 19.3%.

Besides, we give here, for some important products, the evolution

*During that period artisanal production progressed at an average annual rate of 13.2 per cent.

of production figures for the USSR in the course of the 1928-1932 period and for China in the course of the 1953-1957 period (see table below).

One sees that, in the course of the years considered here, the relative progress in China has been more rapid than in the USSR with respect to cast iron, steel and cotton fabrics†, that it has been appreciably of the same order with respect to coal, and that it has been slower with respect to electricity and chemical fertilizers. In 1957 total Chinese production was near the total Soviet production of 1932 in the fields of iron and steel and chemical fertilizers, and more or less in advance with regard to coal electricity and cotton fabrics. The per capita Chinese industrial production of 1957 is everywhere very much below the Soviet industrial production of 1932.

These different figures indicate very well that, in spite of rather different specific rates of growth (for each industry), the total Chinese and Soviet industrial rates have been very close to each other in the course of the first five-year plans of the two countries.

Enormous Acceleration in 1958

The great new fact of the year 1958 is the enormous acceleration of Chinese industrial growth which henceforth attains an extraordinary rhythm. This rhythm was moreover not foreseen last year when

†It is in the course of the 2nd five-year plan that the first two categories of production make rapid progress in the U S S R. In 1937 the production of cast iron and steel reach the respective figures of 14.5 and 17.7 million tons.

the preparations for the second five-year plan were being made, and its targets will have to be revised in the sense of a considerable increase just as the targets of 1958 and 1959 had to be revised.

One knows that, in comparison with the corresponding months of 1957, the increase of industrial production was of the order of 14 per cent in January 1958, 18 per cent in February, 29 per cent in March, 42 per cent in April, 46 per cent in May and 55 per cent in June. For the first half-year of 1958 the average increase is of the order of 34 per cent, and the figures of this summer indicate that the total of the year 1958 will be 50 per cent over that of 1957. This advance by 50 per cent in one year represents an unequalled rate for a country whose industrial production has reached the Chinese level of production and which has already previously been progressing regularly at a rapid rhythm. Now everything indicates that the foundations are presently being laid in order that 1959 may witness an equally spectacular advance.

It is known that steel production will attain 10.7 million tons this year, that is to say that it will be doubled, and that it is to attain 20 million tons in 1959. The increase in the capacity of electricity production will exceed 2 million Kw, that is an annual increase almost equal to that of the five preceding years, and the annual electricity production will progress by 44 per cent and reach 27.5 thousand million Kwh. Coal production will reach 210 million tons, and production of chemical fertilizers will be more than doubled.

At the same time the production of consumer goods is progressing

rapidly. In 1958, 6.3 thousand million metres of cotton fabrics, 1.3 million tons of sugar and 1.8 million tons of paper will be produced. Besides, the capital investments for 1958 will be much more than half the total capital investments made in the course of the previous five years, i e, during the first Chinese five-year plan.

What is remarkable in the production figures I have recalled just now is that they mean that within one year Chinese production has been raised from a level lower than that of the USSR in 1932 to a level reached by the Soviet Union after the Second World War with regard to steel and in 1936 with regard to electricity. The coal production for 1958 corresponds to that attained by the USSR in 1948-49, it is close to the British production for 1957. At the specified rates, the Chinese coal and steel production will exceed that of Great Britain as early as 1959.

Of course, even thus, the per capita industrial production will still be very low in China, but what is important is that this country is progressing at an unequalled rate. China is doing in a few years' time what an industrialized country like Great Britain has taken decades to achieve and what even the Soviet planned economy (which up till now came first with respect to speed of industrialization) has accomplished over an appreciably longer period.

The acceleration of China's rhythm of industrialization with regard to her own experience of the 1952-1957 years as well as with regard to Soviet experience is a particularly important fact which calls for an explanation.

However, before entering upon the field of explanations, we must also recall the results achieved by China with regard to agriculture.

Growth of Agriculture

While the results achieved by Chinese industry are striking enough, one can say that the results achieved by Chinese agriculture outdo all that up till now has been considered possible. The increase in production recorded for 1959 largely exceeds what the agronomists, even those who least questioned the prospects of the development of agricultural production, had considered attainable. The results of Chinese agriculture for 1958 oblige

	USSR		China	
	1928	1932	Index (1953=100)	Index (1957 (1928=100))
Cast iron mn tons	3.3	6.2	188	2.2
Steel mn tons	4.3	5.9	137	1.8
Coal mn tons	35.5	64.4	181	66.6
Electricity '000 mn Kwh	5.0	13.5	270	9.2
Chemical fertilizers '000 tons	135	921	682	263
Cotton fabrics '000 mn metres	2.67	2.69	101	3.8

Source: 'Sovietskaia Sotzialisticheskaja Ekonomika', Moscow 1957, pp 284-285.

Source: 'Statistical Summaries of the National Economy', Peking, August 1958, p 3.



Wild Horses...



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them to change many of their conceptions.

It is known that in the course of the first Chinese five-year plan, agricultural production had increased at an average annual rate of 4.5 per cent. Such an average rhythm of growth over a period of five years places itself among the highest, but remains within the limits of generally accepted "norms"; this is also true of the highest annual rate of growth of that period, which corresponds to the 7.7 per cent increase recorded in 1955 with regard to 1954, a year which had itself seen a good harvest.

But in 1958 we come to a period which, as I have said, upsets all the norms that have been accepted up till now. The figures are probably known to most Indian readers, but it is indispensable to recall them; this year the total production of foodgrains is estimated at 300 or 350 million tons, which represents a 60 to 90 per cent increase with regard to 1957.

This year China has produced 39.95 million tons of wheat representing a 68 per cent increase in production, which gives China the second place among the wheat producers of the world, ahead of the United States. This bumper crop has been achieved despite unfavourable weather conditions, a drought lasting more than 270 days (a thing which had not happened for thirty years) having hit the province of Hopei, the main wheat producing region.

The harvests of early and semi-late rice exceed 96.5 million tons representing a more than 60 per cent progress with regard to 1957. The second crop in the south of the Yangtse and the late rice crop of the north (which represents four-fifths of the harvest that is now being gathered and which will only be terminated towards the end of November) promise to show an even larger increase over last year than the crops that have already been got in. The sight I was able to have of paddy fields bearing extraordinarily close-set plants was astonishing.

Oil-seed crops also show surprising increase, with a groundnut crop of 6 million tons (a 138 per cent increase over 1957), a soya bean crop of 12.5 million tons (+25 per cent) and a sesamum crop of 695,000

tons (+124%). As to the cotton crop, it is estimated at 3.5 million tons, a 113% increase over 1957.

The results that have thus been attained are of decisive importance for future economic development and for the present standard of living. As a matter of fact, this year's food grain crop corresponds to a yearly per capita production of 1000 lbs (between 880 and 1100 lbs according to estimates) or 44oz a day. Thus China seems to be well on the way towards reaching the target which, in the month of June 1958, President Mao Tse-tung considered to be attainable within one or two years, namely that there should be available each year and for each person 1500 jin (1 jin=0.5 kg=1.1023 lbs.) of foodgrains, 100 jin of pork, 20 jin of vegetable oil and 20 jin of seeded cotton. Therefore China is coming near to the food standards of economically developed countries at an extraordinarily rapid pace, and it does seem that she is very soon to appear on the world market as a cereal exporting country.

Social and Cultural Progress

The progress achieved by China in the course of the past few years is not only—and anyway cannot only be—economic progress. The latter has been accompanied by progress in all the other fields; it has generated this progress in other fields and has been sustained by it.

In the field of education it is known that the number of primary school pupils has increased from 24.4 million in 1949 to 51.1 million in 1952, 64.3 million in 1957 and 84 million in September 1958. Primary education is universal in about two-thirds of the 2000 districts that make up China and is very widespread in the others. In almost one-fourth of all districts, illiteracy has been practically eliminated, and in the whole country more than 90 million adults are learning to read and write. One foresees that within a year or two illiteracy will practically have disappeared.

Secondary education has also been making rapid progress. In September 1958 there were nearly 10 million secondary school pupils (as against 1.3 million in 1949). As to the number of college and university students, it increased from 117,000 in 1949 to 444,000 in 1957, and since then, this figure has been largely exceeded.

Progress is not less striking in the medical field. Thus the number of hospital beds has increased from 80,000 in 1949 to nearly 295,000 in 1957. The total number of beds in all medical institutions in 1957 was 462,000.

Creation of Communes

What appears to me still more remarkable, however, is the rapidity with which China is passing through the different stages of the transformation of social relations. From this point of view, the formation of "popular communes" constitutes a considerably far-reaching development. It is known that the popular communes are created by the merger of several agricultural cooperatives and the local administration into one new unit. This merger must lead to a close coordination of agriculture, forestry, animal husbandry etc as well as of industry, commerce, education etc.

In practice, a popular commune generally consists of about 2,000 peasant families, but it can consist of a much greater number of families: 6,000 or 7,000 and even exceptionally, 10,000 to 20,000. However, these very big communes are not favoured by the Chinese leaders, for it is difficult to run their administration in a democratic way. In most cases the commune coincides with the basic administrative unit, viz, the canton or the township. For the time being the administration of the commune is run by the popular council of the township. The communes can federate and constitute a single federation in each district or county. It is also within the framework of the commune that people who can carry arms are armed and organized into popular militias.

Elimination of Private Ownership

The creation of the commune is linked with the elimination of the last remains of private ownership of the means of production (individual plots and private animal husbandry) and initiates the gradual passage of collective (cooperative) ownership into social ownership (that of the whole people). It also initiates, first the gradual forsaking of the mode of distribution based on the days of work in favour of remuneration according to a wage system, then the passage to distribution "according to needs". Some communes have already established a

system of free food distribution founded on rules of distribution that take into account the number of family members independently of the number of those who can work.

Each commune sets up a single development plan which covers all the agricultural, industrial, commercial, educational, sanitary etc activities. The communes create and run their primary and secondary schools, their nurseries and kindergartens, their canteens and shops, their hospitals and nursing homes. Some communes have already established even their own colleges and set up plans of village reconstruction. The preparation of the economic and social plan of the commune is taken up by a planning commission, but the final plan results from a thorough discussion in which all members take part; this plan of course is integrated into the national economic plan.

Rural Development Problems

The movement to establish communes has been accelerated, so it seems, by the new problems that arise from rural industrial development. The agricultural cooperative has become too narrow a framework for the setting up and running of industrial units. As the size of these industrial units is destined to increase rapidly and as it is indispensable to coordinate their activities, the agricultural cooperative was bound to prove increasingly unsuitable as the agency for rural development.

Similarly, the framework of the agricultural cooperative was also somewhat narrow for many social institutions (secondary schools, hospitals, etc). Moreover, the growing requirements for labour has made it indispensable that the greatest possible number of women be freed from domestic work, hence arose the necessity of establishing kindergartens, canteens, sewing centres, etc, which are all more easily created within the wider framework of popular communes. The latter have, besides, also been able to take over the development of recreational activities (basket-ball, badminton, table-tennis, chess, theatres, singing, dancing etc).

The movement to establish communes started on an experimental basis in the very first months of 1958*. The results attained have

shown the efficacy of this form of organization, and on the 29th of August last, a resolution passed by the Central Committee of the CCP (Chinese Communist Party) recognized that the establishment of popular communes was "the logical result of the march of events". This resolution drew the broad outline of the organization of communes. The movement then became accelerated, and by October, 90 per cent of all peasant families had become members of popular communes.

It does seem, however, that the popular communes are destined to become the basic social units of Chinese society, and even, in the words of the resolution of the 29th of August 1958, "of communist society".

These are some of the facts that are known to those who follow the present evolution of China, facts the reality of which clearly appears to one who has not only been able to see the autumn crops ripen, but also to be aware of the problems arising from the transport and storage of the huge spring and summer crops.

Such a visit and the conversations it has enabled me to have with those who are responsible for Chinese economy and with managers of cooperatives, as well as what I could see of the work that is in progress, confirm me in my conviction that the present results are only a beginning and that China is still to astonish the world with her economic and social successes.

And yet, there are no miracles, and there must be an explanation for these facts, however astonishing they may be. The explanation is certainly not going to be a simple one. I therefore do not expect to be able to give more than a partial survey of the main objective and subjective factors which, in my opinion, explain the present speed of China's economic progress.

The objective factors behind China's rapid development will be discussed in a subsequent issue.

* Thus the cooperative Ta Chin which I visited near Chenyang and which groups 3,000 families was already a popular commune in actual fact, but was not yet called so as it was only in its experimental stage.

Railway Concessions for Class IV Government Servants

THE travelling concession offered to Government servants whose homes are more than 250 miles away were availed of by more than 12,500 Class III and IV employees of the Centre till October last year. The figure does not include the employees under the Ministries of Defence and Railways who have free passes, travelling warrants, etc.

The privilege ticket order, available to all Government employees who have completed one year of service, enables the employee and his family to make a trip to their home town once in two years on earned leave. Under the concession scheme, introduced on October 11, 1956, the entire cost of the journey for the initial 250 miles on each of the outward and return journeys is borne by the Government servant himself. For the remaining distance, the Government meets 90 per cent of the actual fare while the employee bears the balance.

Further concession has been made for the Class IV employees from January 1, 1958, and now they pay only 10 per cent as travelling fare when they go on leave if their posting is hundred miles away from their homes. The minimum limit was reduced because it was found that most of the Class IIV employees had their homes within 250 miles of the headquarters.

Forms Under Companies Act

THE basic form for companies to apply to the Central Government for approval of any matter specified in Section 411(b) of the Companies Act has been amended by Government. This has been done to provide, among other things, for the submission by companies of additional data relating to remuneration payable to relatives of Managing-Directors, commissions and other earnings of Managing Agents under the relevant Sections of the Companies Act.

Under the Companies Act, every company seeking approval of the Central Government in respect of any matter specified in Section 411 (b) of the Act is required to submit its application in the basic form No 25 of Annexure A to the Companies (Central Government's) General Rules and Forms, 1956.

Fund Quotas and Fund Assistance

Chakrapani

THE New Delhi session of the annual meeting of the Fund-Bank Governors has been a notable one in many respects, but probably the most important achievement of the session was the acceptance of the proposal for increasing the financial resources of the two institutions. It is now almost certain that the proposal will be given a precise shape in the course of the coming year and that the Governors will accept the scheme formulated by the staff in their 1959 annual meeting. As is natural in all international institutions, the staff scheme will take care of the opinions of the major member-countries and as no staff scheme is likely to be put forward unless it has been approved in advance (unofficially, of course) by the countries commanding large voting powers, there will be no difficulty about getting the scheme passed.

It is easy to accept the position that there has for some time been a growing need for increasing the Bank subscriptions. The need for increasing the Fund quotas has on the other hand been felt only recently. Only three years back, the Fund was loaded with a very large volume of idle liquid resources and the management was anxiously looking for new channels for operation as well as for widening the established channels. This anxiety was manifest in the carefully-worded annual reports of the Fund, especially in that for 1955, and one remembers that the stagnation in its operations led the Fund to adopt the special measure of investing a part of its liquid resources in the United States Government treasury bills. The question of increasing the Fund quotas, which has become urgent now, raises much more interesting and important issues than that of increasing the Bank subscriptions.

II

The Bank got its capital resources from the payment by each member of 20 per cent of her subscriptions as paid-up capital—2 per cent in gold or dollars and the remaining 18 per cent in her own currency. This meant that the total dollar resources of the Bank were composed

of the full 20 per cent subscriptions of the United States and Canada (ignoring the small amounts paid in by other convertible-currency countries like the Central American republics) and the 2 per cent gold or dollar subscriptions of the soft-currency members. The 20 per cent dollar subscriptions of the United States and Canada came to \$ 635 million and \$ 65 million respectively; the 2 per cent gold and dollar subscriptions of all other members totalled less than \$ 100 million initially and are now not much above that figure.

The Bank was, however, empowered to increase its lending resources by borrowing from the capital markets. It has been borrowing in the American market since 1947 and it has also raised funds by selling bonds in Canada, Holland, United Kingdom and Switzerland. The total amount of loans raised by selling bonds has been nearly equivalent to the total amount of gold and dollars received as capital subscription. The most important source of borrowing has of course been the American market, which has absorbed more than 50 per cent of the total bond sales by the Bank. It should, however, be remembered that the major portion of the Bank bonds held outside the United States are obligations expressed in American dollars.

One could argue that the total amount of bonds sold by the Bank up till now is not particularly large and that so long as the Bank's assets are good (these are the liabilities of the borrowing or guaranteeing member-governments), there should not be any need for increasing the subscriptions or the paid-up capital. In fact, however, the capital market, and particularly the American capital market which sets the tone, is very particular about the nature of the security it thinks it gets. The Bank bonds will not get a ready market, unless they clearly appear to be fully backed by the American government.

The reserve liability of the United States to the Bank is the unpaid 80 per cent of her subscription, amounting to \$ 2540 million. This unpaid amount may be called in to meet the

Bank's losses arising out of defaults by borrowers. The United States government is not, however, bound to meet the losses alone. The Articles of Agreement lay down that the liability to meet deficits arising out of defaults will be apportioned among the members in proportion to the share of their respective subscriptions in the total capital stock of the Bank. Under this rule, the United States government may be asked by the Bank to meet 35 per cent of its accrued liability arising from defaults.

One should add that the Bank maintains a "special reserve" of about \$ 85 million accumulated out of the 1 per cent commission charge on loans, and also a "supplemental reserve" of some 200 million dollars, accumulated out of the net income from its operations. Repayments received are also available for lending and the Bank usually carries a working balance of around \$ 500 million which is generally considered sufficient to meet one year's requirements of disbursing sanctioned but undisbursed loans, or portions of loans.

There has been no default up till now and the special and supplemental reserves taken together should be able to take care of a few bad defaults. But, still, the Bank has now reached a position in which a large extension of bond sales will raise in the minds of private investors the question of the adequacy of the cover provided by the United States government. An increase in subscriptions now will mean that all members will provide more dollars to the Bank, but the most important effect will be that the United States backing of the Bank's liabilities will increase in absolute terms. The United States government will not have to pay much now (the additional payment will be equal to 20 per cent of the increase in her subscription), but its acceptance of an increased liability to meet the Bank's obligations will go far to improve its capacity to raise long-term funds in the New York and other markets.

III

The case for an increase in the Bank subscriptions is thus fairly

that time, but it is obvious that Fund assistance would have been of little value. Similarly, Burma's reserves fell by \$ 83 million in 1954 and here again, with a quota of \$ 15 million and a gold tranche of \$ 0.5 million, she could not have expected much assistance from the Fund. In 1956, Burma did approach the Fund and received a full-quota aid of \$ 15 million, but it is worth noting that she did not approach the Fund before exploiting other alternatives like bilateral agreements and rigid control on imports and remittances.

The quotas of the Middle Eastern countries are also very low. Egypt has a quota of \$ 60 million and the other figures in millions of U S dollars are as follows: Turkey 43, Iran 35, Afghanistan 10, Iraq 8, Israel 7.5, Syria 6.5, Lebanon 4.5 and Jordan 3. One also notes that though India's quota is the fifth largest in the whole list, a quarter-quota purchase (\$ 100 million or Rs 47.6 crores) would have amounted to only about 15 per cent of her balance of payments deficit in 1957.

V

If the rights of a member country to purchase currency from the Fund are limited by her quota, these rights would bear little relation to her aid-requirements or her creditworthiness, unless the quota itself is based upon some dependable estimate of either. In fact, the quotas are determined by hard bargaining. There are presumably certain standards by which the Fund fixes upon a figure which serves as the basis for negotiation, but it is by no means certain that a unique formula could be devised ranking all countries in regard to all of the following: their contribution capacity, their voting power, their assistance requirements and their creditworthiness.

A country wanting to join the Fund as a new member would naturally be impelled by conflicting forces, when she engages in horse-trading with regard to the size of her quota. A large quota gives greater drawing rights, and also greater prestige and greater voting power. (The voting power of a new member vis-a-vis that of the United States or even the United Kingdom will be small in any case, but it counts within the group the new member is put into for electing executive directors). At the same time, a large quota may mean a larger

payment in gold, and in those cases where the gold-contribution is limited by the "10-per-cent-of-the-reserves" rule, repurchase obligations may be incurred easily. In fact and in law, the 10-per-cent rule is only a transitory provision; a member contributing 10 per cent of her reserves as the gold tranche is only temporarily purchasing from the Fund the difference between 25 per cent of her quota and 10 per cent of her gold and convertible-currency reserves.

V

The suggestion implicit in all that has been written above is that the amount of Fund assistance to be granted to members should cease to be linked with the quotas as at present determined, or at least, the annual and aggregate limits should be set much higher than at present for small-quota countries. The adoption of an all-purpose quota system has often defeated the purposes of the Fund. The smallness of the aid expected from the Fund has led to the quick adoption of those very restrictive measures which the Fund was expected to eliminate. There are many reasons which make import controls and other restrictive measures attractive to national policy-makers. The measures that have to be adopted are fully under domestic control, and if necessary, such measures can be continued over a long time. And there is the important fact that a substantial quantitative effect can often be expected. One of the main reasons why so few countries approached the Fund during 1954-56 and why so many imposed new and different kinds of restrictive measures is to be sought in the relative smallness of the aid that the Fund was in a position to offer.

Members have of course approached the Fund in the last two years with considerable avidity. The important thing, however, is to decide whether the Fund should be a lender or helper of last resort or of first (or near-first) resort, i e, whether the Fund should come in after a deficit country has tried all Fund-censured practices and failed, or before these steps have started to be taken. It would seem logical to contend that the Fund should play the role of an averter of payments strains and it would then also follow that this function cannot be properly discharged unless

the aid extended is quantitatively significant.

The fact that the Fund cannot raise money in the open market means the disadvantage that it cannot increase its operating funds when there is a world-wide stringency (increase in quotas cannot be frequent and cannot be brought about quickly), but it also means the advantage that, when operating funds are adequate, the Fund can afford to follow policies which need not be entirely commercial. The Bank has to be careful about the factors to which the capital market is sensitive, rightly or wrongly. The Fund is not obstructed by such a limitation and it should, therefore, be able to take a wider view in regard to the aid-requirements and creditworthiness of its members.

One could suggest a double system of quotas—one set for contributions and voting power and the other for limiting the borrowing or purchasing rights, the individual elements in the latter set being generally higher than the corresponding elements in the former, at least for small countries. In the alternative, the present system of a single quota-scale can be maintained and the maximum ceiling raised to, say, three or four times the quota for each country—subject to an absolute maximum beyond which no individual country will be accommodated. All this can, of course be done under the waiver clause, extending the waiver to the maximum ceiling also, but if exceptions become the rule, it would be better to change the rule itself.

If a change has to be made, it would probably be advisable to avoid any pre-determined set of figures limiting the members' purchasing rights and to leave the Fund free to determine on each occasion, how much any particular country should be allowed to purchase in any given period or in the aggregate, and how the repurchases should be spread. This would not mean that the Fund would be less cautious in extending help than it is now; it should only mean that the Fund would exercise its judgment with-in a field of greater freedom.

The existence of rigid rules, like the present ones, makes operations easy and of a routine character. A greater flexibility will mean that the Fund will have to assess continuously the requirements and credit-

worthiness of the potential purchasers. This is not as difficult as it sounds. The Fund is bound under Article XIV to enter into annual consultations with countries maintaining exchange restrictions, i e, with exactly those countries which are likely to require Fund assistance from time to time. A whole staff department is maintained by the Fund mainly to perform this func-

Around Bombay Markets

Good Year, Dull Moorat

Thursday, Morning

WITH the end of the Samvat year 2014 comes to a close one of the most satisfactory years for the markets. Almost all the markets continued to be more or less cheerful practically throughout the last twelve months. Despite occasional setbacks, which were nothing unusual, share prices recorded impressive gains. The index of variable dividend industrial securities (1952-53 = 100) went up from 122.7 in the fourth week of October last year to 143.5 during the corresponding week this year. Bullion touched new high levels with silver crossing the Rs 200 mark and gold touching Rs 113/50 in the middle of the year. Likewise, groundnut crossed the Rs 200 mark and prices of oil cake rose unusually high.

Paradoxically enough, when the markets, especially the Stock Exchange, were thus booming, the economy was experiencing stresses and strains. Foreign exchange and food continued to cause concern. The rate of growth of industrial production was slower and yields on investments ceased to be attractive. If the markets were cheerful, despite all these adverse factors, some explanation is warranted. Apart from the re-entry of the bulls into the ring, there was during the year heavy pressure of money seeking investment. This is perhaps the most important single factor that imparted strength to the market. The scale of operations of the institutional investors was also high with the investments of the banks touching an all-time peak of Rs 485.25 crores in June this year. More than anything else, there was a marked change in market psychology. One could discern on the eve of the Divall unmistakable signs of optimism.

tion and a large part of the routine work of the staff and the executive directors consists in preparing for, undertaking, reporting on and approving these consultations. The reports are not published, but from what one sees happening all over the world, it does not seem that the reports are very effective. It should be easy to transform these consultations into annual examinations of

Although the markets commenced the Hindu New Year under such favourable auspices, 'moorat' trading was dull and colourless. Except the cloth market, which was fairly active, all other markets remained featureless. Moorat this year was a routine affair. Share market was listless with narrow movements in prices. Conditions in commodity markets were distinctly easy. Even the bullion market which used to be particularly exuberant on Moorat days, ruled quiet this year. Similar was the trend in cotton futures although the turnover approximated 8,000 bales on that day. Moorat trading on the Sewri spot market however was substantial, with a turnover of about 20,000 to 25,000 bales.

Call Money Hardens

Last week, Dalal Street was off colour. This could be attributed to a number of factors. The decision of the National Development Council to keep the total outlay of the public sector at Rs 4,500 crores was not viewed with favour in the market circles. To attain this amount, it was felt, both the Centre and the States might intensify their tax efforts. This was confirmed when the Finance Minister indicated that there are no chances of any tax relief in the forthcoming budget. The Government of India's decision to take over the wholesale trade in foodgrains was another reason for uneasiness since it was taken to mean that State intervention might be extended hereafter.

Lower Export Duty

Following frantic bear covering and sustained bull support, cotton futures presented a firm trend dur-

the assistance requirements of the member countries and their prospective repurchase capacity, in the light of their fiscal and monetary policies and of their administrative efficiency. This will make the Fund a more active body even in its routine operations and at the same time will increase the promise of its performing effectively the task for which it was established.

ing the major part of the week. Towards the end, however, conditions became easy, on easier foreign advices and some short selling. The most important development in the beginning of the week was the announcement by the Government of India of its decision reducing with immediate effect the export duty from Rs 50 to Rs 25 per bale on the following varieties:

Bengal Deshi, Mathia, Kalagin, Dholleras, Central India Deshi, CP I and II, Oomra Deshi and other varieties of raw cotton upto and inclusive of 25/32" in staple length.

The Government also decided to release for export a further quantity of 2½ lakh bales of raw cotton in addition to the 2½ lakh bales released already. The quantity and the varieties of raw cotton now released for exports are:

- (i) Bengal Deshi cotton—one lakh bales
- (ii) Raw cotton not above ¾" in staple length—one lakh bales
- (iii) Raw cotton of staple length blow ¾"—fifty thousand bales.

Following this announcement, Jarilla jumped on Monday by 15 points within a day. But the very next day, it lost nearly 8 points as the prospects of exports appeared dull. At present, while Pakistan is offering to her overseas buyers at 14¼ penny per pound, Indian shippers, it is understood, have sent their offer at 15 penny per lb. Naturally they fear that these may be rejected. The market consequently closed the week on a subdued note. Sewri spot, however, was steady.

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1585.92	1572.56	1544.80	1487.04
2. Rupee Coin	136.08	137.02	138.80	133.75
3. Deposits				
a) Central				
Government's	63.33	62.21	61.32	61.68
b) Banks'	79.89	82.84	112.97	102.15
c) Other				
Government's	18.17	19.39	36.18	8.19
d) Others'	114.48	114.29	114.86	111.00
4. Foreign Securities	164.68	164.68	164.68	291.83
5. Balances held abroad	18.33	14.21	15.07	24.37
6. Rupee Securities	1174.73	1164.73	1134.37	970.65
7. Investments	302.52	311.20	375.30	239.91
8. Loans and advances to Governments	22.26	20.36	15.90	48.56
9. Other loans and advances	58.28	56.74	53.02	59.24
Scheduled Banks				
1. Demand liabilities (net)	682.13	689.20	697.23	718.53
2. Time Liabilities	926.62	927.20	881.24	652.53
3. Cash on hand	39.97	40.01	38.36	38.92
4. Borrowings from Reserve Bank of which against Usance Bills	4.67	2.26	1.73	22.91
5. Advances and Bills discounted of which State Bank's	799.54	795.20	802.67	798.38
6. Invst. in Govt. Sec. of which State Bank's	640.46	618.43	594.71	407.30
Cheque Clearance	112.82	182.31	172.07	164.58

† For Reserve Bank and Cheque Clearance Week ended 14-11-58 Scheduled Banks Week ended 7-11-58.

Bombay Money Rates
(per cent per annum)

	7-11-58	31-10-58	10-10-58	8-11-57
Call Money				
From banks	1½	2	2½-3	3-4½
From public	2	2½	3½-3¾	3½-4½
Three Months	2½-4½	2½-4½	2½-4½	2½-4½
Six Months	2-4	2-4½	2-4½	2-4½

(In Rupees and nP)			
Bombay Bullion	20-11-58	Week Ago	Month Ago
Gold (per fine tola)			
Spot	114.37	111.69	109.59
Forward	114.19	111.56	111.65
Silver (per 100 tolas)			
Spot	190.19	186.14	187.37
Forward	190.37	187.06	188.12

JUTE STATISTICS

	Sept.	Aug.	July	July to Sept.
Production ('000 tons)				
Hessian	35.9	35.4	35.3	106.6
Sacking	45.7	44.3	49.0	139.0
Others	5.7	5.5	5.5	16.7
Total	87.3	85.2	89.8	262.3
" in corresponding months :				
1957-58	86.0	81.9	85.9	253.8
1956-57	84.5	89.6	74.1	268.2
Stocks ('000 tons)				
Hessian	17.0	19.0	19.9	—
Sacking	79.8	86.4	89.6	—
Others	11.8	11.8	12.4	—
Total	108.6	117.2	121.9	—
" at the end of corresponding months :				
1957-58	77.0	92.5	108.4	—
1956-57	125.2	123.5	137.9	—
Despatches † ('000 tons)				
Hessian	37.9	36.3	46.8	220.4
Sacking	52.4	47.6	47.7	147.7
Others	4.9	5.4	5.8	26.9
Total	95.2	89.3	102.1	286.6
" in corresponding months :				
1957-58	100.8	98.1	92.7	291.6
1956-57	81.9	105.6	84.2	271.7
Raw Jute consumption : ('000 bales)				
1958-59	5.04	4.86	5.08	14.98
1957-58	4.92	4.64	4.89	14.45

IJMA Mills' purchase

of raw jute ('000 bales)			
Pakistani	40	25	67
In Corresponding months :			
1957-58	87	73	52
1956-57	49	84	44
Indian	614	398	450
In Corresponding periods:			
1957-58	542	392	287
1956-57	535	524	363

† Despatches include exports and sales for internal consumption.

Source : Indian Jute Mills Association

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53 = 100)

Group & Sub-Group	Week Ended				Monthly Average				
	25-10-58	18-10-58	21-9-58	26-10-57	Oct 58	Sep. 58	Aug 58	July 58	Oct 57
Food Articles	121.9	122.1	120.6	107.0	121.5	121.2	120.2	118.4	107.3
Cereals	113.3	113.4	113.4	101.3	113.6	114.6	113.5	109.9	102.2
Pulses	112.7	110.0	105.4	83.1	109.2	105.1	101.8	99.7	82.8
Fruits and Vegetables	124.6	128.6	124.8	113.4	125.5	124.9	123.9	120.1	109.2
Milk & Ghee	110.0	112.2	107.0	102.0	110.4	108.7	109.6	110.7	105.2
Edible oils	131.5	131.8	133.9	128.4	131.3	132.7	129.2	126.4	128.7
Fish, Eggs & Meat	109.6	110.0	114.5	96.8	111.0	115.2	114.4	110.3	97.1
Sugar and Gur	137.6	137.2	135.6	110.6	136.0	135.4	136.2	132.8	111.1
Others	161.4	160.4	157.6	132.6	159.1	157.2	155.4	160.6	157.2
Liquor and Tobacco :	93.4	92.8	91.3	96.5	93.0	90.9	90.3	92.6	95.2
Tobacco	91.7	91.1	89.4	95.0	91.3	89.0	88.4	90.9	93.6
Fuel, Power, Light & Lubricants	115.1	115.1	116.0	115.2	115.5	116.0	116.1	115.8	115.2
Industrial Raw Materials	116.8	116.6	118.5	115.5	117.0	119.0	118.8	117.8	114.8
Fibres	104.2	103.8	105.9	112.1	104.6	108.0	110.9	110.6	112.9
Oilseeds	135.1	135.1	138.2	123.0	135.3	137.3	133.4	130.0	121.0
Minerals	105.2	105.2	105.2	109.1	105.2	106.3	107.3	103.9	109.1
Others	107.0	106.7	106.3	108.0	106.8	106.4	106.9	108.3	107.1
Manufactures	108.5	108.6	108.9	108.9	108.7	108.9	108.9	109.1	108.8
Intermediate Products	109.3	110.1	111.4	106.6	110.2	111.6	112.2	111.6	106.5
Finished Products	108.4	108.4	108.5	109.3	108.5	108.5	108.4	108.7	109.2
Textiles	103.3	103.4	103.8	108.4	103.6	103.8	104.1	104.9	108.5
Cotton	111.1	111.1	111.8	116.4	111.5	111.8	111.3	113.5	116.6
Jute	87.6	87.9	86.9	99.6	87.5	87.2	89.7	86.1	99.6
Woollen	105.9	105.9	105.9	103.0	105.9	105.9	105.9	105.7	103.0
Silk & Rayon	94.7	94.7	96.3	82.6	95.5	96.0	95.7	94.6	82.6
Metal Products	143.1	143.1	143.0	143.4	143.1	143.0	143.0	143.0	143.3
Chemicals	107.1	107.0	108.4	98.7	107.4	108.4	106.1	104.3	98.8
Oilcakes	142.9	143.2	139.0	120.6	141.7	137.0	135.6	135.1	118.9
Machinery and Transport Equipment	103.9	103.5	103.5	102.3	103.5	103.5	103.4	103.4	102.0
Others	113.9	113.9	113.8	111.2	104.0	113.8	113.5	113.5	111.1
All Commodities	116.4	116.5	116.1	108.9	116.3	116.5	116.0	115.0	108.9

WORLD TERMS OF TRADE

(1953 = 100)

Name of country	1937	1950	1951	1952	1954	1955	1956	1957	1958
United States	131	100	91	95	96	98	98	102	105 May
Canada	98	91	91	103	97	98	100	94	95 April
Latin America	78	108	105	100	110	101	98	94	92 Jan
Europe	107	99	104	101	102	103	102	101	..
Austria	..	..	..	..	102	109	107	108	114 June
Belgium	95	102	110	112	98	101	104	104	106 Mar
Denmark	120*	100	88	95	102	102	102	96	..
Finland	98	85	129	110	110	118	111	106	113 May
France	100*	98	88	97	95	97	97	95	99 I
Germany	107†	80	80	92	100	98	99	101	108 May
Greece	..	..	108	102	102	112	116	110	114 Feb
Italy	119	108	98	95	104	101	99	96	104 Mar
Netherlands	114	102	97	98	100	101	100	98	102 May
Norway	100	96	108	106	107	108	110	106	113 II
Portugal	..	98	105	108	99	104	97	94	..
Spain	102	111	110	94	103	96	94	97	..
Sweden	95*	91	113	106	99	101	99	98	98 I
Switzerland	98*	110	96	98	100	99	95	95	99 II
Turkey	125	108	110	94	101	..	..	..	..
United Kingdom	115	100	88	95	100	99	101	104	111 June
U K Dot's	92	127	135	112	103	112	103	95	..
Other Sterling	82	116	119	102	101	104	98	101	..
Australia	87	121	119	90	92	81	80	81	..
Burma	..	..	..	..	..	..	..	..	..
Ceylon	100*	125	126	91	121	135	121	109	115 May
India	109	109	130	104	108	108	107	100	100 Feb
Ireland	77	99	92	93	97	97	91	88	91 May
Malaya	..	..	..	129	107	166	142	132	..
New Zealand	98	114	115	85	104	104	100	94	78 I
Pakistan	..	158	166	139	108	100	86	87	.. II
Rest of the World :									
Egypt	..	..	..	..	..	..	..	..	..
Indonesia	..	133	139	103	104	120	110	104	..
Japan	91†	92	104	95	100	100	104	101	105 June
Lebanon	..	..	..	..	..	..	..	..	..
Philippines	..	103	98	78	93	86	85	84	86 May
Thailand	..	..	..	..	..	..	..	..	..

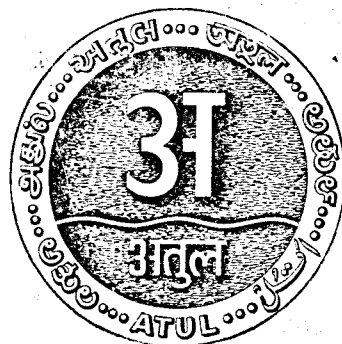
* 1938, †1936, ** 1939, ‡1934/36 .. = Figures not available Figures for 1958 relate to month or quarter indicated against each figure. Source : International Financial Statistics.

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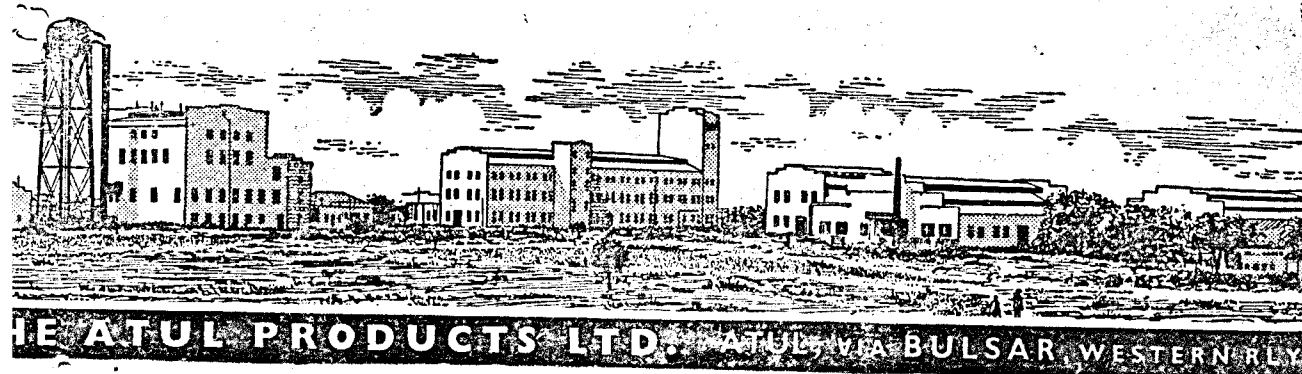
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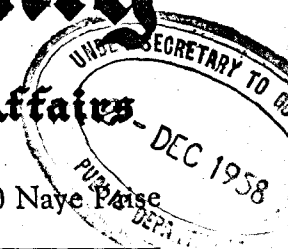
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Use and Abuse of Foreign Aid

THE Finance Minister's statement in the Lok Sabha, on his foreign tour, was built around two themes: the extent of interest abroad in India's developmental effort, and the magnitude of the aid actually extended to India over the last year. It was a factual account, though appropriately interspersed with expressions of appreciation and gratitude to the donor countries.

The foreign aid that has been made available to date, for the Second Plan, makes indeed a very impressive showing. From the First Plan period India had a carry-over, of unutilised foreign aid, of the order of Rs 130 crores; to this was added, between April, 1956 and November, 1957, a further sum of Rs 455 crores (excluding a short-term credit of Rs 90 crores received from the International Monetary Fund); over the last one year, it is now clear from the Finance Minister's statement, India has been able to negotiate additional aid of over Rs 360 crores; all of which adds up to a total of about Rs 945 crores, with half of the Plan period still to go.

Surely no one can say that India's friends abroad have been found wanting when it came to concrete assistance, or that the difficulties of the Second Plan can be explained in terms of inadequacy of external aid. Indeed, if we allow ourselves a measure of critical introspection, we would admit that, apart from the generosity of the response, the promptness with which it has been forthcoming from the donor countries reveals a degree of understanding on their part, of the gravity of our problems, which our own administration has failed to show.

The issues at stake here are often side-tracked by either dwelling on the magnitude of the foreign aid still required (with some pious generalities thrown in about the virtues of self-reliance), or by casting reflections on the motives of one or other of the donors. It is, of course, true that more foreign aid is required, both for the Second Plan and for succeeding Five Year Plans; it is true also that the aid extended is not always totally disinterested. But precisely because they are both true, it is not the morality of foreign aid that should worry us but, rather, whether we have a carefully thought-out policy in this matter, a policy with a long-term perspective, and one that is not only realistic in terms of our ability to repay but based on a hard-headed appreciation of our own interests. What is wicked is not that other countries should have objectives of their own, and that they should try to pursue them in their own ways, but that we should not also be doing the same.

Viewed from this angle, there is much in our approach to foreign aid that gives cause for concern. In fact, the very magnitude of the foreign aid that we have succeeded in negotiating for ourselves, relatively to the level of investment that is sought to be sustained by it within the country, is a matter for some anxiety.

Not many are aware that the rate of investment in the economy now runs at a level of over 10 per cent of the national income. Compared with the rate a few years ago (approximately 5 per cent of the national income), the step-up is undoubtedly impressive, and this is an achievement which has perhaps not received the attention it deserves. But it is also true that, in the last three years, during which the bulk of this rise in investment has taken place, the deficits in the country's balance

of payments have averaged at well over 3 per cent of the national income. And it is this order of deficits in the balance of payments which has necessitated negotiation of foreign aid on a large scale over the last year.

The Finance Minister's estimate of the further foreign aid required for the Second Plan gives the impression, at first sight, that he anticipates the share of domestic resources to increase somewhat in the remaining years, though not very significantly. For, the additional aid required is placed by him at Rs 308 crores. This implies that, together with the aid already available (Rs 945 crores) and the withdrawals from the 'sterling' balances and IMF resources to date, his estimate of the likely foreign exchange deficit over the entire period of the Second Plan is about Rs 1900 crores. Since the balance of payments deficit in the first half of the Plan period (April 1956-September 1958) has been estimated roughly at about Rs 1100 crores, it would seem to follow that the estimated deficit in the second half is lower, at about Rs 800 crores.

But even this implicit assurance of a decline in the size of the balance of payments deficits in the remaining years of the Plan period is not as firm as it might seem from the above estimates. For the Finance Minister has been careful to leave out of account the imports of food-grains and certain other agricultural commodities that might be required during this period. The rationale of this somewhat perplexing procedure is to be found in his assumption that these will be taken care of by additional aid from the United States under Public Law 480 (which, therefore, also means that the estimate of additional aid required, given by the Finance Minister, does not include such assistance as is likely to be forthcoming under P L 480).

We are not concerned here with the question whether or not it is realistic to make such an assumption. Probably it is. But what we are concerned with is whether, on the basis of the policies that are proposed to be followed, an attempt has been made to estimate the imports of agricultural commodities that are actually likely to be required under P L 480 (to use the Finance Minister's words, in order "to hold in check domestic inflationary pressures").

There is a growing tendency in Government to regard aid under

P L 480 as the equivalent of a good monsoon—wafted, in this case, to our shores by a benign power more dependable than the one which presides over the real monsoons. This would be an understandable attitude on the part of the hard-pressed Minister for Food and Agriculture, but less so in the Finance Minister. For aid under P L 480 is largely as loans, and to that extent it has to be repaid. It is true that this aid is repayable in local currency, but the provisions regarding the use of rupee deposits by the United States are not such as would justify our ignoring, in cavalier fashion, the implications of this kind of aid on an unlimited scale.

As long as there is ambiguity on our part regarding the magnitude of the assistance we shall seek under P L 480, no appraisal of the economic and political implications of foreign aid is really possible. What passes for a "pragmatic" and "realistic" approach, in this context, is nothing but the lack of a policy which can cost us dearly in the future.

This is not the only matter, in regard to foreign aid policies, that needs looking into. When a foreign country indicates willingness to extend aid, there is often in evidence

Cooperatives—Large or Small?

WHAT is the right size for rural cooperative societies? The question is not unimportant. The scheme of rural credit, drawn up by the Reserve Bank in conjunction with the Ministry of Food and Agriculture and accepted by the Planning Commission, has, at its base, what has been called a large-sized society. The size was defined not in terms of members or number of villages covered, but by the minimum volume of transactions which makes the society viable in terms of its basic functions. The criterion of viability could be reduced to that of a turn-over of Rs 1.50 lakhs, interest from which the society would be able to maintain a paid Secretary. The other essential features were State representation on the Managing Committee to ensure that the society functioned according to the principles laid down, so that it could be an effective instrument for social transformation in the villages by withstanding, among other things pressures of the vested interests and the various factions into which village society is divided.

a dilatoriness in deciding on the use of that aid, and in clinching it, which is sometimes totally inexplicable. The Czechoslovak offer in regard to the Forge Foundry Project is a case in point; despite the obvious importance of the project, the agreement took nearly two years to finalise, and largely, it is reported, on account of delays at this end. The negotiations currently going on with the Soviet Union for a drugs project are another instance. It would seem that we are unaware of the high social cost of time in these matters, but that is also not true, for we would be the first to point it out if the dilatoriness were at the other end (as we have always done, for instance, in connection with the U S Food Loan of 1951).

It is good to be grateful, and appreciative of countries who are prepared to help us, whatever their own reasons for giving the aid. But no foreign aid can really take us very far unless we have a clear view of our own interests, and not only take care to formulate a well-defined long-term policy in terms of our needs and ability to repay, but also have in hand a machinery for the quick and effective use of such aid as is forthcoming.

Ever since the beginning of the Second Five-Year Plan, the growth of these societies has been actively pursued and they had been looked upon as an important addition to the media through which supply of agricultural credit by the Reserve Bank was to be progressively increased. But, ever since the Prime Minister's open confession that it had been altogether wrong to have official representation on the boards of cooperative societies, the future of the rural credit scheme has looked very shaky and uncertain. Subsequent developments have shown that though the Prime Minister's pointed attack was against official participation, the size of societies is going to be changed. Actually, it has already been changed once and may be changed again. At the moment, therefore, what appears to be more important is not what size is the right one, but that whatever size is selected as the norm, it should not be changed too often. If development is not to be seriously retarded, it seems more important to stick to something at least for

a sufficient length of time to acquire enough experience in the light of which alone modifications can be made in the future.

The discussion on size is usually carried on in terms of numbers of villages. The 'one village, one society' school of thought, suppressed for a time but undefeated, has now come up as will be seen from the following paragraph from the official text presented in Parliament of the decisions taken by the National Development Council at its last meeting:

"In a rural cooperative, the members should have intimate knowledge of one another as well as a sense of mutual obligation and concern for the rehabilitation of the weaker sections of the community. By working together for the common objective of raising the standard of living of all sections of the population, the community develops social cohesion and unity. Where villages are too small, with the consent of the communities concerned, it would be convenient to form them into larger groups with a population of about 1000. As a rule, the cooperative and the panchayat should serve identical areas.... The aim should be to ensure that every family is represented in the village cooperative."

True, one village is not mentioned here as the unit, but what it comes to is the official definition of an administrative village which is now equated to the area served by a panchayat. This is, however, something tangible, unlike the village as an unit, since there is no such thing as a standard village for the term covers small, isolated hamlets as well as villages large enough to have a municipality of their own. But here the emphasis is on intimate knowledge of one another, not viability in economic terms.

The Government directive on the subject, however, which followed Nehru's outburst and preceded the meeting of the National Development Council, said

"During the course of discussions (December 1957-February 1958) of the State Plans for 1958-59 by the Working Group for Cooperation, attention of the representatives of State Governments was drawn to the need for limiting the area of operation of a large sized society to about 5 villages, as that was essen-

tial for promoting mutual knowledge and understanding among its members and for maintaining its co-operative character. Since then the matter has received further consideration in consultation with the Planning Commission and it has been decided that the organization of large sized societies in the future should be governed by the following principles:

- (i) a large sized society should not comprise more than 4 to 5 villages;
- (ii) large sized societies should be formed mainly in backward and scarcity areas of States; and
- (iii) while the programme for the organization of large sized societies included in the 1958-59 State Plans may be implemented in full, thereafter no further registration of large sized societies may take place in States in which 10 per cent of the villages will have been covered by the end of 1958-59. Existing large sized societies covering unduly large areas may be reconstituted with a view to reducing their area of operation so as to conform as nearly as possible to the pattern of size indicated at (i) above."

So, the emphasis had shifted, even before the National Development Council met, to the small sized society which had been held up in this directive as the "vital instruments for generating peoples' initiative in the rural areas and essential for the purpose of economic and social developments".

Now, if one is to interpret '4 to 5 villages' as the unit in terms of a society with the minimum business which makes it viable, i.e., Rs 1.50 lakhs turn-over, what is one to make of the conclusion of the State Registrars of Cooperatives, who recently met at a conference in New Delhi, that a viable unit would have to embrace 3 villages instead of one? It would have been impolite of Government officials to agitate against a decision reached at higher quarters; one would not be guilty of lese majesty, however, by asking for a minor modification in detail, viz, 3 villages instead of one but what the Registrars want in effect is 'viability', which is not what the Development Council had primarily in mind.

It is true that in implementing the Rural Credit Scheme, some of the State Governments had gone to the extent of organising very large societies, which covered from 25 to 250 villages. These could hardly serve the ideal of cooperation. They are more like agricultural banks, the officials of which would hardly know the members. They might have proved useful to the Government in reducing the number of agencies through which agricultural programmes could be implemented, but were obviously too large to create an interest among the members in their working. Dissatisfaction with this state of affairs, and the approaches made to the Prime Minister by veteran cooperators has now led the Government to fly to the other extreme.

This reversal of policy does not, however, mean that the Government is giving up its active partnership in the co-operative movement which had been recommended as a fundamental principle of its reorganisation by the Rural Credit Survey Committee. It is admitted by nearly everybody that the co-operative movement has failed to fulfil its objectives and that, therefore, a large dose of Government intervention is necessary to enable it to help in agricultural development. Once this intervention is accepted, it is idle to suggest that a particular measure reduces the co-operative element in the movement. A primary society covering hundreds of villages might be going too far, but that does not mean that unduly small societies would be able to deliver the goods, particularly if they are to handle not merely credit, but also the supply of fertilizers, seeds and implements, and processing and marketing of produce, if not soil conservation and contour bunding as well. To carry out such multifarious functions, adequate resources and well-trained staff will be necessary and cost of such numerous functions can be minimised only if some economies of scale are available. The National Development Council has decided, nevertheless, that "the co-operative and the panchayat should serve identical areas". The working of this new programme and its proposed integration with community development would be watched with interest by those who are not amused by this swing of the pendulum.

Weekly Notes

The Struggle for Africa

THE half-baked, hypocritical creed of what is called "multi-racialism" is slowly giving up its ghost in Africa; and the immigrant communities of that vast continent are steadily waking up to the fact that there is, in fact, no half-way house between freedom and slavery. The passing of this illusion is full of interest. About five years ago, the word "multi-racialism" was a magical one. It was the masterly invention of some colonialist genius; for it had that most important of all qualities necessary in a successful political slogan—ambiguity. It was intended to mean all things to all men; and, for a time, it did. For the European settlers in Africa, it meant an ingenious compromise with the inevitable. They had begun to realise that it would be impossible for them to remain the unchallenged masters of the Africans; what better, then, than to surrender complete supremacy in favour of privileged equality? It was important that the African liberation movements which were beginning to gain strength all the way from Cairo to the Cape of Good Hope were somehow kept from becoming purely nationalist. This, indeed, was the time to give the African half a loaf in the hope that he would welcome it as being better than no bread. He could be given the lure of "partnership" and, in that way, kept away from the dream of black independence. The white man would still be the senior partner (a position to which his "superior culture" and "greater experience" gave him a "natural" title); the African would have symbolic equality; and things could go on, in effect, as merrily as ever.

Today, "multi-racialism" is the most discredited of all slogans in Africa. And the important thing to realise is that it has not been discredited by African non-cooperation, but by white hypocrisy. Had the policy of racial partnership been given an honest trial, it is not quite inconceivable that it might have succeeded. But it was a deception, not a policy. Accordingly, it is not surprising that it has been found out instead of being accepted. But the death blow to "multi-

racial partnership" has been dealt by the ruling white clique in Central Africa. This is the one region in Africa where a Federation was specially created five years ago to implement the policy of partnership. The Africans never believed in the sincerity of the experiment, and opposed it to a man. But they were told that their opposition was born of ignorance: once they saw the benefits of applied partnership in action, they would be converted to Federation. Five years of it haven't. The Africans today are as opposed to it, if not more, as they were in 1953. And, now, the manner in which the federal general elections have been conducted this month has made it more certain than ever that the whites have not the slightest honest intention of giving the Africans a fair deal in Central Africa.

Ostensibly, of course, the election has been won by the "moderate" ruling party, the United Federal Party, which is headed by the Prime Minister, Sir Roy Welensky; but the material point is that this victory has been won on a programme of white domination. Seeing that practically all the voters were Europeans (Africans had a negligible vote: only a hundred or so in a population of nine million), it was natural that the electoral campaigns should have been designed to appeal to European interests; but if Sir Roy Welensky had been sincere about his avowals of partnership, there was nothing to stop him giving the Africans a considerable vote.

Federation of Black Africa

IT is against this background that the dramatic merger of Ghana and Guinea should be considered. The tiny lamp of freedom burning in little Ghana, however brightly it burns, will not dispel the gathering darkness which threatens the rest of this sprawling continent. True, Guinea has just lit a new, tiny lamp; and bigger lamps will be lit all along the western coast of Africa in 1960, when Nigeria and Togoland are also due to achieve independence. But all these little lamps must be brought together, if their light is ever to dazzle. A

powerful African federation can be the only real guarantee and safeguard of the African people against the strengthening roots of white control in the white Federation of Central Africa. Dr Nkrumah, the Prime Minister of Ghana, realises this fully; and he also knows that pan-Africanism is not something which can be allowed to grow at a leisurely pace at this critical time. That is why a somewhat precipitate start, which has now been made in the form of the merger with Guinea, is better than no start at all.

Of course, this is not an ideal start by any means—the two countries haven't even got a common frontier—nevertheless it is a start; and we can be certain that it will be followed up by other mergers, and that a truly strong United States of Africa might ultimately emerge. Too much attention need not be paid to the free dissident voices that are now being raised against the merger by the Africans themselves. The many real points of African disagreement will ultimately disappear in the face of the white threat from the South. Sir Roy Welensky is destined to be the chief architect of a mighty federation of Black Africa.

Drug Scheme Split Up

HAS the much-talked of Integrated Soviet Scheme for the manufacture of a complete range of drugs to make the country self sufficient and save crores of rupees of foreign exchange every year finally petered out? It seems so, from the announcement by the Minister of Industry that the Government of India has decided to set up a factory for the manufacture of insulin with the assistance of the Soviet Union at a cost of about Rs 2 crores. There is no question of the importance of insulin, but it does not cause a major drain on our foreign exchange, for imports of insulin hardly exceed Rs 20 lakhs a year. Moreover, a solitary enterprise of this type with Soviet assistance or credit will hardly make a dent on the activities of the pharmaceutical firms.

Most of the large firms in the industry are either under foreign control or work in collaboration with foreign companies and 32 such enter-

prises produce over 50 per cent of the total value of finished drugs made in the country. They import most of the raw materials from abroad, and it is an open secret that these firms charge prices that are much higher than their cost—the margin is believed to be as much as 10 times. The high cost of research and initial overheads perhaps make it necessary for foreign firms to charge high prices at least in the initial stages, but the operative length of patents and the secrecy regarding technical processes tend to perpetuate these high prices indefinitely. This is not all. No single firm can supply technical knowledge and plant for the entire range of drugs from the basic chemicals to finished products and consultant services are fantastically expensive.

While the production of Pimpri has expanded in recent years and now includes some antibiotics other than penicillin, most of the projected expansion in pharmaceutical capacity is due to come from the private sector. In addition to the plants set up by foreign companies, Tatas have entered into an agreement with Mark-Doehm and are reported to have finalised another deal with Roche. The German firm of Bayers has been called in to assist the Government to set up a plant for the preparation of intermediate chemicals, despite the reported Soviet offer to put up a similar plant at about half the cost, the foreign exchange component of which would have been repayable in rupees and most of the cost of which would have been incurred within the country.

The Soviet team of experts which had visited the country had submitted a very detailed scheme for the manufacture of a complete range of drugs and plant for fabricating drug-making machinery, costing in all Rs 34.5 crores, out of which equipment would have cost Rs 14.5 crores, a part of which was proposed to be manufactured in India by a plant to be set up with Soviet assistance. The implementation of the scheme would have enabled the production of 2½ times the value of drugs and intermediates which are now imported, and it was claimed, would have saved Rs 35 crores of foreign exchange annually at 1955 import prices. What happened to this scheme?

Obituary

Robert Redfield

THE social sciences in general and Anthropology and Sociology in particular, have suffered a great loss in the death of Dr Robert Redfield, the distinguished Professor of Anthropology in the University of Chicago. Redfield was best known for his studies of peasant communities in Mexico, Yucatan and Guatemala, and was the author of such well-known studies as 'The Folk Culture of Yucatan', 'Tepoztlan, A Mexican Village' and 'Chan Khom, A Village that Chose Progress'. He evolved in these studies the concept of 'folk' society which differed on the one hand from primitive tribal society and on the other, from highly complex urban society. He was one of the first anthropologists to apply with conspicuous success the fieldwork methods (which were first evolved with reference to primitive communities) to peasant societies which are part of great civilizations. Redfield showed that the anthropological study of what he called 'Little Communities' encysted in a

large civilization, provided a new angle on the study of the latter. He also stressed the value of the anthropological study of the centres from which the great traditions of a civilization spread, and of the media by which they are carried to the little communities. With Professor Milton Singer, he sponsored a series of books on the comparative study of cultures and civilizations.

It was his interest in the anthropological study of civilizations that led Redfield to take such a keen interest in Indian anthropological and sociological studies. In 1954 Redfield and Singer organized, in Chicago, a symposium on the village communities in India, which was published subsequently as "Village India". He sponsored two research projects in India—one in the University of Baroda which included the study of a village in central Gujarat and of the Barots, a caste of bards and genealogists, and another in the University of Patna, for the study of the pilgrim town of Gaya. With the aid of Professor Aiyappan and Shri Balaratnam, Professors Red-

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field and Singer convened an All-India Conference of Anthropologists and Sociologists in Madras in November 1955. It was a stimulating conference to the success of which Professor Redfield contributed a great deal. To those who attended the conference, it was a memorable occasion.

His death is indeed a loss to Anthropology and Sociology. He was only sixty when he died on 17th October 1958.

Letter to the Editor

'Co-ordinated Confusion'

THIS is to congratulate you on your excellent editorial on 'Food and Election' in the last issue. I wonder, however, whether the editorial could not have been more properly entitled as 'Coordinated Confusion'.

It is generally agreed that we have failed in increasing food production even in comparison to the targets laid down in the Plan. The Plan provided for increase in production through Land Reforms, Community Development Projects, Extension Service and better credit facilities through the implementation of the Integrated Rural Credit Scheme.

As regards Land Reforms, the confusion in thinking among policy makers is too evident to need any comments.

The Community Development Projects, if we were to go by the statements made by those connected with policy formation, appear to be well thought out(?) and fairly efficiently(?) implemented. However, the professedly "self-critical" reports of the Programme Evaluation Organisation rarely help a reader of these reports to "evaluate" the working of the projects. The experience of those who have visited the Community Development Projects is, on the other hand, far from encouraging. But off and on, we get reports from American experts (by the way there are no Community Development Projects in USA) that our Community Development Projects are a great experiment in social transformation. These experts—who are only "glorified" county agents, even though I admit that they have been very successful in their own country—make reports on Community Projects on the basis of their experience which is limited to one or

more day-long visits to villages near the urban centres. Nevertheless, these are foreign experts whose judgement is more reliable than that of "half baked" Indian economists. So you see, if agricultural production has failed to increase, it is because of our "ill conceived" land reforms and of the Integrated Rural Credit Scheme which does not provide for 'planning from grass roots'.

All in all, the Integrated Rural Credit Scheme implies state participation and, therefore, planning from the "top". True to American tradition of democracy, a government which governs least is the best government. Look what havoc Roosevelt's "new deal" did to the free enterprise economy of U S A. Hence, it is in the fitness of things that the Integrated Rural Credit Scheme and the large-sized societies should die unlamented and unadvertised.

There is only one statement in your editorial, however, which needs slight amendment for the sake of factual accuracy. The All-India Rural Credit Survey, so far as I

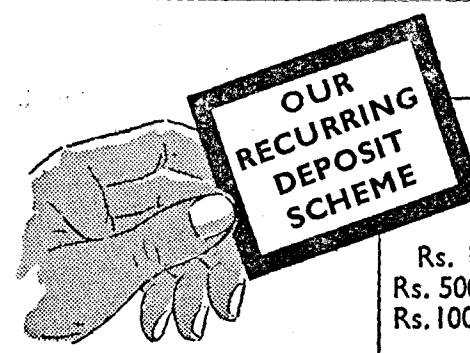
understand it, never envisaged for the credit cooperatives a role of "the principal instrument for initiating agricultural development and rural transformation". What the report wanted was the building up of institutional framework of rural credit and marketing so that the cultivators' dependence on the private credit and marketing is reduced. The Integrated Rural Credit Scheme was to be only one of the wheels of the coach of rural development plans. The other wheels were (1) a well-implemented land reform policy, (2) a really well thought out community development project, and (3) a coordinated price policy. Rural credit through institutional agencies was to be a "lubricant" and not a "fuel".

It is, however, altogether another thing if we want to blame only the large-sized credit societies for our failure in the agricultural sector.

So you see the confusion is there, but it is not altogether 'uncoordinated'.

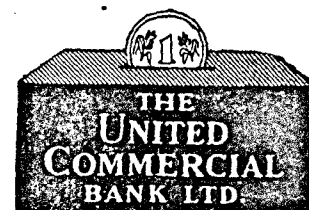
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State Trading in Foodgrains

(From Our Delhi Correspondent)

A CERTAIN divergence in the respective approaches to the question of State trading in foodgrains, which has been decided upon in principle by the National Development Council at its last meeting, between the Planning Commission and the Ministry of Food and Agriculture raises doubts about when and under what conditions the scheme would be implemented. While the Planning Commission views the question of state trading as part of a general price stabilisation programme, the Ministry, though concurring on the need for price stabilisation, is inclined to consider it from the standpoint of the effects state trading in foodgrains would have on agricultural prices and on the incentives to augment food production. Without adding to the speculation on the issue, some relevant factors and considerations implicit in the proposal may be mentioned to facilitate its elucidation. Firstly, with all the anxiety and urgency that may be brought to bear on the formulation of detailed proposals for implementation of the N D C decision, the fact remains that it is physically impossible to evolve a practicable and workable scheme before the end of the year. Secondly, even if some preliminary measures like the setting up of a tentative machinery for its implementation are taken in hand, the scheme can get into stride only during 1959.

Prior to a proper and effective scheme being formulated and approved by the Government, however, it should be possible to utilise the provisions of the Essential Commodities Act of 1955 to pave the way for state trading. The Act confers fairly wide powers on the Central Government to enable it to control the prices, distribution and movement of foodgrains and to prevent their hoarding. Some of the recent Orders and notifications promulgated by the Central Government under the provisions of this Act clearly indicate that the ground is being prepared for the introduction of state trading, while the full implications of that measure are being worked out by the working groups set up in the Food and Agriculture Ministry. Some of these Orders were issued to enable State Governments to license wholesale dealers in foodgrains, to autho-

rise them to purchase rice and other foodgrains at prescribed prices, to empower them to order dealers to declare their stocks, and so on. The fixation of prices for rice in Uttar Pradesh, Madhya Pradesh and Orissa intended at present to serve the limited purpose of enabling the Governments of these States to enter the market either to prevent prices from rising unduly or to buoy up prices tending to decline on expectations of a good rice crop. These measures leave the free market untouched, the hope being that strategic operations by State Governments in the rice market would bring down prices where they are high and strengthen them where they are low. In effect, therefore, these Orders involve in some cases an important element of price support for rice, while in other situations they represent an attempt at price control.

The licensing of foodgrain dealers which has been resorted to in some states like Madras recently is also an obvious step in the direction of smoothening the path for state trading. Its effect should be, by demanding declaration of foodgrain stocks held by dealers to prevent them going underground or being disposed of in the black market. Such licensing would also help in keeping handy a ready-made machinery which the State Governments could use in case it is decided to take up state trading through licensed wholesale dealers.

Apart from these general considerations, it is realised that a considerable amount of thinking has to be done to evolve a scheme of state trading, which would stand the harsh tests of financial prudence, administrative competence and efficient functioning. The financial implications of wholesale trading in foodgrains by the State are variously estimated but they are all agreed that the investment required would have to be on a colossal scale. For carrying out this vast undertaking, a Corporation—or any other body—would need a working capital of at least Rs 100 crores, which was the figure mentioned by the Asoka Mehta Committee.

Implicit in this is the question

whether one central organisation would be able to cope with it or there should be state or local organisations functioning under it or independently of it. The particular agencies which a statutory Corporation or a joint stock company at the Centre would employ for carrying out actual buying operations is another issue calling for decision. There is a variety of agencies presently engaged in wholesale purchase of foodgrains in different States, such as millers, wholesale dealers, commission agents, etc. Current thinking on the subject is all in favour of the scheme being linked to the cooperative organisation in the country. At least at the village level, this should be generally tried, even though cooperatives in many States are not found in sufficient numbers nor managed so efficiently as to inspire confidence in their ability to undertake this responsibility. An experiment tried in Madras in 1946-47 to entrust procurement and distribution of rice to producer-cum-consumer cooperatives was not a great success, not so much because the scheme itself was wrongly conceived or because its basic assumption was wrong, but because its working got embroiled in political bickerings. Under proper control and supervision, the scheme could probably be made a success in the sphere of grain procurement and distribution.

State trading, it will be found from experience, cannot limit itself to purchase of foodgrains but has to embrace all other operations in the line, such as their sale, distribution and movement in rural as well as urban areas. Broadly speaking, these operations are best entrusted to cooperatives or, where such organisations are not in existence, to licensed fair price shops or licensed retail dealers.

In the ultimate analysis a state trading scheme will inescapably lead to controls (probably of a rigid kind) because unless such controls are imposed, the objective of keeping prices down is very likely at some stage or the other to encounter forces which can easily defeat it. A whole series of complicated problems demand attention at

From the London End

The Crisis in Britain's European Trade Policy

THE essential dispute between the European Economic Community and Britain in the negotiations for a European Free Trade Area is well known. It was reviewed in these columns some three weeks ago (issue of November 8), and it was there pointed out that the point at issue was of so fundamental a character that the Free Trade Area proposals as advanced by Britain had no chance of succeeding. And yet, now when the French Government finally announces its rejection of the British proposals, the rejection is received in Britain with shock, surprise and consternation; the 'Times', in what is certainly destined to become an historic piece of uninformed comment, denounces France as the "wrecker" and that "it is as well that at long last France has been obliged to come out into the open". These are particularly strong words. And anybody fully aware of the crucial position which the relationship between the British imperial preferential system and the absence of a common external tariff in the proposed Free Trade Area occupied in the Paris negotiations, might well ask why France and her partners in the Common Market had not rejected the Free Trade Area project earlier than now. While it remains true that it has been somewhat difficult to understand the frequent changes in the French attitude during these negotiations, it also may have been an attempt on the part of the French negotiators to seek out a compromise but which increasingly proved unrealistic because of the heavy British preoccupation with preserving their trade relationships with the overseas sterling area unimpaired.

Fear of 'Continental System'

The failure of the Paris negotiations has brought forward a crisis, if not an explosion, in Britain's trade policy which has been brewing for sometime now, and what appears equally significant is the fact that this crisis has brought to a head the whole, vast and complicated question of Britain's political relationships with continental Europe. It is necessary to briefly examine this latter aspect first. Mr Richard Crossman, the British M P,

in the current issue (November 22) of the 'New Statesman' relates a conversation with a German businessman in which the "provincialism" of the British negotiators came under sharp attack. The German is said to have remarked: "From my office in Dusseldorf I get the impression that the Civil Service in Whitehall still work on the assumption that Britain can afford to stay out of Europe until Europe is prepared to receive her on her own terms." This proved to be no example of German prejudice, for the 'Times' in its comment on the French rejection of the Free Trade Area exhibited arrogance no less than what the businessman from Dusseldorf was complaining about: "It is now up to the Common market countries to see that the negotiations are put back on course."

Britain has now for long constructed its entire European policy on the basis of one fear: the possible emergence of what Napoleon tried—a 'continental system' in Europe. Thus for some 150 years the whole weight of British policy has been put behind measures to stave off the development of European unity. As long as the continent of Europe remained embroiled in internal disputes and antagonisms, Britain remained in splendid isolation; no sooner trends towards unity or partial alliances became visible in Europe than Britain would perform its traditional counter-balancing feat in becoming the arbiter of European politics. But this approach is now no longer valid. Apart from the fact that the continent of Europe is now seriously divided into two sharp and irreconcilable spheres of influence of the extra-European powers, the ability of Britain to pursue its archaic policy has been severely reduced. More significant is the staunch conviction within the ruling circles of continental West Europe that they would only be able to match the performances of the Soviet Union and the United States by some type of United European movement. They are no longer prepared to wait for Britain, for they have long experience of the British approach to European questions and her role in the ope-

ration which resulted in the still-birth of the European Defence Community. It is now this policy of Britain which needs from Whitehall a major reappraisal. It is proving much too "provincial" when placed in juxtaposition to the new dimension in which continental West Europe is considering its future role in the world.

Trade War?

The crisis in British trade policy which the failure of the European Free Trade area project has brought to a head is much more real and urgent. Ever since late 1955, when the signs of a recession in world trade became apparent, it was clear that some repetition of the 1931 experience in trade policy was a possibility. The problems of exchange illiquidity were made worse by a real struggle among the industrial exporters for markets and it became also a matter of course for some countries to increasingly construe their economic security in terms of economic blocs in which mutual trade and currency preferences would exclude the interference of outside industrial powers. This has been a major calculation of the West German industrialists in their efforts to bring the European Common Market into existence. But, by contrast, Britain did not, as is now clear, see herself in a similar role; the overseas sterling area, though taking some 40 per cent of British exports, was proving to be a stagnant market and a region subject to the most violent fluctuations in exchange incomes and earnings. More than that, the overseas sterling area was more inclined to agree to costly (i.e., to Britain) schemes for commodity price stabilisation. Most important has been the apparent reluctance on the part of Britain to antagonise the United States—here any cohesive sterling area policy will automatically jeopardise the umbrella-like shelter which the United States has provided for sterling since the end of 1956.

It has been in the wake of these trends and policies that the current crisis has blown out. West Europe takes between 25-30 per cent of British exports and on January 1, 1959, the Common market countries

the stages of sale and distribution, and they stem mainly from the fundamental fact that if it is the cooperative organisation that is to be entrusted with it, not many co-operatives are conditioned to undertake it, while if the responsibility is shared with millers or other wholesale dealers, the evil of middlemen's profiteering, which state trading is supposed to eliminate, will persist and the benefit to the consumer from the scheme would tend to be curtailed. It would seem impossible, however, that at the distribution stage co-operatives or the cooperative organisations can be circumvented, even if they may not be the only machinery to be utilised for the purpose.

The linking of the state trading scheme with co-operatives, which is an integral aspect of the National Development Council's decisions, is undoubtedly a bright idea. Its principal drawback is the organisational disabilities of the cooperative movement, which need to be vigor-

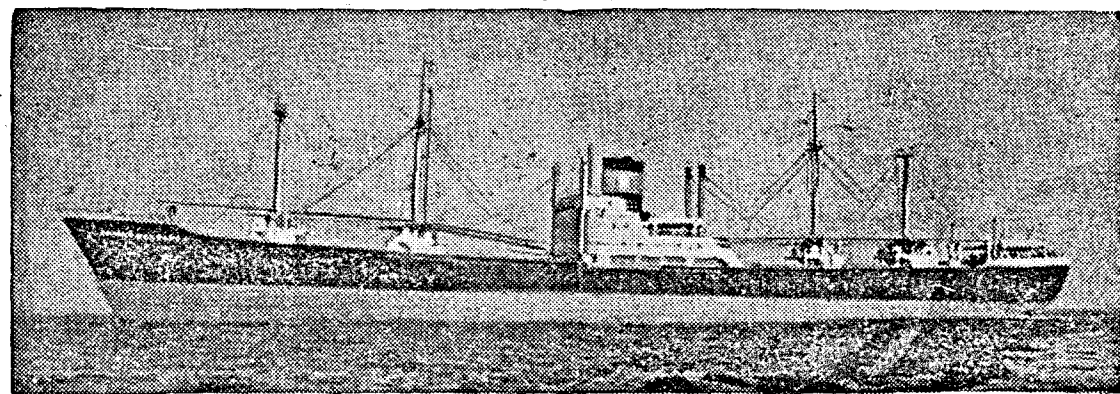
ously and systematically combated. That a machinery for streamlining the cooperative movement is in process of being set up, is heartening.

Besides, there is the only too familiar and, unfortunately, too real prospect of any large-scale state undertaking of commercial transactions resulting in a proliferation of bureaucracy at different levels. The potentialities for corruption, inefficient management and public inconvenience inherent in bureaucratic control over essentials of life like food, are known to increase as we go down the bureaucratic ladder.

It is of the utmost importance in formulating a state trading scheme to be very clear and precise as to the immediate as well as the ultimate objectives and goals to be achieved. Are we trying to achieve through it a lowering and then a stabilisation of the internal price levels, which is of course imperative

for attaining the targets of development under the Plan? Are we also trying at the same time to provide much needed and urgent incentives to the farmer to increase production by guaranteeing him a minimum return for his labour and expense in cultivating the land? Are we trying to produce a balance between the two as also between agriculture and industry so that development would be even, expeditious and comprehensive?

When these objectives and goals are clarified, a scheme would be easier to evolve and execute. This is the task before the working groups now set up to work out the scheme in detail for Government's consideration and approval. The predilection of the groups should be to make an honest and earnest attempt to draw up a scheme which would not defeat the NDC's decision and, at the same time, would not brush aside difficulties merely because a directive has come from that body.



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are scheduled to introduce their first stage discrimination on outside goods: tariffs within the Common Market are to be reduced by 10 per cent and import quotas increased by 20 per cent. These discriminatory measures will not be compensated for by increased preferences for British goods in the overseas sterling area. (Indeed the margin of preference for British goods in New Zealand is now likely to be lower and South Africa has abandoned its policy of employing its quantitative import restrictions on a discriminatory basis.) Unless some miracle occurs between now and the end of the year, Britain will be a net loser of trade. What are the available alternatives for the British Government? There have been ominous talks about a "trade war" and of forming a "rival association" between Britain, the Scandinavian countries and Switzerland. It is of course not easy to see who will ultimately benefit from such counter-measures; in any event they are much too vague, and it is too early to assess their precise import.

Currency Disassociation

What is being actively mooted as a possible counter measure, assuming the miracle of an agreement between the U K and the continental six does not take place, is some British act of "currency disassociation" from continental Europe. This implies a British withdrawal from the European Payments Union and the restoration of sterling convertibility. Switzerland is said to have a similar course of action in mind. Automatically the European Payments Union and its liberal 25 per cent credit provision in the monthly settlement of intra-European payments will cease to exist and the debtors to the E P U will be asked to settle in gold or dollars the credits they have received from the Union. Since France is the prominent and persistent debtor (her accumulated debt to the Union at the end of September was \$459 mn) she will be placed in some difficulty. But this can be small comfort to the United Kingdom; for Britain, too, has been a persistent debtor to the Union. It has been West Germany, Holland and Belgium (all three Common market countries) who have been earning substantial surpluses on their intra-European trade and who have

been financing the credits granted by the EPU to France and Britain.

The act of a sterling convertibility may have another purpose. It can stimulate a greater movement of funds to London particularly from Scandinavian held funds in West Germany and France and encourage a capital flight to sterling. And this again is likely to be a temporary movement and is unlikely to affect the long term position of European currencies. It may very well be that the death of the E P U will be replaced by a purely Common Market monetary arrangement—a possibility which was well within the vision of the

drafters of the Rome Treaty while setting up the Common Market.

It is difficult to see at this stage how far sterling convertibility will resolve the agonising dilemma in which Britain's trade and international economic policy finds itself. The fundamental fact remains: Britain cannot regard itself as the centre of the sterling area (and all that this implies) and enter the European market on terms visualized in the Free Trade Area proposals. A choice has to be made, unless Britain in some way succeeds in killing the prospect of a united economic state in Europe—and this now seems unlikely.

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Atomic Bombay?

A Comment on

'The Need for Atomic Energy in the Under-developed Countries'

I M D Little

IN his lecture given at the Second International Conference on the Peaceful Uses of Atomic Energy, Geneva, 1958, Dr Bhabha recognized that there are a number of powerful considerations which suggest that atomic energy is in general much more likely to benefit economically advanced countries than under-developed countries. First, there is the fact that the capital cost of atomic energy is high relative to conventional energy, and capital is peculiarly scarce in under-developed countries. Secondly, atomic energy at present has large economies of scale. A high level of demand for electricity, often lacking in an under-developed country, is thus required. Thirdly, because of the high capital cost, atomic energy must be operated at high load factors: but a low level of demand generally goes with a low load factor, so that there is little or no continuous demand which the nuclear station can satisfy. One might add that, fourthly, many under-developed countries have considerable cheap sources of conventional energy—often far cheaper than atomic energy could ever be.

But Dr Bhabha claimed that these considerations may not always be operative, or may be overruled by others. Although India has cheap coal, Bombay is far away from it. Also Bombay has a relatively large demand for electricity. So Dr Bhabha set out to compare the cost of generating electricity from a 150 MW nuclear station and from a conventional thermal station, both sited in Bombay. The lower of his estimates brings the cost of atomic energy into almost exact equality with conventional energy. The original U K White Paper of February 1955 also made out atomic energy to cost the same in the U K as conventional energy, although the conditions and assumptions were quite different. Subsequent revisions of the U K estimates, which changed the cost components considerably, nevertheless have left the estimated total cost almost unaltered—still equal to the cost of conventional energy. All this is

rather a coincidence, and suggests a bias on the part of the estimators who may feel bound to get their estimates for nuclear energy down to the level of conventional energy. The purpose of this article is to show that atomic energy in Bombay might very well cost half as much again as conventional energy.

Let us examine Dr Bhabha's figures. First take the capital cost. It is estimated that a 150 MW station would cost Rs 1700 per kw. This is said to be just about the same as a similar station in England*. The similar cost results from the assumption that lower civil engineering costs will offset the higher cost of the imported reactor and generating equipment. The supposedly comparable figure given for a thermal station is Rs 1050. This is about the average cost of six thermal stations referred to in Dr Bhabha's paper. But these stations are not comparable at all. First, some of them are far from a port, which adds to the cost; secondly the average size of unit is very small not much over 30 MW; this also greatly increases the cost. But Dr Bhabha's actual figure of Rs 1050 is probably taken from the 62.5 MW coal fired Tata Unit at Trombay. But, again, the size is too small to be comparable.

Obviously, it is only reasonable to compare a new atomic station of 150 MW in Bombay with a new conventional station of 150 MW in Bombay. What would this cost? I do not know. But I would think it very probable that if a nuclear station can be built in Bombay for the same cost as in England, then a conven-

* Actually, the first three conventional stations in England are estimated to cost more than this, in fact Rs 1930 including site clearance. These stations are of about 300 MW—each with two reactors of 150 MW. The fourth station, Hinkley Point, of 500 MW, is expected to cost Rs 1600. Thus, 1700 rupees is possibly rather a low estimate for a station of only 150 MW.

tional coal fired station could also be built in Bombay for the same cost as in England. The cost per kw in England for a conventional station is now estimated to be only £ 50 or Rs 666. But to be on the generous side, let us say Rs 750. I am quite prepared to believe that the actual cost would work out rather higher than in England. But I would like to know why the nuclear plant would also not work out at more than in England.

Secondly, Dr Bhabha assumes an 80 per cent load factor and a 20 years life. This seems to have become a conventional assumption. But I have never seen it justified, and it raises difficult problems. First, I imagine it is problematical as to whether an atomic station can physically be operated for 80 per cent of the year for 20 years. The U K authorities' best guess is now 75 per cent. But, secondly, even if 80 per cent were possible, it by no means follows that a nuclear and a conventional station can be compared on this basis. A conventional thermal station is not normally operated in any such manner. It begins by being operated at very high load factors: but in a few years time, in a growing system, it is succeeded by still more efficient plants (it may be noted that the efficiency of conventional stations always has grown in the past), and it becomes economical to take it off the base load: it is then used only during the day-time 'plateau' of demand. Finally it is used only to meet extreme peaks. This generally occurs when it is well over 20 years old, and when it is very probably physically incapable of continuous operation†. Over the whole life of the plant, which may be up to 40 years, its load factor approximates to that of the whole system, usually 40-50 per cent.

† This story is, of course, rather simplified. But it is broadly true of a pure thermal system. In a mixed hydro-thermal system, especially where the hydro-capacity is of the reservoir type, the story may be considerably different.

This Chart Tells Our Story

Items	1946-47 Rs. np.	1957-58 Rs. np.	Percent increase (+) or decrease (-) over 1946-47
1. Cane price including transport charges	12 62	14 70	+ 16%
2. Government taxes-central excise duty, cane cess and co-operative societies commission.	2 97	13 16	+ 342%
3. Manufacturing charges including salary, wages and packing.	3 75	6 05	+ 61%
4. Overhead charges and profit subject to taxation	2 20	2 19	
	21 54	36 10	
	0 10	0 10	
Less for molasses		36 00	+ 68%
Ex-factory price	21 44		

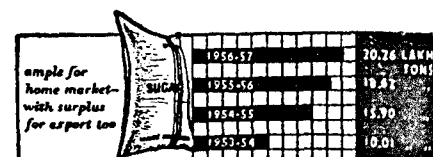
Sugar prices have increased of late. That the Indian White Sugar Industry is not responsible for this is clear from the chart given above. The gross profit and overhead charges together account for no more than 6% of the total cost of sugar. Compare the current price composition with that prevailing about 10 years ago and you will find that all items *except* overhead charges and profit, have increased—certain of them by over 300 per cent—a trend over which the Industry has no control.

It has always been the Industry's endeavour to increase production and reduce costs. Efforts in this direction still continue.

Today the White Sugar Industry provides scope for Indian capital investment of more than 100 crores of

rupees; it provides employment to over 1,40,000 skilled and unskilled workers and 3,600 university educated men, their total earning representing 5% of the national wages and salaries; it supports 20 million cultivators; it constitutes 12% of the total value of production of major Indian industries; it contributes over 65 crores of rupees (@ Rs. 13.19 per maund) in levies to the national exchequer.

It offers even brighter prospects for the country. With a lighter burden—with some of its present-day handicaps removed—this industry can contribute to achieving a more stable national economy. Its upward trend of production can continue to meet the needs of a growing home market and yet leave a surplus for export in order to earn foreign exchange.



Indian WHITE sugar...

vital to India's national economy

THE INDIAN SUGAR MILLS ASSOCIATION

What then is the sense of comparing a nuclear and an atomic reactor on the assumption that they are both used for 20 years at 80 per cent load factor? The answer is that there is little or no sense in it. What one really needs to compare is the total cost of the two systems, one thermal and one mixed nuclear and thermal (I do not deal with the hydro-electric comparison, since I do not know enough about it). This would, however, be very difficult indeed, and would involve many hazardous assumptions.

Although the proper comparison is too difficult to make, I think that one can still show that the direct comparison of a nuclear and a thermal plant is very probably biased in favour of a nuclear plant if an 80% load factor is assumed. One can imagine a thermal plant being operated at 80% load factor and falling to pieces after 20 years, even though this does not in fact occur. If it did occur, plateau and peak load would have to be met in other ways than by the operation of old base load plant. The resultant cost would certainly be higher than if the system was operated as it normally is (if this were not true, the above hypothetical scheme would actually be used). It follows that if a nuclear plant, producing electricity at the same cost as the thermal plant, were substituted for the thermal plant, the cost of the whole system would still be higher (since the plateau and peak load now have to be met in more expensive ways). Consequently, the comparison is biased in favour of nuclear energy**.

Should one then make the comparison at the actual load factor likely to be achieved by the system—probably not more than 40% in India under normal conditions of no excess demand? No! For this in turn would bias the comparison against nuclear energy. This is because there are surely cheaper

** One possible flaw in the above argument is that it is possible that one could not rely on conventional stations to operate for 80% of the 20 years. But I guess that the risk of the atomic station failing this test may well be just as great.

† This does not mean, of course, that they are firm. The value of the plutonium by-product is notoriously arbitrary. But I have no knowledge from which to comment.

ways of meeting peak demands than by operating old atomic stations. Thus the load factor which it is fair to take must be between, say, 40% and 80%. Just where it lies is anyone's guess. I propose for illustrative purposes to take the figure of 65%, which is closer to the end of the range which favours atomic energy.

Another figure of Dr Bhabha's which seems questionable is 25% for the thermal efficiency of a conventional station. A new thermal station of 150 kw should have a thermal efficiency of 33%. On the other hand 25% may be fair, remembering that we are taking it over 20 years during much of which it is operating at comparatively low load factors (which, of course, reduces the thermal efficiency). Even so it seems rather low. Whether or not, the 28% thermal efficiency assumed for the nuclear power station can be taken as valid for 20 years, at the average reduced load of 65%, I do not know. But let us be as favourable to nuclear energy as possible and accept Dr Bhabha's figures on this point.

A third assumption which Dr Bhabha uses is that annual capital charges are 9½% of the capital cost (4½% interest, 5% depreciation). I believe this to be far too low. The function of the rate of interest in this connection is to reflect the true scarcity value of long term capital in the economy. There is little doubt that capital is, for instance, far scarcer relative to labour than in the U K where the rate of interest is now about 5%. What the proper figure is, is anyone's guess. I would suggest 10%, though one could argue for more. Alternatively, if one insists on accounting at an unrealistic rate of interest, one must argue that it is essential that public projects make profits as a contribution to public saving, and that this is properly regarded as a cost (just as profits enter into the prices of most things, and hence into industrial costs). In total I would say that 15% gross on capital is the absolute minimum needed for depreciation, plus an economic net return. I think one

could reasonably argue for 20-25% in a country like India (15% is probably about the average rate earned in industry in the U K).

Let us provisionally accept Dr Bhabha's other figures† (the cost of coal will be further considered later), and rework his estimates using the assumptions of Rs 750 per kw for a conventional station, 65% load factor, and 15% gross return on capital (10% for the uranium inventory, since there is no depreciation involved). The result is that electricity from a coal fired station works out at Rs .046 per kw, and from a nuclear station at Rs .068 to .075 per kw. The nuclear energy now works out at from one half to two-thirds more expensive. (For details see Table below.)

There is, however, one respect in which we may well not have done justice to nuclear energy. The cost of coal was taken by Dr Bhabha as Rs 45 per ton—the present delivered price in Bombay. While of course, this price includes capital charges for the railways and for the mines, it is for many reasons possible that it does not equal the true marginal cost of delivering coal (by sea or rail) over the next twenty years to Bombay. Dr Bhabha gives estimates of some marginal capital costs for the railways and mines—but this is insufficient to determine what is the proper price at which to reckon coal. A reasonably good estimate of this should be by no means impossible—but I have not the required figures. It may, however, be interesting to ask how high the cost of coal would have to be in order to make nuclear energy (on the above assumption) economical. The answer is Rs 87 to Rs 103 dependent on whether one takes the higher or lower of Dr Bhabha's estimates for the cost of uranium. It is hard to believe that the long-run real cost of mining and getting coal to Bombay is as much as this, or will average as much as this over the course of 20 years.

Anyway, long short of these figures, oil is cheaper. Indeed, it may be cheaper already with coal at Rs

	Coal	Nuclear
Capital cost	.01975	.05188 to .05429
Operating cost	.00125	.00125
Fuel cost	.02500	.01488 to .01984
Total	.04600	.068 to .075

November 29, 1958

45 per ton. But I have not considered the comparison with oil, because there is the added complication of deciding the extent to which the choice should be biased in favour of the domestic source of energy (but it should be noted that, in the above estimate, I have ignored the fact that the absolute import content of atomic stations is more than twice that of conventional ones).

Of course, there are good reasons to believe that the balance of cost will gradually swing more in favour of atomic energy, both because of the greater scope for technical improvement, and because the real costs of mining coal will rise as reserves are increasingly exploited. But that it might be good to have atomic energy in 20 years, or even in 10 years, is little reason to buy uneconomical plants from the U K or U S A now. The U K may even itself have started too soon on too large a scale. And conditions in the U K—both economic and strategic—are immensely more favourable to atomic energy. The longer India waits, the more free benefits she will get from the immense investment which has been poured into nuclear physics and engineering in the U S A and U K. To put any of her own capital resources into buying the early products of this western research would seem to be a great waste of the very limited savings of the Indian people. As Dr Bhabha says, electricity is in short supply in India. It is likely to go on being in short supply if one uses twice as much capital as is needed to get more.

Mysore Chemicals

THE Mysore Chemicals and Fertilisers Ltd, has earned a profit of Rs 1.28 lakhs for the year ended March 31, 1958, against Rs 1.30 lakhs in the preceding year. The directors propose to maintain the dividend of 5 per cent, free of tax, for the year.

The production of superphosphate in the factory is steadily increasing to meet the growing demand for phosphatic fertilisers. The directors have decided to increase the production of superphosphate to a reasonable limit of 10,000 tons per annum and arrangements are already afoot in this direction. Production of mixed fertilisers and other chemicals, which the company is already manufacturing on a small scale, is being stepped up.

THE ECONOMIC WEEKLY



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THE ECONOMIC WEEKLY

The Recovery in the American Economy —An Assessment

(From Our London Correspondent)

THERE are growing and voluminous claims that a definite and continuous up-turn in the level of American economic activity has taken place, and it is clearly of considerable international consequence that the validity of these claims should be adequately assessed. In Britain, the Government, without necessarily denying the American up-turn, are changing their economic policies from one of control to expansion to such an extent as to suggest that the recessionary movement now encompassing the capitalist world has still some way to go. The Organisation of European Economic Cooperation, no doubt anxious about the unfavourable trends so clear within Western Europe, found in its latest report that while there was evidence to suggest that the United States down-turn had been arrested, there was little in the final course of demand capable of "injecting an adequate sustainable impetus to the economy".

Direct American comment on the other hand is considerably more optimistic. In fact, a report in the 'New York Herald Tribune'

claims that "the boom is back" and that an "inflationary threat is seen". Wall Street is engrossed in a high speculative fever. The more one reads of the operations in the New York Stock Exchange and of the policies of the Federal Reserve Board, the more one is reminded of the phrase once used by F W Taussig in a not dissimilar situation: "there is a premonitory chill in the air"—a warning of something to come. It is therefore desirable to assess, in so far as one can do that from London, the nature of the American recovery.

Sharp Fall in Investment

The character of the United States down-turn in the period between the second half of 1957 and first half of 1958 is clearly shown in the available data on the course of the Gross National Product. (See Table I) The Gross National Product ceased to increase in the summer of 1957 and by the first quarter of 1958 its value was nearly 4½ per cent down on that of the peak in the third quarter of 1957. It was clear from the course of industrial production that the

downward direction of the G N P was largely if not wholly due to the fall in pure industrial activity (as distinct from other forms of income-generating activity like agriculture and services). The index of industrial production after remaining virtually unchanged from the autumn of 1956 to August 1957 fell by 13 per cent in the following eight months. It was only in April 1958 that the fall in industrial production was halted—in the following months it began to rise so that by July 1958 it was about 5½ per cent higher than the bottom reached three months earlier.

It is now clear that the fall in economic activity and in the level of industrial production in the period up to the first quarter of 1958 was due primarily to a sharp fall in the demand for durable producer goods and durable consumer goods. This fall was so sharp as to create a considerable reaction on the volume of employment (both of labour and of manufacturing capacity). As the data in Table I show, there was a sharp reduction in fixed capital expenditure by

Table I—Gross National Product and Expenditure
(\$ billion*)

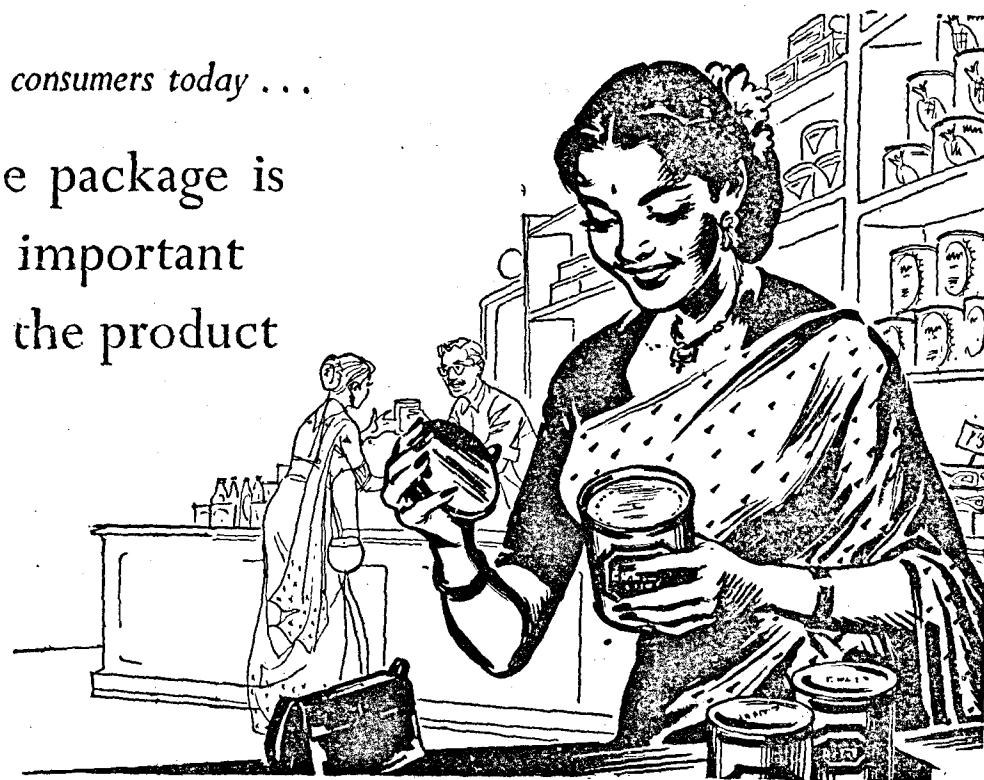
	Annual Data at Constant 1954 Prices			Seasonally Adjusted Quarterly Data at Annual Rates, Current Prices					
	1955	1956	1957	1957		1958			
				I	II	III	IV	I	II
Gross national product	392.7	402.2	407.0	436.3	441.2	445.6	438.9	425.8	429.0
Personal consumption expenditures	256.0	263.7	270.3	279.8	282.5	288.3	287.2	286.2	288.3
Gross private fixed domestic investment	56.4	57.5	56.4	64.8	64.2	64.6	63.8	59.2	57.2
of which:									
Producers' durable equipment	22.5	24.8	24.1	28.7	28.1	28.0	26.7	22.9	22.5
Housing (non-farm)	18.2	16.4	15.5	17.2	16.5	16.9	17.6	17.1	16.2
Other construction	15.7	16.4	16.9	18.9	19.6	19.7	19.6	19.2	18.7
Change in business inventories	+6.1	+5.6	+1.4	+1.1	+2.9	+2.2	-2.3	-9.5	-8.0
Government purchases of goods and services	74.7	74.2	76.2	86.4	87.5	87.0	88.3	89.5	90.9
of which:									
Federal	45.1	43.3	43.9	50.5	51.5	50.9	50.5	50.9	51.9
State and Local	29.7	30.9	32.3	35.9	36.0	36.1	37.8	38.6	39.1
Net foreign investment	-0.6	+1.1	+2.6	+4.2	+4.2	+3.6	+1.9	+0.5	+0.5

Source: Survey of Current Business, August 1958.

*Totals do not necessarily add up because of rounding.

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as the product



TIME WAS when anything that held itself together—and another product within—served as a container. Shape, size and finish mattered little, the purity of contents even less!

Not so today. Apart from being attracted by the design and quality of the package, customers want to make sure that the contents are pure, unadulterated. Like the young lady above. She is making certain that the baby food she is about to buy is genuine. The unbroken diaphragm under the lid tells her that the contents have not been adulterated. It is a pilfer-proof can.

Thanks to pilfer-proofing techniques, packaged consumer goods—amongst them foods

and pharmaceuticals on which the nation's health depends—are bought in large numbers, their purity taken for granted. Pilfer-proof containers protect the maker's name and guarantee that the buyer is getting his money's worth.

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private business (particularly in respect of producers' durable equipment). Normally (i.e., in 1955) some 15 per cent of the gross national expenditure is generated by gross fixed private investment—of this just less than half is in respect of producers' durable equipment. Between the second quarters of 1957 and 1958, expenditure on investment in producers' durable equipment fell by 22 per cent—considerably more than either the fall in the GNP or in the index of industrial production.

Consumer Expenditure Stable

One important experience during the down-turn has been the relative stability (as shown by the statistics) of consumer expenditure. In spite of a fall in employment and reduction in the Gross National Product, the size of the personal consumption expenditures has remained steady. But certain important changes took place within this pattern of personal consumption expenditure. There were sharp falls in the purchase of consumer durable goods but this was accompanied by increases in consumer expenditure on services and non-durable commodities.

Table II—Changes in the Components of the Gross National Domestic Product (Between the Second Quarters of 1957 & 1958)

	% change
Gross National Product	— 2.7
Personal Consumption Expenditures	+ 2.1
Gross Fixed Domestic Investment	—11.0
of which	
Producer Durable Equipment	—22.0
Housing (non-Farm)	— 1.2
Other Construction	— 5.0
Government Purchases of Goods and Services	— 3.7

In essence therefore the American recession took a highly classical form. The decline in the demand for capital investment followed the sharp increase in that type of demand in 1955, so that in 1957 and 1958, the capacity of the American heavy industry to produce durable goods of all types was so large as to create a fundamental condition of 'over-production', that is the emergence of a crisis in which the size of the American market for the means of produc-

tion had long reached the saturation point.

Up-turn?

Since the second quarter of 1958, the statistical evidence points to a levelling off of the down-turn and possible up-turn in economic activity. The Federal Reserve Board's seasonally adjusted index of industrial production advanced by 3 points to 137 in August, 11 points above the April bottom but still 9 points below the peak of 146 last reached in early 1957. In May 1958 the seasonally adjusted total unemployment rate fell for the first time in over a year, to 7.2 per cent in April. By July however there was a further rise in the size of the unemployed labour force (to 7.3 per cent). Unemployment continued to rise into August (when it was 7.6 per cent of the labour force) in spite of the expanding trends in manufacturing activity and here it is argued that the cause of this disparity was rising productivity per man-hour in American industry.

There is some confusion and doubt as to the actual direction of the up-turn in U.S. manufacturing activity. According to the New York Reserve Bank, "output of both durable and non-durable goods advanced in August and September but increases were not so general among the component industries as in either June or July". There was a sharp fall in automobile production in August but this has been explained as being due to conversion operations in the making of 1959 models of motor cars. In the First National City Bank's 'Monthly Letter' a more pessimistic note is struck: "optimism in the United States economy is tempered by fear that the decline in capital expenditure had much further to

go and would exert a prolonged depressing influence."

Illusory Recovery

What then is the essential character of the so-called up-turn in the U.S. economy? From the latest available indications the Gross National Product in the third quarter of 1958 (largely as a result of the rise in personal incomes and personal consumption) appears to have recovered roughly two-thirds of the ground lost in the down-turn. What tends to suggest that this recovery is in part (and only in part) illusory is that there has been a persistent rise in prices since April 1958. This may very well exaggerate the rise in the Gross National Product in real terms.

Three influences appear to stand out as particularly dominant in the ending of the down-turn and the apparent recovery in U.S. economy. These are, first, the maintenance of what appears to be the strength in consumer demand, heavy Government buying and, finally, the growth in residential construction.

Consumer Demand

It is reported that for those workers who have managed to hold their jobs the average size of the work-week had increased in August and September. Weekly earnings were about the July level which was nearly one per cent higher than a year ago. In August, other types of incomes also increased slightly (compared to July), namely, property incomes, and transfer incomes (i.e., social security benefits); taken together personal incomes rose in August at an annual rate of \$355.6 billion—an increase of \$1.4 billion above the July level. In conformity with this increase in personal incomes, the estimate of retail sales

Table III—Federal Budget Expenditure by Major Programmes (\$ mn)

	1958-59	Change from 1957-58 (actual) Planned
Military Expenditure	46,845	+ 1,888
International Affairs & Finance	1,441	+ 92
Veterans Service & Benefits	5,162	+ 136
Labour & Welfare	4,345	+ 964
Agriculture	6,392	+ 1,917
Natural Resources	1,691	+ 148
Commerce & Housing	1,667	+ 311
Interest	7,578	— 117
Others	225	+ 225
Total	79,223	7,326

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rose by slightly more than 1 per cent in August (compared to July). What is however pertinent is that much of the rise in spending continues to be on non-durable consumer goods and as late as September, motor car buying continued to decline. Between the third quarter of 1957 and the end of the second quarter of 1958, consumer spending on motor cars fell by 25 per cent, while expenditure on other consumer goods fell by only 1½ per cent.

Thus here too the impact of consumer spending on the economy is uncertain. Consumer demand, in any case, cannot be relied upon to increase significantly without a rise in real disposable income. Any such rise in income is likely to depend on the growth of employment and this may be limited in the near future because any rise in output in the first instance is likely to reflect partly an increase in productivity rather than in employment. This latter point appears to be of considerable importance, as any opportunity for increasing production will be rather to bring unused machines (unutilised capacity in manufacturing industry is about 20 per cent) into activity than to employ extra labour. This then is what appears to have happened in the United States. In spite of a rise in industrial production since the depths of the recession in April 1958, employment did not rise significantly. In September the size of the unemployed labour force was 6 per cent—well above the level reached any time in 1957.

Government Expenditure

The spending of the Government has certainly increased. (Table III) In the second quarter of 1958 new orders for procurement and production of major military items reached an annual rate of \$24.3 billion, nearly 3 times the rate in the third quarter of 1957. Such orders are expected to be reduced during the fiscal year 1958-59 but the annual total is expected to be about 1 billion dollars higher than the fiscal year 1957-58 total of \$16.8 billion. Total Federal expenditure for all goods and services (excluding transfer payments and the payment of interest) are expected to rise to \$54.5 billion in the 1958-59 budget year from \$51 billion in the 1957-58 fiscal year. In addition State and Local Government spending on public works is scheduled to increase further in the year ahead.

The estimate of Federal Revenue is \$67 billion leaving a new deficit of \$12 billion in the 1958-59 budget. This deficit appears largely to be a consequence of the lower expected yield in taxation resulting from the fall in profits and employment. In fact Federal Revenues are now estimated at some \$7.4 billion less than they were estimated in January last. It is to be noted that of the \$7.3 billion rise in 1958-59 Federal budgetary expenditure compared to actual expenditure in 1957-58, about \$2 billion or over 25 per cent represents military expenditure increases (National Security, International Affairs and Finance). The increase in non-military outlays amount to \$5.3 billion or 21 per cent reaching a new peak of \$30.9 billion.

House Construction

The increase in house construction is the third factor which has tended to arrest the decline in the United States economy. Stimulated by easier credit conditions and by other Government measures to promote home building, the number of private housing units started rose from a seasonally adjusted annual rate of 915,000 during the winter months to 1,170,000 at the August 1958 peak, the highest in two and a half years. By September 1958 however a slight fall is perceivable though this may be due more to seasonal influence. The August annual rate of expenditure on residential construction amounted to \$18 billion compared to \$16 billion in May 1958. While residential building is slightly ahead of last year, private financed non-residential building is down by 28 per cent. Expenditure on public construction for the first 8 months of this year are slightly above that of last year, but this is the result of greater highway and road construction activity.

The important point to note here is that it has only been in the field of 'house-starts' and construction that any upward change in U S building activity is taking place. In the important field of factory building the decline continues and has not been either halted or reversed. House construction on private account is responsible for less than half of the total of construction expenditure and if, as the evidence indicates, the expenditure on industrial building is falling then this merely negates the expansionary effects of residential building.

Nevertheless the very fact that construction activity as a whole is said to have stopped declining tends to mitigate the recession in the U S building industry. These factors have been crucial in arresting the decline in the United States economy. To really stimulate a recovery of a sufficient magnitude, a fairly substantial injection of demand for producer goods is necessary. This is clear from the data in Table I.

Unutilised Capacity

The sharp fall in all forms of private domestic investment was in itself responsible for the creation of a concentrated unemployment in the heavy or producer goods sectors of American manufacturing industry. The steel industry found itself within a year working at about 62 per cent of its capacity. The size of unused capacity in American industry generally must have been large. For example at the peak level of industrial production in 1957, that is between June-August of that year, already the capacity to produce in manufacturing industry was 6 per cent higher than that of the output of goods. By June the following year the index of industrial production fell by 16 points or by about 11-12 per cent. At the same time new equipment was being added to existing manufacturing industry (at the reduced value of about \$26 billion, calculated at an annual rate) so that the size of the capacity to produce was well over 20 per cent of the actual volume of manufacturing output in June 1958.

The suggested size of unemployed productive capacity, over 20 per cent in U S manufacturing industry, is in itself one of the most critical features of the U S recession. It is estimated that after taking account the normal growth in productivity, something like a 10 per cent rise in the Gross National Product would be necessary to fully utilise America's productive capacity. In the past 10 years the highest rate of annual growth in the Gross National Product worked out at less than 4 per cent (in real terms). Here then is an indication of the dimension of the American recession.

Will Business Investment Rise?

The immediate prospects for a sharp rise in business investment is problematic. According to the Monthly Review of the Federal Reserve Bank of New York, "businessmen have evidently responded to the

indications of higher aggregate demand by a modest upward revision in their plans for purchases of new plant and equipment". The Securities and Exchange Commission of the Department of Commerce makes monthly surveys of the anticipated volume of business expenditure on new plant and equipment. In a survey for the third quarter of 1958 it was estimated that this expenditure would be about the same as the low level of the second quarter of 1958. In the same survey a slight rise in business expenditure on new plant and equipment (by about 3 per cent) is anticipated for the fourth quarter of 1958.

It is, however, to be noted that these survey results for the balance of 1958 are based on anticipations; actual spendings may of course be below or above the anticipated rates. What is important to note is that throughout 1957 and early 1958 the actual expenditures of businessmen on plant and equipment proved to be considerably less than the anticipations predicted by the Securities and Exchange Commission. A privately conducted study of business capital plans (carried out by McGraw-Hill) based on a survey of manufacturers capital appropriations put in their accounts, suggests that this type of expenditure may continue to fall throughout 1958 and possibly into 1959.

Poor Profit Prospects

Now estimates of profits by corporations in the United States too indicate that the incentive to private investment is severely blunted by the poor profit prospects.

With regard to consumer durables the prospect is essentially linked with the performance of the motor industry. Some very optimistic forecasts have been made for the production and sale of motor cars in the fourth quarter of this year. The fact that new contracts with the trade unions have been signed by the motor companies is ostensibly the basis for this forecast. In fact the car companies have been most cautious and have set themselves an aim of producing about 4.4 million cars in 1958 roughly 28 per cent below that of 1957 and 45 per cent below that of the 1955 peak. The new models are coming off the production line in limited quantities precisely because these companies fear continued consumer resistance and, consequently, lower sales. The

position here then continues to be uncertain.

There is a certain up-turn in the United States. However the stimulating factors are so meagre in proportion to the magnitude of the depression in the heavy industries that the up-turn is likely to be extremely gradual or alternatively may only

be in the nature of an holding operation—that is to maintain the American economy at a lower level of stability. With this as the possible prospect the present worldwide recession is unlikely to obtain any major help from current American policies, unless the Democrats are to bring more reason to Washington.

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China's Economic Growth—II

(i) Objective Factors

Charles Bettelheim

THE foundation of the rapid growth of Chinese economy, a growth which is in striking contrast with the previous stagnation, is the direction given by the Chinese Communist Party to the economic development of the country and the quick succession of revolutions in property relations: land reform and extension of the nationalized sector, starting right at the beginning of the period after the proclamation of the Popular Republic; passage to cooperation in agriculture and artisan production; finally, in 1955-56, general passage to socialist cooperation in agriculture and artisanal production, and voluntary transformation of the approximately three million capitalist industrial and commercial enterprises into mixed enterprises that progressively pass into State enterprises. Thus already in 1956 the socialist transformation of China was complete, and the contradictions of capitalist society and the obstacles they set up against rapid and continuous economic growth eliminated.

However, the facts that have just been recalled are not sufficient to explain how China has achieved such an exceptionally rapid development, and, in particular, a development more rapid than the one witnessed by the USSR when it was also at the beginning of its industrialization and which up till now has been the quickest development ever achieved by a big country.

For this exceptional rate of growth one has to find specific reasons. Among the objective factors which seem to provide explanations for the rapidity of China's economic growth, there are in my opinion three that have played a decisive part: the aid of the Soviet Union and the Communist countries of Europe; the very abundance of the Chinese population, part of which was totally or partially unemployed in the past; and, lastly, the economic characteristics of the techniques that have been used.

Aid from Soviet Bloc

To begin with, it is impossible not to consider as an important factor of China's rapid economic growth the very existence of the Soviet

Union, that is to say another socialist country which is, at the same time, the second industrial power in the world and the first industrial power of the Eurasian continent. The existence of the Soviet Union has meant the absence of any risks of aggression all along China's enormous western frontier, and has moreover contributed to protect China from other risks of external aggression.

This means that diversion of resources essential to the economic development of the country has doubtlessly been much less considerable than it was in the case of the Soviet Union which, at the beginning of its period of industrialization, was isolated and had to face alone the threats of foreign aggression, threats which became more ominous from 1933 onwards with the coming to power of Hitlerism. The Soviet Union, moreover, has played a much more active part on account of the friendly attitude of that country towards China and the co-operation that could be established between the two countries.

To come back to military problems, as one is unfortunately obliged to, Sino-Soviet co-operation has certainly enabled China to equip her defensive forces at relatively little cost with the most modern weapons, and to set up in her own territory the factories which are necessary to equip her armed forces more and more by herself without having to resort to heavy imports which so often press heavily on the balance of trade of underdeveloped countries and prevent them from importing the industrial equipment they so urgently required.

Then, the existence of the wide market represented by the Soviet Union and the Communist countries of Europe and the desire for co-operation shown by these countries have enabled China to develop her exports at an exceptionally rapid pace and, in return, to get the equipments which are essential to her economic development.

The importance of these facilities cannot be over-estimated and will be readily recognized by those who

know how difficult it is for underdeveloped countries to increase the volume of their exports, and also, even when they have means of payment at their disposal, how difficult it is for them to get the machinery required for their industrialization. It is not very willingly that capitalist countries supply underdeveloped countries with equipment, and, very often, what they sell to them does not correspond to the latest techniques.

More Favourable Situation in China

This facility to increase her exports and imports according to her requirements as specified in her development plan is precisely what has placed the country in a situation fundamentally different from the one experienced by the USSR in the course of its first five-year plan. As a matter of fact, in 1932 (in consequence of the world economic crisis) the exports of the USSR amounted to only about 73 per cent of its exports in 1927-28 being less than 29 per cent of the value of exports envisaged for that year by its first five-year plan*. China, on the contrary (despite the embargo which the United States and their allies have tried to impose on her) has been able to carry out fully the programme of exports and imports as specified by her first five-year plan, so that in 1957 the volume of China's foreign trade exceeded by 60.3 per cent the volume of 1952.

Thus, the existence of the USSR and the countries of Eastern Europe (with whom China has done about 75 per cent of her trade in the course of the years 1953-57) and the friendly co-operation that has been established between these countries and China has placed the latter in a situation fundamentally different from the one experienced by the USSR at the beginning of its period of industrialization. This has certainly enabled China to lay the

*Nevertheless, at the cost of a heavy deficit in its balance of trade, the USSR was able to import in 1932 more than 41 per cent of what was specified in its first five-year plan. The commercial difficulties of the USSR had been still greater in 1931.

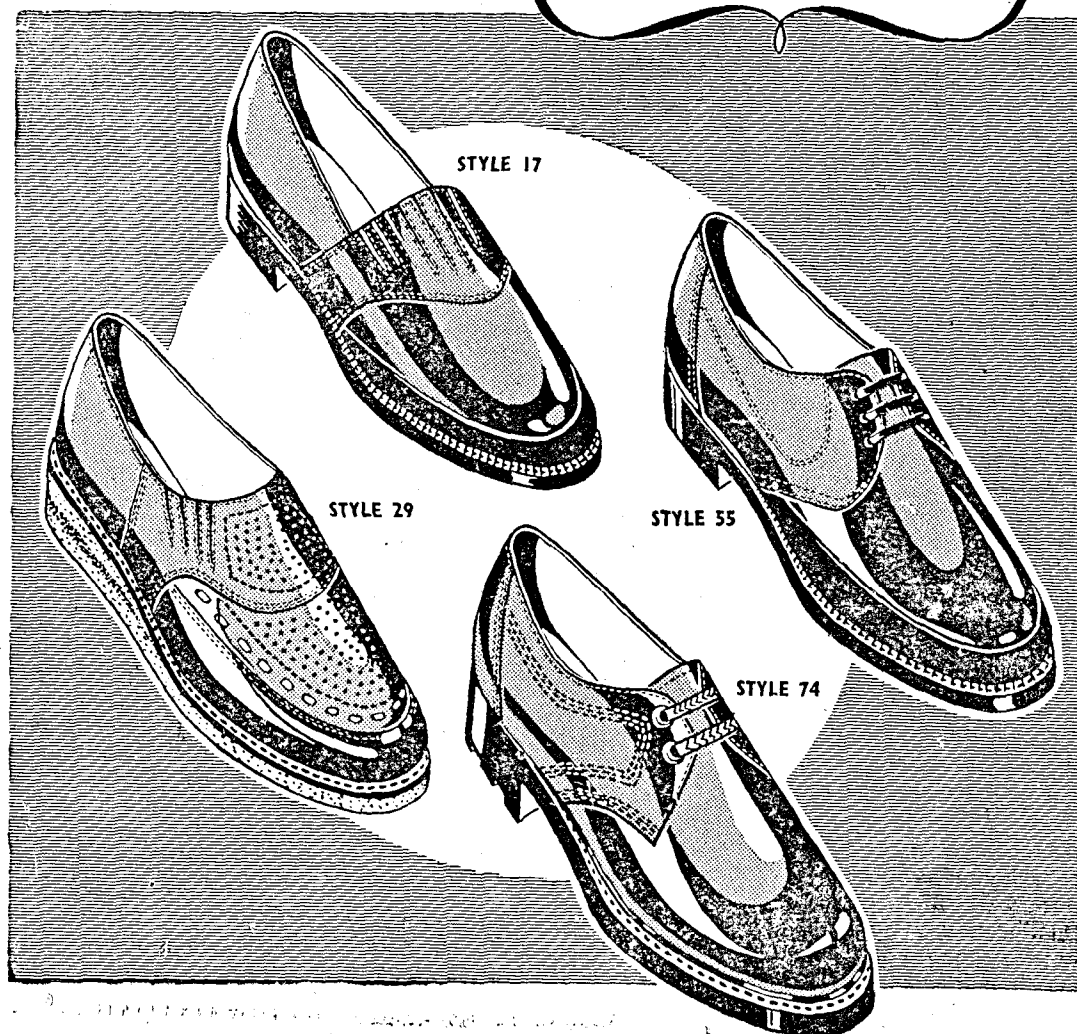
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material foundations of an exceptionally rapid growth.

The co-operation with the USSR is therefore of special importance. This co-operation has not only assumed a commercial aspect, but also a financial and technical aspect which allows us to talk of massive Soviet aid. This aid has played a considerable part by enabling China to reconstruct or construct a great number of enterprises which secure the production of essential machinery, raw materials and fuel for her subsequent development. It is known that in virtue of the agreement passed between China and the USSR, the latter has committed itself to participate in the construction or reconstruction of 211 big enterprises (among which are iron works; machine-tool factories, in particular heavy machine-tool factories; power stations etc . . .).

The total amount of supplies specified by agreements passed before 1956 correspond to a total amount of equipment of 8.1 thousand million roubles. Among all the enterprises or projects included in the previous agreements, 67 started production in the course of the first five-year plan; a number of other important enterprises included in these agreements have started production this year. Moreover, in August 1958, a new Sino-Soviet agreement has been signed. It visualizes the construction of another 47 big enterprises (in addition to the 211 enterprises previously specified)† in the course of the next few years with the help of the Soviet Union.

Assessment of Soviet Contribution

It is obviously very difficult to estimate the relative importance of the contribution which the Soviet Union has thus given to China's basic development and its financial and technical influence on Chinese economy.

However it is possible to specify the following:

The production attained in 1957 in the enterprises set up with the help of the Soviet Union has been, in

†We know that the total number of big enterprises that have started production during the first Chinese five-year plan is 450 out of the 825 big enterprises under construction during that period.

‡See 'Promychnno Ekonomitcheskaja Gazeta', 1-10-1958.

particular, 63 million tons of coal and 2.8 million tons of steel.

In Financial Terms

On the financial plane, it is known that the total amount of aid received by the Popular Republic of China was 2,174 million yuan (1 e Rs 435 crores) till 1953 and 3,120 million yuan (1 e Rs 624 crores) from 1953 to 1957.

The financial aid previous to 1953 has been mainly utilized for reconstruction, and the aid subsequent to 1952 has essentially helped to fulfil the targets of the first five-year plan. A great part of that aid has been used from the beginning of the first five-year plan. Therefore, on the 29th of June 1957, the Finance Minister Msien-Mien, from whose speech I have quoted the above mentioned figures, has been able to declare that henceforth China's economic development could rest on her own accumulation.**

It is not very easy to estimate the practical significance of the preceding figures. However, one can make some rather significant comparisons. Thus one can note that the financial aid of 3,120 million yuan obtained by China after 1952 represents about 6.3 per cent of the total amount of capital invested in the country during the first five-year plan. This brings out the magnitude of the internal effort for accumulation, as the latter has been able to meet 94 per cent of all capital investments (and probably even a higher proportion, for the total amount of credits obtained has probably not been all converted into capital investments, and moreover the latter does not correspond to the total volume of accumulation).

It would, of course, be utterly wrong to draw the conclusion that Soviet financial help has played a negligible part in China's economic development. In fact, one of the main curbs to this development could have been the difficulty (and even impossibility) of importing against cash payment all the machinery necessary to fulfil the targets

**From the point of view of meeting her requirements for machines, China does so to the extent of nearly 70 per cent (see 'Promychnno Ekonomitcheskaja Gazeta' of the 10-10-1958); in certain fields China is henceforth an exporter of machines.

of the first five-year plan. One gets a fairer view of the importance of the 3,120 million yuan contribution when comparing it with the total volume of Chinese imports in the course of the first five-year plan. This aid represents more than 12 per cent of the volume of imports during the period considered here (calculated on the basis of an apparently reasonable estimate of these imports). One would get a still higher percentage if one were to calculate the ratio of financial aid to the volume of machinery imports alone.

On the Technical Plane

However, it is on the technical plane that Soviet aid has represented and still represents a particularly powerful accelerator to Chinese economic growth. Not only does this technical aid take the form of Russia selling to China the most modern capital goods she produces which are often in the forefront of world technique, it also takes the form of Russia putting her immense technical experience at the disposal of China by passing on to her her patents and production licences and by lending her engineers: about 7,000 Soviet experts have been working and are still working in China, making Chinese technicians and workers benefit from their experience. When one knows how jealously capitalist countries guard their secrets of fabrication and at what prices big capitalist concerns sell the right to work their patents, one easily understands what contribution to Chinese economic growth the technical aid of the USSR as well as of the other Communist countries of Europe represents.

It is doubtlessly not useless to add that Soviet technical aid has been all the more effective as Chinese engineers, technicians and workers have themselves made a huge effort to assimilate and use it in a productive manner, just as the commercial aid given by the socialist countries is only fully effective because China is herself capable of supplying an increasing number of quality products required by these countries. One should also note that in return for the technical aid given to her by the other socialist countries, China passes on to them technical experience in fields where she herself possesses a long experience, in particular in the fields of agriculture.

ral technique, medicine, textile industry and also in certain branches of the chemical and engineering industries.

Population as Factor in Growth

The very numerical importance of the Chinese population, a large part of which did not participate or only participated a little in economic life,

has also been an extremely important factor of growth. This is so, above all, in the field of agriculture and, in the first place, in respect of irrigation.

It is known that the irrigated area which amounted to 390 million mou (one mou = 0.06 hectare = 0.1647 acre) in 1949 has been increased to

461 million mou in 1952 and to 606 million mou in 1957. The latter figure corresponds to 36 per cent of the land under cultivation and to a 31.5 per cent increase of the irrigated area over a period of five years. Such a result is already remarkable and partly explains the increase in agricultural production we have pre-

viously recalled. However, this result has now been largely surpassed; for, since the winter of 1957-58, an additional 460 million mou have been brought under irrigation which means that within eight months the labour of the Chinese people has increased the irrigated area by an amount equal to all the area that has benefited from irrigation works accomplished during several thousand years preceding 1952. At the present time (beginning of Autumn 1958) over 60 per cent of the land cultivated in China is irrigated and this percentage is still increasing.

This is obviously one of the material bases of the extraordinary increase in agricultural production in 1958. Under the technical conditions still prevailing in most sectors of the Chinese economy, this result could only be attained through the labour of several hundred million men and women. That is to say, thanks to the very abundance of the Chinese population.

This population has thus become—as opposed to the assertion of those who consider a big population to be a “burden”—an enormous source of additional accumulation, because it devotes part of its labour not to the production of goods destined to be immediately consumed but to the increase of the productive potentiality of the country. “The financial equivalent” of this human potential is of course enormous and enables the State to concentrate its resources on the development of big industries.

Some figures quoted from Liou Chao-Li's report at the second session of the VIIIth Chinese Communist Party Congress give an idea of what this financial equivalent represents. This report points out that, whereas the State has invested 1,450 million yuan in the harnessing of the river Houai necessitating 1,600 million cubic metre of earthwork in the course of the past eight years, the peasants of only two provinces (Honan and Anhwei) have achieved with their own means and without the State's putting up any money 12,000 million cubic metre of earth work in six months' time.

Labour Intensity in Agriculture

It is also the abundance or, more accurately speaking, the density of the rural population with respect to the cultivated area which, once irrigation had been secured, has made possible the remarkable crop in-

creases of this latter period. The increase in output has been due almost entirely to the increase in yield per unit of land, and higher yield per unit of land has itself necessitated a considerable intensification of the labour spent on agricultural production.

Chinese agriculture was characterized even in the past by intensive utilization of agricultural labour, but in the course of the more recent period, the intensity of labour has been further increased in consequence of using new techniques of cultivation, e.g., much more close-set planting than before; deeper and repeated ploughing; numerous harrowings and considerable application of fertilizers. In 1958 the average amount of fertilizers and manures of all sorts applied per mou of cultivated land was ten times the average amount for 1957. The collection, transport, and application of these fertilizers and manures also required an enormous amount of work which could not have been done but for a big population.

Thus the considerable increase in intensity of agricultural labour in combination with other improved techniques (utilization of selected seeds and fight against parasitic insects) has enabled China to increase her crops in the aforesaid proportions and to obtain in four of her provinces average yields of 1,000 jin per mou (6,600 lbs per acre) of early rice and various record yields surpassing previous world records.

Such a possibility of rapid increase in agricultural production through the utilisation of intensive methods of cultivation was barred to a country like the Soviet Union whose rural population was considerably (at least 6 times) less dense with respect to the area under cultivation. Consequently, at a time when labour was being rapidly drawn away from agriculture for the requirements of industrialization, the USSR could only increase its agricultural production through an effort at mechanization and modernization of agriculture which was setting complex problems and could only be efficacious after a more or less long period. It is important to make four other remarks:

More Labour, Greater Productivity

(1) The rather general indications at our disposal lead us to think that

the amount of labour drawn away from Chinese agriculture was much less than in the course of the first five-year plan of the USSR. In fact, between 1952 and 1957 the number of industrial workers (ordinary workers and technicians) increased in China by 8.7 million people or only by 55 per cent, whereas in the course of the first Soviet five-year plan, this increase amounted to 11 million people, i.e., by 95 per cent.

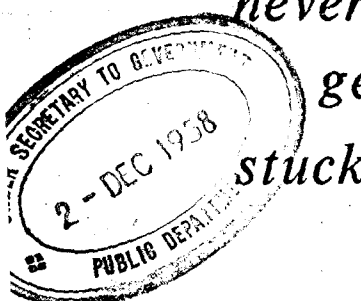
Still more significant are the following approximate percentages: these additional 8.7 million Chinese workers (certainly not all of whom come from the countryside, and whose numbers must be very much less than those of the people added to the Chinese working force between 1952 and 1957) correspond to about 4% of the agricultural working population of 1952. On the other hand, the additional 11 million Soviet workers of the 1928-1932 period represented about 13% of the agricultural working population of the U.S.S.R. in 1928. In other words, whereas in China industrialization has up till now left the human potential of agricultural production practically untouched (this potential was not even fully utilized in the past), Soviet industrialization in its initial stages gave rise to temporary difficulties about the supply of labour available for agricultural production.

If in spite of a rate of growth in industrial production comparable to that of the Soviet Union China has not had to transfer relatively (with respect to the previous number of workers) as much labour as the U.S.S.R., it is in particular because the increase in industrial production in the course of the first five-year plan could be based, to a much larger extent than in the U.S.S.R., on an increase in the productivity of labour. In fact, the techniques which are now available, in particular thanks to mechanization and automation (applied on a large scale in the big new Chinese factories) make possible a much greater increase in productivity than the techniques which were available 30 years ago. I shall soon come back to this point.

Natural and Social Conditions

(2) The existence of an abundant labour force does of course not in itself make high agricultural yields possible; there must also be

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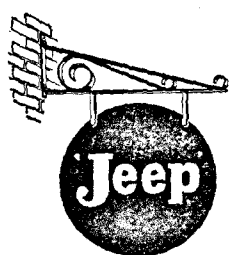
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favourable natural and social conditions. The former have always existed or have been created through a real transformation of nature achieved in the last few years. The latter have made their appearance, first with the land reforms, then with the development of socialist co-operatives (which could not have developed but for the previous land reform). The part played by the new social conditions that have thus been created has been brought out remarkably well by Dr K S Gill in the article he has published in the Special Number, July 1958, of this paper (p. 925 to 931, in particular p. 929).

This part—which can only be played if the co-operative movement is based on the voluntary and even enthusiastic participation of the peasants—is fully confirmed by the increase in the number of work-days which the change in social conditions enables the peasants to spend productively.

In 1955 Professor Rene Dumont, a French specialist in agricultural economics, could still observe that the Chinese peasant (after the land reform but before the general drive to establish socialist co-operatives) was working in the fields for an average of 50-220 days according to region (i.e., he estimated a general Chinese average of 125 days). Now, the observations that my colleagues and myself have been able to make show that the Chinese peasants work for more than 300 days a year (many only take 2 to 4 days' rest a month).

Assured and Increased Returns

(3) The considerable increase in the individual output of work has only been psychologically possible because the prevailing social conditions were such that the Chinese peasants were sure to benefit fully, either immediately or later on, by the increase in production due to their strenuous labour. In other words, the Chinese peasants feel sure that the increase in production will neither give rise to higher land rents (as there are no landlords left), nor to a price fall for their products (the State buys at fixed prices all the production they want to sell), nor to higher taxes (these are as a matter of fact fixed for several years and calculated on the basis of a "conventional produce" which is lower than the actual produce).

Moreover, the increase in output of work has been accompanied by a sufficiently high increase in current production and therefore of remuneration for work. This is due to the fact that the allocation of work (decided by the peasants themselves within their co-operatives) between what is productive in the long term, in the intermediate term and in the short term has been done in a judicious way. This is also due to the fact that enough technical innovations have been introduced in order to increase appreciably the average output of a day's work.

It is of course impossible to illustrate in detail what has just been said. I shall therefore be content with giving an example bearing on the Co-operative Wen Tchong situated in the south-east of Canton. This co-operative produces rice, pineapples, sugarcane, liches and other fruits. In 1956 the average annual income of a family of this co-operative, which had then just recently been established, and which had only 9000 cultivated mou at its disposal (this for more than 3,500 inhabitants i.e., about 2.57 mou or 0.43 acre = 0.17 hectare per head) amounted to 314 yuan (Rs 618). In 1958 the provisional accounts envisage an average distributed income of about 1,000 yuan for each family. This result is obtained in particular thanks to the extension of irrigation which makes possible two crops of rice on part of the land (whereas in the past only one was obtained); to more close-set planting (60,000 rice plants per mou instead of 8,000 to 9,000), to the increase in the application of fertilizers, etc.

The increase in the average family income has, therefore, in this case, amounted to 218%. According to the indications that have been given to us, this increase corresponds to about 52% to the remuneration of the work-day and for the rest to an increase in the average number of work-days per worker.

The preceding remarks bring out the important part played, under new social conditions, by the abundance of manpower as a factor of rapid increase in agricultural production.

However, from 1958 onwards, the abundance of manpower has also played a part in the unprecedented

acceleration of the rate of growth of industrial production.

"China's Economic Growth-I" A CORRECTION

IN the article "China's Economic Growth—I" by Charles Bettelheim in last week's issue (Nov 22, 1958), the base year of production indexes for the U S S R and China are 1928 and 1953, respectively, and not the reverse as printed erroneously.

Seed Farms

THE target fixed for setting up seed farms in the current financial year is 1,587 farms and of these, 1,519 farms are likely to be set up, said the Minister for Food and Agriculture in a written reply to a question in the Lok Sabha.

The problem of acquiring land for seed farms, according to the Minister, has been solved to a great extent by increasing the Central assistance for land from Rs 500 to Rs 1,500 per acre and by simplifying the procedure for acquiring land for the farms.

Allotment of Fertilizers

IN order to augment supplies of fertilizers, export of 50,000 tons of groundnut oil cakes was allowed for utilising the foreign exchange earned thereby for their import. Under the Indo-U S Aid Programme some funds have been allotted for import of fertilizers. Additional imports under these arrangements are expected to be as follows:

From Italy: 32,000 tons of sulphate of ammonia and 22,000 tons of urea; 57,000 tons of sulphate of ammonia against oil-cakes export and 35,000 of ammonia sulphate under the Indo-U S Aid Programme Funds.

So far arrangements for imports from Italy and against oil-cake export have materialised.

Synthetic Rubber Plant

THE proposed synthetic rubber plant at Bareilly in U P is expected to go into full production early in the Third Five Year Plan. The plant, which would be set up in the private sector, would have a capacity of 20,000 to 30,000 tons of rubber per year and would consume about 12 million gallons of industrial alcohol annually. Preliminary steps to set up the synthetic rubber plant are already in hand.

The Ahmedabad Electricity Company Ltd

Speech of the Chairman, Mr P D C R Clark

THE following is the speech of the Chairman, Mr. P. D. C. R. Clark, delivered at the Forty-sixth Ordinary Annual General Meeting of the Ahmedabad Electricity Co., Ltd., held on November 26:—

Gentlemen,

The Directors' Report for the year ended 31st March, 1958, and the Audited Statement of Accounts for the same period, have been in your hands for some time now, and I shall confine my remarks at this Meeting to such aspects of your Company's affairs and other policy matters as have not been included in the Report, or are not covered in detail therein.

The periods for the comparison of performance data and financial results are again not equal in that the previous period was for six months, i.e., October 1956 to March 1957. I shall nevertheless make an attempt to give a brief review comparing the results of the year ended 31st March, 1958, with those in respect of the corresponding period ended 31st March, 1957.

Higher Sales of Energy

The overall sales of energy for the year ended 31st March, 1958, at 630.63 million kilo-watt-hours have registered an increase of 10.78% over the corresponding previous twelve months. Upon a class-wise basis, notable increases have taken place in the sales, to the North Gujarat Grid and the Municipal Corporation, the percentage increases over the corresponding previous twelve months being 23.84% and 14.71% respectively. From the cost angle, the average delivered cost of coal per ton for the year under review was Rs. 43.44 as against the average cost of Rs. 39.61 per ton for the corresponding previous twelve months, and for the current year, namely 1958-59, we expect the average coal cost to increase still further to roundabout Rs. 46 per ton. The main causes of this trend in cost of coal have been successive increases in Railway freight and labour awards in the Coal Industry. This ever rising spiral of costs in general is a universal one and while your Company has so

far consistently absorbed them with its increasing growth and increasing efficiency, there is a limit to its ability to do so indefinitely.

You were advised at the last Annual General Meeting of the implications of the linking of the Rate of Reasonable Return with the Reserve Bank Rate ruling on the 1st of April each year, which had been done under the Electricity (Supply) Amendment Act, 1956. The rate of Reasonable Return for the year ended 31st March, 1958, was 5½%, but for the current year 1958-59 this will be 6% since the Reserve Bank Rate has increased by ½%. You would doubtless like to ask me as to the anticipated financial results with the 6% Reasonable Return. I must point out in this connection that the interest on borrowings which was hitherto admissible as a charge in arriving at the Clear Profit ceased to be so admissible under the new amendments. Therefore, even with the 6 per cent. Reasonable Return, the overall financial position will be almost the same as under the pre-amendment set-up, since interest on borrowings, which will not be admissible as a charge in computing the Clear Profit, will tend to neutralise the benefit of the increase in the rate of Reasonable Return.

Tax Credit Procedures

Coming now to the topic which has been the subject of much pre-occupation for the Electricity Supply Industry, namely the subject of grossing up of dividends in the hands of Shareholders for the purpose of tax credits, I would like to tell you that the Federation of Electricity Undertakings of India has recently submitted certain proposals to the Direct Taxes Administration Enquiry Committee, which proposals, if accepted by the Committee and implemented by Government, would remove once and for all the anomalies in the existing provisions of Law, and at the same time simplify tax credit procedures. The proposals envisage a deduction of tax at the Company rate from the gross dividends and the distribution of net divi-

dends to shareholders, the tax deducted to be paid to Government irrespective of the position of the Company vis-a-vis the total income under the Income-tax Act, and, to the extent it is in excess of the current tax liability of the Company, to be treated as a deposit for adjustment against the Company's future tax liabilities as and when they materialise. On the strength of the tax withholdings from gross dividends, the shareholders would currently receive the benefit of full tax credit—in other words, restore to you the right to "gross-up" your dividend from this Company which right, as you are so painfully aware, has been denied you in recent years. The Electricity (Supply) Act of course would have to be amended so as to admit the tax on gross dividends as a charge in the computation of Clear Profit. It has been shown to the Direct Taxes Administration Enquiry Committee that the proposals would not operate to the disadvantage of any of the three parties involved, namely the State, the Shareholders and the Companies.

At the last General Meeting a reference was made to the proposed addition of 30,000 kW. of generating plant to your Company's Sabarmati Power Station forming the first stage of the projected "C" Station Second Half Development. Your Directors at their Meeting held on 30th October, 1958, decided, subject to the receipt of the requisite Import Licence, to place on order one 30 MW. Turbo-Alternator Set and ancillaries with Messrs. British Thomson-Houston Export Co. Ltd., two 200,000 lbs./hr. Spreader Stoker Boilers with Messrs. Babcock & Wilcox Limited and ancillary Coal Handling Plant with Messrs. Strachan & Henshaw Ltd. The requisite applications have been forwarded to the Authorities concerned and are being followed up.

I would like once again to express our thanks to the Central Water & Power Commission and to its newly appointed Chairman Mr. M. Hayath. As you are, doubtless, aware, we, as a Public Utility

Company, and as Constituents of the Bombay Association of Electrical Undertakings and of the Federation of Electricity Undertakings of India, have frequent recourse to the guidance and assistance of this Department of the Central Government and this has always been readily forthcoming despite the great difficulties of the present situation.

During a recent visit to Delhi, Mr. Hayath told us that the Country as a whole must be reconciled to delays in the implementation of even urgently needed power projects. This was said in no spirit of defeatism but with a sense of responsibility and a full knowledge of the realities of the situation.

Rationalisation of Capacity

This brings me to the subject of what may be termed 'Rationalisation of power capacity' already available in the Country. It is well known that the ability of a Public Electric Supply Undertaking to serve its consumers is, among other things, limited by the maximum demand which it is capable of meeting. In most Undertakings this maximum demand or 'peak' is created by the super-imposition of the lighting load on to the industrial load shortly after lighting up time. It will be clear that if a careful survey is carried out in industrial establishments, there will be found certain loads or machines, not required for continuous operation, and which could be kept off the peak period (which in your Undertaking is only of half to one hour's duration), and worked exclusively during periods of low load—in other words 'off peak'.

In your own Undertaking, there is a further possibility of reducing the peak demand by a judicious staggering of the half-hourly evening rest interval in Mills.

The full exploitation of these demand-saving measures will on the one hand reduce the consumer's bill by reducing his individual maximum demand and improving his load factor and on the other, release valuable power capacity to serve extensions in his own establishment or for other consumers. It is hoped that with the co-operation of the Millowners' Association it will be possible to achieve the maximum amount of load release

by the judicious adoption of these measures without any loss of production and the minimum of inconvenience to labour and management. What I have just stated should not be construed to mean that it is possible to defer by the slightest extent the implementation of the first 30 MW phase of the "C-2" Extensions which is being pressed forward with the utmost vigour.

Import of Spare Parts

Another matter which weighs heavily on the Managements of Public Utility Undertakings these days is the delay in obtaining Import Licences for even the most essential spare parts required in an emergency. We recently had the case of a relatively small item costing only a few hundred pounds where a delay of several weeks took place in receiving an Import Licence although the material was already manufactured and was awaiting transport by air. This delay cost the Company many times the value of the spare part concerned. It may be contended that the spare part in question should have been in ready stock. It will be easily realised that no organisation can afford to lock up capital by having in stock every possible spare part of the plant which would mean practically duplicating its cost. While a reasonable stock of spares has been provided by us in consultation with manufacturers for all possible eventualities, there is always the possibility of an unexpected item giving way or of a repeat failure. In such cases you can well appreciate the magnitude of the potential loss of production that would result from a single 15 M.W. machine being held up for a couple of months. It would, in fact, be equivalent to the loss in production from 15 Mills working full blast over that period! In view of this it is to be hoped that the Authorities in the Central Government would allow a reasonable latitude to the Central Water & Power Commission or similar Directorates to be invested with powers, within certain limits, to grant ad hoc emergency licences for spare parts required by important Industrial Undertakings, and particularly Public Utility Undertakings.

Unfortunately, in the early part of the current financial year the demand on your Power Station

reached a level, which necessitated, as a short-term stop-gap measure, pending the commissioning of the fourth 15 M.W. Turbo-Alternator Set in the First Half of "C" Station, the introduction of a system of staggering of load releases. I am glad to advise you that the fourth 15 M.W. Set was commissioned on 24th October, 1958, and with this adoption, it is expected the situation will ease considerably. In a few months from now it is hoped that further substantial relief to the Station would be afforded by the South Gujarat Grid taking over the Baroda load.

Municipal Taxation

Another matter on which I am inclined to offer some remarks at this Meeting from the policy aspect is the question of Municipal Taxation, the latest position in respect of which has been reported to you in the Directors' Report for the year 1957-58. The 'profit method' of assessment, which has been turned down as inappropriate both by the Small Causes Court and the District Court, is a method involving financial implications of considerable magnitude, and from this point of view the pending reference before the High Court is of particular significance both for yourselves and for the consumers.

You will have seen several Press Reports during the last few months about the prospects of an atomic power plant being installed in India and of the likelihood that its site will be between Bombay and Ahmedabad. Whatever be the final outcome of this proposition, the proposed 30 M.W. extension forming the first phase of the Second Half of your "C" Power Station would in any case have to be implemented since it is required to cater for the anticipated load growth long before any atomic power could come into existence.

Meter Reading and Billing

Your Management has been considering the prospects of introducing two-monthly meter reading and billing system, in place of the existing monthly meter reading and billing. The proposal has potentialities for economies in consumer-costs, but unfortunately its introduction is being delayed on account of some technical difficul-

ties under the Electricity Duty Act and Rules.

Labour relations have during the last year been cordial as usual. A new Union under the banner of "The Ahmedabad Miscellaneous Industrial Workers' Union" filed an application for registration as the representative and approved Union in place of the Ahmedabad Electricity Employees' Union, and after conducting investigations the Registrar of the Industrial Court accepted the application.

Your Company has become an Ordinary Member of the Administrative Staff College of India at Hyderabad, and a Senior Engineering Executive has been deputed to attend the October/December 1958 Training Session of the College. Your Company has also become a joint subscriber, with the Agency Company, of the Personnel & Productivity Services.

Around Bombay Markets

THE attention of the stock exchange fraternity is focussed on to-day's annual general meeting of the Indian Iron and Steel Company Ltd at Calcutta. The Chairman of the Company had circulated three weeks ago a statement along with the accounts for the year 1957-58. Dalal Street, however, is interested to know the reasons why the bidding company, viz, Dalhousie Private Ltd recently liquidated about 2 lakh shares and also whether there was any intention for further sales in the near future. The market is left wondering whether any fresh capital issue is forthcoming in the near future and if so, whether it would be on the basis of one share per share at par. There is also considerable speculation about the proposed bonus issue in the ratio of one share per every five shares, and whether sanction from the Controller of Capital issues would be forthcoming in the near future. As Tisco was allowed to capitalise premium account, there is no reason why permission may not be granted to IISCO to proceed more or less on the same ground. Any way as the floating stock of this scrip has increased, the general feeling is not friendlier. But much de-

A Long Service Award Scheme has been formulated in consultation with your sister Companies and is in the course of being implemented. The awards take the form of a gift and a certificate.

Accounts

Coming to the Audited Statement of Accounts for the year ended 31st March, 1958, I feel that these are already straightforward in the form in which they have been presented to you. You will have noticed that after meeting the usual appropriations, and after transferring a sum of Rs. 2,07,000 from the Equalization of Dividends Reserve, a Final Dividend of Rs. 4/- per Share, making 6½% for the year, has been recommended, leaving a balance of Rs. 857 to be carried forward to next year.

You will have seen from the Directors' Report that Mr. K. G. Milne and Mr. E. D. Sheppard re-

signed their seats on your Board in September last and the Board of Directors have recorded their appreciation of the services rendered to your Company by these two gentlemen.

In conclusion, I must refer to the good work performed by your Company's staff who have carried out their duties with zeal and energy, and I am happy to take this opportunity to thank them on your behalf.

I now propose that the Directors' Report together with the Audited Statement of Accounts for the year ended 31st March 1958, be, and the same are hereby, approved, adopted and confirmed.

Note: This does not purport to be a record of the proceedings of the annual general meeting which will be sent separately to shareholders.

Friday, Morning

Indian Iron Disappoints

Scindia Steam Navigation Company's directors have thought it prudent to conserve their resources by maintaining the dividend for the year to June 1958 because the prospects for earnings for the current year are not so rosy as in the past year. India Steam has also done the same thing by repeating the dividend of Re 1 despite higher profits. Malabar Steamship Company's earnings for the year to March 31, 1958 have fallen rather sharply due to special circumstances but the dividend could be easily maintained to Re 1. This company is raising its equity capital by offering one share for two shares at par while sanction to bonus issue is being delayed.

Dalal Street which was in dol-drum appears to have steadied up despite weakness of Indian Iron. The call money rate which had gone upto 2¼ per cent has reverted to 1 to 1¼ per cent. The outlook for cotton piece goods seems to be changing for the better, there are signs for increased off take both in the domestic as well as export field. The Commerce and Industry Minister has painted a somewhat optimistic picture for the industry in 1959. Moreover TISCO's output has shown a steady rise. It is expected that output of saleable steel for the current month might approximate 86,000 tons as against 76,900 tons in October and 66,500 tons in September. It is no wonder that Tata Steel as well as selected textiles are meeting with fair demand. There is of course no possibility of increase in dividends in the textile group for the year 1958; on the contrary, in a few cases, the chances are for some reduction. For Tata Steel, there is more likelihood for a status quo dividend. The prospects ahead, however, have induced some buying.

Guest Keen Williams have been in good form following the announcement of bonus issue of three shares for ten shares. The shares climbed to Rs 39 from Rs 34 before reacting to a small extent. National Carbon were steady and well informed sources speak well for the shares for lock up. Hindustan Lever have been a steady feature but Imperial Tobacco were a shade easier.

Indian Cable have reported larger earnings for the year to 31st March 1958. Though earnings for the cur-

rent year are likely to be higher following expansion, it must be borne in mind that the equity capital had been increased only recently and hence even for the year 1958-59, the dividend including bonus is not likely to exceed Re 1.50.

As the current production remains unabsorbed, Cement shares are, so to say, friendless. ACC have the same sorry tale to repeat and the dividend that is to be decided after a few days is not likely to exceed Rs 8 according to informed sources. The last dividend was Rs 9.

National Rayon are depressed on fears of increase in excise duty as recommended by Tariff Commission. Tata Chemicals which will be listed ex-dividend on Monday next are keeping quiet. Tata Loco were quietly steady but the rights issues were depressed due to the proximity of payment of the full amount of Rs 100 per share. Premier Construction staged a smart rally on hopes of bonus issue. The abolition of export duty on manganese ore has helped Shivrajpur. Bombay Burma, after keeping easier, have recovered as the shares will be quoted ex-dividend on Monday while the first dividend which is expected at Rs 17.50 will be decided after few days.

Cotton

Good Demand from Spinners

AFTER irregular movements, prices in both the futures and the spot sections have firmed up. With good demand from spinners, staple varieties have gone ahead. Rains in some parts of Saurashtra, Berar and a few other places, it is reported, have done damage at least quality-wise if not quantity-wise. This has provided the driving force while somewhat better advices from the cotton piecegoods market have also added strength.

Though export outlook for the recently declared export quota of 2.5 lakh bales even with reduced export duty of Rs 25 per bale is not so encouraging, it is evident that the Government is fully alive to the issue of helping the cultivators by preventing prices from tumbling down to an uneconomic level.

New crop estimates range from 52 to 54 lakh bales but the trade is very much intrigued over the poor arrivals in terminal markets and is not able to make up its mind as to

whether this is due to lower outturn than generally assumed or whether the farmers are holding back their cotton. It will take some time to reappraise the situation. Despite the export quota of 5 lakh bales for this season, there will be no shortage of cotton in so far as the consumption of the mills in the country is concerned. Their total requirement is about 45 lakh bales and the surplus would be round about 7 lakh bales. Besides this, there will be a carry over of 21 lakh bales.

With regard to further supplies of foreign cotton, Government is licensing the import of about 95,000 bales of cotton of staple 1-1/16" and above from USA under PL 480 programme. Half of this quantity is earmarked for distribution under the export incentive scheme. The President of the East India Cotton Association has expressed the view that Government will have to make arrangements for further imports of 13/16" of 30 to 40 thousand bales.

At the first meeting by the Cotton Textiles Consultative Board, Shri Lalbahadur Shastri maintained that consumption of cloth has kept pace with the steady increase in the total national income. This, he thought, gave room for a more optimistic forecast of events to come, as total demand would continue to increase during 1959. He urged the Board to

tackle the problem of accumulated stocks by boosting exports. His suggestion for compulsory exports by each mill, however, has not found favour with the industry.

Oilseeds

Irregular Trend

THE oilseeds market has remained irregular. Castor seeds improved moderately on export business to the tune of 500 tons having been put through in oil at 12½ cents. UK and continent do not evince interest in purchase of Indian oil at the moment though it is generally believed that if local prices came down somewhat further, prospects for business might emerge.

The announcement of fresh export quota of 25,000 tons of HPS groundnuts had no effect as the previous quota still remains unutilised. With larger arrivals, the disparity between spot and forward groundnuts has narrowed down. Gujarat and Saurashtra interests have been sellers at all bulges in view of the prospects of a bumper crop. Recent rains might result in lower arrivals of groundnuts for the time being.

Linseed has been steadier on prospects of export business while cottonseed futures are better in sympathy with spot.

INDIAN AGRICULTURE IN BRIEF

A useful handy and pocket size booklet has been recently brought out by the Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India, with a view to meeting primarily the need of those who wish to have a snap-shot picture of Indian Agricultural Economy as revealed by the current Agricultural Statistics. Certain essential data in allied spheres, e.g., population, national income, etc., needed for an understanding of the agricultural economy in its broader perspective have also been included in this booklet.

Price per copy Annas 8.

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CURRENT STATISTICS

BANKING RETURNS				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1562.69	1585.92	1544.70	1480.90
2. Rupee Coin	137.38	136.08	139.17	139.72
3. Deposits				
a) Central Government's	52.03	63.33	49.00	53.19
b) Banks'	101.94	79.82	142.05	109.23
c) Other Government's	24.49	18.17	31.97	9.44
d) Others'	119.95	114.93	114.48	110.95
4. Foreign Securities	164.68	164.68	164.68	280.19
5. Balances held abroad	16.85	18.33	14.74	32.67
6. Rupee Securities	1174.73	1174.73	1134.36	982.29
7. Investments	303.87	302.52	376.87	261.43
8. Loans and advances to Governments	20.80	22.25	16.25	27.75
9. Other loans and advances	54.30	58.28	53.06	54.88
Scheduled Banks				
1. Demand Liabilities (net)	691.68	682.13	694.64	713.88
2. Time Liabilities	883.55	887.04	850.35	645.04
3. Cash on hand	120.42	121.76	127.16	138.41
4. Borrowings from Reserve Bank of which against Usance Bills	4.94	4.67	1.45	20.85
5. Advances and Bills discounted of which State Bank's	841.08	844.55	844.32	846.98
6. Invest. in Govt. Sec. of which State Bank's	641.31	640.46	594.90	407.6
Cheque Clearance	112.82	182.31	172.07	164.97

† For Reserve Bank and Cheque Clearance Week ended 21-11-58 Scheduled Banks Week ended 14-11-58.

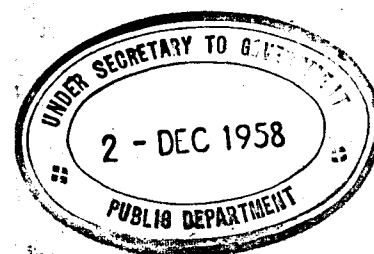
Bombay Money Rates (per cent per annum)				
	14-11-58	7-10-58	17-10-58	15-11-57
Call Money				
From banks	2½-3½	1½	3-4½	3-4½
From public	3½-4	2½-4½	2½-4½	2½-4½
Three Months	3½-4	2½-4½	2½-4½	2½-4½
Six Months	3½-4	2-4	2-4½	2-4½
Bombay Bullion (In Rupees and nP)				
	27-11-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	113.35	114.37	110.28	108.31
Forward	113.31	114.19	111.47	108.31
Silver (per 100 tolas)				
Spot	188.62	190.19	187.62	182.75
Forward	189.25	190.37	188.75	182.75

INDEX NUMBER OF WHOLESALE PRICES (Base : 1952-53=100)				
Group and Sub-Group	WEEK		ENDED	
	8-11-58	1-11-58	11-10-58	9-11-57
Food Articles	120.2	121.6	121.4	108.4
Cereals	112.4	113.2	113.9	102.4
Pulses	111.8	112.2	108.2	83.1
Fruits & Veg.	126.5	120.3	125.4	112.9
Milk and Ghee	109.8	109.7	111.7	104.2
Edible Oils	124.0	128.2	131.1	132.1
Fish, Eggs & Meat	110.9	110.5	112.3	98.9
Sugar & Gur	133.6	137.9	133.6	112.8
Others	158.1	163.8	157.8	134.2
Liquor and Tobacco	94.0	94.0	92.8	96.5
Tobacco	92.4	92.4	91.1	95.0
Fuel, Power, Light & Lubricants	115.0	115.0	115.8	115.3
Industrial Raw Materials	113.1	115.7	117.1	116.2
Fibres	101.6	103.5	104.3	112.8
Oilseeds	127.8	132.6	136.1	125.0
Minerals	105.2	105.2	105.2	107.1
Others	107.9	107.9	106.6	106.6
Manufactures	108.8	108.5	108.9	108.7
Intermediate Products	109.8	109.5	110.7	106.0
Finished Products	108.6	108.4	108.6	109.2
Textiles	103.7	103.3	103.8	107.7
Cotton	111.1	111.1	111.8	116.4
Jute	88.9	87.4	87.0	98.2
Woollen	106.9	105.9	105.9	103.0
Silk & Rayon	95.1	95.1	96.3	81.8
Metal Products	143.1	143.1	143.1	143.4
Chemicals	107.3	107.3	108.0	98.9
Oilcakes	143.8	143.5	141.6	125.6
Machinery and Trans Equipment	103.7	103.6	103.5	102.3
Others	113.9	113.9	113.9	111.4
All Commodities	115.1	116.1	116.3	109.7

CALCUTTA TEA AUCTIONS

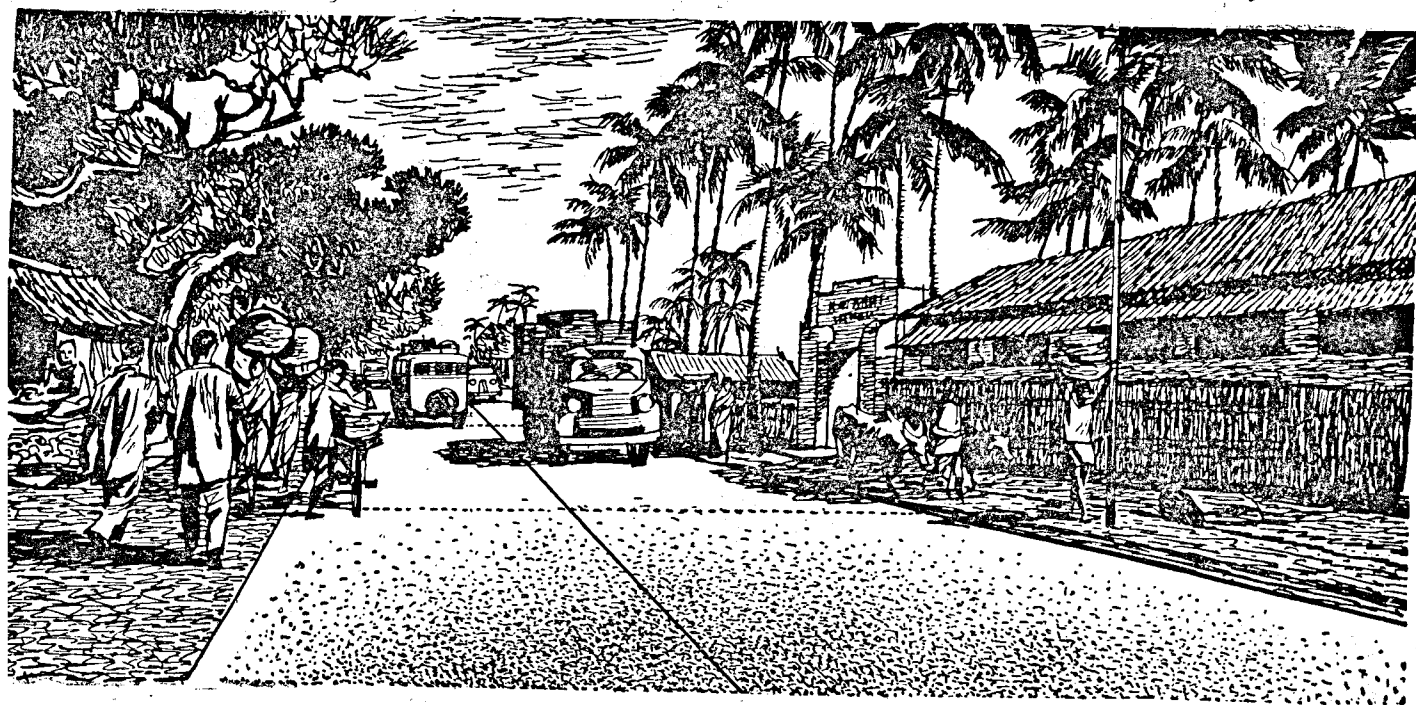
1958-59		1957-58		
June 1 to Oct. 14		June 1 to Oct. 15		
Packages (nos)	Avg Price Per lb. (Rs)	Packages (nos)	Avg Price Per lb. (Rs)	
For Export				
Assam	371,859	2.91	310,218	2.86
Cachar	84,025	1.85	68,291	1.76
Darjeeling	89,698	3.63	73,406	3.32
Dooars	222,378	2.06	205,038	1.93
Terai	31,350	1.98	20,599	1.84
Tripura	10,944	1.82	9,159	1.76
Other Districts	363	1.97	286	2.03
Total	810,617	2.58	686,997	2.46
For Consumption in India				
DUSTS	271,638	2.03	230,876	1.90
of which				
Assam	189,532	2.14	139,862	2.09
Cachar	19,687	1.71	21,126	1.56
Darjeeling	3,717	2.26	2,834	2.29
Dooars	54,324	1.79	63,214	1.61
OTHERS GRADES	16,858	1.73	17,412	1.54
of which				
Assam	10,227	1.68	8,225	1.43
Cachar	800	1.53	755	1.19
Darjeeling	1,484	2.53	2,562	2.47
Dooars	3,416	1.59	4,549	1.35

Source: DCIS, Calcutta



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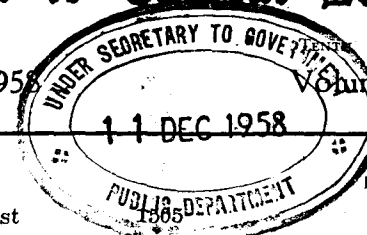
The Economic Weekly

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The Economic Weekly

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The Pioneer Scientist

WHY do so many scientists forsake science for politics in this country? Partly, for the same reasons for which industrialists used to float insurance companies. Both are aspects of the same phenomenon of underdevelopment. This is not necessarily to underrate the contribution of scientists who forsake a promising career and prospects of personal attainment in their special fields of knowledge in order that more and more people may have the opportunity to pursue scientific studies and carry on research. In that process, does dedication to science suffer? The question is both irrelevant and impertinent. One may as well ask: why have we fewer geniuses in a particular age than in others? The capacity for sustained, life-long emotional attachment to a cause or ideal, to a pursuit as selfless and unrewarding as the pursuit of pure knowledge, and calling at the same time for a combination of individual qualities which is itself rare, is not given to many, in any country or in any age. The number of scientists which a country produces and the general standard that is attained by them, however, depend on the objective conditions. These conditions have certainly changed and changed in favour of science, though not yet to an extent that justifies or warrants the hope that science is gradually permeating the lives of the Indian people and initiating that transformation, the end point of which is application of reason to every day affairs.

That there is some awareness of the value of science one can read in the countrywide celebrations of the centenary of the birth of India's pioneer scientist, Jagadish Chandra Bose. It should not be overlooked, however, that behind this tribute to a scientist, there is also, and very largely, the self-assertion of the Indian people. This latter at times led us to absurd lengths; but that time is happily passed. We can look upon our great men and the country's contribution without shouting stridently that India, too, has a place in the sun.

Jagadish Chandra was a pure scientist, if ever there was one. He allowed himself to be drawn into unravelling the mysteries of nature, into fields untrodden before, with no thought whatsoever of applying his knowledge for enriching either himself or his country in any material sense. Yet his dedication was as much to science as to India, then lying in the dark shadows of foreign domination and intellectual stagnation. In placing his findings and discoveries before a Western audience, he was thinking all the time of establishing his country in the esteem of other people. Like Rabindranath, whose life-long friend he was, he believed no country can go on taking from others, it must also have something to give; and he made himself the agent through whom, to the best of his ability, India could also make her contribution to modern science.

Though internationally famous for opening up an entirely new field of knowledge, of the response of plant life to light and other external stimulæ, his earlier work was in the field of propagation of electrical waves, Jagadish Chandra's extreme indifference to application of his own findings to practical uses as also to his individual material interests, partly explains why his earlier work did not receive the recognition which it deserved. He did not bother to take out patents. Much of the latest work in electronics and wireless transmission has

been along the lines in which he was the fore-runner. But it was only partly because of his own indifference that he was deprived of what was rightly due to him. The manner in which his findings were cold-

shouldered by the British scientists of the day, the allergy to science among the people and the Government of his own country were mainly responsible for this neglect. What odds Jagadish Chandra had to fight

with, it would be difficult for this generation even to believe, far less to comprehend. But, finally, recognition did come to him, and fulfilment which rarely misses one as dedicated as he.

Nehru on the Third Plan

IN his address to the Congress Parliamentary Party, Pandit Nehru has given in broad terms the objectives and the requirements for the success of the Third Plan. Quite justifiably he favours a somewhat faster rate of growth during the Third Plan Period. But his repeatedly expressed view against any sizeable reduction in the Second Plan investment notwithstanding, such a reduction has taken place and in spite of their foreign exchange cost being quite small, the really basic investments like heavy machinery making and heavy electrical equipment industries have not got started so far. It is, therefore, doubtful how far Nehru's opinion about the rate of growth during the Third Plan would be adhered to in the course of its implementation or even in the stages of its formulation.

Nehru is again right in pointing out that the success of the Third Plan would depend upon the active cooperation of all the elements in the country and to that purpose, he wants to take all political parties and shades of opinion into confidence while formulating the Plan. Here, again, how far Nehru's individual opinion would hold the field and how far the other interests in the Congress Party would permit such active cooperation cannot be said with any degree of confidence, in view of the experience in this matter in the past. In its present state of decadence and senility, whether the Congress party would really work in the interest of the country as a whole and not merely in the interest of its own survival, is itself doubtful.

That there should not be too much disparity in society in order that people may be enthused for working and sacrificing for the planned development of the country is also true and Nehru has rightly emphasised the obvious. More often than not, the objectives of rapid growth and a more egalitarian society come in conflict and the country has to make up

its mind what compromise between the two conflicting objectives it would consider tolerable. One would, of course, like to have all the good things of life. Because one cannot have all of them at the same time, the economic problem of choice arises. Skill and ingenuity lie in making the right choice that would be politically acceptable to the country.

Foreign loans of a sizeable amount would be required for the Third Plan, if it is to be as big as Nehru wants it to be. But in this, Nehru and his government seem to be thinking on different and conflicting lines. Nehru has been consistently against excessive reliance on foreign aid and loans. But it is for the first time that he has gone to the extent of saying that "big loans tended to influence the formulation of independent policy". Of course, such a thing has not happened so far, he took care to add. The more important reason, however, why too much reliance on foreign loans and aid is bad is that it tends to slacken effort within the country and makes the ability to get aid the index of success of a plan. When diplomatic

finesse to attract aid and loans takes the place of mobilisation of available internal resources, it is disastrous for any country. In the ultimate analysis, a country can grow only by its own efforts and foreign assistance can play only a marginal role in this process. This needs to be emphasised, as the recent trends in official thinking seem to suggest that this simple truth is still ignored, if not by Nehru, certainly by his government.

Finally, the lesson that the basic requirement for any development effort is adequate food seems to have been learnt at last. The need for adequate food and sizeable food stocks for meeting seasonal fluctuations in food production have been recognised. As a beginning, rice to be procured during the season has been planned at two million tons. This season, the rice crop is expected to be good and it is certainly a right policy to store food while the crop is good, so that it can be used in a bad season. That for stabilisation of food prices as well as adequacy of food resources a sound food storage policy would be needed, though late, is a welcome realisation.

INDIAN AGRICULTURE IN BRIEF

A useful handy and pocket size booklet has been recently brought out by the Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India, with a view to meeting primarily the need of those who wish to have a snap-shot picture of Indian Agricultural Economy as revealed by the current Agricultural Statistics. Certain essential data in allied spheres, e.g., population, national income, etc., needed for an understanding of the agricultural economy in its broader perspective have also been included in this booklet.

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In fact, the formulation of the Third Plan with all the experience gained so far should not be very difficult. To secure the basic industrial framework, to expand the basic facilities and to concentrate on increasing food output and on

exports, these priorities seem to be quite clear. The end of the Third Plan should mean for India an industrial economy, which can go ahead under its own steam. The maximum possible growth rate, however, also calls for consistency

Wage Structure in Steel Industry

THERE must be something in the air. For shrimps have begun to whistle, or else, how explain stock brokers' enthusiasm for larger and larger production of steel? The following is an excerpt from the market report of a leading firm of stockbrokers in Calcutta:

"Whatever the critics of the Plan may say about the disproportionate emphasis laid on steel in the Second Five Year Plan, investors are unlikely to underrate the importance of this basic element of any industrialization programme. The rate of growth of steel production and consumption is perhaps the best index of the rate of economic development. The target of 6 million tons of steel by 1961, which India has set itself, may be ambitious, in the light of our limited resources, but is insignificant, when set alongside the production of over 100 million tons in the United States, over 50 million tons in the USSR and over 20 million tons each in the United Kingdom and West Germany. Even China claims to have outstripped India and is forging ahead. The six million tons of steel, which we expect to produce by 1961 represents our minimum requirements and any slowing down of the rate of expansion of productive capacity will act as a bottleneck, holding up the whole process of industrial development. We are fortunate that nature has endowed us with almost unlimited quantities of iron ore and quite adequate amounts of the other materials required for making steel. Potentially, India has the makings of a great steel-producing nation."

It reads almost like the paeans of praise for heavy industry which one usually associates with hard-hearted planners, who are only for jam tomorrow and also for the public sector. This enthusiastic support to steel and dire warning against the danger of "slowing down the rate of expansion of production capacity" of this industry is a preface to the glowing prospects, richly deserved, of Indian Iron and Steel shares. In-

vestors, of course, need no persuasion to be convinced of the growth potential in this particular investment, since the company has on hand an expansion programme designed to increase its capacity from 300 thousand tons to 800 thousand tons of finished steel a year. The programme was expected to be completed by December next year, but some delay will be caused because of disorganisation of production schedules, on account of labour troubles, among other things.

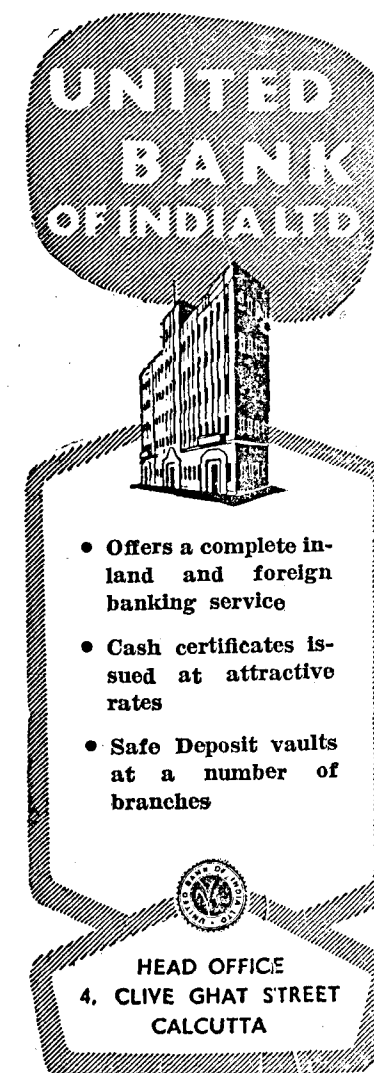
To the latter, Sir Biren Mookerjee drew pointed attention in the statement he issued to the share holders along with the Annual Report of the Company, in lieu of the usual Chairman's speech at the Annual General Meeting. This innovation has not been wholly satisfactory as the market, particularly Dalal Street, did not get elucidation on some of the points which had been troubling the investors, and had to wait for clarification which it appears to have received to its complete satisfaction, but only at the Annual Meeting.

Sir Biren Mookerjee repeated the same warning as Shri J R D Tata had given only a month ago, when he said "we are, together with the other main producer, being made to suffer by reason of Communist plans to foster discord in an endeavour to supplant the organised labour unions". The net result, he said, was a loss of foreign exchange to Government to the extent of some Rs 5 crores from his company alone. Matters, he warned, would get a great deal worse and the entire steel belt become an "agitators' paradise" when the Government steel plants start working — as they will shortly — for the wage scale for these plants have been evolved independently of those existing in the two steel plants in the private sector. In order to obviate the wage structure of the industry, which is complicated enough, from becoming complicated further, he suggested that a statutory wage tribunal be

among the various output targets. This task calls for boldness and imagination, as also for technical expertise. Of the first two, there is no dearth, the last can be organised or imported. But who will execute the Third Plan?

set up without delay to determine a wage structure, which would consolidate most of the multifarious allowances paid to labour, fix dearness allowance on zonal basis, and a fair incentive bonus, and provide for an annual bonus based on the financial results achieved.

The warning is timely and should be heeded in time.



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Weekly Notes

Accent on Exports

THE accent is on exports. As in other things, in the case of exports also, a desperate situation may require a desperate remedy. Circumstances are conceivable in which, as an emergency measure, a country may justifiably re-export imports already received, defer imports for which commitments have been entered into, and even call back or post-date import licences that have been issued. India never reached that state of desperation.

The next group of remedies which comes under short-term measures is still primarily prompted by a pressing sense of urgency, e.g., compulsory export of sugar. The economic justification here, too, is that of 'apad-dharma', propped up to some extent by the fact that the import content of sugar exports is negligible. This is one extreme. The other is the long term development of exports, based sensibly on a careful assessment of comparative advantages, not on present day market facts alone, but on an appraisal of prior requirements of the plan and possibilities of meeting shortages from internal resources.

Between these extremes, there is an intermediate range where short term measures can be effective, provided they are pursued both with a sense of urgency and proper appraisal of economic realities. A correspondent has listed some of the possible lines of export which promise ready results:

(1) There is foreign demand for molasses which are running to waste. In fact, sugar mills in Maharashtra have to incur some cost to get rid of them. Attractive prices are quoted abroad, but no storage facilities are available at ports, and transport from mills is impeded by lack of tank wagons.

(2) There is considerable surplus of alcohol, for which also there is export demand and little internal use. Pending the long-term solution for utilisation of surplus alcohol by manufacturing synthetic rubber which has now been taken up by the energetic Minister of Industries, incidentally laying the ghost of the compulsory mixing of power alcohol with motor spirit which had haunted oil companies in the past, this surplus could be profitably ex-

ported. The only hurdle to overcome, as in the case of molasses, is that of storage at ports and inland transport.

(3) Much more export of cement is possible if internal prices are looked into more carefully—the correspondent stoutly refuses to accept the Tariff Commission's fair prices as fair—and Indian shipping companies cooperate and become export minded. The latter would not even look at low freight cargo.

(4) Then there is also a case for exchanging oil cakes for fertilisers and earning foreign exchange. But unfortunately, it is not an incontrovertible one, for chemical fertilisers are no substitute for groundnut oil cakes under the existing situation, but they could be.

These are only illustrative and the list is by no means exhaustive. The examples cited suggest the more fruitful lines that can be pursued. But is the necessity for foreign exchange earnings really so pressing after all? Easy reliance on foreign aid does seem to blunt the edge of urgency.

Export at a Loss!

ALMOST alone among the leading industrialists, Lala Shri Ram has advocated export at any cost. This is different from the usual pressure from the trade for export quota. Speaking at the Annual General Meeting of the Delhi Cloth Mills, Lala Bharat Ram, the Chairman, reiterated the same demand. "Whatever the mechanics of the manner," he said, "it is my view that in an under-developed country like ours, engaged in a process of accelerating economic development, there is no alternative but to export—even at a sacrifice." Lala Shri Ram has staunchly advocated collective action by the mills themselves to export surplus stocks at a cost to be shared among the mills. It was not a course which appeals to the industry. On the contrary, mill interests in a body, and not only the mills which are in a bad way, have stoutly opposed any scheme of compulsory exports. In effect, Bharat Ram suggests to other industries, including textiles, the same scheme under which sugar mills are required to export the 2½ per cent of their output compulsorily. While welcom-

ing the incentives offered by the Government for promoting exports, he was "afraid that a substantial increase in our exports will come only if there is compulsion in the matter of exporting."

The steep fall in exports and the need to increase them if only to meet the foreign exchange payments in the coming years, especially during the Third Plan, nevertheless, make it imperative that this opposition be faced squarely. The grant of any further export incentives to the industry, like concessional railway freight and lower taxation, could be made conditional on the fulfilment of a certain minimum of export performance. The problem, however, is complicated, firstly, by the propensity to lower quality which is so widespread in the textile industry, and secondly, by the fact that only a few mills have taken an interest in exports and they alone are, by and large, equipped to attract the foreign buyer. The imposition of a compulsory export quota in the case of a relatively homogeneous product like sugar does not raise the same problems. While, therefore, the need for compulsion may be accepted, its enforcement will have to await the setting up of a proper organisation and of standards for adequate quality control.

Bharat Ram did not stop at this. He asked for another drastic step—a freezing of wages at existing levels, accompanied "by the imposition of a ceiling on dividends, and on Managing Agency commissions." The necessity of bringing down the latter to more reasonable levels, say, on a sliding scale, as against the present flat rate of 10 per cent, has been increasingly stressed of late. By accepting ceiling on dividends and reduction of Managing Agency commission, the industry's case for wage freeze will certainly be strengthened and the opposition from labour could be overcome. Bharat Ram's main point, however, was restraint on dearness allowance which nowadays constitutes a large part, often the larger part, of wage payments but bears no relationship whatever to labour productivity. The case for linking real wages to productivity is strong, once a minimum or living wage has been attained, but it is hardly possible to extend the argument to cover cost of living.

De Gaulle and the Vote

THE elections in Algeria have solved nothing; and General de Gaulle must now be a sorely disappointed man if he had really been naive enough to imagine that a French-sponsored poll in the present conditions of Algeria could bring about results which might pave the way to a political settlement with the nationalists.

Of course, the elections were given every semblance of fairness; and the General might even deserve the benefit of the doubt and be credited with honest intentions. It was for the first time, for instance, that the Algerian Moslems were enabled to vote on a basis of equality with the white settlers. What is more, the General had prefaced the poll with an injunction that no French military man in Algeria should concern himself with politics; and, at the same time, he had sent out all the instructions he could to ensure that every shade of political opinion in Algeria was really reflected in the result of the poll. Taking all this into account, it can certainly be claimed that the elections were sought to be made as free and fair as possible.

But that does not mean that in practice this honesty of intentions was able to work itself out. In the event of what actually happened, the elections were most certainly neither free nor fair; nor, indeed, was it very intelligent to suppose that in a war-torn country, they could be. The fate of the elections was, in fact, sealed from the very day that the FLN, the National Liberation Front, issued its directive of boycott. How greatly this boycott affected the actual voting, it is difficult to say—although it is rather significant that the voting on this occasion was about 30 per cent less than the September poll for the constitutional referendum. This fall in the vote is not, however, the material point. The important fact is that, soon after the boycott call was given by the FLN, even the "moderate nationalists" among the Algerian Moslem candidates withdrew from the contest; and, what is equally interesting, the liberal-minded white candidates did the same. This left the field clear for the expression of right-wing opinion, and put the elections almost solely at the mercy of the committees of public safety.

The effect of this state of affairs is clearly reflected in the election results. Fourteen of the 18 constituencies have been held by the followers of the Committee; and 60 of the 71 elected members belong to the extreme right-wing groups which stand for complete integration of Algeria with France. Even the odd few seats which have gone to others, have been captured by the mild moderates who would give the Moslems every concession but that of political freedom.

The net result of all this is that if the General looks around for any genuine Algerian representatives among the deputies now elected, he looks in vain. Nationalists are simply not represented in this group; so that there is nobody among them with whom General de Gaulle can either initiate or pursue proposals for a political settlement of the Algerian question. To do that, he will still have to go to the leaders of the FLN—precisely the situation to avoid which the elaborate experiment of the elections was gone through. The General is where he was; the dispute is where it was. The elections have been nothing but a waste of so much ballot paper.

Not even at home have the elections gone in favour of de Gaulle—a hugely paradoxical statement in view of the fact that the verdict has gone overwhelmingly in favour of the super-Gaullists. The UNR, led by M. Soustelle, has captured a disconcerting majority in the National Assembly, the fruits of which might be further embittered for the General by the 71-man block of Soustelle followers hailing from Algeria. The almost total rout of the Communists will bring the General little comfort, for it makes him more than ever the captive of the forces whose support he accepted for coming into power. De Gaulle may now find himself plagued by an overdose of Gaullism.

Geneva Deadlock

HOW long will the two conferences in Geneva continue to mark time? The one considering safeguards against surprise nuclear attacks was perhaps a mistake from the very start. The question cannot possibly be tackled without a general consideration of nuclear disarmament; and in any event a state of "preparedness" on both

sides, save them though it might from being taken by surprise, will not save the world from the catastrophe of a nuclear engagement, if and when it comes. The thing to aim at is the banning of these deadly weapons and a discontinuance of their production. There is therefore, much more good sense in the Russian insistence of all-or-nothing than in the piecemeal and graduated suspensions (which involve the other conference) suggested by the West.

One hopes that there is some substance in the impression, widely prevalent at the moment, that Britain is trying to persuade the United States to at least extend the period of the suspensions from one to three years. That may not in itself be enough, but it may help to create a healthy sentiment in the right direction. How far Britain will succeed in its persuasion is a doubtful matter; and in the circumstances, the deadlock at Geneva may well persist to a point where tensions may worsen instead of easing. Seeing, however, that officials of the U.S. Atomic Energy Commission are themselves advising President Eisenhower to agree to a three-year suspension, Washington should go ahead and make a dramatic announcement to that effect. Such a move by America is perhaps one of the few things that can still help to salvage the wreck at Geneva.

Chinese Methods

WHAT has been the impact of China on India, especially that of the incredible 'leap forward' in Chinese production this year, both in agriculture and industry? Agricultural developments in People's China had attracted the attention of the Government of India fairly early and two official delegations were sent out for the study of agriculture and cooperation in China. Following the visit of these delegations, co-operative farming came to be the centre of interest for a while. But Pandit Nehru having grown out of the obsession with 'bigness', service co-operatives have replaced co-operative farming as models to be followed. The latest are the observations of the Minister of Co-operation, Dr. Punjabrao Deshmukh on the spectacular results achieved in China by deep ploughing and close planting. This had led many people to think that the Japanese method,

so strongly commended before, and about which nothing much had been heard of later, had been dropped in favour of the Chinese method. The Minister, however, has corrected this impression and emphasized that "there was no intention on the part of the Government to discourage the Japanese method of paddy cultivation, which has already been adopted on a large scale, in favour of something that was being done in China."

Generally speaking, it is no longer a question of choosing between the Japanese and Chinese methods. "Cultivators, practising improved agricultural practices which by experiments and experience have proved of definite value in increasing production", Dr. Deshmukh said, "need not abandon them in favour of new methods now being tried in certain countries". This represents, perhaps fairly accurately, the present Government's reaction to China—there is no need to imitate. Whether this attitude indicates a greater confidence than before of India developing fast enough in her own way and of her ability to hold her own against China or any other country, is a different question altogether. But that is what the Congress and the Government would like to say.

Small Scale Production of Steel

SCARCELY any interest has been evinced, however, in China's industrial developments. But her recent advance in steel production, particularly the application of techniques of small-scale production to iron and steel, has been so spectacular that it seems to have created an impression on the Ministry of Steel and Fuel which has decided to send a delegation to study, at first hand, particularly the technique of small-scale production in a sphere in which Western experts had ruled out such methods altogether. It is, unfortunately, a very low-powered delegation that is being sent, going by Delhi's accepted rating of status. Nevertheless, this interest is to be welcomed, if it leads, eventually, those who are fascinated by Bhodan to see the futility of small-scale production which studiously avoids and rejects on principle all modern techniques and the fruits of scientific research. We have forgotten that iron used to be produced in this country also even before a single blast furnace had been set up.

There is, however, a two-way traffic, for we are having a committee of experts to look into our community projects, not from China, but from the West. This is an U N Mission, led by Mr J. Coldwell, from Canada, with two other members, Dr Margaret Reid, Professor of Social Anthropology in the University of London, and Professor Rene du Mont, who has specialised in the agriculture of backward countries and made a special study of agricultural development in People's China. Professor du Mont began his professional career as an agricultural engineer in Indo-China (Tonkin Rice Area: a million families on a million hectares of land). In 1935, he published his first work, 'The Cultivation of Rice in the Tonkin Delta', and his latest work, published last year, is on the Revolution in Chinese villages.

Ford Team for Food Drive

PERHAPS indicative of the confidence in the method it has been following, the Government of India has requested or accepted the offer from the Ford Foundation to bring out an eleven-man team of experts to assist the food production drive. The team is to advise on methods of improving agricultural production which do not involve foreign exchange expenditure. The agricultural extension which we have introduced is only a pale shadow of what goes by this name in the United States and it would not be surprising if unkind critics were to dub this team as "Specialists in Leap Forward Food Production Drive".

Food production calls for such simple things, according to Dr Ensminger, the representative in India of Ford Foundation, as price support programme, with minimum price for foodgrains announced well in advance of the sowing season; liberal provision of agricultural credit and clear, immediate determination of the accepted size of land holdings. As in the case of co-operatives, the determination of the right size is not so important as settling the question one way or the other instead of keeping it hanging indefinitely. There is danger, unfortunately, in stressing land reforms too much, for it may set into motion a fresh wave of large-scale evictions to hasten the readjustment which interested parties may be in a hurry to complete if they really feel concerned that the Government is going

to do something about it. Instead of a minimum price for foodgrains, however, it is maximum price which has been fixed for rice in one State, viz, Madhya Pradesh and Shri Jain told the Rajya Sabha that there was no proposal to fix such prices in the Southern States, nor has the Government issued any orders enabling them to fix prices in the Northern States. It is the middle that got caught.

L I C to be Enterprising?

THE discussion in Parliament has thrown little fresh light on the investment policy of the Life Insurance Corporation. Most of the members still continued to be haunted by the Mundhra episode and went to the length of denying to a large investment body the widely accepted function of stabilising the capital market against transitional disturbances. Perhaps the phraseology chosen by the Finance Minister in his statement during the last session—the carrying out of 'anti-cyclical policies' by the Corporation—was rather unhappy, for such a function can be performed only by a Government. The term 'counter-speculation' could not possibly have appealed to a House which had been so upset by a previous misadventure in that attempt. Against the background of all the suspicions that have grown around the Life Insurance Corporation, it was, nevertheless, encouraging that some members retained their sense of perspective and wanted the Corporation to be enterprising, rather than unduly conservative. It should have been obvious to members that the purpose of nationalisation would be insufficiently served if the Corporation were to be motivated entirely by the policyholders' interests. The Act which set it up clearly specified that the Corporation was to subserve social purposes in addition to looking after the safety of the policyholders' funds, which are in any case guaranteed by Government.

The modified application of Section 27A of the Insurance Act, which defines approved investments, to the Corporation should have served to silence those critics who were unduly apprehensive of its investment operations. That it has not succeeded in doing so is a measure largely of the fears entertained by members, either, that too large a proportion of its funds was going into the private sector or, that its

investments are proposed to be utilised for backdoor nationalisation. Neither of these fears is actually justified. More than 70 per cent of its investments are in Government or semi-Government securities and this proportion is no different from what it used to be in the past. The raising of the ceiling on investments in a single company from 10 per cent to 30 per cent of its capital has been necessitated not merely by the legacy inherited from pre-nationalisation days but also by the need to provide flexibility to the underwriting and financing arrangements which the Corporation is likely to undertake. The private sector can hardly complain, of shortage of rupee finance and, at the same time, object to the steady inflow of funds it receives from the Corporation.

The Finance Minister did well to clarify the meaning of "unapproved investments", in which the Corporation is allowed to place a maximum of 15 per cent of its funds. It is now understood that this flexibility has been allowed to enable it to invest in Government or other companies which do not satisfy the requirements of Section 27A "though they are sound investments". Taken together with the permission to take up shares in private limited companies, the intention behind this provision obviously is that Government companies are to draw a part of their capital from the L I C. Whether that would be a precursor of throwing open their share capital to public subscription has yet to be seen.

No Life Funds for Mortgage

ONE of the disturbing things brought out in the Lok Sabha debate was that the Corporation had practically withdrawn from the mortgage market because of its unhappy experience with the mortgage loans it had inherited. This is regrettable, for, in other countries, insurance funds are widely used to finance housing through mortgage loans. There is no other institution in the country so well placed to finance housing as the L I C is. In fact there are practically no institutions at all which can undertake this responsibility. It had been suggested in these columns (August 30, 1958, p 1123), that the L I C should have a statutory responsibility to develop a mortgage market. The litigation on past mortgages notwithstanding, nothing has happened

since then to question the essential soundness of such investments. It is possible that these mortgages were tied up in the past with the personal interests of private managers and their friends, and were often taken up without adequate investigation and security. But that need not prevent the Corporation from re-entering the market after proper evaluation of the risks involved. The Finance Minister acted rightly in assuring the House that he would ask the L I C to examine the question afresh.

In pre-occupying themselves with the investment policies of the L I C, most people appear to have glossed over the fact that its Report has not yet become available though it was set up as early as September 1956. Two interim Reports have been published so far, but they cannot be adequate substitutes for a full Report, which would cover the 16 months ending December 1957. There is no reason why the largest public corporation in the country should compare unfavourably with them. In view of the near completion of two years of nationalisation, it is imperative that the L I C's Report should become available without any further delay.

Licensing of Foodgrain Dealers

Our Madras Correspondent writes:

THE recent order of the Madras Government for the licensing of dealers in foodgrains—Madras is the first State to have recourse to this scheme—created at first the impression that this was an initial step towards State trading and fixation of ceiling on holdings. This impression was strengthened by the decision taken early this week at a high-level conference of Ministers and officials to prepare a comprehensive scheme to bring into the cooperative fold all cultivating families in the rural areas of the State. Finance Minister Shri C. Subramaniam is reported to have stated at this conference that implementation of the scheme "would constitute a major preliminary step for the introduction of the third stage of land reform which includes fixation of ceiling on holdings."

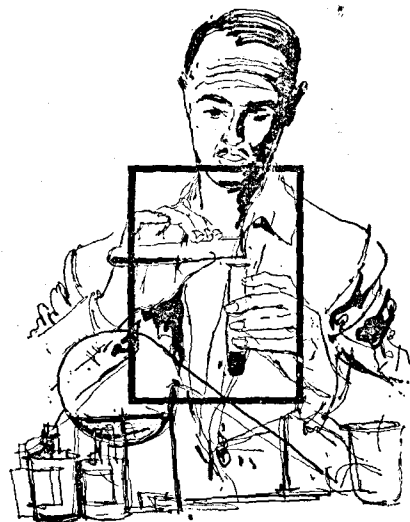
Asked to comment if, in the above context, the Government order for the licensing of dealers in foodgrains formed part of the same scheme of land reforms, Shri M. Bakthavatsalam, State Minister for Agriculture, told your correspondent

that it was not correct to describe the present licensing order as forming part of the process leading eventually to State trading, ceiling on holdings etc. Shri Bakthavatsalam who clarified the food position in Madras State to your correspondent, was of opinion that increase in food production in Madras was not linked with State trading in foodgrains and land reforms. "So far as Madras is concerned," he said, "the Government order for the licensing of dealers in foodgrains was issued independently, and not in pursuance of any larger decisions like the one on land reforms or on State trading." The main object of the licensing scheme was to enable the Government to make a closer scrutiny of the trade practices and trends that sometimes made it possible for prices to rise steeply even when there was no scarcity.

So long have we in this State been habituated to complain of scarcity of rice and of our production targets remaining unfulfilled, that we have come to take scarcity as normal and as something that must always be with us. This facile acceptance of Madras always remaining a deficit State has produced in us a mental conditioning which refuses to appreciate that Madras is at the moment not merely self-sufficient but has even shown a small surplus. Shri Bakthavatsalam explained that receipts of rice from the Central pool which had been shrinking gradually ceased altogether since April last; that imports from Andhra were too negligible to be taken into account; that Kerala had bought from Madras through normal trade channels some two and a half lakh tons of rice; and that, despite all these factors, enough rice stocks were still held by producers and dealers. Surely, said the Minister, this was a situation which clearly showed that Madras had "succeeded in stepping up food production to a stage where we have not merely overcome our dependence on others, but have even been able to spare something for neighbouring Kerala." The Minister also made it clear that it was his personal opinion that "agricultural production in the State could not be affected by the proposed land reforms such as ceiling on holdings, for big holdings were few and far between and their abolition or retention made practically no difference one way or the other."

Men and Oil No. 2

THE CHEMIST

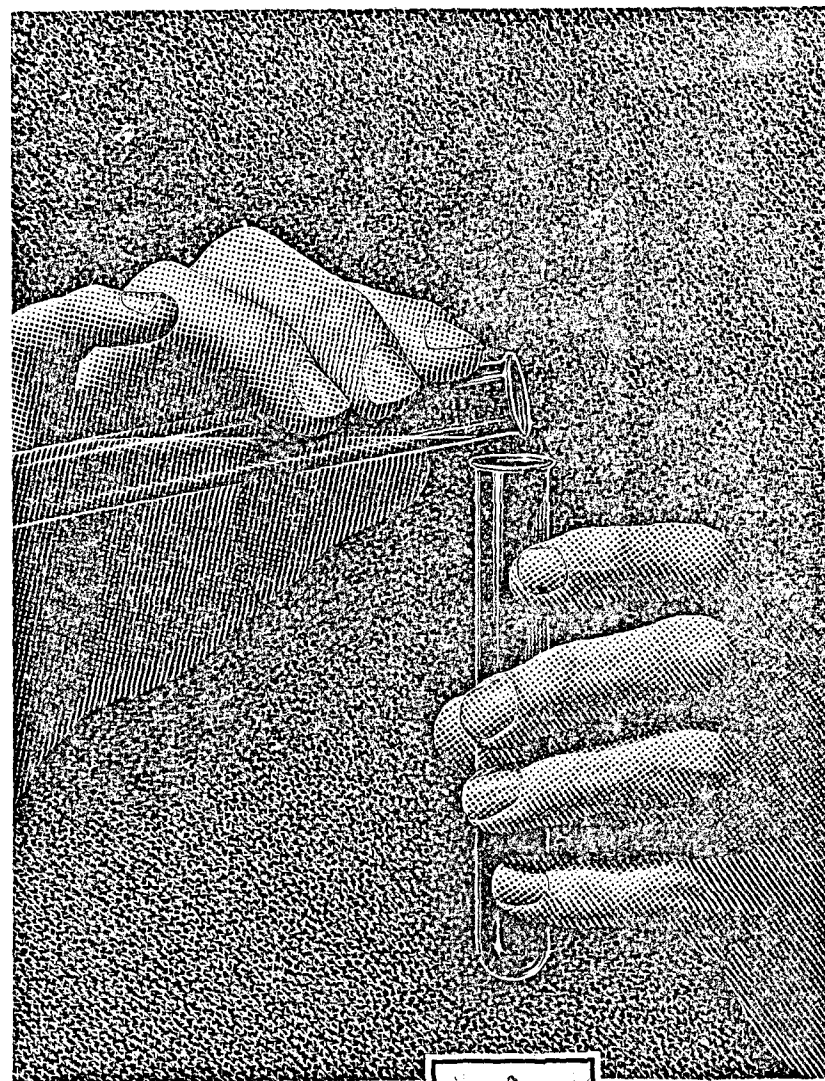


In many ways, the oil industry is a pure application of chemical knowledge. From the earliest stages of exploring for new oil deposits, through to controlling the great refineries, the chemist is a key man.

He examines rocks and oil shows collected during exploration, helps in drilling and cementing operations and assists in the interpretation of electrical well logs to identify oil and gas bearing zones. He also analyses formation fluids and oil-bearing reservoirs in order to estimate the total amount of oil recoverable from an oilfield, and studies means for improving the recovery efficiency.

The chemist, again, controls the technical operation of the refinery. At Digboi, for example, chemists are responsible for the production on specification of more than 100 products. From the Assam crude oil, the main products are motor spirit, kerosines, deisel, lubricating oils, and various grades of waxes. The chemist is also concerned with other products such as mineral turpentine, jute batching oil, tea drier oil, bitumen — all these being vital to India's economy.

Chemists in the oil industry must, therefore, possess very high qualifications. Indian chemists play an important role in the working of the Assam Oil Company.



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Last Week in Parliament

(From Our Own Correspondent)

THE winter session of Parliament commenced on a somewhat subdued note, but it acquired considerable tempo as it entered the second week. The note of concern, which marked the speeches of members on both sides of the Lok Sabha over the recent developments in Pakistan, persisted when the House discussed the affairs of the Banaras Hindu University. The tempo reached its climax when the motion sponsored by Shri M R Masani during the last session, but postponed till the present one, to refer the remarks of the Chief Minister of Kerala allegedly characterising M P's attacks on the Kerala Minister as "slandorous" to the Committee of Privileges, came up for further consideration. It was a piquant situation in the Lok Sabha when the two main opposition groups not only ranged themselves against each other but went for each other with unprecedented fury and vehemence. The Congress members were mostly amused and interested witnesses to the scene, in which Communists and Praja Socialists shouted at each other, the principal disputants on the two sides being Comrade Dange, leader of the Communist group, and Shri Ashoka Mehta, deputy leader of the P S P group.

Disputed Question of Privilege

It must be placed on record that though members of the Congress party were given the freedom to vote as they liked on the issue, the attitude of the party was largely determined by the lead given by the Prime Minister. In view of his usual punctilious regard for parliamentary decorum, Pandit Nehru felt genuinely unhappy that the matter was being pressed in the manner in which it was being done. He refuted the charge that the Centre was in any way discriminating against Kerala; actually at the Centre they were more anxious not to do anything which would create even the impression of such discrimination. He agreed that if there was any matter which attracted the privilege of the House or of any particular member, it should be taken up and considered. But here was a situation in which the arraigned party was the Chief Minister of a State Government, the political complexion of which was different from

that of the Government at the Centre, which made it unique in itself and somewhat embarrassing to the latter. Pandit Nehru was not anxious to protect Shri Namboodiripad as an individual, though he thought it his duty to protect him as Chief Minister of a State. A significant remark which he made has a general, and a vital bearing on the privileges of Parliament. It was his reference to the risk, unintended it may be, of a privilege motion being vitiated in its consideration by getting mixed up with party politics and attitudes. While Parliament is essentially a political assembly, in being called upon to decide on an issue of privilege, it is expected to perform the virtually impossible feat of functioning as an impartial judicial body!

It was evident from the beginning that the sponsors of the motion were prepared to press it to a vote and while, many of the senior Ministers and some of the Congress members remained neutral, taking the cue from the Prime Minister, the majority of the Congress members present voted in favour of the motion. The matter has now gone before the Privileges Committee, which has been asked to report on the first day of the next session.

The excitement in the lobbies over the motion and its outcome was equalled by that in the House. The issue may well prove a cause celebre, not only because the party involved is the Chief Minister of a State but also because its outcome may have interesting repercussions on the relations between the two main opposition groups. It was clear that if there is any "cold war" being waged, it is not the Congress Party and the Communist Party that are waging it but the Communists and the Praja Socialists.

Question Hour

Last week the question hour was unusually rewarding and on two or three issues produced information of great public interest. One question, for example, was taken advantage of by Shri Feroze Gandhi, who has earned a reputation for unearthing and exposing some dubious official transactions, to elicit Government's viewpoint on the alleged

infringement of foreign exchange regulations by a well-known businessman. The sequel to the investigations into the transactions for which the businessman is allegedly responsible, has yet to be known, but an assurance has been extracted by a persistent Shri Gandhi from the Finance Minister that if it was disclosed that circumstances were brought to light necessitating the prosecution of the individual, Government would not hesitate to sanction it.

Another question, which led to many anxious enquiries about the Defence Ministry transaction relating to the manufacture of tractors for the army, also needs mention. The Deputy Defence Minister was transparently unconvincing in his attempts to defend the placing of an order for the purpose with a Japanese firm, without proper consultation with the other ministries of the Government and without exploring the possibilities of manufacturing similar tractor equipment in India's ordnance factories. The Deputy Minister said that the deal had to be struck with the Japanese firm because the British firm, which tendered for it, had backed out from it at the last moment and another was not equipped for manufacturing large tractors. He had no convincing answer to give to the contention that the Defence Department could have consulted the Ministry of Food and Agriculture, which had experience of handling tractors, beyond stating that the Commerce and Industry Ministry was consulted as the ministry actually concerned. He made it out that instead of a loss, the manufacture of tractors within the country would result in saving of foreign exchange of Rs 110 lakhs during the next four years. There was no satisfactory answer to the question why the ordnance factories in India could not be utilised for the manufacture of tractors needed for the army or why they were not properly equipped for it.

Question time also yielded information regarding preparations afoot for the formulation of the Third Five Year Plan. The Prime Minister disclosed that preliminary steps in that respect were already being taken and expressed anxiety to se-

cure the cooperation of all sections of public opinion and all political parties. The importance of the Third Plan in the process of India's development and progress was stressed by him as also the need and urgency of consultation at different stages and levels. It is expected that very shortly the constitution of an all party parliamentary committee for the purpose would be taken in hand.

Private Members' Business

Private members' days in both Houses of Parliament generally pass off without much consequence, which makes it appear that the allocation of particular days for such business is more a concession to tradition than a real attempt to afford a passage to the resolutions or bills fathered by private (or unattached) members. It is nevertheless a device which makes such members feel that they have a role even in a set-up in which the party system has almost obliterated the private member. In any case, any attempt to deprive private members of their right to have one day every week designated as private members' day would immediately rouse a storm of protest.

Last Friday, however, a resolution moved in Rajya Sabha by the Communist member Dr Gour, and a Bill to amend the Companies Act, sponsored by Shri Mahanthi in the Lok Sabha excited somewhat unusual interest. The Rajya Sabha resolution sought to combat the monopolistic tendencies in Indian industry by the appointment of a Committee of Members of Parliament to probe into the position. That such tendencies existed, was contested by the Industry Minister, Shri Manubhai Shah, who also refuted the need for imposing curbs on such tendencies. Manubhai argued that the various taxation and legislative measures undertaken by the Government, such as the enactment of the Company Law, provided a safeguard against combination of vertical lines of production and against prices dictated by industrial combines or groups. The public sector, he argued, was the "sentinel of India's economic democracy"—an attractive phrase, for coining which Manubhai can take legitimate pride, whatever its content may be. The resolution was defeated.

The Bill to amend the Companies' Act fared no better. During the discussion on it, opposition speakers

repeatedly accused the Congress benches of getting the best of both worlds when they got the votes of the poorer sections and a share of the wealth of the richer section. The Bill in fact sought to restrict the amount of contribution which business firms could make to the funds of political parties to Rs 5,000. As the debate showed, however, it was not the Congress alone which could be held up as the villain of the piece. Almost every political party had to share the honour or dishonour of receiving donations to party funds from one source or the other. If it was the big companies in one case, it was the trade unions or trusts created by the landed aristocracy in other cases. The Deputy Commerce

Minister, therefore, did not find it difficult to dispose of the accusations against the Congress by referring to the irrationality or undesirability of persons living in glass houses throwing stones at others. Shri Satish Chandra disclosed, however, that a comprehensive amendment to the Company Law would be brought forward by the Government clarifying the question of donations by companies to political parties. A safeguard against such donations being utilised for securing undue favours by the donors or otherwise being misused by the party receiving the donation is that they should be made openly and their amounts duly publicised in the companies' reports.



it does not matter
if we win or lose
so long as
tea is there
to cheer us up!

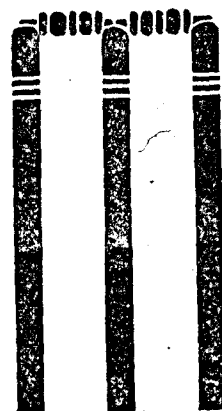


I am Tea

I serve
those who play
and those who watch



PSY 201



Crop Loan in Bombay

R K Hazari

THE progress of the co-operative movement has usually been judged by the growth of working capital, membership and number of societies, and the amount of assistance provided by the Government and the Reserve Bank under various heads. The impetus given to the movement in the two Plans, particularly the inauguration of the Rural Credit Scheme, has tended even more to emphasize the quantitative rather than the qualitative aspect of its performance and little information has been available so far on the extent to which the growth of the movement in recent years has been in keeping with the basic objectives set for it. The Bombay State Co-operative Bank, one of the most progressive of the apex banks in the country, therefore, deserves credit for appointing a Committee two years ago to evaluate the implementation of its crop loan programme. This programme had been initiated as far back as 1924 and approved in a policy statement issued in 1950. The commendation which this programme received from the Rural Credit Survey Committee might have induced a sense of complacency among the management of the bank but, fortunately, it did not. Instead, the bank has taken the initiative in an essay in self-criticism. The Report* of the Committee, of which Professor Karve was the Chairman and Professor Gadgil a member, is a valuable addition to the literature on cooperation. Its value is enhanced by the attention it pays to the realization of the basic objectives of cooperation in the implementation of the programme, in addition to questions of organisation and money lending and recovering which, of course, are necessarily its primary concern.

The crop loan system has its origin in the system of fixing normal credit limits for individual borrowers which was introduced in Bombay in 1924. But, except in the case of crops like sugarcane, the assessment of credit was not made on

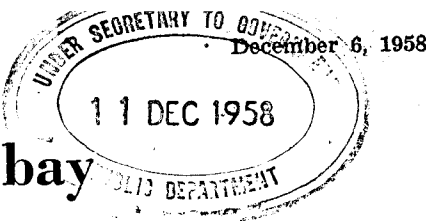
* Report of the Crop Loan Evaluation Committee. Part I. Bombay State Co-operative Bank Ltd., 1958. Pp. 155, with appendices and tables. Price not mentioned.

the basis of crop requirements or the total acreage under cultivation. The State Co-operative Bank's policy statement, issued in 1950, divided agricultural finance for the first time into short term and intermediate, and shifted the criterion of credit worthiness from owned assets to the production-nexus of the capacity to repay. It was laid down that a normal credit statement was to be prepared every three years to indicate the credit limits ordinarily required for crop and intermediate finance. Financing agencies and their local agents were authorised to sanction and disburse loans within these limits in order to avoid delay. The statement also attempted definitely to link credit with the marketing of crops through sale agencies. This reorientation of policy was "fully and deliberately accepted by co-operative banks in Bombay as both appropriate and inevitable."

Given the deficiencies of this "social banking" movement, however, it is hardly surprising that, despite the great publicity this innovation has received as a model fit to be adopted all over the country, the programme has not come up to expectations even in the State of its origin. The Committee has candidly expressed its disappointment at the actual performance. The membership of primary societies is still small and exclusive, and generally excludes persons of lower status, other factions, castes, etc. Tenants are still not admitted in any large proportion, and even where they are admitted, they often receive no credit at all or lower credit limits are allowed to them—in some cases with the encouragement of financing agencies. The position in regard to adequacy of finance is still more unsatisfactory. Even in well developed co-operative areas, the amounts agreed to be lent to cultivators fall far short of their needs for production. This inevitably forces the cultivator into the arms of the money lender who exacts his toll in marketing as well. Confusion has also been caused in some parts of the State by the erroneous identification of crop loans with the rates adopted by Collectors for adjustment of debts under the Agricultural Debt-

ors' Relief Act, which have no relevance at all for evaluating the needs of good cultivation.

The Committee has found that the agency devised for the purpose of ascertaining the needs of crop expenditure is intrinsically sound. This agency consists of a 'field workers' conference drawn from various levels of the movement, and from personnel of the Agricultural and Co-operative Departments. By and large, however, these conferences have degenerated into routine affairs, and many of those whose presence would be useful at these meetings held before the sowing season do not, in fact, attend at all. The most regrettable absence is that of the Agricultural Officer who alone is technically qualified to assess the cultivators' needs. In addition to rejuvenating this conference, the Committee recommends a fairly detailed list of criteria to measure the adequacy of crop finance, without which the programme would hardly serve its purpose. It suggests that all cash outlay needed for cultivation, including that on labour and materials, should be covered by the loan. The maintenance of the cultivator's family during the crop season should form an essential part of the borrower's credit limit. Farmers cultivating large holdings should get proportionately less credit per acre than small farmers, on the realistic assumption that the former have their own resources to fall back upon, while the latter have none. Instead of working on general averages, the Committee recommends that each loan applicant should be required to fill in a specific application form, which would provide a complete record of his assets and borrowings, crop pattern, etc. This information should be treated not as another addition to official records, but as an instrument for judging the eligibility and creditworthiness of borrowers. The applications should be received at least three months before the commencement of sowing operations and after scrutiny by whole-time professional secretaries, should be attended to by the central financing agency. There need be no upper limit on individual borrowing, nor should vague hopes about raising the



credit limits at a subsequent stage be held out.

It is suggested that there should be no compulsion on a member to subscribe more than 20 per cent of his borrowing to the share capital of the primary society, so as to remove the present anomaly of requiring members to contribute 10 per cent of their borrowing to the share capital every time they take a loan—which operates in effect as a reduction of the loan principal, especially in the case of tenants.

Apart from making a number of suggestions for improvement in organisation like elimination of supervising unions, extension of district central bank branches to all tahsil and mandi towns, administrative ex-communication of defaulters, supervision of loan uses and reduction in the number of societies per inspector, the Committee also recommends the setting up of State cadres for central bank staff and District cadres for secretaries of primary societies. It, however, says nothing about the advisability of fixing responsibility for the success of a society on some particular official. On the contrary, it seeks to multiply the personnel who will help convert the co-operative into a mere bank. It desires the creation of an apex marketing society for the State. The Committee also reiterates the objections of veteran co-operators to the practice of doing business with individuals, and proposes steps to eliminate this undesirable feature of the co-operative movement, which reduces the availability of funds for farmers. As a logical corollary, it would like membership of marketing societies to be confined to primary credit societies and, in fact, wants the latter to be compulsorily included within the membership of marketing societies wherever possible.

Together with the provision of adequate credit as crop loan, this measure will facilitate maximum coverage of agricultural finance and marketing by co-operatives. This will stop the flow of produce to traders and will also help in the prompt recovery of loans at harvest time. These are the two objectives which appear to concern the Committee at all times. Greater reliance on deposits from within the components of the system will also, in due course, reduce the dependence on individual clients, who are to be

gradually eliminated by attracting deposits from local public bodies. Since commercial banks are already doing quite well so far as deposits are concerned, they would hardly be justified in objecting to this discrimination in favour of co-operative banks, particularly since their original protests in this regard were made at a time when their deposits were rather sticky.

Rather mildly, but with obvious conviction, the Committee has expressed itself in favour of large-sized primary societies, given though Government is now known to be opposed to them. It says that.

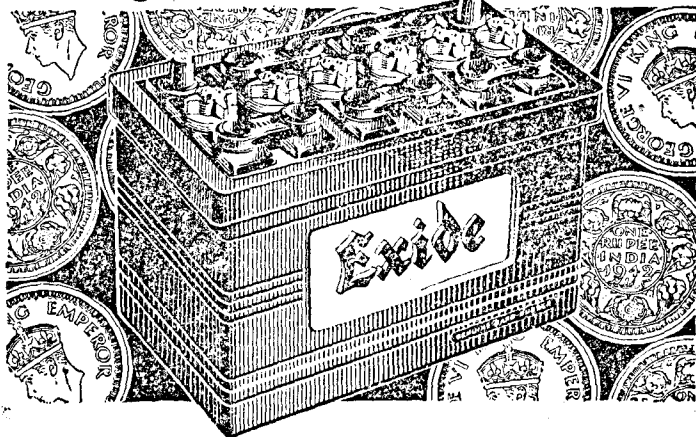
"In no case should a single village be divided into more than one multi-purpose society, and in fact subject to contiguity and cohesion more than one village may have to be brought within a

single society for effective servicean optimum sized primary unit is absolutely indispensable for inducing adequate credit to reach the cultivator and for helping the latter to make a productive use of the same. A number of activities essential to the business of a farmer have to be carried out on an inter-village basis...."

That this opinion has not been expressed more strongly shows prudence rather than a faltering of its convictions.

On the whole, the Committee's Report is a landmark in the evolution of thought and action in the co-operative field and it is to be hoped that other apex banks will follow the lead given by the Bombay State Co-operative Bank in thoroughly evaluating the progress of the movement within their territories.

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The battery that is cheaper in the long run is the battery that will give you the most in months of trouble-free service in terms of every rupee of your purchase price. This is exactly what the Silver Exide does. Quality Control at every stage of production guarantees built-in capacity to spare and higher performance.

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Still keeps going when the rest have stopped

General Insurance in 1956-57

WITH the nationalisation of Life Insurance, control and management of all life insurance business vested to the Life Insurance Corporation of India, with effect from September 1, 1956. The Indian Insurance Year Book, 1957, shorn of statistics pertaining to life insurance business, deals with the General Insurance business carried on by the insurers during the year 1956-57 in fuller details. The present issue is the first of its kind and is compiled from the returns submitted by the insurers as on December 31, 1957. As the Life Insurance Corporation of India started functioning on September 1, 1956, there was delay in furnishing the returns for 1956 by the composite insurers, whose life insurance business was taken over by the newly formed Corporation. Hence the present issue of the Year Book shows estimated correct totals wherever necessary.

As on December 31, 1957 there were 189 insurers transacting Fire, Marine and Miscellaneous businesses. In addition to the above, there were 4 insurers who were transacting Capital Redemption Insurance business only, besides life insurance business; hence the particulars of business transacted by these have been left out of the Year Book. Table I gives the class or classes of General Insurance business for which 189 insurers were on the register as on December 31, 1957.

Of the Indian insurers, 61 were registered in Bombay, 17 in West Bengal, 14 in Madras and the rest in other States of India. The total net premium income of Indian insurers in 1956 was Rs 19.25 crores. Of the Non-Indian insurers, 66 companies including Lloyds were incorporated in the United Kingdom and the rest were in countries from Algiers to USA. During the year under review, the net premium income of Non-Indian insurers amounted to Rs 6.94 crores.

Income and Outgo

The total income and outgo in respect of general insurance business of Indian insurers during 1956 is shown in Table II.

The total profits in 1956 of Indian insurers amounted to Rs 222 lakhs (including balance of Rs 15 lakhs

brought forward from the last year, Rs 63 lakhs earned by way of interest, dividends and rents, and Rs 26 lakhs by way of miscellaneous income) appropriated in the Profit & Loss Account and Profit & Loss Appropriation Accounts, shows among others that Rs 61 lakhs were paid or provided for taxes, Rs 18 lakhs was provided for dividends for 1956 and Rs 57 lakhs was carried over Balance Sheet.

The Year Book does not give any particulars for Income and Outgo in respect of general insurance business

Table II—Income and Outgo of Indian Insurers	
Income	Rs Lakhs
Premium less Re-insurances	
In India	8.89
Outside India	10.36
Net interest, dividends & rents	27
Other income	6
Total	19.58
Outgo	
Claims less re-insurances	8.82
Net commission	2.81
Expenses of Management	5.35
Miscellaneous outgo	21
Total	17.19
Profit transferred to Profit & Loss Accounts	1.18
Actual increase in Reserves for the unexpired risks and Additional Reserves	1.21
Excess of income over outgo	2.39

Table I—Classification of General Insurers			
	Indian	Non-Indian	Total
Fire	4	23	27
Marine	13	10	23
Miscellaneous	12	6	18
Fire & Marine	—	13	13
Fire & Miscellaneous	13	8	21
Marine & Miscellaneous	—	1	1
Fire, Marine & Miscellaneous	49	37	86
Total	91	98	189

Table III—Ratios of Net Premium Income Spent (Percentages)						
Ratios of Net Premium Income of Insurers:	FIRE		MARINE		MISC	
	I	NI	I	NI	I	NI
Net claims	35.0	21.3	69.6	46.7	48.7	42.0
Expenses including commissions	46.9	54.8	29.4	43.4	42.8	48.1
Increase in Reserve	3.8	1.9	2.3	0.7	6.4	—0.8
Miscellaneous outgo	1.3	6.5	1.0	2.4	0.9	3.7
Balance	13.0	16.5	—2.3	6.6	1.2	7.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
I—Indian NI—Non-Indian						

of Non-Indian insurers during the year.

The ratios of net premium income spent by way of claims, expenses etc, during 1956 by Indian and Non-Indian insurers are given in Table III.

Assets

The total assets of general insurance business of Indian insurers amounted to Rs 44.44 lakhs in 1956 as against Rs 41.65 lakhs in 1955 and Rs 38.71 lakhs in 1954. The assets were invested as shown in Table IV.

The total assets in India in respect of general insurance business of Non-Indian insurers amounted to Rs 11.75 lakhs and were invested as shown in Table V.

As on 31st December 1956 the deposits held by the Reserve Bank of India under the Insurance Act, 1938, in respect of insurers consisted of securities of total face-value of Rs 5,38,47,000 and ₹2,52,000, and Rs 8,76,000 in cash.

Growth of Business

The tables and charts given in the Year Book, showing the comparative figures of general insurance business in India and abroad by Indian insurers and of the business in India by Non-Indian insurers from 1951 onwards are interesting and reveal steady progress made by the national companies in the field of non-

The dress of the people...

Costumes, whether they are for occasions or for daily wear, vary all over the world. Climatic conditions, natural materials available, religious demands and individual ingenuity are some of the factors that determine the dress of a people.

Many varied costumes are worn in India but different costumes need different qualities of cloth. The Mafatlal Group of Mills manufactures a wide range of cloth for everyday use in all parts of the country.



The fisherwoman of Bombay, a familiar figure in the market, wears a nine-yard saree. The style is indicative of the freedom and strength these women draw from the ocean.

SHORROCK, Ahmedabad. NEW SHORROCK, Nadiad. STANDARD, Bombay. NEW CHINA, Bombay. SASSOON, Bombay. NEW UNION, Bombay. SURAT COTTON, Surat and Dewas. MAFATLAL FINE, Navsari. GAGALBHAI JUTE, Calcutta.

MAFATLAL GROUP OF MILLS



CLOTH FOR THE NATION

Mafatlal's other interests include Sugar and Dyestuffs

MAFATLAL HOUSE, BACKBAY RECLAMATION, BOMBAY I.

life insurance. The tables analyse the result of operation, year to year for the period 1951-1956 both in terms of Gross Premium Income written direct in India and Net Premium Income in India by Indian and Non-Indian insurers. Expressed as percentage of total Gross Premium Income written direct in India, the share of Indian insurers in Fire Business was 60.4 in 1956 whereas the share of Non-Indian insurers during the corresponding period was 39.6. Compared to total Net Premium Income from Fire business in India, share of Indian business was 52.19 per cent in 1956 as against 47.1 per cent of Non-Indian insurers. Further, Indian insurers maintained their position in respect of Fire business throughout the quinquennium ended December 31, 1956.

In the field of Marine business, Indian insurers annexed 59.3 per cent of the total Gross Premium Income written direct in India in 1956 while Non-Indian insurers shared 40.70 per cent of the same. In terms of Net Premium Income from Marine business, Indian insurers' share in 1956 was 46.1 per cent of the total whereas Non-Indian insurers' share during the period was 53.9 per cent presumably due to the higher limits of retention of risk adopted by them. However, it is noteworthy that during the period 1951-56, the business of Indian insurers rose from 36.1 per cent to 46.1 per cent of total net Marine Premium in India.

In Miscellaneous insurance business the share of Indian insurers in 1956 was 69.3 per cent of total Gross Premium written direct in India while the share of Non-Indian insurers during the same period was 30.7 per cent. Expressed as percentage of total Net Premium Income from the class of business, written direct in India, the shares of Indian and Non-Indian insurers in 1956 were 67 per cent and 33 per cent respectively.

Taking all these three classes of general insurance business together, it is seen that in 1956, the share of Indian insurers was 62.7 per cent of total Gross Premium Income written direct in India and that of the Non-Indian insurance was 37.3 per cent. In terms of Net Premium Income in India, the shares of Indian and Non-Indian insurers in 1956 were respectively 56.7 per cent and 43.3 per cent. During the quinquennium

1951-56, Indian insurers maintained progress on all fronts.

Foreign Business

Indian business, operating abroad obtained a sizeable Fire, Marine and Miscellaneous insurance business in 1956 as will be seen from Table VI on p 1521.

Taking the Fire, Marine and Miscellaneous insurance business together, Indian insurers in 1956 obtained 28.4 per cent of the total Gross Premium Income from foreign lands. In terms of Net Premium Income from all sources, Indian insurers obtained 52.5 per cent of their total income from business abroad.

Trend of Business

Fire: Taking the year 1951 as the peak year for Fire insurance

business, it is seen that in 1956 Indian and Non-Indian insurers were able not only to retrieve the position lost during the years 1952 and 1953 on account of fall in the Net Premium Income, but also to exceed the 1951 level. The proportion of Gross Premium Income written direct in India by Indian insurers to the total Gross Premium Income (written direct in India) continued to increase in 1956. A similar trend is noticeable in the case of Net Premium Income in India, which increased steadily from 1951 onwards. The Net Premium income obtained from outside India by Indian insurers has been considerably more than the Gross Premium Income, the ratio for 1956 being 3 to 1. It should be stated here that the Fire Insurance premium rates were reduced by 10 per cent overall in 1955.

Table IV—Distribution of Assets

	(Rs lakhs)	Percentage
Central Govt Securities	6,87	16.2
State Govt Securities	1,30	3.1
British & Foreign Govt Securities	2,26	5.3
Municipal, Port & Improvement		
Trust Securities	25	0.6
Debentures of Indian Companies	1,47	3.5
Pref Shares of Indian Companies	2,02	4.7
Ord Shares of Indian Companies	5,21	12.3
Land & House Properties	82	1.9
Deposits Cash & Stamps	8,05	19.0
Loans on Mortgage of Properties	38	0.9
Loans on Stocks & Shares	14	0.3
Other Loans	61	1.4
Agents Balances, Outstanding Premiums, Amounts due from other insurers, Accrued & Outstanding Interest	9,87	23.3
Miscellaneous	3,19	7.5
Total	42,44	100.0

Table V—Total Assets in India of Non-Indian Insurers as on December 31, 1956

	Rs lakhs	Percentage
Central Govt Securities	2,36	20.1
State Govt Securities	2	0.2
Municipal, Port & Improvement		
Trust Securities	27	2.3
Debentures of Indian Companies	67	5.7
Pref Shares of Indian Companies	41	3.5
Ord Shares of Indian Companies	1,67	14.2
Land & House Property	38	3.3
Deposits, cash & stamps	2,29	19.4
Agents balances, Outstanding premiums & amounts due from other insurers	2,71	23.0
Miscellaneous	97	8.3
Total	11,75	100.0

REPORT ON DALDA... 2

Its place in Nutrition

Like so many modern consumer products that have become trusted essentials of daily life in the average Indian home, vanaspati is now firmly entrenched in thousands of kitchens and shopping lists. By far the most widely used vanaspati is DALDA—the familiar yellow tin with its palm tree emblem is recognised by seven to seventy-year-olds throughout the country.

However, where other modern household aids have been accepted and used with enthusiasm, vanaspati was given a mixed reception. In a land where ghee has traditionally been synonymous with the purest of foods, it is not unnatural that vanaspati should have been regarded as a newcomer with pretensions. On the other hand, we have been cooking quite happily with various unrefined vegetable oils for several centuries!

Prejudices against vanaspati though strong, were also vague. Somebody's cousin's nephew's wife had complained of a tickle in the throat. Somebody else had been told that food cooked with vanaspati is indigestible. Somebody else again was sure that it was not good for the eyes, and so on. Nobody seemed to have had actual experience themselves, yet they were convinced that a variety of ailments from baldness to ingrowing toenails could be blamed squarely on vanaspati.

Questions were asked in Parliament, and the Prime Minister's reply set many minds at rest. "Government are quite clear and convinced," he said, "that the use of vanaspati is not harmful to health."

DALDA and the daily diet

Fats are an essential constituent in the daily diet of vegetarians and non-vegetarians, and benefit the system in numerous ways. They are a rich source of energy, providing 2½ times as much as wheat or rice. They build nerve and brain tissues, set up reserves against hunger, illness and cold. Fatty tissues in the body form buffers that protect delicate organs against injury. Without a daily intake of fats, our digestion would be impaired and proper utilisation of other foods retarded. This is why the Nutrition Advisory Committee of the Indian Council of Medical Research has

recommended at least 2 ounces of fats per day for both adults and growing children.

Made from refined vegetable oils, DALDA Vanaspati is hydrogenated and deodorised, with a pleasant semi-solid form. Its calorific value is high, yielding 250 calories per ounce, equal to that obtained from the best ghee.

DALDA and vitamins

Because the intake of milk and milk products is so low in India, the daily diet of lakhs of people is deficient in Vitamin A, resulting in certain widespread deficiency diseases.

Vitamin A promotes healthy growth, protects the eyes and keeps the skin clear. About 4,000 International Units of Vitamin A per day are necessary for general well-being.

Vitamin D, also essential for sound growth, keeps bones and teeth strong. Lack of this vitamin results in rickets in infants and children, and softening of the bones in adults.

The Food Fortification Sub-Committee of the Indian Council of Medical Research had recommended that vanaspati should have 700 International Units of Vitamin A added to every ounce—as much as good ghee contains. DALDA is enriched with 700 I.U.'s of Vitamin A and 56 I.U.'s of Vitamin D per ounce. DALDA Vanaspati is not merely a substitute for ghee, but an alternative cooking fat that is nourishing and wholesome.

DALDA and quality

DALDA is made strictly according to Government specifications. The standard of quality adhered to in the manufacture of DALDA is high enough to compare very favourably with that of processed cooking fats used extensively in the United States and Europe for cooking, baking and spreading on bread. DALDA's low melting point enables it to be easily digested and utilised by the body.

DALDA admirably fills the gap so often left in a diet lacking in essential nutrients like vitamins and fats. Hygienically packed in sealed tins, DALDA Vanaspati comes fresh and wholesome to the kitchen, and forms a valuable part of healthy, balanced meals.

Marine: Since 1953, the Gross and Net Premium incomes of both Indian and Non-Indian insurers increased steadily year by year. The Net Premium income of Indian insurers in India exceeded the peak level of 1941 in 1954, the Gross Premium income from Marine business in India and outside India exceeded the level in 1954 and 1955 respectively. On the other hand, the premium income of the Non-Indian insurers in India is still below the corresponding level of 1951. In India the Net Premium income of Indian insurers varied during 1951-56 between 43 and 51 per cent of the Gross Premium income while it varied between 69 and 74 per cent for Non-Indian insurers. The proportion of Net Premium income of Indian insurers outside India varied during the corresponding period between 76 and 124 per cent of the Gross Premium Income.

Miscellaneous: The Miscellaneous insurance business during the period 1951-56 showed an upward trend. As in the other classes of general insurance business, the shares of Indian insurers in the total of Gross and Net Premium incomes have also increased during the quinquennium. The Net Premium income outside India of Indian insurers was slightly more than the Gross Premium income outside India.

A comparison has been made between the increase in industrial production and the growth of General Insurance business, in Table VII alongside. It will be seen that the volume of general insurance business remained the same till 1954. In 1955 the growth in the volume of busi-

ness kept pace with that of industrial production. In 1956 the pace slowed down.

Table VIII below summarises the Fire, Marine and Miscellaneous insurance business of Indian insurers in respect of their total business and of Non-Indian insurers in respect of their business in India for the year 1956.

During the period covered by the Year Book 2,48,761 licences were issued to the agents, of which 62,372 were fresh licences and the rest were renewals. The total number of Principal Agents on August 31, 1957 was 463. The Principal Agency system came to an end on September 1, 1957, with the amendment of Insurance Act 1938 during the year under report.

Freight Concession for Export

To stimulate exports, with effect from December 5, a rebate of 50 per cent is to be allowed on railway freight paid on consignments of the following commodities, when booked from certain specified stations to ports of exports.

Motor vehicle batteries,

Dry Cells and batteries,
Oil pressure lamps,
Hurricane lanterns,
Steel files,
Bicycles,
Textile machinery and parts,
Wood screws, and
Fruit and vegetable preserves.

The freight concession will be in the form of a rebate, and will be allowed subject to satisfactory evidence being furnished establishing that the consignments in respect of which the rebate is claimed have been actually exported.

Steel Imports from Japan

THE India Supply Mission, Washington, has concluded contracts with several major steel mills in Japan for supply of steel products to India. The amount to be imported is 99,717 long tons.

Giving this information in the Lok Sabha, Shri K C Reddy, the Minister of Works, Housing and Supply, added that the contracts are subject to India Supply Mission's standard conditions of contract and the regulations of the U S Government relating to foreign aid purchases.

Table VI—General Insurance Business of Indian Insurers Outside India in 1956
(Rs '000)

	Fire	Marine	Miscellaneous	Total
Gross Premium Written direct	2,17,27	2,03,82	2,16,68	6,37,68
Net Premium Income	6,16,90	1,93,88	10,45,78	10,45,78

Table VII—Growth of Industrial Production and General Insurance

	1951	1952	1953	1954	1955	1956
Index Number for Insurance Business in India	100.0	104.4	97.2	101.6	122.4	123.1
General Index Number of Industrial Production	100.0	103.6	105.6	112.6	122.3	133.0

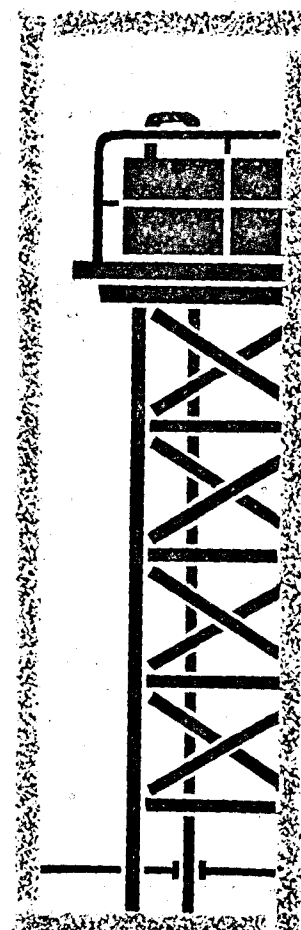
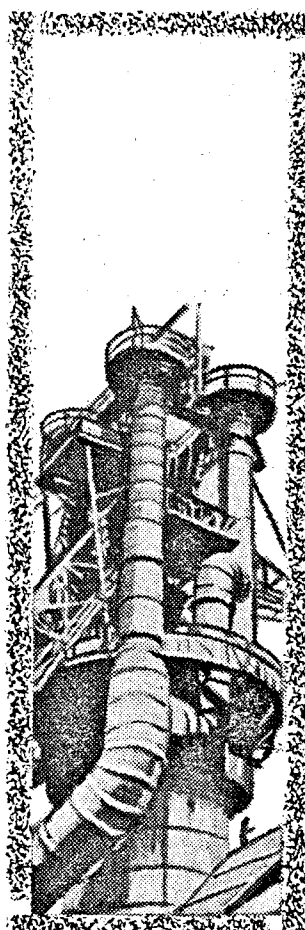
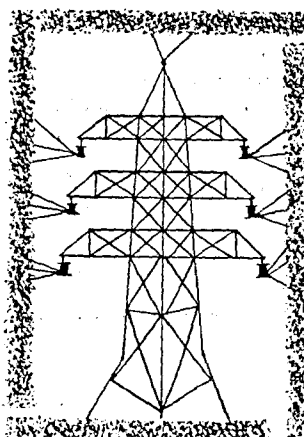
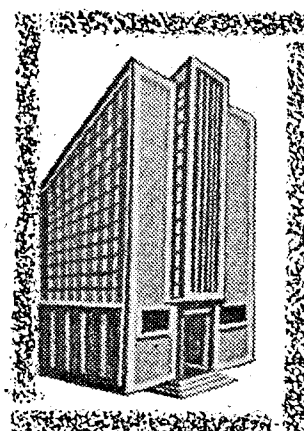
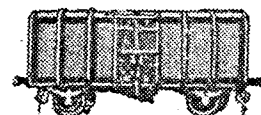
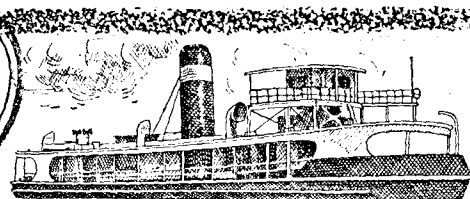
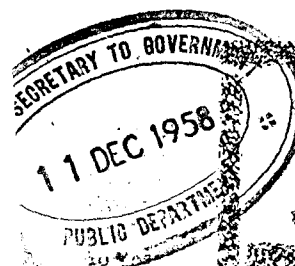
TABLE VIII
Summary of the Fire, Marine and Miscellaneous Insurance of Indian Insurers in Respect of their Total Business and of Non-Indian Insurers in Respect of their Business in India

Class of business	1956						1955			
	Premiums less reinsurance	Claims less reinsurance	Claim Ratio %	Net Commission	Commission Ratio %	Expenses of Management	Expense Ratio %	Claim Ratio %	Commission Ratio %	Expense Ratio %
Indian :										
Fire	9,43,73	3,30,44	35	1,64,83	17	2,78,06	29	35	18	30
Marine	3,54,82	2,46,85	70	7,59	2	96,57	27	71	4	26
Miscellaneous	6,26,69	3,05,00	49	1,08,15	17	1,60,05	26	50	17	27
Non-Indian :										
Fire	2,98,78	63,67	21	24,26	11	1,39,56	46	23	14	50
Marine	1,96,12	91,49	50	25,26	9	60,26	33	74	9	33
Miscellaneous	1,99,66	83,79	35	30,82	10	65,18	40	53	10	34

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AIDING INDIA'S PROGRESS



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China's Economic Growth—II (ii) Contribution of Small Industries

Charles Bettelheim

AS I have recalled at the beginning of this article, the year 1958 is characterized by a new leap forward in industrial production. This leap forward can be partly explained by the fact that new big enterprises put under construction in the course of the first five-year plan have started production, as well as by the increasingly full and intensive utilization of previously created capacities of production, in particular those that have been installed in the course of the past two or three years (it is known that it is generally only after this lapse of time that new enterprises can work at full capacity).

However, this material basis of the new leap forward is not the only one and besides it would not be sufficient to explain its absolutely exceptional magnitude. One gets a complete explanation only when one takes into account the substantial contribution made to the industrial production of 1958 by the astonishingly great number of small and medium enterprises which have been set up and which have started production this very year.

Small Enterprises

It is known that whereas 1,185 big enterprises were under construction in the course of the first six months of 1958, another 300,000 industrial enterprises were being set up by local authorities and over three million small enterprises and mines by peasant co-operatives*.

The local authorities which set up these enterprises are mainly the counties and townships and sometimes State commercial organizations or co-operatives which devote to that end what they can save by reducing to a minimum the expenditure corresponding to their previous specific activities. Units of production have also been set up by colleges and secondary schools and

they contribute both to production and to the technical education of the students. To start with, all these enterprises work on the basis of very simple techniques, but they get gradually modernized and this rather quickly, in particular by re-investing the profits made on their current production.

Since then, the movement has assumed a still more extraordinary magnitude. For instance, so far as the iron and steel industry is concerned, it was first envisaged (in April 1958) that 13,000 small blast furnaces would be set up by the end of the year; in fact, 50,000 had been constructed by the end of July; 240,000 by the end of August, and 350,000 before the middle of September. In the province of Honan alone, between the 10th and the 15th of September, the number of small blast furnaces has gone up from less than 14,000 to over 45,000 thanks to the labour of 3,600,000 people, and production of cast iron has been increased from 3,362 tons a day to 18,694 tons (which corresponds to an annual cast iron output of 6,500,000 tons). The other provinces have set themselves the target to produce at least 20,000 tons a day. In September 1958 over 20 million people participated directly in the effort which required to fulfil this target. It is on this basis that the output of 20 million tons of cast iron and 10 million tons of steel has been envisaged in the production plan (to secure this output, hundreds of small and medium converters have started production while others are under construction).

The expansion drive is developing on the same gigantic scale for the construction of small and medium coal mines, mines for iron-ore and non-ferrous minerals, small and medium power stations, and plants for producing fertilizers, chemical products, farm machinery etc.

Simple Technique

What characterizes this aspect of the industrialization drive is the fact that it rests on an extremely simple technical base. Each of these small blast furnaces or enterprises can be constructed within a short time and

requires a very small investment. One gives the example of a plant for the extraction of shale-oil which has been built within three days and has only cost 300 yuan. Its annual capacity only amounts to 100 tons of crude oil which is refined in a local refinery, but as over 10,000 plants of this type have been set up or are being set up besides 100 medium plants and 500 refineries, by the end of the year a capacity of production of 1.2 million tons of crude oil, i.e., four fifths of the Chinese output for 1957, will thereby have been created.

Not only are these small and medium enterprises constructed rapidly, it is also possible to construct them with the help of local labour and local materials: their construction therefore hardly absorbs any physical resources or any transport facilities likely to be utilized by big industries, for the latter remain the fundamental base of industrialization.

Similarly, the financing of these small and medium enterprises does not absorb any central financial resources. The construction of these enterprises is exclusively financed with local means, and as they are all rentable, they rapidly become a source of additional income for the organizations and peasant co-operatives which have constructed them.

Investment in Labour

Besides, within the framework of peasant co-operatives, a great part of the investment is investment in labour, and those who contribute this labour are paid from the total output of the co-operative. Thus in one of the co-operatives that I visited in the region of Wouhan, the Co-operative Shu-Kouang†, a small blast furnace of 3.5 cubic metres, capable of producing 180 tons a year and employing 18 people (in three shifts) has been constructed. The construction of this blast furnace has necessitated a financial

†This co-operative groups 1696 inhabitants (378 families) and has at its disposal 917 mou of paddy and 1194 mou of dry land (cotton and wheat).

outlay of 300 yuan (in particular for the purchase of refractory stones and bricks as well as a fan driven by a diesel engine) and has required the labour of 12 people who were employed for 8 to 10 hours during 9 days. At the average rate of payment for an hour's work in this co-operative, this investment of labour corresponds to an outlay of 130 yuan. The blast furnace is fed with coal and ore from small mines which have been dug by the co-operative. This same co-operative has set up several workshops employing about one-tenth of the manpower which is available. It has also constructed a small power station run by gas from dung. For the time being this power station only feeds productive installations, but the complete electrification of the village is envisaged.

Abundant Labour—the Secret

It is obvious that but for an abundant labour force, the construction and running of millions of small enterprises and workshops throughout the country would be impossible. Thus in the field of industry as well as in the field of agriculture, the high rate of Chinese economic growth scored in 1958 is explained by the fact that China has at her disposal a big population and one which till lately was only partially employed.

However, if this population has ceased to be a mere potentiality of production and has become an effective force of production, this is explained by the transformation of economic and social conditions and, concretely, by the very development of big industries and the success achieved by agricultural co-operatives.

The rise of big state industries has enabled the central government to leave more financial resources at the disposal of local authorities while the success achieved by agricultural co-operatives has handed over to them new resources which they have been able to devote advantageously to the creation of workshops, mines and industrial enterprises.

On the other hand, the intensification of agricultural labour and the technical changes connected with this intensification have made it necessary to supply the co-operatives with new industrial products: agricultural implements, ploughs, wheelbarrows, chemical fertilizers,

fuel, etc. ... It would have been impossible for the State industry, in spite of its rapid growth, to supply from big modern enterprises (which it takes several years to construct and which during that time absorb great quantities of cast iron and steel) all the industrial products required by agriculture.

Moreover, setting up at the present time of such big enterprises in a centralized manner would have been irrational. The State still has to concentrate its efforts on the development of basic industries and there cannot be any question of giving rise to additional requirements for transport and urban manpower or aggravating the housing problem which would result from the expansion of centralized industries. The requirements that have to be faced can be met, and this even more quickly, by small enterprises which can be run in a rentable manner within the villages by utilizing local manpower and resources.

The recourse to small industries was, therefore, imperative and possible for a country like China. It would have been impossible for a country like the Soviet Union where it would have meant too much manpower being retained in the villages to participate in an industrialization yielding only a low productivity of labour when highly productive big industries had to be developed rapidly. On the other hand, under the conditions prevailing in China, the requirements for labour of highly productive big industries do not clash, at least not yet, with those of rural industries with low productivity.

At the Village Level

It is, besides, not uninteresting to see how the problem of industrialization has arisen concretely at the village level. I should like to give here the example of the Shu-Kouang agricultural co-operative which I have mentioned earlier.

As the director of this co-operative explained, when the plan for the activities of the year 1958 was established (a plan which envisaged the construction of an irrigation canal from the near-by river, the improvement of 294 mou of land, the application of 42,000 tons of new earth and fertilizers), it was found that by working according to the old methods and with the old implements, 220,000 work-days (including those necessary for cul-

tivation) would be required while only 162,000 would be available. Consequently, if one wanted to fulfil the initially planned targets, it was indispensable to change the methods of work and even the organization of the co-operative.

Therefore it was decided, in particular, to utilize better agricultural implements than the traditional ones and to pass over to semi-mechanization through the creation of a farm machinery centre which, for the time being, has at its disposal a tractor, a combined reaping and threshing machine, a husking machine and 5 mobile diesel engines for working pumps. The utilization of the husking machine and of mills which are also mechanically run, has freed the women from part of their domestic chores and has increased the number of hours of work they can devote to cultivation. In a similar way, the co-operative has organized a transport centre which has at its disposal two ten ton boats, 28 small boats, 42 vehicles with tyred wheels and a great number of wheelbarrows, all of them equipped with locally produced ball-bearings. All the old load-carrying work has thus been eliminated and labour freed for other tasks.

At the present stage of industrialization in China, it is precisely these modifications that have made it absolutely necessary to set up repair workshops and workshops for producing agricultural implements, ball-bearing etc.... One thus sees how the creation of an industry in the village and the necessity to meet the requirements of the village (but not exclusively)† are connected with the effort to increase agricultural production.

What was made these modifications possible is the fact that, if one takes the additional contribution of female labour into account, the reduction of the time spent on cultivation (thanks to new agricultural implements, semi-mechanization and improved transport facilities) has more than compensated the increase in the amount of labour which has to be devoted to the "industrial sector" of the co-operative, including the amount of labour "invested" in this sector.

There is every indication that the development of rural industri-

†Thus, part of the rural cast iron production is sold to the State.

alization is only in its initial phase, and the Ministry for Agriculture therefore envisages that from 1959 a great number of agricultural co-operatives will have one third of their working population engaged in industrial activities.

What one has to note is the fact that under the conditions of full employment which have now been attained in the countryside, further economic progress will mainly have to rest on an increase in the productivity of labour both in the agricultural and in the industrial sector. So far as the agricultural sector is concerned, this calls for new improvements in agricultural implements, the extension of semi-mechanization and even the passage to mechanization (tractors, combined reaping and threshing machines, motor pumps etc.). In the various co-operatives that I have visited, this evolution is clearly under way and is accompanied by an increased utilization of mostly (but not always) locally generated electricity. In the industrial sector, this calls for the mechanization and modernization of small industrial enterprises which for the time being are using extremely simple techniques.

One has to add that the rapid increase in the requirements for industrial products and the increasing abundance of raw materials, both connected with the accelerated rise of the agricultural sector, have made the speedy increase of urban industrial production both necessary and possible. Here also, apart from a new effort at the level of big industries, the creation of numerous small workshops and plants has contributed to the rapid increase in industrial production.

Urban Employment Increased

This increase could also be attained with the required rapidity by turning into account the abundance of population, but this time of an already urban population, part of which could be freed from less important tasks thanks to a better organization of trade and administration. From among this population it has been possible to recruit new women workers, in particular housewives who can do part-time work. The increase in urban industrial employment in workshops and small plants, often running as subsidiary units of big units of

production, has amounted to 930,000 people in the course of the first six months of the year 1958.

The increase in urban industrial employment henceforth rests almost exclusively on the reserves of industrial employment of town populations and, in the immediate future, on the natural growth of the urban working population. The big demand for manpower that arose in the country side in consequence of the intensification of agricultural work and in consequence of rural industrialization makes a wide recourse to labour of rural origin impossible. This is a new situation as compared with the one prevailing at the beginning of the first five-year plan and one that is radically different from the situation created by Soviet urban industrialization.

Rural industrialization appears here not only as a means of meeting rapidly the requirements for industrial products which are increasing at an accelerated pace, but also as an option meant to give a special appearance to Chinese economy, this type of industrialization being made possible by a rural density which is sufficiently big to secure a local market and enough labour for the enterprises that have been set up in the countryside.

Re-equipment of Rural Industries

Besides, the development of this type of industrialization gives rise to numerous technical and organizational problems. In fact, on the technical plane, present rural industries, despite their immediate short-term advantages, have the disadvantage of a relatively low productivity of labour; they will therefore have to be technically re-shaped and re-equipped (the same being true of small urban industrial enterprises) in order to be able to meet the demands which will again rapidly grow in the course of the very next few years and which would be less and less satisfied by a rapid increase in industrial employment.

This re-equipment implies generalized mechanization and electrification; that is why great importance must be attached to the production of iron and steel, to engineering industries and to industries producing electrical goods. On the plane of organisation, this re-equipment implies progressive con-

centration of the present small enterprises. It is probably in order to facilitate this concentration (and at the same time in order to serve wider objectives) that the movement to establish communes has taken shape in 1958.

In any case, what is equally important is the current process of creation of millions of rural workshops and industrial enterprises, a creation which is meeting urgent requirements, introducing a new technical spirit into the countryside and giving millions of peasants the opportunity of getting acquainted with industrial work (sometimes by spending several weeks or months in big industries for practical training). Materially and psychologically, these enterprises constitute a means of familiarizing people with more and more modern enterprises which will gradually be established.

Big and Small Industries

To conclude the discussion of the problem of industrial growth and the part played by abundance of manpower in the rapidity of this progress, another four remarks have to be made:

(1) All the small industrial enterprises about which we have been talking are, as a rule, rentable enterprises. Consequently, far from reducing the accumulation fund, they contribute to increase it.

(2) Almost all these enterprises also contribute materially to productive accumulation in the sense that they essentially supply means of production. From these two points of view their existence constitutes a positive contribution to the increase, not only of the short-term but also of the relatively long-term rate of growth.

(3) The creation of these enterprises does not divert any resources which might have been utilized by highly productive big industries, to the cheap, wide-scale production of chemical products etc.... For ex- and these can turn to account local resources which could not be used otherwise (for example, small blast furnaces can produce cast iron with second class coal whereas coke is required for big blast furnaces).

(4) The part played by big industries continues to be decisive. There is no question at all of sacrificing their development for the sake of small industries. Big industries

must make decisive contributions to the cheap, large-scale production of cast iron, steel, heavy machinery, machine-tools, electrical goods, chemical products etc.... For example, the big combines of Anshan, Paotow and Wouhan constitute the backbone of the Chinese iron and steel industry. The iron and steel combine of Wouhan (which our delegation visited) whose annual capacity is fixed at 3.5 million tons of steel has started working, on the 13th of September 1958, a giant blast-furnace which has, by itself a capacity of 2,500 tons a day, surpassing the capacity of the biggest blast-furnaces of Western Europe. These plants run on the basis of the highest degree of automation and assure high quality production at a minimum cost.

Similarly, so far as heavy machinery is concerned, an enterprise like the heavy machine-tool plant of Wouhan (which has been set up within 2½ years instead of the 4 years that had been envisaged) is indispensable for the production of big diameter (7m and 9m) vertical lathes, universal 5m wide and 20m long planing-machines, and all the machines necessary for the equipment of big ironworks, coal mines, iron mines etc.

Rural industrialization should not therefore make us lose sight of the decisive part played by big industries. Moreover, once full employment has been attained, it is only possible to go on increasing production at a high rate if one steps up rapidly the productivity of labour, which implies the utilization of latest techniques. Now, these techniques can be utilised on a generalised scale only in enterprises turning out production on a big scale. That is why the Chinese government always gives priority to big industries. That is also why means will have to be found to merge and transform gradually present small enterprises into modern units of production giving high yields.

On the whole, for the time being, China has known how to find in her big population a source of rapid increase in production, consumption and accumulation. It is obviously the agricultural population which, on account of its specific weight, has played the dominant part in the rapid increase in na-

tional accumulation. It is therefore important to try to work out how this source of accumulation has been able to contribute to Chinese growth.

Agriculture in National Accumulation

It would be interesting to work out the contribution of the rural population to national accumulation. Unfortunately, the data which I have been able to collect enable me to come to only a very imperfect estimate of rural accumulation or accumulation of agricultural origin. Here are some indications in this respect:

It has to be recalled that the remarkable increase in agricultural production in the course of the first Chinese five-year plan has been achieved with relatively little recourse to centralized financial resources for the purpose of investment. The main contribution to accumulation in the agricultural (or rather rural) sector has been furnished by agriculture itself, either in the form of investment in labour, or as accumulation of part of the value of current production.

It is obviously difficult to estimate the value of the accumulation achieved in the first form. One could do it if one knew what amount of labour time has been spent by the peasants on this investment, assuming, for instance, that the value created in a given time given to this work is equal to the one obtained by work spent on current agricultural production. In the absence of any precise knowledge of the amount of labour time spent by peasants on investment in labour (and this time has very much increased in 1957-58) one can only make a rough estimate. I shall make it on the basis of the figures which I have been able to obtain from co-operative as well as from central organisations.

On this basis, one can consider that, in 1955, out of 150 work-days only about 10 were devoted to investment of labour and 140 to activities connected with current production. As that year's gross agricultural production amounted to 55.5 thousand million yuan, the value of the gross investment of labour would be 3.9 thousand million yuan (Rs 780 crores), that is about five times the amount of centralized agricultural capital invested this same year.

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By making a similar calculation for 1958, assuming that out of 300 work-days 100 have this year been devoted to investment of labour (which on the basis of the data at my disposal seems to be a reasonable estimate), and that the value of the agricultural production for 1958 has progressed by 60% over 1957, thus amounting to 96 thousand million yuan, one estimates the investment of labour achieved in 1958 at the impressive figure of 48 thousand million yuan (or Rs 9,600 crores). Though this is a very high figure, one has to keep in mind that it only corresponds to an investment in labour terms of 28 yuan per year per peasant worker.

As to the accumulation achieved from the current production of agriculture and animal husbandry, it also seems to come to high total figures. It is officially estimated that, in 1956, 11% of the net agricultural income was accumulated by the co-operatives as compared with a 5.6% peasant accumulation in 1953. But these percentages do not take into account the contribution of agriculture to centralized accumulation (agricultural tax) which represents 13.2% of the total agricultural production for 1952 and 11.3% for 1957.

In 1957 and 1958 the accumulation achieved from current agricultural production seems to be much higher. Thus, in the co-operative Ta-Chin in the surroundings of Chen-Tang, 55% of the total value of the production for 1957 has been distributed among the members of the co-operative, while 10% went for taxes, 15% for maintenance and depreciation, 15% for auto-financing, and 5% for social expenses. The gross investment financed from the production of this co-operative therefore amounted to at least 22% of the production value, and its participation in gross accumulation to about 32% of this value*. The figures collected elsewhere lead one to think that the gross accumulation financed from current production must represent one-fourth to one-third of the gross

* This if we assume that half of the expenditure on maintenance and depreciation is spent on accumulation, and if we ascribe the total amount of the taxes to centralized accumulation.

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value of that production (let us take note of the fact that this represents a fraction of the value of agricultural production which is lower than the one which Chinese peasants formerly had to hand over to landlords, usurers and middlemen). If we hold on to the first of these two ratios and apply it to the gross agricultural production for 1958 as we have estimated it above, we have to estimate the gross accumulation for that year at 27 thousand million yuan of which 21 thousand millions are invested on the spot† (and added to the above-mentioned 48 thousand millions).

Under these conditions, the gross accumulation originating from the agricultural sector and taking place locally would amount to 69 thousand million yuan in 1958, 70% of which corresponds to investment in labour; as to the 21 thousand millions yuan of investment which is not in labour terms, it is certainly very far from corresponding entirely to the demand for means of production supplied by big industries. In fact, part of this accumulation takes the form of storing on the spot of a fraction of the production (investments in stores). This part seems to become very big for this year as well as for the next few years, as the co-operatives have set themselves the target of storing, by 1962, goods corresponding to 6 to 12 months of consumption.

Another part of the accumulation corresponding to current production is expressed in the form of demand for means of production supplied by co-operative small scale industries; it is therefore only the remaining fraction which represents a demand for means of production (agricultural implements, ploughs, insecticides, fertilizers etc) supplied by big State industries. Nevertheless, even thus, the year 1958 is marked by a considerable leap forward in this type of demand, which cannot be immediately met by big industries. This, as we have said, is one of the factors that has provoked the drive to develop rapidly small decentralized industries ma-

† In fact, this year's agricultural taxation has not increased at the same rate as the value of production and is appreciably at the same level as in 1953.

naged by local authorities.

Thus the abundance of the population which was formerly partly unemployed explains how, once favourable social conditions have been created, growth takes place at an exceptionally rapid rate. In order to explain this rate of growth one must none the less also take into account the economic characteristics of the techniques which have been utilized.

Character of Techniques

I shall not dwell at length on this factor of the rapid growth of Chinese economy. It has already been mentioned several times, and I have indicated (in previous discussions) what part it has played. Nevertheless, it is necessary to say a few words about the specific action of this factor.

If one wants to indicate briefly in what way the characteristics of the techniques applied in China have made an exceptionally rapid growth possible, one is led to make the following remarks:

(1) These techniques are of two sorts. Some, i.e. those which have been applied in big industries, are advanced techniques; the others, i.e. those which have been applied in small industrial enterprises and in agriculture, are usually very simple techniques which are sometimes derived from traditional techniques and are sometimes original, resulting from the creative inventiveness of the workers.

(2) With respect to the former, it is known that the application of the latest techniques, utilizing automation on a large scale, makes it possible to reduce the investment necessary to attain a given production while raising steeply the productivity of labour. Thus, in British industries, automation has enabled most enterprises where it has been introduced to reduce by nearly one-sixth the investment per unit of output, while also reducing by one-sixth the cost in raw materials, and the cost in energy by nearly one-fourth.

In Soviet industry (and the figures with respect to this industry are obviously more significant since part of China's big industry has been equipped with Soviet help), one knows, for example, that the automation of 12 blast furnaces has cost 6 million roubles and has made possible the production of an

additional quantity of cast iron which would have required an investment of 100 million roubles. It is also known that the setting up of an automatic line in the car industry has paid off within less than two years ‡.

By launching her industrialization plan at a time when automation plays an ever increasing part, China does not only benefit by the increase in productivity which automation makes possible, but also by the considerable increase in the efficiency of investments which it involves.

It is important to add that the ingeniousness of Chinese workers, technicians and engineers has often enabled them to reduce still further the investments necessary for the creation of a given capacity of production. Thus, in the speech we have already mentioned, Liou Chao Chi indicates that till very recently one had to spend 1,000 million yuan to construct an iron and steel plant with a capacity of one million tons, and that now the required investment has been reduced to 400 million yuan. Similarly, the investment necessary for the construction of a nitrate fertilizer plant with an annual capacity of 50,000 tons of synthetic ammonium has been reduced from 130 million yuan to 60 million yuan.

Besides, one has been able to reduce considerably the construction time of numerous plants. I have mentioned above the case of the heavy machine-tool plant of Wouhan which has been constructed within two and a half years instead of four. This is not in the least an isolated case, on the contrary quite typical. The techniques which have made possible a reduction in the time of construction also contribute to accelerate the pace of growth.

(3) With respect to agricultural production, one is witnessing a real technological revolution. For the primitive implements which have till now been in use, the peasants substitute much more efficient ones which are mostly invented by the peasants themselves and manufactured, sometimes in agricultural co-operatives, sometimes in State enterprises or local enterprises.

‡ Speech of Kuzmine reproduced in 'PromycheInno Economicheskaya Gazetta', 13-5-1958.

There are hundreds of new agricultural implements and vehicles invented by peasants (a great number of which I have been able to see, not only in the countryside, but also at the National Exhibition of new agricultural implements organized in Peking and visited by thousands of peasants who had come from all parts of China to draw inspiration from the models presented). Now, this type of implements considerably increases the productivity of labour, while they are not, as a rule, more expensive than the traditional implements; very often (if one relates the cost of these implements to the production they make possible) they are less expensive, sometimes half as expensive.

The millions and millions of these new implements which have been introduced have rapidly increased the productivity of labour as well as that of the soil. They require, on the whole, no more investment than would have been required for replacing the old implements. (The 'Peking Review' of the months of March, April and May has published numerous descriptions of these new agricultural implements.) Moreover, the improved methods of cultivation have been an additional source of increase in output.

(4) With respect to small industries, the investment per unit of output is generally extremely small, but here too, thanks to the inventiveness of Chinese peasants and workers, it has been possible to achieve sufficient technical improvements in these small industries so as to run them in a rentable way and make them also contribute to the increase in the accumulation fund.

However, whatever the material factors which explain the exceptional rapidity of Chinese economic growth may be, it is obvious that these factors do not constitute by themselves a sufficient explanation. What China is achieving implies, as is brought out by the previous analysis, the effort of hundreds of millions of people: effort at invention, effort at production, effort at co-ordination and planning.

In a sense, the real problem consists in understanding how and why all these efforts have developed on the required scale which is

that of a whole people, and of the biggest people in the world, how and why these efforts had the effectiveness indispensable for overcoming the infinite number of difficulties arising at every step of

such a rapid and multiform development. The answer to these questions is obviously to be found in the domain of subjective factors. These will be discussed in the next and the last part of the article.



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STP 30

Two Views of Japan

George Rosen

THE recovery of Japan from the destruction of the war has been one of the most rapid of any country in the world; in fact, the rate of recovery compares favourably with that achieved in both Western Germany and the USSR. It is, therefore, most important to have these two books* which attempt to describe and explain both how this has occurred, and what problems Japan faces in the future. It is of interest to read these together since Professor Tsuru is one of Japan's leading economists; and Professor Allen is one of the foremost Western commentators on Japanese economic development. This review will briefly compare the two analyses of Japan's postwar development.

Both agree on the importance of the economic stabilization programme of 1948-49, with its institution of a single exchange rate, and the first postwar balanced budget, in halting the previous inflation. To a certain degree Professor Tsuru implies that the inflation was coming to an end any way, without this programme. Professor Allen does not seem to agree with this; however, he does lay more emphasis than Professor Tsuru upon the easing of this austerity programme by the Japanese themselves to prevent deflation, after it was introduced.

Both agree on the importance of the cold war in 1948-49 in leading to a modification of United States policy toward Japan from reform to increasing output with existing institutions. It is clear too that the Korean war provided a major stimulus to the recovery. However, they disagree with respect to the implications of this. For Professor Tsuru, in retrospect the shift from reform to output was undesirable since it prevented the completion of necessary basic changes in the structure of the economy. The Korean War and the following boom financed by

*Tsuru Shigeto—'Essays on Japanese Economy', Kinokuniya, Tokyo, 1958, pp IV+241.

Allen G C—'Japan's Economic Recovery' Oxford University Press (under auspices of the Royal Institute of International Affairs) London, 1958, pp XI+215.

American expenditures only masked the real problems and permitted the society to delay steps toward a solution of them. Professor Allen, however, feels that the ending of American inspired reforms was necessary for production to increase; that the economic reforms (trade unions and land reforms) which the economy could absorb have subsequently been accepted, while the other reforms which probably hindered growth have been modified in accord with the real economic factors of the Japanese economy. He believes too that while the Korean War provided a short-term stimulus to Japan, on the whole this was utilized to provide the Japanese economy both with the greater strength and flexibility needed to meet future problems. The reviewer agrees more with Professor Allen on this matter. (It should be stated that the reviewer is an American. He hopes this has not prejudiced him on this question.)

Both authors agree that these problems are serious—a rapidly growing labour force, a high import dependence, and a need to increase exports to supply the raw materials for growing industry, as well as sources of employment for the rising labour force. (The failure of exports to reach pre-war levels in real terms and the dependence of Japan's favourable payments position on American expenditures reflects this problem.) The rapid rise of tertiary employment in Japan reflects the coming into the market of additional labour, and the failure of industry and agriculture to absorb this. In their respective pictures of the future of the economy Professor Allen lays more stress on the flexibility the economy has achieved, and is achieving; Professor Tsuru on the weight of the problems.

For anyone interested in economic growth both books are of great value, but neither answers one major question. Neither discusses in a systematic fashion the investment level in post-war Japan. The crucial fact is that since 1950 Japan has achieved a level of gross investment which is about 25 per cent of gross national product. The

explanation of how this high level of investment, which exceeds that in most Western countries, is compatible with Japan's relatively low level of per capita income when compared with the West (high of course compared to India) would go far to explain Japan's postwar growth—and serve as a guide to other countries.

The growth of the labour force since the war, and the problem of unemployment and disguised unemployment, is one that is familiar to Indian economists. Professor Tsuru attempts to measure the level of disguised unemployment, since Japanese unemployment figures are so poor. His solution, based largely on workers attitudes towards their jobs (their desire for change as asked in a questionnaire) is unsatisfactory, though it may have been the only alternative for his purpose.

Finally, the discussion of the availability of finance for economic development, and the unorthodox role of the commercial banks and the Central Bank, is of great importance to countries, such as India, dealing with similar problems. In Japan the commercial banks, even from 1868-93 had a very high ratio of loans to deposits; and this also has been characteristic of the post-war period. This meant that the Central Bank with its loans to commercial banks played a keyrole in industrial financing.

A short review cannot really do justice to these two books. It should be said that Professor Tsuru's is a collection of lectures and pieces that were delivered or written at various times over a period of many years—it has some of the weaknesses in organisation of a collection of individual pieces. (One of the most significant lectures, since it is the one that summarises his attitude toward the past most concisely, was delivered in New Delhi in 1952.) It also reprints two extremely interesting historical essays—his early classic piece on business cycles in Japan from 1868-93, and a slightly later one on the economics of the "China incident"; the one on difficulties of planning in Japan should be required.

ed reading for planners elsewhere.

One must also congratulate Hitotsubashi University and the publishers for the high quality of their series of books on Japan's economic problems—Professor Tsuru's book is the second in the series. The

first was Professor Ohkawa's path-breaking study entitled "The Growth Rate of the Japanese Economy since 1878."

Professor Allen's book is concise and unified; it is in fact, in many respects, a continuation of his one

volume "A Short Economic History of Modern Japan, 1867-1937". Ideally this earlier book should be read in conjunction with the one being reviewed; together, they provide an excellent summary of Japanese economic history since 1869.

A Great Sound of Machines...

When Balbir Singh came to Jamshedpur from Bahrein in 1957, the site for the new Rs. 100-million Blooming Mill—a key unit of Tata Steel's Two Million Ton expansion programme—had just been cleared after levelling a large hillock.

Today this new 46" Blooming Mill, the largest of its kind in India, with a rolling capacity of two million tons, is all set to produce the blooms and slabs from which rails, structurals, plates, sheets and many other products will be rolled.

Despite the Suez Crisis which delayed vital supplies and other difficulties, the

rapid completion of the Blooming Mill was made possible by the devoted service of men like Balbir Singh. He and hundreds of other Indians, assisted by American and German technicians, worked round-the-clock on this major expansion project to produce more steel to strengthen India's economy.

TATA STEEL
ON TO TWO MILLION TONS



The Tata Iron and Steel Company Limited

From the Chair

The Delhi Cloth & General Mills Co Ltd, Delhi

Speech of the Chairman, Lala Bharat Ram

SPEAKING to the shareholders of the Delhi Cloth & General Mills Company Ltd at the 70th Annual General Meeting held on 27-11-1958, Lala Bharat Ram, Chairman of the Company, stated that the profits of the year were on the whole satisfactory, although the Textile industry in India continued to face difficult conditions. The Textile Mills at Hissar and Lyallpur continued to improve, and the products of the Silk factory were increasingly liked in the market. Keeping in mind the trends of economic development, plans of substantial expansion were under way in Chemical units. The sugar units had also done better during the year, and the Vanaspati section showed satisfactory results in spite of changing costs and prices.

Continuing he said:

"I must refer in this context to the very high burden of excise and cane cess on the white sugar industry as compared to Khandsari sugar. The production of Khandsari is getting a benefit of Rs. 13 per maund which is payable as excise and cane cess on each maund of white sugar, the rate of which is controlled at Rs. 36 per maund, with some adjustments for different varieties of sugar.

"Unless the Government take immediate steps to remove this disparity the vacuum pan or white sugar industry is bound to suffer. The production of Khandsari sugar is increasing at a rapid rate.

"The production of Khandsari sugar is a dual loss—to the State and Central Governments in the form of cess and excise not realised; and to the country on account of the waste of 30% precious food value involved in the inherently low recovery of sugar from cane by the process of Khandsari manufacture. The argument that cane at places which are away from factories has to be used is not a good argument, as cane in these places can be turned into gur. By converting cane into gur there is no loss of food value. Khandsari is also not a labour intensive industry as has been sometimes claimed.

"A new welcome development which has taken place in the sugar industry in the year under review

has been the Government's policy to export sugar under which every mill is required to export 2-½% of its production, the individual contributions being pooled for sale abroad at whatever price is available. This element of compulsion in the matter of exports should be extended, I think, to many other industries in order to earn more foreign exchange.

"With your permission, I will offer some remarks on the economic situation in the country which naturally affects our Company as well. There are numerous problems facing the country but I would like to highlight two problems which form the core of our economic difficulties. The two problems are the food situation and the shortage of foreign exchange resources.

"In my view sufficient attention has not been given to the increase in food production which has resulted in a whole chain of higher prices and costs extending to industrial wages where dearness allowance rates vary with the cost of Living indices. Until food production is increased consistently and wastage of foodgrains in storage and transit avoided the economy will continue to be under strain, more so in a lean harvest year.

"While I do not underestimate the value of external help in the form of loans, grants and participation by foreign investors, it is necessary for us to realise that eventually we must stand on our own feet in the matter of earning foreign exchange adequate for needs of economic planning. It is a national task in which it is necessary for the Government, the manufacturer, the worker and the consumer all to make sacrifices. In fact, as is well-known, in some countries, exports are being maintained and increased on the basis of prices which have no discernible relation to costs. Whatever the mechanics of the manner, it is my view that in any under-developed country like

ours, engaged in a process of accelerating economic development, there is no alternative but to export—even at a sacrifice.

"I had earlier referred to the Government's policy with regard to export of sugar and it seems to me that unless a similar policy is followed also in the case of other industries we may not be able to increase our exports to the required extent or even to maintain at present low levels.

"This applies as much to the textile industry which is passing, as you know, through very critical times. On the one hand, cloth is not moving in the internal market and on the other hand, exports have been declining—on the basis of figures for the first half of the year the exports during 1958 might not exceed 630 m. yds. as compared to 854 m. yds. in 1957 and 1,000 m. yards postulated in the Second Plan. The Government have recently announced certain incentives for export. While I welcome the spirit behind these schemes, I doubt if these incentives will result in a substantial increase in the export of mill cloth. I am afraid that a substantial increase in our exports will come only if there is compulsion in the matter of exporting.

"I am glad to say that the exports by our Organisation have been maintained—sometimes even at a sacrifice—in contrast to the sizable decline recorded for the country as a whole.

"Before I conclude, ladies and gentlemen, I would like to invite your attention to some aspects of wage policy. As you all know, the greater part of the industrial worker's wage today changes with the cost of living index—it has no relation to the important question whether his productivity justifies a higher wage or not. It has also, very often, no relation to the wage levels generally prevalent in the same centres. In fact I will present figures below to indicate that in recent years manufactur-

	Manufacturing Wages per Person—Rs.	Increase %	Per Capita Income—Rs.	Increase %
1948-49	835		247	
1956-57	1,213*	+ 45%	294	+19%
			(* figures for 1956)	

ing wages have gone up at a rate that is almost two and a half times the rate of increase in per capita levels of income.

"This aspect of wage costs—their tendency to rise independently of boosts in productivity and at a rate substantially higher than the levels of national income—must be held in check in the larger interests of the country. I believe that for an under-developed and densely populated country like ours, we should follow a policy of low cost and low price economy. This policy will not only help our internal economy but will be the only permanent sustaining factor for maintaining and increasing our exports.

"Personally, I would suggest that emoluments of industrial labour be frozen at their current level for the next few years. This freeze on wages should be accompanied, in my

opinion, by the imposition of a ceiling on dividends, and on Managing Agents' commissions. This policy will not only help our internal economy but will be the only permanent sustaining factor for maintaining and increasing our exports.

"To many of my friends, in industry and outside, these proposals might appear drastic. But I strongly feel that the alternative to old economic ills can only come from the conscious creation of a climate of all-round willingness to sacrifice in the larger, social interest.

"Ladies and Gentlemen, as you are well aware this is the first time I am addressing you as the Chairman of this Company. I am a successor—not without a very human measure of hesitancy—to a very distinguished predecessor, Sir Shri Ram, who has been the wise architect of this large

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organisation. I am glad, however, that some of our burdens will be less because his counsel, as one of your Board of Directors, will still be available to us. On your behalf and mine, I would like to convey him our gratitude and sincere good wishes. I am sure I will have your co-operation and good-will to be able to maintain the high traditions of your Company.

"Before I conclude, ladies and gentlemen, let me convey my thanks to all my colleagues who form part of this Organisation—the D C M—whose efforts have been responsible for the satisfactory working of the Company even at such critical times."

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

Thursday, Morning

Tax Problems Again

DALAL Street at the moment is mainly interested in stone-walling tactics. Business during the regular session has dwindled as Government has stopped ticker services with Calcutta of the brokers whose contracts had expired. This has affected the turnover in Indian Iron particularly as it least five of them were interested in arbitrage business at both ends. Movements in the market leaders were rather irregular during the past week. The clarification by the Chairman of the Indian Iron and Steel Company Ltd of the points raised in these columns brought solace to the bulls as it was taken for granted that the Dalhousie holding company would not sell any more shares in the coming six months or so. This enabled Indian Iron to stage a modest recovery and induced a slightly better sentiment all round.

Dalal Street as well as the professionals in Lyons Range are now interested in what the Finance Minister has to say on the vexatious and perennial problem of taxation at the annual meeting of the Associated Chambers of Commerce and Industry in Calcutta on Friday. By the time these lines will be in print, markets would have had reacted to these observations. As matters stand, Shri Morarji Desai cannot be expected to hold out any hope for relief in taxation. At the time of Divall,

in Bombay, he had bluntly said that there could hardly be any question of relief. We know that his needs are many as he was forced to sacrifice large slices of revenue for export promotional measures and for giving relief in excise duty on two occasions during the current fiscal year. On the other hand, the target of expenditure for the public sector remains unchanged at Rs 4500 crores as finally confirmed by the National Development Council a month ago. Defence expenditure may go up in view of the recent developments in Pakistan. The yield from the Wealth tax is not up to expectation. All these add up to only one conclusion, viz, that the Finance Minister will have to devise ways and means to fill the gap. How this will be done is a matter of conjecture but there are indications that he will have to resort more and more to indirect taxes.

With Christmas holidays drawing near, operators will be cautious in making fresh commitments while before the year end, banks will not be much interested in financing carry over or 'Budla' transactions next week. In such circumstances, one should not be surprised if the market remains subdued, despite the really comfortable position in the money market with call money

at 1 to 1½ per cent.

Successful Flotations

The Industrial Finance Corporation had a thumping success and its 4½ per cent 1968 Bonds for Rs 4 crores was so heavily oversubscribed that allotment was made on the basis of 51 per cent only. The Kerala Electricity Board has come out for borrowing to the tune of Rs 1.25 crores. The subscription for Tata Locomotive & Engineering Co's new equity issue of Rs 3 crores will be closed by 8th, unless the Company extends the date. Shree Niwas Cotton Mills Ltd is raising 6½ per cent Debentures of the value of Rs 40 lakhs though the present issue is for Rs 30 lakhs.

The broad conclusions which have been drawn from the proceedings of the annual general meeting of the Indian Iron and Steel Company Ltd are as follows: According to the arrangement made with a bank for financing the right issue, the Dalhousie holding company liquidated 189,000 shares of Indian Iron recently, for a total value of approximately Rs 50 lakhs out of which Rs 44 lakhs were to be returned to the bank this year while shares of the value of Rs 37 lakhs will have to be sold in 1959 and of Rs 33 lakhs in 1960 to clear the overdraft account. As we go to press, official sanction for the proposed issue of

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bonus shares has been announced. The Chairman also hinted that time was still not ripe for issue of new equity capital.

Losses Largely Recovered

Cotton is again in the news. Prices of staple growths on the ready Sewri market have firmed up considerably. When cotton was going abegging, spinners were somewhat reserved, and held out for still cheaper prices. But now when prices have gone on advancing from day to day, they are forced to cover their near term requirements as far as possible. The main question that confronts the market with regard to the steep increase in prices appears to be downward revision of crop ideas and the slightly improved outlook for the industry. Arrivals of new crop cotton in terminal markets have begun to increase, but they are still not upto expectations for this time of the season. The market had too much pressed down on earlier estimate of a bumper crop of 57 lakh bales. But now it is generally held that the crop will not exceed 52 lakhs bales. L C C 1959 March which opened at Rs 671.25 on 14th July went up to Rs 687.50, but with irregular movements had declined to Rs 593 by 1st November. In the course of a little over four weeks, the rate has moved upto Rs 639. This means that prices in the forward section have recovered by 50 per cent from the low level while some of the long staple varieties have recorded even larger gains. The export varieties for which demand is not so satisfactory have also participated in the recovery.

No More Tibetan Coins

It has been an eventful week on the bullion exchange. Silver rose on reports that further exports of Tibetan coins have been banned. It was on May 3, 1956, that the Government of India announced its decision to license fully the import of Tibetan silver coins on the basis of a barter agreement. Trade reports indicate that during the past two and a half years, silver coins equivalent to 45,000 to 50,000 bars have been imported into India and if these supplies are now denuded, the market is likely to experience shortages as demand will broaden in the near future.

Rohtas Industries Limited

THE Twenty-fifth Annual General Meeting of the Shareholders of Rohtas Industries Limited will be held at the Registered Office of the Company at Dalmianagar on Tuesday, the 30th December 1958 at 11.30 A.M. to transact the following business:—

- (1) To receive and adopt the Directors' Report and the Audited Accounts for the financial period ended 31st March 1958.
- (2) To declare dividends.
- (3) To elect a Director in place of Shri Nand Lal Poddar 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.
- (5) As special business
 - (1) To consider and if thought fit to pass with or without modification the following Resolution which will be proposed as Special Resolution of which special notice has been received:

"RESOLVED that Shri S. P. Jain, Chairman and Director, and an associate of Messrs. Sahu Jain Limited, the Managing Agents of the Company, be and is hereby appointed a Director of the Company liable to retirement by rotation under Section 261 of the Companies Act, 1956."
 - (2) To be proposed as ordinary resolution:

"RESOLVED that remuneration of Messrs. K. N. Gutgutia & Co., Chartered Accountants & Auditors for the financial period of 17 months ended 31st March 1958 be and is hereby sanctioned at Rs. 20,000/-."

The Share Transfer Books of the Company will remain closed from 25th December to 30th December 1958, both days inclusive.

By Order of the Board
For SAHU JAIN LIMITED,
A. P. Jain
Director
Managing Agents.

Calcutta:

2nd December 1958.

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

Resolution No. 1:

In accordance with the stipulations made by the Company with the Industrial Finance Corporation of India in respect of the loan of Rs. 1 Crore obtained from them, the Corporation has nominated one Director as their nominee on the Board of Directors of the Company, whose office as such will not be liable to be determined by rotation. Shri S. P. Jain, Chairman, Sahu Jain Ltd., the Managing Agents of the Company, is already an ex-officio Director nominated by them on the Board of the Company, whose office as such is not liable to be determined by rotation under Section 261 of the Companies Act, 1956. The number of nonrotational Directors, however, cannot exceed one-third of the total strength of the Board of Directors. At the request of the Board of Directors, the Managing Agents have agreed to withdraw the nomination of Shri S. P. Jain as an ex-officio Director on the Board of the Company for the time being on his appointment as a Director. Under Section 261 (1) of the Companies Act, Special Notice for the same has been duly received. Shri S. P. Jain, Chairman of Sahu Jain Ltd., is father of Shri A. K. Jain and Shri A. P. Jain who are Directors of Sahu Jain Limited. Approval of the Shareholders is, therefore, solicited for the said appointment under the provisions of the Companies Act. Messrs. Sahu Jain Ltd., the Managing Agents, are interested in the said proposal.

Resolution No. 2:

The Shareholders at the last Annual General Meeting appointed the Auditors on a remuneration of Rs. 15,000/- for the year 1956-57. Since the financial period has been extended by 5 months and the Statements of Accounts have been now made and audited for the period of 17 months ended 31st March 1958, Auditors demanded an increase in their remuneration for the increased work which has been agreed to by your Board of Directors to Rs. 20,000/- for the entire period subject to the consent and sanction of the shareholders which is hereby sought. The Managing Agents and/or the Directors have no interest.

CURRENT STATISTICS

BANKING RETURNS				
Rs Crores				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1555.18	1562.69	1534.44	1486.20
2. Rupee Coin	138.26	137.36	140.01	133.72
3. Deposits				
Central				
Government's	59.60	52.03	71.75	52.55
Other				
Governments'	24.15	24.49	32.12	11.02
Banks'	88.17	101.94	110.82	106.91
Others'	116.84	114.95	115.02	111.73
4. Foreign Securities	164.68	164.68	164.68	311.71
5. Balances held abroad	15.95	16.85	13.75	15.39
6. Rupee Securities	1174.73	1174.73	1134.70	950.78
7. Investments	292.44	303.87	361.79	241.34
8. Loans and advances to Governments	21.92	20.30	16.87	49.92
9. Other loans and advances	54.38	54.30	53.35	67.87
Scheduled Banks				
1. Demand liabilities (net)	698.80	691.68	719.48	709.56
2. Time liabilities (net)	889.37	883.55	869.33	655.24
3. Cash	41.73	46.74	42.33	38.52
4. Borrowings from Reserve Bank of which against Usance Bills	1.36	4.94	1.81	16.88
5. Advances and Bills discounted of which State Bank's	788.03	798.86	792.93	790.90
6. Invest. in Govt. Sec. of which State Bank's	639.38	641.31	600.85	408.26
Cheque Clearance	112.82	182.31	172.07	164.97

† For Reserve Bank Week ended 28-11-58 Scheduled Banks and Cheque Clearance Week ended 21-11-58.

Bombay Money Rates (per cent per annum)				
Call Money	21-11-58	14-11-58	24-10-58	22-11-57
From banks	1½	2½-3½	1½	3-4½
From public	3½	3½-3½	3½-3½	3½-4½
Three Months	2½-4½	2½-4½	2½-4½	2½-4½
Six Months	2-4	2-4	2-4½	2-4½
Bombay Bullion (In Rupees and nP)				
	4-12-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	112.87	113.25	110.90	108.75
Forward	113.19	113.25	111.31	108.65
Silver (per 100 tolas)				
Spot	192.87	188.62	186.94	184.00
Forward	194.00	189.25	187.94	183.37

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)				
Group and Sub-Group	WEEK	ENDED		
	22-11-58	15-11-58	25-10-58	23-11-57
Food Articles	116.8	118.0	121.0	107.9
Cereals	108.7	111.0	113.3	102.3
Pulses	114.3	111.5	112.8	83.4
Fruits & Veg.	120.2	119.9	117.8	111.0
Milk and Ghee	105.6	104.3	107.1	103.1
Edible Oils	122.8	122.6	131.5	131.6
Fish, Eggs & Meat	113.1	109.4	107.8	99.6
Sugar & Gur	120.2	128.1	137.6	107.9
Others	159.6	161.5	161.0	137.3
Liquor and Tobacco	97.0	96.6	93.4	96.5
Tobacco	95.5	95.1	91.7	95.0
Fuel, Power, Light & Lubricants	115.0	114.9	115.1	115.4
Industrial Raw Materials	112.5	111.9	116.8	116.3
Fibres	101.9	102.0	104.2	117.2
Oilseeds	125.6	124.1	135.1	120.7
Minerals	107.3	107.3	105.2	107.1
Others	108.5	108.0	107.3	106.8
Manufactures	108.6	108.5	108.5	108.3
Intermediate Products	109.4	109.6	109.3	106.2
Finished Products	108.5	108.3	108.4	108.7
Textiles	103.3	103.2	103.3	106.6
Cotton	111.2	111.2	111.1	115.4
Jute	89.0	88.7	87.6	96.0
Woollen	105.9	105.9	105.9	103.0
Silk & Rayon	90.2	90.2	94.7	81.8
Metal Products	143.1	143.1	143.1	143.4
Chemicals	107.3	107.5	107.4	93.9
Oilcakes	143.9	142.1	142.9	129.6
Machinery and Trans Equipment	104.3	104.3	103.6	102.3
Others	113.6	113.6	113.8	111.4
All Commodities	113.3	113.8	116.0	109.3

FOREIGN TRADE OF INDIA

(Merchandise Value, Rs lakhs)				
Year/Month	Imports	Exports*	+ or -	
1956	808.73	613.46	—195.27	
1957	1,025.82	642.85	—382.97	
1956				
Sept	76.90	51.06	—25.84	
Oct	70.47	54.33	—16.14	
Nov	69.96	57.47	—12.49	
Dec	69.36	57.95	—11.89	
1957				
Jan	78.00	55.27	—22.73	
Feb	70.60	54.44	—16.16	
Mar	79.41	53.94	—25.47	
Apr	89.40	47.85	—41.55	
May	85.38	52.83	—32.55	
June	86.23	48.34	—37.89	
July	81.13	55.79	—25.34	
Aug	80.98	60.25	—20.73	
Sept	83.29	61.55	—21.74	
Oct	73.07	53.64	—19.43	
Nov	78.18	59.02	—19.16	
Dec	66.58	54.59	—11.99	
1958				
Jan	66.05	55.27	—10.78	
Feb	66.21	54.44	—11.77	
Mar	70.56	46.73	—23.83	
Apr	60.00	41.73	—18.27	
May	63.24	44.71	—18.53	
June	63.93	28.12	—35.81	
July	66.79	54.31	—12.48	
Aug	55.92	49.91	—6.01	
Sept	58.60	59.02	+0.42	

*Including re-exports

Source: DCIS, Calcutta

INDUSTRIAL DISPUTES IN INDIA

Year/Month	Disputes (Numbers)	Workers involved	Working days lost
1953	772	466,607	3,382,608
1954	840	477,138	3,372,630
1955	1,166	527,767	5,697,848
1956	1,203	715,130	6,992,040
1957	1,522	666,253	5,903,083
1956:			
May	137	65,037	549,582
June	153	71,047	4,439
July	150	100,388	530,108
Aug	136	64,551	493,533
Sept	180	130,391	924,763
Oct	138	95,882	822,965
Nov	137	60,478	513,389
Dec	147	70,473	422,406
1957:			
Jan	155	129,791	405,805
Feb	124	57,833	269,041
Mar	113	42,516	287,650
Apr	161	66,724	414,535
May	163	76,337	455,037
June	153	106,234	734,545
July	198	96,715	764,308
Aug	205	146,511	821,211
Sept	232	148,148	842,508
Oct	222	110,548	533,206
Nov	175	61,498	338,979
Dec	155	84,881	512,381
1958:			
Jan	145	58,402	354,185
Feb	133	87,130	342,205
Mar	167	91,489	818,824
Apr	170	65,199	490,816
May	160	61,570	560,459
June	151	158,660	15,24,835

Source: Deputy Commissioner of Labour, Government of Bombay.

INDUSTRIAL DISPUTES IN BOMBAY STATE

Year/Month	Disputes (Numbers)	Workers involved	Working days lost
1953	179	141,525	618,192
1954	201	111,273	396,287
1955	255	103,319	361,249
1956	294	245,140	705,881
1957	306	192,283	867,311
1956:			
July	35	46,584	116,263
Aug	36	19,770	71,395
Sept	30	42,582	144,967
Oct	25	31,983	31,872
Nov	26	7,835	27,041
Dec	38	15,011	38,972
1957:			
Jan	34	11,624	46,424
Feb	26	13,432	33,285
Mar	31	16,107	61,351
Apr	35	25,919	123,603
May	28	22,741	34,906
June	25	17,891	71,093
July	38	17,829	151,493
Aug	17	6,712	85,731
Sept	36	26,506	81,333
Oct	52	31,455	53,990
Nov	31	12,934	33,603
Dec	26	16,101	90,499
1958:			
Jan	31	14,946	69,955
Feb	25	11,475	27,114
Mar	19	5,426	11,428
Apr	34	16,858	113,292
May	25	10,340	147,368
June	26	65,701	605,755
July	30	77,219	197,087
Aug	21	5,824	10,709

Source: Deputy Commissioner of Labour, Government of Bombay.

WORKING CLASS COST OF LIVING INDEX

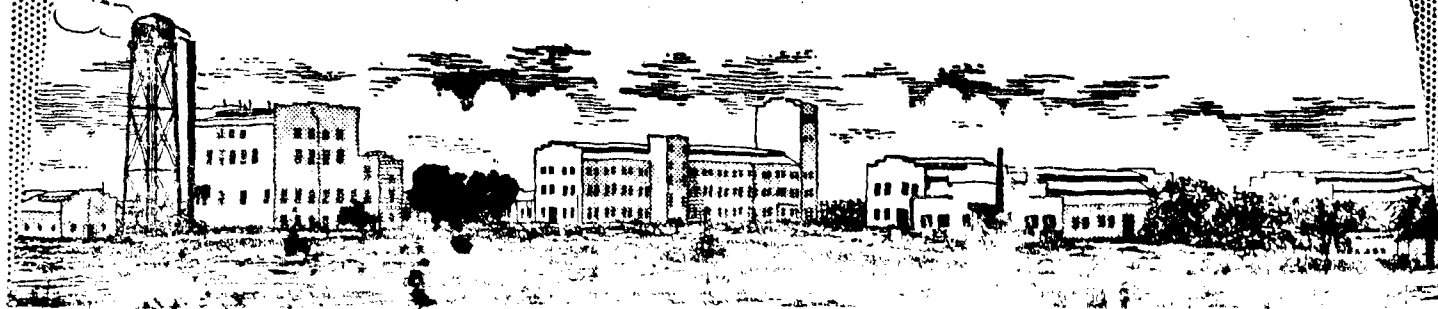
(Monthly Average or Calendar Months)

(Base: 1949 = 100)

(Base: 1949 = 100)													All India	
		Bombay		Calcutta		Delhi		Kanpur		Madras		(average)		
		F	G	F	G	F	G	F	G	F	G	F	G	
1955		110	110	90	92	97	99	68	78	96	99	92	96	
1956		117	115	98	98	112	109	81	89	110	111	105	105	
1957		123	120	106	105	117	114	87	94	113	116	112	111	
1956:	Aug	121	118	102	100	116	111	87	93	117	115	110	109	
	Sept	116	115	102	101	115	112	86	93	114	114	109	108	
	Oct	119	117	102	101	121	116	87	94	111	112	110	109	
	Nov	118	116	102	101	123	117	87	93	113	114	111	110	
	Dec	118	116	102	102	120	115	83	91	113	115	110	109	
1957:	Jan	117	116	100	100	118	113	83	91	113	115	108	107	
	Feb	118	116	99	100	118	114	84	92	112	114	107	107	
	Mar	117	116	101	100	118	114	83	91	111	114	107	107	
	Apr	117	116	100	100	116	112	81	89	111	114	108	108	
	May	121	118	102	102	119	114	85	91	110	114	111	110	
1958:	June	124	121	106	105	119	115	86	93	112	115	113	112	
	July	126	122	107	106	119	115	90	96	113	116	113	112	
	Aug	126	123	110	108	123	118	93	98	113	115	115	113	
	Sept	125	122	111	109	115	113	91	97	111	115	115	114	
	Oct	125	122	110	108	115	113	91	96	113	116	113	113	
	Nov	129	125	111	109	114	112	89	96	120	121	116	114	
	Dec	128	125	109	107	111	110	85	93	119	121	113	113	
	Jan	127	124	106	105	111	109	83	91	118	120	112	111	
	Feb	126	124	104	104	110	108	81	89	118	120	110	110	
	Mar	127	124	104	105	110	108	82	89	116	119	110	110	
	Apr	131	127	105	105	109	107	85	91	116	119	112	111	
	May	132	127	105	106	110	108	87	91	117	120	114	113	
	June	133	129	109	107	114	111	94	99	118	121	118	116	
July	138	133	114	112	122	116	99	101	125	125	124*	116*		
Aug	137	132	118	115	123	117	102	103	127	126	124*	120*		

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The Meaning of Berlin

IN saying that there is nothing new in the Russian proposals on Berlin, President Eisenhower may turn out to have made one of the most astonishing statements of history. The proposals Mr Khrushchev has now advanced may in themselves certainly not be new—the withdrawal of all troops from Berlin and its subsequent proclamation of a Free City are propaganda kites which the Soviets have flown before—but their implication is radically new. If the United States President does not see this implication and recognise it as new, it is a pity; if he does, but pretends to ignore it, it may turn out to be one of the major blunders of western political strategy in Europe.

The new and important point in the Russian proposals is that, for the first time, they are intended to be taken seriously. The re-unification of Germany, its neutralisation and disengagement in Central Europe—Mr Khrushchev is now in dead earnest about all these; and the moves over Berlin are meant only to open up the way to these larger questions.

Why, it may be asked, is Russia to be taken seriously now on an issue which in the past it was merely treating as a propaganda weapon? Mainly for two reasons: fear on one score and, paradoxically, confidence on another. Both Senator Humphrey and Mr Walter Lippmann have recently come away from Moscow with the firm impression that Russia is beginning to be gravely disturbed by the growing militarisation of Western Germany. Mr Khrushchev himself told them that the position in this regard seemed to him to have reached a point where it could no longer be ignored. There is at the same time the added fear that nuclear armament of the West German Republic may be imminent. The only way to check these trends is obviously to try seriously to neutralise Germany as soon as possible and press for a disengagement in Europe; so that is what Mr Khrushchev proposes.

Secondly, the Soviet leader knows that the present is a far more favourable time from his standpoint to press for these changes than it was for Stalin in 1949 when he imposed his famous Berlin blockade. Both economically and strategically Russia is now much better placed to exert the pressure which it could not a decade ago, while the position of the West cannot be said to have proportionately improved.

Yet another pointer which confirms the theory that this time Mr Khrushchev means business is the wording of his Note. It has two unusual, almost un-Russian, characteristics: One is that it lacks the familiar "dramatic" announcement which Moscow, when indulging in propaganda, is prone to make. The Note does not challenge the West to an immediate decision. It gives them six leisurely months in which to consider the problem and perhaps come out with genuinely practicable steps to solve it. Secondly, the Note is not familiarly dogmatic and rigid; but in fact goes to the extent of making it specifically clear that the Russian proposals are only tentative and open to negotiation. These are unmistakable signs of a new anxiety in Moscow for a settlement of the German issue.

But, of course, Mr Khrushchev is not throwing himself completely at the mercy of the West. He may be anxious to appear eager; but he is equally careful to point out that he is not helpless. His strategy over Berlin is, therefore, carefully worked out and shrewdly timed.

He calls for a Western withdrawal from the city on the seemingly noble sentiment that the Berliners must unite once again as free men—a sentiment which (whatever the municipal voting results might be interpreted to mean) strikes a deep and sympathetic chord in German hearts. And, in support of his call, and as an earnest of his intentions, he goes one step further and promises that, whether the West finds itself equal to the sacrifice or not, he himself would certainly be withdrawing his troops from the Eastern sector of the city over the next six months. The West looks at this extremely clever manoeuvre and, instead of countering it with something even remotely ingenious, is merely content to point out that the Russian move has a shaky legal basis—which, of course, it has. It is true that Mr Khrushchev is legally in error in saying that the Russian withdrawal from East Berlin would automatically end the allied occupation of the city and that therefore the Western powers also would have to withdraw. The position, on the contrary, is that if

one of the "partners" in the occupation pulls out, his responsibility falls on the shoulders of those who remain. But Mr Khrushchev's interpretation of the legal position on this point is clearly deliberately wrong. It is not that he does not know the legal implications of a Russian withdrawal from East Berlin; it is rather that he knows that the West would not dare to accept those implications in actual practice. And he has already been proved right by Mr Eisenhower's announcement that, if the Russians withdraw, the West would treat the East Berliners as "the agents of Russia" and continue dealing with them as if the Russians were still there.

This so-called "escape route" for the West also suits the book of Mr Khrushchev. In what other way could he have so quickly secured at least the de facto recognition of East Germany by the West? Again, if the West insists on wanting to maintain the status quo in Germany, the Soviets could once more impose the blockade on transport. Mr Eisenhower is obviously hoping that either (a) the blockade

would not extend to German transport and would be confined only to allied transport, in which case a modest airlift could overcome its disadvantages, or (b) that, if it came to it, the allies would be able to repeat the giant airlift of 1949. The only snag in the latter event is that several Western experts are openly confessing that in the conditions of today a successful airlift on the model of 1949 would not be practicable.

It will thus be seen that Soviet strategy is masterfully drawn up to face the West with a cruel choice between surrender and war, or at least near-war. Happily, it seems strongly that both the hard alternatives are intended to drive the West to the golden mean of negotiations for an over-all settlement of the German question. It will be in the interests of the West, of Germany and of Russia to grasp this opportunity and make an earnest effort to welcome the possibility of a negotiated settlement. The West, indeed, would be foolish to hedge, as the trumps are all held by Mr Khrushchev.

Out of Gear Again

THE Defence Ministry's latest decision, apparently justified, judging from the elaborate statement made in the Lok Sabha, to take up the manufacture of trucks and tractors in Ordnance Factories has certainly not been liked by the automobile industry, particularly by the two suppliers to the Ministry, Telco and Premier Automobiles. That the Defence Ministry failed in getting a cent per cent indigenously produced military vehicle in all these years is unfortunately true, whoever may be responsible for this tragic failure. When the Ministry decided in 1952 to change over from British trucks which it had been using hitherto, it took a very serious decision. For it involved not only dependence on a production programme, which had yet to be carried out, and risking the dependable supplies of the kind of vehicles which the Army needed. It also involved taking a risk regarding servicing, getting the spares etc. on which depend the cost of maintenance. It is no secret that the cost of servicing since the change-over has also been inordinately high. The Defence Ministry's allegation

—it is nothing short of that—that Telco had overcharged in supplying Mercedes-Benz trucks has been resented and answered, point by point, by the Telco Chairman himself. It is for experts to decide who gets the better of this argument. Those who lack specialised knowledge of costing will be puzzled whether the Deputy Minister of Defence and the Chairman of Telco were talking about the same thing. For the first consignment was wholly imported while the second, regarding which pointed objection has been made, related to an altogether different item, viz. trucks, parts of which had been indigenously manufactured. Those not technically qualified will also find it difficult to understand what the price of gasoline trucks purchased from another manufacturer, however high they may be, has to do with diesel trucks supplied by Telco.

Whoever may get the better of the argument, the unfortunate fact is—and it is underlined—that the relationship between the Defence Ministry and private industry has not been what it should be. It has

not been one of smooth cooperation and intelligent coordination, so that Defence orders may initiate industrial development, industrial development may make Defence less and less dependent on foreign supplies and the two inter-acting may speed up each other in a self-perpetuating, mutually beneficial partnership.

If it is the deliberate policy of the Government that the balance should turn increasingly in favour of the public sector, it would be logical to expect the Defence Ministry to take greater initiative in production. Whether this initiative should be left in the hands of a spending or user Ministry like Defence, or it should be transferred to a separate Ministry of Supply which should look after equipping and supplying the Ministry of Defence, these are questions of very great import which should not be obscured by irrelevancies.

The Defence Ministry cannot be blamed if, in view of its past unhappy experience, it feels compelled to go in for production on its own. The case that has been made out for it, however, does not rest solely or

even mainly on dependability of supply; it has been made to rest equally on the existence of idle capacity in the Ordnance factories the utilisation of which, it is claimed, will make production, even on so small a scale as 2,000 trucks a year, economical. The Report of the Estimates Committee, when it last looked into these factories, however, does not encourage such expectations. The Committee found that the machinery of these factories was largely over-age and in an unsatisfactory condition; and that the factories were able to meet only a small part of the requirements of the Army, Navy and Air Force. It drew pointed attention to the failure of educational orders placed by the Ministry to initiate development in the private sector. When the Committee investigated, the Defence Ministry was still hoping that 90 per cent of the major 'soft vehicles' for which it had entered into agreement with Premier Automobiles and Hindustan Motors would be manufactured in India within four or five years. For the Ministry to be able to undertake efficient and economical production in the Ordnance factories, their equipment and skilled personnel had to be thoroughly overhauled. It would be reassuring to the public to know that this has since been done.

With a programme of manufacture of 40,000 trucks, the automobile industry would not be hit hard if it were to lose army orders, but recent developments suggest that not merely the Defence orders have gone wrong, the industry is in for a fresh jolt—and a fairly big one—after the decision of the Transport Ministry to raise permissible truck loads by 25 per cent above the G V W certificate for trucks marketed in 1953 or later and by 12½ per cent for trucks marketed earlier. This is subject to the trucks satisfying certain conditions which, by the way, will open up fresh corruption of which there is no dearth in motor vehicle departments. Unless this is an emergency measure, the estimated output on which the present production programme of the industry has been drawn up, will be upset. If it is not an emergency measure, will the Transport Ministry explain why so much of carrying capacity was kept idle so long and on whose advice this waste? The automobile industry never seems to get into gear.

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Weekly Notes

Awakening Giants

THE Asian and African countries have common basic objectives. A large part of Africa is interested in securing political freedom and those who have already freed themselves from colonial status, are naturally jealous about guarding their freedom. These countries, at least a large number of them, do not want to get entangled in world power politics and war-like preparations as they earnestly desire, even for their own survival, peaceful economic development in order to raise the standard of living of their impoverished millions. Freedom, Peace and Development—these are thus the basic common objectives of all of them.

These common basic objectives should naturally lead them to adopt broadly similar political and economic policies. However, past experience shows that if these countries do not organise some machinery for mutual co-operation and consultation, they are likely to be influenced by world power politics in a manner which may defeat their basic objectives. If they cooperate with one another, there are greater chances of their asserting themselves effectively in the cause of world peace, freedom and development.

In the light of the above, the one-week Conference of African Political and Trade Union leaders at Accra is certainly to be welcomed. Its primary purpose, understandably, is to consider means of helping dependent territories in Africa to achieve freedom. What is more important is that this Conference is regarded as a beginning of a joint campaign by nine independent African States to "rid Africa of Colonial Powers and to set a pattern for a Union of independent States of Africa". A United Independent Africa can be a great force in world politics, and provided it keeps to the basic objectives of freedom and peace, a great force for world peace too.

The second welcome event from this point of view is the first Afro-Asian Economic Conference of non-governmental organisations held at Cairo. Forty Asian and African countries participated in this Conference and its final plenary session

unanimously approved a resolution for the creation of a permanent Asian-African organisation for closer economic cooperation. It has also recommended the establishment of another organisation on a governmental level for the same purpose.

Of course, it is true that for a long time these countries would have to depend for capital goods imports, capital and technical assistance and commodities exports on the industrial countries of Europe and North America. With Japan and the fast developing countries like China and India, however, the economies of the Afro-Asian countries have acquired to certain extent a complementary character. Capital goods, technical assistance and even capital could now be secured to a certain extent by the other countries from China, India and Japan. Thus, it is possible for these countries to increase trade amongst themselves. The problem of stabilising commodity prices, as far as it concerns them, could also be effectively dealt with by means of an appropriate cooperative attitude. Moreover, such a cooperative attitude amongst them would be helpful in influencing the economic policies of the major industrial countries also.

Recent Changes in ICICI

AFTER Shri G L Mehta joined the Industrial Credit and Investment Corporation as Director with executive powers, there have been other changes which suggest that this financing agency is intended to play a more active and slightly different type of role in the promotion of industries in the private sector than it has done so far. Soon after Shri Mehta joined, Shri Ramaswamy Mudaliar resigned from the Chairmanship of the Board of Directors and Shri Mehta was elected in his place. The appointment of Shri G L Mehta as Director with executive powers was approved at an extraordinary general meeting of the Shareholders, held on the 1st of this month by a special resolution.

At the same meeting, by another special resolution, the Articles of the Corporation were amended in order to raise the maximum number of Directors from 10 to 15. The change

in numbers itself suggests that the Board would be more widely-based and perhaps also represent a wider range of interests, instead of being a repository of the leading industrialists alone. A corporation of the type of ICICI does not function under a glare of publicity, nor is it desirable that it should. The criticism which has been voiced some times that the Corporation has been inactive and has been slow to utilise the large funds that had been placed at its disposal is not adequately supported by facts. It largely arises from an inadequate appreciation of the kind of problems which a financial corporation has to face and solve. The assessment of risk and technical appraisal of the problems of an industry or of a new line of production call for business acumen and technical expertise of a high order which are not readily available. Perhaps the Corporation can be accused of not doing enough to fill up the latter deficiency.

It would have been unwise for it to cater to public demands and allow itself to be hustled into going too fast. The criticism that the Corporation has been unduly conservative based pointedly on its failure to make use of the foreign exchange resources under its disposal similarly fails to take account of the fact that foreign exchange was available for most sound propositions until recently. That foreign exchange is unobtainable even for first-class propositions or unobtainable on reasonably favourable terms is a recent phenomenon and its impact will no doubt be seen in the next annual report of the ICICI.

Making due allowance for all these usual features of a financing corporation in the initial period of its growth, the recent changes can nevertheless still be significant. It does suggest that the ICICI is being streamlined to perform the function, hitherto not taken so seriously, of acting as a catalyst for initiating industrial developments in the private sector on a much larger scale and to secure for this purpose talents from a wider sphere. Despite his long years of distinguished service in various fields, the new Chairman has remained slim and young in spirit. He has not allowed himself to be weighed down either by bur-

dens of high office or accumulation of business interest. To the extent that he has a free choice, it is to be hoped that he will tap the younger and more forward-looking elements in the ranks of industry and will find them more of a help than a drag. Despite youth's natural propensity to venture and make mistakes, it is not likely that the Board will ever lack enough of caution to exercise the necessary restraint.

Export Target Stepped Up

AUTOMATIC looms which the Government has now on offer may find no takers and Lala Shri Ram's proposal for compulsory export (he had actually a scheme to be worked out voluntarily by the Millowners themselves) may run up against heavy odds in exports less homogeneous than sugar. Yet it is a definite change and a change in the right direction when Shri Manubhai extends support to Lalaji's proposal and makes a forthright statement in Parliament that exports will be stepped up by Rs 50 crores to Rs 100 crores a year. In keeping with parliamentary decorum, it should be presumed that a statement made by a Minister with such deliberation has the full support of the Cabinet and that Manubhai was not merely airing his own views. Things have changed from the days when Morarji ran the Commerce Ministry with the help of a single nostrum, and a political one, that meeting internal demand was more important than earning foreign exchange and Government policy may change, too.

Of the Rs 50 to 100 crores increase in exports, how much has actually been achieved? Are we on a fair way to realising this objective? Considerable speculation has been aroused by the small surplus in our balance of trade recorded in the month of September, the latest month for which data are available. A surplus in the monthly trade figure has been recorded after a long time. After dipping to as low as Rs 28 crores in June, exports have gone up to Rs 50 crores during September, while imports have, on the whole, been declining fairly steadily. As compared with the first nine months of 1957, while exports this year have declined by Rs 56 crores, imports have gone down by as much as Rs 163 crores; as a result, the trade deficit during January-September this year is lower at Rs 137 crores against Rs 244 crores during

the corresponding period of last year.

Th's favourable turn has, however, been achieved at the cost of cutting imports to the bone which has, among other things, created severe shortages of raw material in several industries. Shri Manubhai has claimed that this improvement in exports has been due to the American recovery from recession, and the incentives lately given by the Government. In fairness, the Minister should have adduced some evidence to enable others to judge how far this claim can be sustained.

Modernisation and Management

THE mill industry can rightly complain that decisions which affect it adversely are taken promptly enough while those intended to help it generally come too late. Certainly, the offer of automatic looms would have been lapped up had it come, without too many strings attached to it, when the mills were doing well in 1954 and 1955. The offer then was not a firm one. It was conditional on production from automatic looms being earmarked for export, and, sales in the domestic market, it was laid down, would attract penal rates of excise duty. Worse still was the opposition of labour and the Government's non-committal attitude. The offer has now come at a time when neither profit expectations nor the foreign exchange situation are favourable for its adoption.

It has been decided, the Minister of Industry stated in Lok Sabha, to permit installation of 2,500 automatic looms every year for the next three years and the Minister hoped that this programme would not be thwarted by labour leaders who would have "to take a bold step with the sympathy and support of the Government and the industry to see that these units which are permanently sick are rationalised." Th's is indeed a great improvement on the earlier policy statements which in fact virtually gave labour the right to veto any measures of rationalisation. The realisation of "urgent necessity" is obviously inspired by the recently accepted idea that exports should be treated as a national emergency and that any obstacles to export promotion should be removed. Shri Manubhai even went so far as to say that the question of automatisisation was above politics and above ideology.

Now that the Government is eager to modernize the mill industry

modernisation should be effected not merely of equipment, but also of management, so that both quality as well as productivity may be raised. The industry has also been advised to amalgamate small units into economic ones and to regulate its pattern of production, in keeping with the changing demands of the consumers through market research, the potentialities of which have hardly been appreciated by this well-established industry. The question now is how far this change in policy can help the industry to get out of the present crisis.

Reports from Ahmedabad suggest that mill-owners are once again thinking in terms of restricting output since the level of stocks shows little improvement. Faced with declining sales and depleted funds, it is obviously difficult for most mills to contemplate modernization. Yet, without modernization, most of them cannot survive.

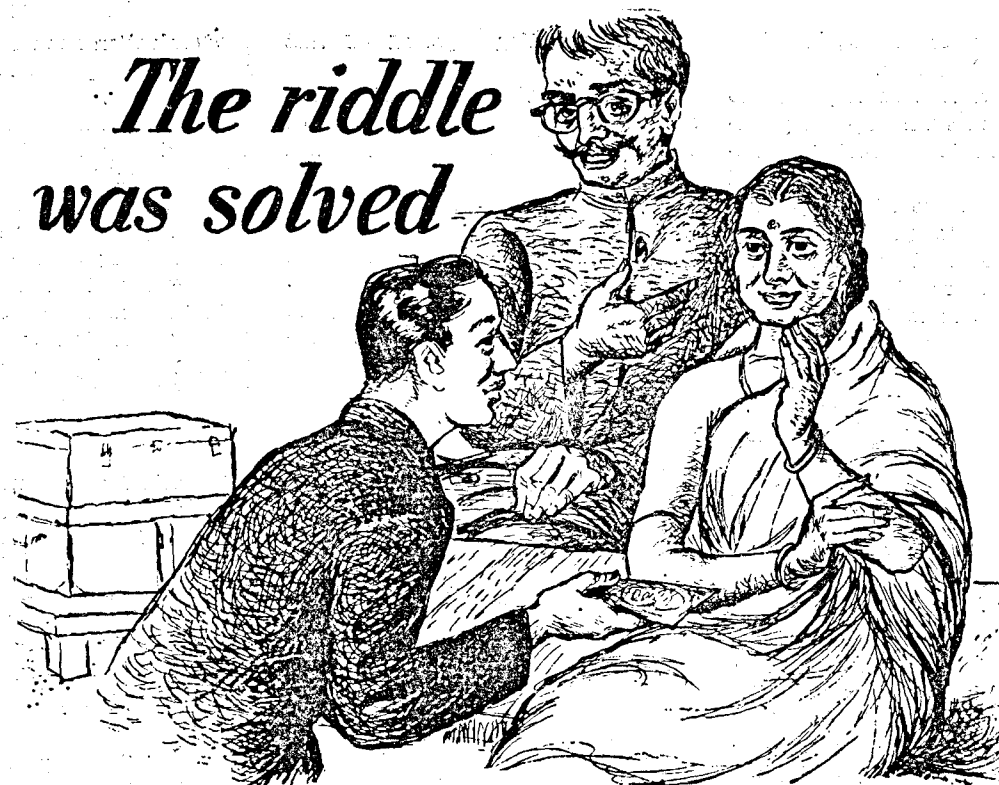
One of the ways out, then, is to amalgamate units as has been done to a considerable extent in the jute industry. Such a measure would weed out inefficient managements and financially weak concerns. But who is to promote and finance these amalgamations? The National Industrial Development Corporation has been charged with the responsibility, among other things, of financing the rehabilitation of the textile industry. It should be possible to make its assistance conditional, firstly, on reduction of the numerous varieties produced by borrowing mills and, secondly, on amalgamations among selected concerns. Had the Corporation been saddled with less multifarious responsibilities, it might have been able to devote greater attention to these problems. But since it is in any case going to participate in financing modernization of equipment, it could take a hand in promoting amalgamations and better management at the same time.

Without Comment

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few, of those who are now praising Pasternak would then say one word in defence of the right to a free conscience."

—'I F Stone's Weekly', November 3.

Correction

In the instalment of "China's Economic Growth—II" by Charles Bettelheim which appeared in the last issue (December 6, 1958), the 12th and 13th lines from the bottom of column 3, p 1,525, should be deleted.

These lines were inadvertently misplaced.

The India 1958 Exhibition

(From Our Delhi Correspondent)

THERE are two people who could write a unified account of the India 1958 Exhibition, the Senior Government official who has visited it ten times, and the young official of the Finance Ministry who went in, saw the Calicloth Fashion Parade, and came out*. But the rest of us are not cast in so heroic a mould and most people, including the writer, see only a part of the Exhibition and leave it with a variety of impressions.

To some extent this is inevitable; any exhibition containing 169 pavilions and 135 stalls, and covering 123 acres, which left only one dominant impression would be impossibly monotonous. And the problem of having something for each of the several thousands of visitors who visit it daily, ranging from Dr Erhard and Mr Diefenbaker to Rajasthan villagers, is not easily soluble. But even allowing for this need, was not the Exhibition too large? There was some avoidable repetition, particularly between the State Pavilions and others built round an industry or Ministry. And a lot of shoddy exhibits, especially handicrafts, should have been weeded out, particularly since they jostled some exquisite pieces.

In one way the Exhibition showed not how different people are but how alike. Everywhere the largest crowds collected round working models. Not even the most serious adult can resist the appeal of climbing into an engine or of gazing at an electrically operated mine. While most people were bored with the

model of the Bhakra Nangal Project in the Irrigation and Power Pavilion, it was generally difficult to get near the larger and more realistic model in the open air. On the other hand, it is possible to be too realistic. The Rajasthan Pavilion had two live tiger cubs in a cage as a model of the natural resources of their State, which opens up terrifying possibilities for future exhibitions.

The Irrigation & Power Pavilion would be greatly benefited by a few working models. Instead there were a vast number of relief maps of practically every major irrigation project in every state crowded together in one enormous pavilion, and unfortunately once one enters the pavilion there is no way of leaving without seeing the lot. It would be much better to have a few large models which actually work, showing the main types of dams, flood control schemes, etc, together with before and after models showing the effects of some of the schemes. The first question everybody asks is "How does it work?" And the more concrete the answer the better. To the next question, "What does it do?" there are of course many possible answers but a vivid pictorial representation is always better in an exhibition than even the most attractive chart or graph. Most of us see the exhibition en famille and it is almost impossible to keep two children amused while one takes in facts and figures.

Photographs are different and the bigger the photograph, the better. The Central India 1958 pavilion had

some magnificent photographs but again suffered from over-crowding, particularly of tawdry models like that of the Taj Mahal. The Handloom Pavilion also had some very beautiful photographs.

The Handloom Pavilion had the advantage of having a ready appeal and a simple theme. Other pavilions, notably the Science Pavilion, suffered from the lack of just these qualities. In fact most pavilions would have been benefited by adopting one theme spelt out in various examples. It is true that the Exhibition itself had a clearly stated object; "to assemble together the different enterprises and activities which constitute the fabric of the country's effort towards economic advancement and to afford the visitor an opportunity to appraise the results of planned endeavour". But this is in itself such a large and complex theme that it should have been broken down into a number of separate propositions, each of which could have been illustrated in a pavilion. For example, the Science Pavilion could tell the advantages of the application of science to everyday life. This could be illustrated by showing how problems were encountered in various fields—plant protection, the tanning of leather, etc, and how each problem was tackled in a laboratory and finally solved. Five or six successive stories of this sort would have been far more revealing than the confusion of test tubes and pieces of glass and charts which fill the Pavilion at present.

What is important in short is not to inform so much as to shock visit-

* Both cases authentic.

ors out of their ignorance or to touch their imagination. One notable failure seems to be the Hindustan Steel Pavilion. It was light and easy and modern and gay, but the minute wooden models of the plants and the murals gave one little indication of the physical and financial monumentality of the schemes. And steel should be an obvious subject for treatment on the grand scale: visitors should have had the reactions of Cusins when he visited Undershafts munitions factory. It is only fair to add that although most people did not react in this way, some were impressed previously by the grandeur of the plants.

What is badly needed, in fact, is research on how visitors react to

all these exhibits. Which exhibits make the most impact and which get across the most accurate information? What do those crowds of Rajasthani women, patiently trudging round with their arms full of babies, make of the Science Pavilion or the Atomic Energy Pavilion? Each pavilion should have a visitors book but this of course is not enough.

The usual comments on the Exhibition being a waste of money are beside the point. It should be unnecessary to labour at this time of day on the need for propaganda for the Plan. But what is to the point is to ensure that the exhibitions use all the latest techniques available. Also, the next time the Exhibition

is held more permanent pavilions should be built. And even this time, a much greater return for money could be got by using the best exhibits for travelling exhibitions.

Indeed it is because it is taken for granted that the Exhibition was a necessity and should be the first of a series, that one has made not criticisms so much as suggestions for future improvements. Any criticism would have to take into account the fact that to get an exhibition of this size and range together in two months is no mean achievement, and also that several individual stalls—including the Atomic Energy Pavilion, and the Hindustan Levers stall—were in their different ways very good.

From the London End

Ghana, Guinea and Anglo-French Relations

IN Accra, this week, will gather delegates from all over colonial Africa. The preliminary documents of the conference of African Liberation Movements speak of a "dedication", of a re-emphasis that colonialism must be fought and removed from the African continent and that this historic struggle must be pursued relentlessly but without violence. The Conference will be historic for at least two reasons. This is the first time that the opportunity is given for an expression of the fundamental identity of the aims of the African nationalist movement. Secondly, for its significance in indicating that Africa has at last reached the stage, which Asia reached a decade ago, where the immense questions of colonialism and national independence are ripe for solution. For these reasons alone the Accra conference needs to be looked upon with sympathy and understanding, particularly in Asia. And this becomes all the more imperative when one notes the increasing trend towards anxiety and alarm in almost every capital of the Western world.

Anglo-French Acrimony

The alarm in Europe which follows recent developments on the African continent cannot be over-exaggerated. The question of African freedom is increasingly being complicated by cold-war considerations and by strenuous efforts, particularly on the part of the Americans, to link Africa into an anti-Soviet network and to keep it outside the influence of the Bandung doctrine of non-involvement in the cold war. The 'Times' in a considered comment on the Accra Conference expressed these alarms in two ways—first, as a desperate hope that it will break the influence of the Cairo-stationed Afro-Asian Co-ordinating Committee (which recently organised the "Quit Africa day" demonstrations) over the African freedom movement, and, secondly, the hope that Africans who have received their training and education at British hands would direct the African movement towards national independence into "tolerable" channels. And here, with every evidence to suggest that at least this is so in so far as Britain is concerned, Dr

Nkrumah of Ghana may be expected to play the role so earnestly expected of him to fulfil these hopes. Whether in fact he will, must remain a matter of conjecture in Britain for there can be no doubt that much of Dr Nkrumah's policies are inspired by anti-colonialism. At the same time, it must be admitted that it is difficult to understand some of Dr Nkrumah's actions which may very well be influenced by considerations other than those of direct anti-colonialism in Africa.

It is in this regard that a certain speculation becomes inevitable on the otherwise historic merger movement between Ghana and Guinea. It is now some three weeks ago that the intended union between these two West African states was announced. Since then there has been a spate of comment in the French press on what is alleged to have been a certain British complicity in the Ghana-Guinea union. At the same time there has been an equally violent anti-French campaign in Britain on the French rejection of the European Free Trade Area. More recently there has been an open condemnation of the outcome of the French election and of the new constitution as having paved the way for the creation of an anti-democratic National Assembly and thus of fascism in France. A severe and serious embitterment in Anglo-French relations has, therefore, emerged and the Macmillan Government, seeing the French efforts to exclude Britain's traditional role of arbiter in the European equilibrium, may not have missed any opportunity to make reprisals. It is here that the Ghana-Guinea union may have taken the character of an opportunity and this certainly is how the French see it.

A Finger in the Pie?

The Accra declaration was made on November 23. Mr Macmillan informed the House of Commons that he first heard of the Ghana-Guinea merger on the evening of November 22 in a cable from the Prime Minister of Ghana. By contrast the 'New Statesman' (of November 29) in an editorial comment declared that "Dr Nkrumah did not spring this agreement with French Guinea on the British Government at the

very last minute", and went on to state that that "in fact (this agreement) was discussed at a Cabinet meeting in London on Tuesday of last week (i.e., November 18)." Whatever, in fact, was the position, the French argue, and most persuasively so, that Lord Listowel, the British Governor in Ghana, was 'in the plot' and if what the 'New Statesman' says is correct, then the British Government (though not Mr Macmillan) must have known of the intended merger for some time; for it is possible that it was discussed and examined at lower levels (i.e., the Foreign Office and Commonwealth Relations Office) before finally reaching the Cabinet.

The most suggestive feature of the Accra declaration was its reference to the Commonwealth and the French-African community. Apparently neither of these institutions will be prejudiced by the Ghana-Guinea union and yet it is precisely this which can very well impinge on either British or French interests. The Accra declaration talks of co-ordinated policies on economic, political and defence questions. And it is the Ghana membership of the Commonwealth which extends to it the special tariff, currency and other close economic relations with Britain. In a similar vein, Guinea's continued membership of the Franc zone obtains for her a similar relationship with France. This is a

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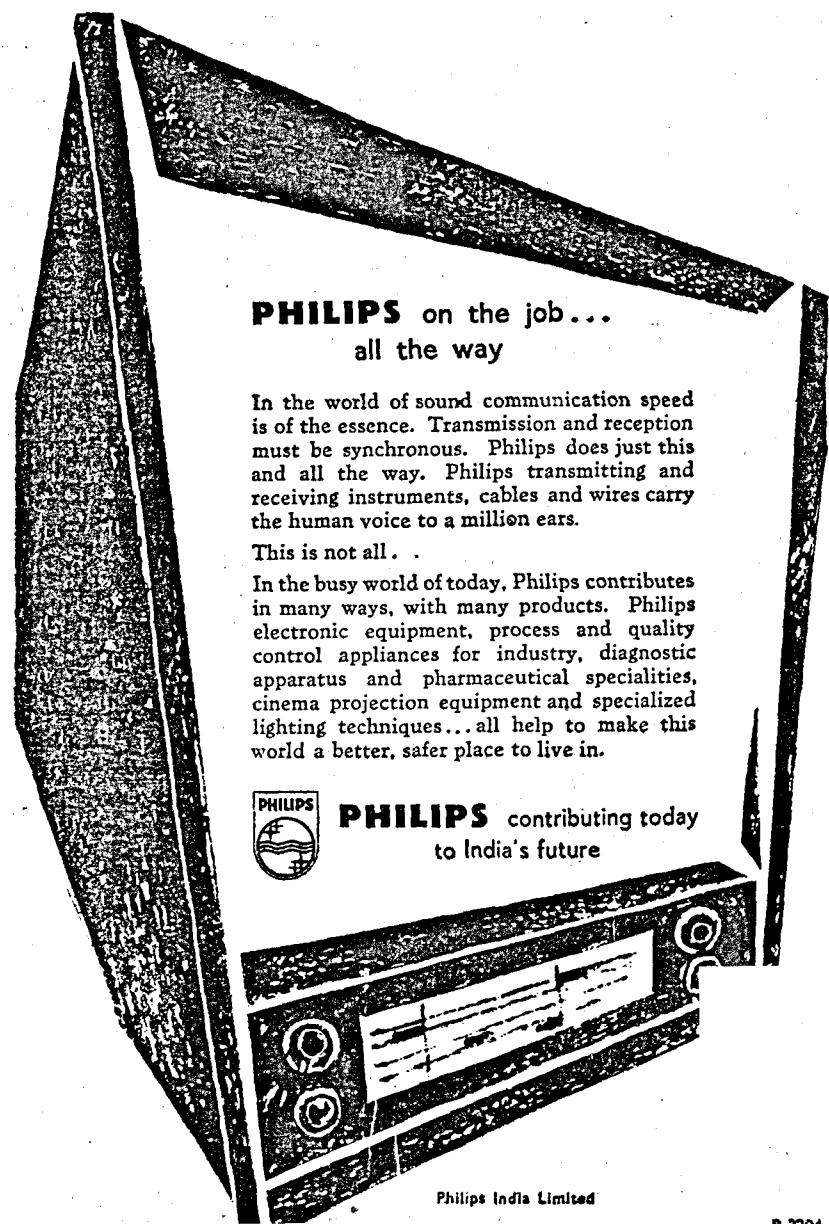
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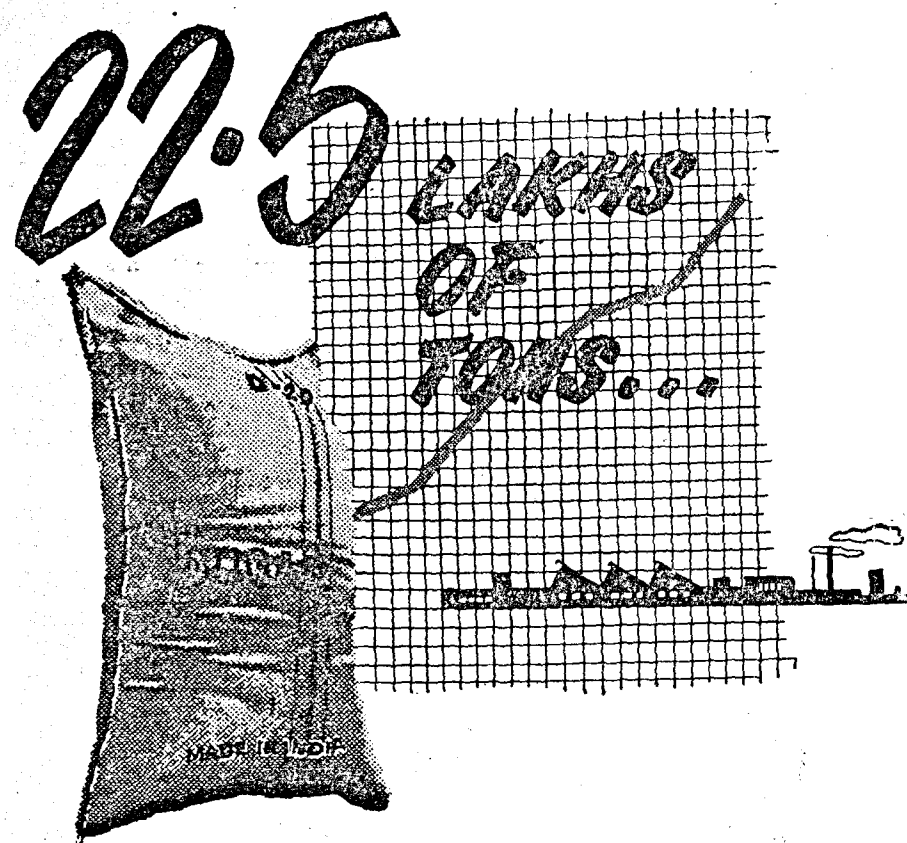
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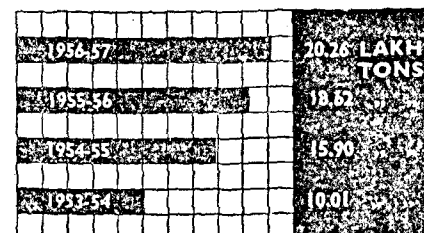
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contradiction that tends to suggest that the plans for a union may be more in the nature of a political demonstration at this moment of time than a lasting and well-planned union.

The French claim that the Ghana loan is in fact a British loan. Having regard to the size of the loan in relation to the resources of Ghana, there may very well be something in this charge. The sterling balances of Ghana remain heavily committed and in any event the employment of these balances for extra-trade purposes requires the prior agreement of London. And it is more than likely that there will be some foreign exchange element in the £10 million loan.

French Pressures on Guinea

If, as the French suggest, there was some element of British connivance in the Ghana-Guinea merger, why then did M. Sekou Toure, the Guinea leader, allow himself to become an instrument of Anglo-French antagonisms? Here some speculation appears necessary. The decision of the Guinea Assembly to plumb for complete independence by voting against the suggested constitution for the Fifth Republic, (indeed this was the basis on which French colonial Africa was called upon to interpret its vote in the constitutional referendum) met with sharp reprisals from De Gaulle in France. Apart from an immediate withdrawal of the French subsidy, French technicians and other personnel were gradually withdrawn and a number of threats that French investments would be liquidated and transferred back to France were made. The French contribution and participation in the Bauxite consortium was equally presented as one coming up for review in Paris. Other threats were issued—the preferential treatment given to Guinea products in the French market would be reviewed. At the same time the RDA, under the leadership of the M. Houphouët-Boigny in the Ivory Coast, began a deliberate policy of isolating Guinea in matters of normal inter-territorial and RDA co-operation in West Africa.

At the same time Toure put forward a number of proposals for the continued co-operation between France and Guinea within the general framework of a Franco-African community. It is not clear what the character of these proposals were, but largely it concerned considera-

tions of economic co-operation—the continued membership of Guinea in the French Franc zone and the continued favourable treatment of each other's exports in each other's markets and, finally, the possibility of securing a French franc loan. What Toure in fact was seeking was a French acceptance and recognition of the independence of Guinea and, although this was verbally conceded, it was not officially recognised. It is now clear that all Toure's approaches were negatively received in Paris, and that when Toure realised this he began looking elsewhere so as to immediately extricate himself and Guinea from the insecurity of the French-imposed isolation.

Bargaining Power Strengthened

It would appear that Toure possesses a considerable grasp of international relations and politics. He recognised the overwhelming problem of isolation and the weakness which this would inject into the stability of his regime and leadership and that if this problem was not solved quickly, these weaknesses would lead to fresh French efforts to replace him in Guinea. At the same time, it would appear, he recognised that a call for assistance to the Communist countries would immediately bring about a combined effort (from France, Britain and the United States) to subvert his regime. He therefore put out feelers to Britain through Ghana, recognising that Anglo-French relations were in a state of strain, hoping that he might be able to profit from this strain and more so, from the somewhat emotional approaches of Ghana and in particular of Nkrumah to the question of colonialism and Pan-African nationalism.

Within the compass of Toure's political actions, there can be no doubt that his policies have borne fruit. The Ghana-Guinea union has strengthened Toure's bargaining power, particularly with France. Already the French boycott of Guinea has been relaxed, for it is now reported that a French delegation of economic experts has gone to Guinea to "confer with Sekou Toure". One thing is now certain—Toure will attempt to maintain a certain connection of convenience with France, particularly with regard to financial relations, but which in political matters will leave him sufficiently free to develop relations with all other states.

Whatever may have been the evidence of British collusion in this union of two independent West African states, there can nevertheless be little doubt that on a broader historical plane the union is a development of immense importance. It is nothing less than the reformation of African society on the West African seaboard into larger, more viable economic units which unmake much of the systematic balkanisation of this vast and rich region which the 19th century imperialist scramble brought about.

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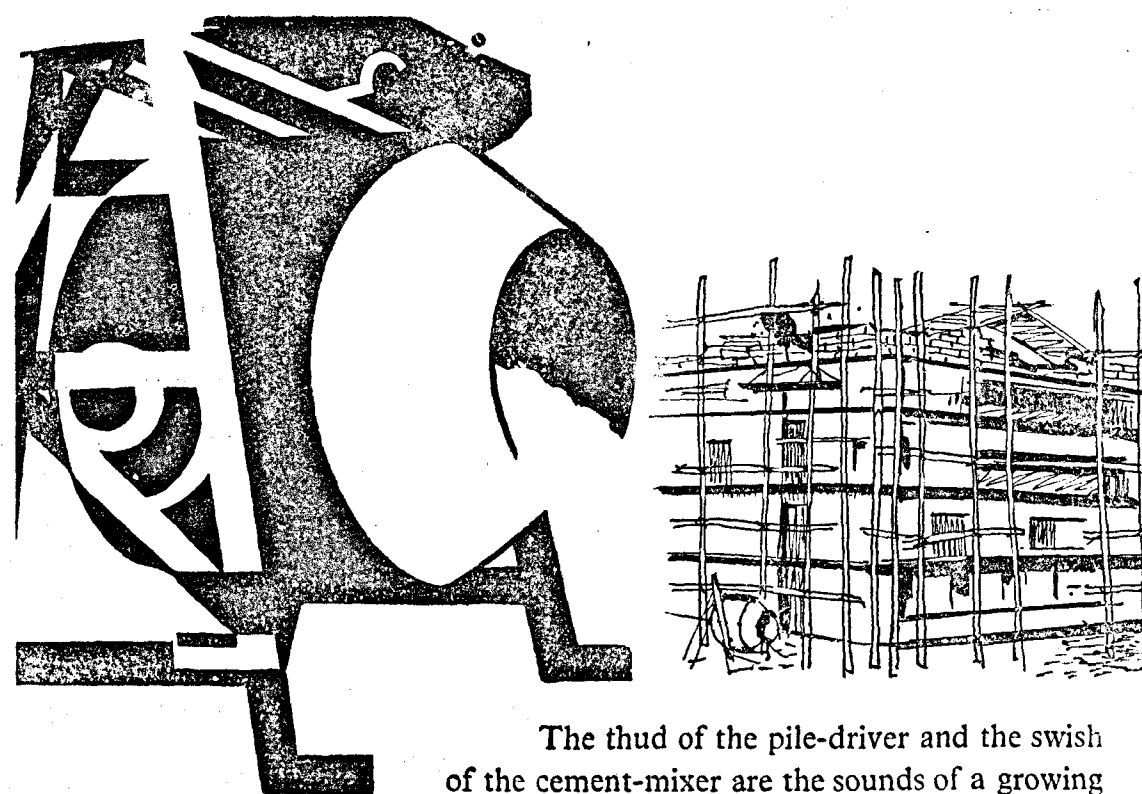
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Economically Active Population in Censuses Under-Enumeration in Underdeveloped Countries

John Mars

I

IT should cause no surprise that the demographic statistics of most underdeveloped countries are as underdeveloped as their economic wealth and activity. Of these countries even the ones which have taken population censuses possess unsatisfactory occupational and industrial statistics, or none at all. This article attempts a critical analysis of the census data on the economically active population* of 66 underdeveloped countries and territories as shown in the United Nations Demographic Year Books of 1955 and 1956. I have taken as underdeveloped any country in which the income per head per year was less than \$250. Three Middle and South American countries (Cuba, Puerto Rico and Venezuela) with incomes per head per year up to \$450 have also been included. All countries within the Soviet orbit have been excluded.

The total population in the 66 economically underdeveloped countries and dependencies surveyed was 1,299 millions in 1954. In the same year 681 millions lived in underdeveloped countries with communist or pro-Soviet Governments: 606 millions in Asia and 75 millions in Europe. Although these 681 millions are excluded from the scope of this article, it is worth while to mention that out of total world population of 2,652 millions in 1954, 1,980 millions or 74.7 per cent lived in underdeveloped economies.

Lower Proportion

Table I (p 1550) gives the percentage of economically active persons to the total population in the 66 countries which we are considering together with the corresponding figures for the U S A, the U K, and New Zealand. The 66 countries have been grouped into eleven geographical areas.

A superficial examination of Table

*According to the different definitions used by individual countries the "economically active population" may or may not include children under fifteen, unpaid workers, unemployed persons, and pure rentiers.

I discloses a striking paradox. The three highly developed countries, i.e. the U S A, the U K and New Zealand exhibit overall percentages of economically active persons to total population ranging from 38 to 46. One would expect the corresponding proportions in each of the 66 underdeveloped countries to be much larger. That is indeed true of Mauritius (a dependency of U K), St Helena (U K) Zanzibar and Pemba (U K) Haiti, Martinique (France), Bolivia, Falkland Islands (U K), Brunei (U K), Sarawak (U K), Thailand, Yugoslavia (1948), French Oceania and Guam (United States), each of which shows an overall percentage of economically active population of 50 or more. Six of these thirteen countries are under British, two under French and one under U S colonial rule. The high proportions reported in these cases may be due primarily to the application of statistical procedures imported from the metropolitan countries. As will be pointed out below, it is possible that even these high proportions understate the true facts and should be higher.

By contrast with these 13 countries, it would appear that 49 out of the 66 underdeveloped countries and territories can afford to have a smaller proportion of economically active population than Britain. Even more surprising is the disclosure that 37 out of the 66 underdeveloped countries have a smaller overall working percentage than the U S A.

Capital and Working Population

Nobody with any knowledge of economic history would maintain that except in the initial period of their advance, developed countries buy their progress by harnessing to work larger proportions of their population. In every case, both the proportion of occupied persons in the population and the length of the working day have been progressively reduced over the two centuries since the beginning of the Industrial Revolution. Thus, we are not surprised to find that the U S A, being economically more advanced and endowed with more capital per head than

Britain, has a lower proportion of occupied persons (39.2 per cent as against 46.2 per cent). In New Zealand, where the income per head is less than in U S A (\$1,073 as against \$1,845 respectively in 1954), the value placed on leisure is notoriously greater. Consequently, the overall ratio of the economically active is even lower than in the U S A (38.2 per cent as against 39.2 per cent).

Capital per head in underdeveloped areas is but a minute fraction of capital per head in the U S A. Hence, the proportion of occupied population and the length of the working day in all underdeveloped areas should be much higher, unless the inhabitants of these countries were ascetic and consumed next to nothing or else nature in these countries were so bountiful that consumers' wants could be satisfied with practically no effort. Neither of these premises is true. In all underdeveloped countries without exception there is an entirely justifiable and wholesome craving for more consumption. In most of them there is overpopulation with respect to land, and in some of them also overpopulation with respect to mineral and power resources. This means that in the indigenous industries of underdeveloped countries the law of diminishing returns operates strongly. As a consequence, the proportion of economically active persons is bound to be high, even though output and consumption standards may be low. Even if an allowance is made for disguised unemployment among the economically active population, the final figure for the percentage working should remain huge. Why then do the statistics indicate the contrary?

Evidence for Under-Enumeration

A clue to the answer is provided by a comparison of the figures within each area. In the North African region, for example, we find three peoples with similar economic, social and political characteristics: the Moslem populations of Algeria, Egypt and Morocco. While the overall proportions of economically

active persons are not too dissimilar (41.6 per cent, 37.6 per cent and 39.0 per cent respectively), the figures for males and females diverge sharply. The proportions for males are 53.6 per cent, 66.7 per cent, and 53.6 per cent respectively while the proportions for females are 29.5 per cent, 9.1 per cent and 24.5 per cent. Variations of such magnitude in neighbouring countries of similar culture are improbable. They can be only statistical illusions. When we turn to Table II (p 1552) we see from footnote (a) that the proportion of male workers is so high in Egypt because children in the age group from 5 to 14 years are included in the working population while they are omitted from the Algerian and Moroccan figures.

The eight underdeveloped coun-

tries on the middle American mainland show a remarkable similarity except for Honduras. Here the proportion of 52.8 per cent for males conforms to the figures for the seven sister countries. But the figure of 41.8 per cent for females is nearly three times the maximum of the other seven countries in the same area. We can only assume that large numbers of female children and adults in the seven sister countries were simply not counted as economically active, even if in fact they were working.

Improbable Figures for Females

The countries of South Middle Asia, to take another example, show moderate and plausible variations of their overall and male working ratios, but the figures for

females display wholly unreal variations. These vary from 3.7 per cent for Pakistan to 23.7 per cent for India. The Indian proportion is nearly 6½ times the Pakistan proportion! True, Pakistan is a Moslem country in which women do not usually work outside the household; but it will be remembered that French-instructed enumerators among the Moslem populations of Algeria and Morocco discovered percentages of working females as high as 29.5 per cent and 24.5 per cent respectively. The 3.7 figure for Pakistan must, therefore, be ascribed to faulty census enumeration policy.

Very striking variations among all three types of percentages of the economically active are shown for South East Asia. The overall

Table 1. (Continued)

Countries, Territories and Dependencies	Census Year 19..	% of Economically Active Population			Popln Est. 1954 (mn)
		Both Sexes	Male	Female	
	(1)	(2)	(3)	(4)	(5)
South America (9)					
Argentina	47	40.6	63.4	16.6	19.1 (55)
Bolivia	50	50.0	58.1	42.1	3.2
Brazil	50	33.0	58.4	9.8	58.4 (55)
British Guiana (U K)	48	39.9	58.2	22.0	.472
Chile	52	34.9	56.4	18.1	6.5 (55)
Ecuador	50	38.6	55.6	21.7	3.6
Falkland Islands (U K)	53	76.4	..	..	.002
Paraguay	50	32.9	51.9	14.7	1.6 (55)
Venezuela	50	33.9	55.0	12.2	5.8 (55)
South West Asia (3)					
Cyprus	46	36.4	58.8	18.9	.514
Israel	48	45.0	64.5	23.8	1.6 (55)
Turkey	45	40.6	58.9	22.1	24.1 (55)
South Middle Asia (3)					
Ceylon	46	39.2	57.3	18.2	8.6
India	51	39.5	54.3	23.7	377.0
Pakistan	51	30.5	54.2	3.7	80.2
South East Asia (7) and (1)					
Brunei (U K)	47	57.6	85.8	26.5	.054
Fed of Malaya (U K)	47	39.0	56.7	19.2	6.1 (55)
North Borneo (U K)	51	42.1	55.9	27.4	.364
Philippines	48	38.6	46.0	31.0	21.4
Sarawak (U K)	47	51.5	60.4	42.1	.602
Singapore (U K)	47	38.0	60.1	11.1	1.2 (55)
Thailand	47	51.6	53.7	49.4	20.3
(Burma)	53	36.5	52.2	20.3	19.8 (56)
East Asia (3)					
Japan	50	43.6	54.7	33.0	88.9 (55)
South Korea	49	39.5	50.3	28.4	21.7
Ryukyu Islands (U S)	50	41.6	48.8	35.8	.778
Peripheral Europe (5) and (1)					
Ireland	51	43.0	62.9	22.3	2.9 (55)
Malta and Gozo (U K)	48	32.0	53.9	10.7	.320
Portugal	50	38.0	62.8	16.8	8.8 (55)
Spain	50	38.6	67.4	11.8	29.0 (55)
Yugoslavia	53	46.3	62.8	30.8	17.5 (55)
(Greece)	(48)	(62.0)	(65.9)	(58.5)	
	51	37.2	62.6	13.1	7.6 (53)
Oceania (5)					
American Samoa	50	31.3	39.9	21.7	.021
Fiji Islands (U K)	46	39.3	55.3	21.6	.328
French Oceania (Fr)	51	64.7	76.3	54.7	.063 (51)
Guam (U S)	50	53.7	71.1	16.7	.035
Hawaii (U S)	50	41.6	57.4	22.5	.535 (53)
Unweighted average for 61 underdeveloped countries†		39.2	55.8	22.1	833.256
For comparison:					
U S A	50	39.8	58.2	21.7	165.2 (55)
U K	51	46.2	66.6	27.4	51.0 (55)
New Zealand	51	38.2	58.4	17.8	2.93

†Omitting Mozambique, Cuba, Martinique, Burma and Guam.

Source: Table 14 of 'United Nations Demographic Year Book 1955' and Table 10 of 'United Nations Demographic Year Book 1956'.

Col (5)—Where estimates are not for 1954, the date is shown in parentheses.

Countries, Territories and Dependencies	Census Year 19..	% of Economically Active Population			Popln Est. 1954 (mn)
		Both Sexes	Male	Female	
	(1)	(2)	(3)	(4)	(5)
Northern Africa (5)					
Algeria (Fr) Mosl Pop	48	41.6	58.6	29.5	9.4
Egypt	47	37.6	66.7	9.1	22.7
Morocco (Fr) Mosl Pop	52	39.0	53.6	24.5	8.3
Ceuta (Sp)	50	39.0	66.0	10.5	.060
Melilla (Sp)	50	38.2	65.1	9.7	.983
Tropical and Southern Africa (4) and (1)					
Mauritius (U K)	52	65.3	80.9	49.4	53
St. Helena (U K)	46	57.0	52.0	61.2	.006
Union of South Africa (Native Pop)	46	49.1	66.6	30.8	7.8 (46)
Zanzibar and Pemba (U K)	48	58.1	74.7	39.8	.277
(Mozambique (Portuguese))	50	28.9	55.1	5.1	6.1 (56)
Caribbean America (9) and (2)					
Bahamas (U K)	53	49.1	54.8	44.1	.090
Barbados (U K)	46	48.6	59.6	39.8	.225
Dominican Republic	50	38.7	64.9	12.3	2.4 (55)
Haiti	50	56.4	59.2	53.8	3.5
Leeward Islands (U K)	46	44.7	54.6	36.6	.124
Puerto Rico (U S)	50	27.0	41.3	12.6	2.2
Trinidad and Tobago (U K)	46	39.2	58.4	19.9	.698
Virgin Islands (U S)	50	33.8	47.2	21.0	.024
Windward Islands (U K)	46	42.1	50.4	35.1	.297 (53)
(Cuba)	53	33.8	57.5	9.0	5.8 (53)
(Martinique (Fr))	54	60.2	80.7	42.3	.152 (54)
Middle American Mainland (8)					
British Honduras (U K)	46	34.3	57.6	12.5	.077
Costa Rica	50	34.0	57.6	10.4	.951 (55)
El Salvador	50	35.2	59.3	11.6	2.1
Guatemala	50	34.7	59.8	9.0	3.1
Honduras	50	47.3	52.8	41.8	1.66 (55)
Mexico	50	32.4	56.8	8.7	28.8
Nicaragua	50	31.2	54.5	8.6	1.2
Panama (excl Canal)	50	35.1	55.3	14.2	.886

Table II—Proportion of Economically Active Persons by Sex and Age Groups in 33 Underdeveloped Countries

Territories and Dependencies	Males			Females		
	10 — 14.9 (1)	15 — 64.9 (2)	65 and over (3)	10 — 14.9 (4)	15 — 64.9 (5)	65 and over (6)
Northern Africa (3)						
Algeria (Mosl. Pop)	53.8 (a)	92.3	81.8	11.3 (a)	52.2	28.1
Egypt	59.1 (b)	99.1	87.7	55.7 (b)	99.2	66.2
Morocco (Mos Pop)	38.0 (a)	88.2	73.7	9.2 (a)	40.5	10.1
Tropical and Southern Africa (1)						
Mauritius	63.5 (f)	94.5	46.2	70.0 (f)	36.8	19.4
Caribbean America (6)						
Barbados	15.5	94.4	50.9	12.6	59.8	21.1
Haiti	67.0 (a)	95.5	87.2	65.2 (a)	84.9	59.0
Leeward Isl.	5.6	93.5	63.1	4.1	58.5	26.8
Puerto Rico	9.0 (a)	74.9	44.9	35 (a)	23.3	4.80
Trinidad and Tobago	6.3	94.0	58.0	4.6	32.1	13.6
Windward Islands	9.0	92.1	67.7	6.6	57.9	28.9
Middle American Mainland (5)						
Br. Honduras	7.1	94.7	78.1	1.3	20.0	15.3
Costa Rica	51.9 (c)	96.4	74.1	5.80 (c)	17.9	5.6
El Salvador	37.9	95.3	82.4	7.9	18.1	10.6
Guatemala	24.8 (d)	95.9	73.1	3.9	14.1	8.8
Panama	17.4	79.1	70.0	5.3	20.9	8.3
	.8 (e)			.3 (e)		
South America (7)						
Bolivia	44.2	92.4	78.1	51.9	63.0	21.7
Brazil	31.0	92.4	66.4	8.6	15.0	5.7
Br. Guiana	11.3	93.9	63.0	5.4	35.3	17.4
Chile	13.3 (c)	89.8	70.2	5.8 (c)	28.6	13.2
Ecuador	45.5 (c)	93.1	86.1	24.1 (c)	38.9	22.3
Paraguay	15.3 (c)	94.7	76.5	9.3 (c)	25.2	12.5
Venezuela	21.3	92.1	71.9	5.3	20.4	10.2
South West Asia (2)						
Cyprus	63.1 (a)	90.1	60.2	24.8 (a)	21.4	7.9
Israel	3.6	91.0	54.1	2.7	34.8	4.4
South Middle Asia (1)						
Ceylon	14.1	87.3	71.1	11.8	27.8	21.3
South East Asia (No detailed Censuses)						
East Asia (2)						
Japan	53.1 (a)	86.8	51.3	46.8 (a)	52.1	18.7
Ryukyu Islands	28.1 (a)	87.3	58.2	22.0 (a)	58.6	22.9
Peripheral Europe (4)						
Ireland	45.5 (a)	92.4	58.4	23.6 (a)	33.3	16.9
Malta and Gozo	2.9	87.9	36.1	1.4	16.8	7.2
Portugal	39.3 (c)	89.7	67.2	18.1 (c)	23.2	12.2
Yugoslavia 1953	20.0	92.1	61.3	20.0	43.9	11.8
Oceania (2)						
French Oceania	1.9	82.4	76.8	1.7	42.2	44.3
Hawaii	4.9 (a)	84.5	26.9	1.8 (a)	35.5	6.5
Unweighted Averages:	28.5	90.4	62.8	19.0	42.9	18.6
For Comparison						
U S A	25.3 (a)	84.9	41.5	.78 (a)	32.3	7.8
U K	.31(a)	95.7	32.2	.28 (a)	39.9	5.4
New Zealand		91.3	26.6		28.4	3.3

(a) Age Group 14-14.9. (b) Age Group 5-14.9.
(c) Age Group 12-14.9. (d) Age Group 7-14.9.
(e) Age Group 0-9.9. (f) Age Group 0-14.9.

figures vary between a minimum of 36.5 for Burma and a maximum of 57.6 per cent for Brunei. The male percentages vary equally widely between 46.0 per cent for the Philippines and 85.3 per cent for Brunei, while the proportions of working females range between 11.1 per cent for Singapore and 49.4 per cent for Thailand. Again there is no explanation for these great discrepancies except for differences in census enumeration policy.

The underdeveloped European countries included in our survey lie along the periphery of Europe: Ireland, Portugal, Spain, Malta, and Yugoslavia. The first four of these countries are Catholic, similarly overpopulated, and show plausible variations in the percentages reported as economically active. Yugoslavia is represented by two sets of entries: one from the census of 15th March, 1948, and the other from that of 31st March, 1953. The differences between these two sets are revealing. The overall ratio of workers has dropped from 62.0 per cent to 46.3 per cent during the interim of five years between the two censuses. The chief explanation is afforded by the change in the figure for women. This fell from 58.5 per cent in 1948 to 30.8 per cent in 1953! In 1948 all unpaid family members who worked on farms or in business full time or part time were included among the working population. This group of working women appears to have been excluded from the economically active category in 1953.

Crude average percentages for the economically active as enumerated in all eleven areas taken together are given in Table I. These figures have been calculated from the data for 61 countries and territories rather than the entire 66 countries. If true, they would indicate that on the average a smaller proportion of males (only 55.8 per cent) has to work in the 61 underdeveloped countries than in any of the three advanced countries. Similarly, the proportion of working females in Britain is much higher than the average figure for females in the 61 underdeveloped countries (27.4 per cent as against 22.1 per cent).

Sex and Age Composition

By far the most important genuine variations in the proportions of the economically active populations among the underdeveloped countries

are due to differences in the sex and age composition of the populations. In our discussion the age group 5 to 9.9 will be referred to as "primaries", i.e., children attending primary school. It must be suspected that it is the practice of nearly all underdeveloped countries not to enumerate economically active primaries, if for no other reason, simply because the employment of primaries is illegal. That being the case the understatement of economically active persons would be very great in all those underdeveloped countries in which the primarian age group is large.

The age group 10 to 14.9 years will be referred to as the "pubescent" age group. The proportion of workers among this pubescent age group can be very large, as will be seen in Table II, ranging 50 per cent to 60 per cent in some countries, but it can also be very low, in fact as low as 3 per cent to 5 per cent. Such low proportions of occupied pubescents are often the result of enumeration policy, especially when the employment of pubescents is illegal. It is obvious that the variation in the proportion of pubescents in different populations is an important cause of the variation of the proportion of economically active persons.

The age group 15 to 64.9 years will be referred to as the group of "workagers" (a word coined in analogy with "teenagers"). The inter-country variations of the proportion of workagers influence the overall working proportion strongly since the proportion of economically active persons among the workagers is large.

It is well known that people aged 65 and over, who will be called as a group "oldagers", are subject to mortality rates which differ greatly from country to country. In consequence the variation in the proportion of this age group is naturally large. As the proportion of economically active persons among oldagers is substantial, even a moderate variation of the proportion of oldagers will affect the overall proportion of the economically active.

Table II shows the proportions of the economically active population among pubescents, workagers and oldagers for males and females and both sexes separately. Large variations in these proportions are indeed to be expected. Nonetheless the

degree of variation shown in Table II is surprising. This is due to differences in economic conditions and culture patterns, but above all to enumeration policies and practices.

Illegal Employment of Child Labour

The two columns (1) and (4) of Table II show the proportion of economically active persons among the male and female pubescents. For a number of the countries the proportions enumerated in these two columns refer variously to age groups 14 to 14.9 years or 5 to 14.9 years, or 12 to 14.9 years or 7 to 14.9 years as indicated by footnotes. The high percentages come from countries in which there is no legal prohibition of employment of children or where it could be safely disregarded by the census authorities. Those high percentages are undoubtedly nearer the truth than the low percentages.

It is well known that in poverty-stricken overpopulated countries primaries and pubescents have to work on the land for many hours in the course of a year. The most revealing figures in this respect are those for Egypt. The proportion of workers among primaries and pubescents is 59.10 per cent for males and 55.5 per cent for females. Guatemala shows a high proportion of economically active persons for the age group 7 to 14.9, i.e., 24.8 per cent for males and 3.9 per cent for females. Haiti shows high percentages for the age group 12 to 14.9 i.e., 67 per cent for males and 65.2 per cent for females. It is obvious that, if the enumeration of workers among the primaries and pubescents had been correct, the proportions of the economically active in practically all underdeveloped countries would be substantially increased.

Whenever the under-enumeration of occupied primaries and pubescents is due to the existence of school attendance laws or child labour prohibition laws, there are perhaps two avenues open to governments of underdeveloped countries to improve the occupation and industry censuses in future. They could permit a limited amount of lawful child labour, e.g., for a limited number of hours outside school hours or at harvest time or during vacation, whereupon no legal obstacle would exist to the enumeration of occupied primaries and pubescents. Or else

they could conduct a sample census in which skilled enumerators could ascertain illegal employment. This problem of the non-enumeration of illegally employed children exists also in advanced countries, such as Britain and the U S A. However while the omission of illegally employed children from occupation censuses in advanced countries affects the totals only to a negligible extent, it has a grave effect on the statistics of underdeveloped countries.

Unpaid Family Labour

There is nothing to remark about the variation of the proportion of workers among the male workagers as shown in column (2) of Table II. These variations between roughly 80 per cent and 99 per cent are in accordance with expectations. The situation is however different with respect to the proportion of workers among female workagers. A higher variation than that for males is to be expected but not a variation of the magnitude as disclosed in column (5) of Table II. The lowest figure in that column is 14.1 per cent for Guatemala and the highest 99.2 per cent for Egypt. The chief explanation of this variation is the exclusion of unpaid family workers. If unpaid female family workers on farms, in businesses and in domestic industries were included among the occupied persons, it is likely, as the figures for 12 countries in column (5) suggest, that the proportion of economically active women among the female workagers should lie between 40 per cent and 60 per cent. This would still be substantially below the range of the percentages reported for male workagers. But if the unpaid female family workers had been enumerated in every country, the overall proportion of the economically active would have risen by as much as 10 per cent or 20 per cent.

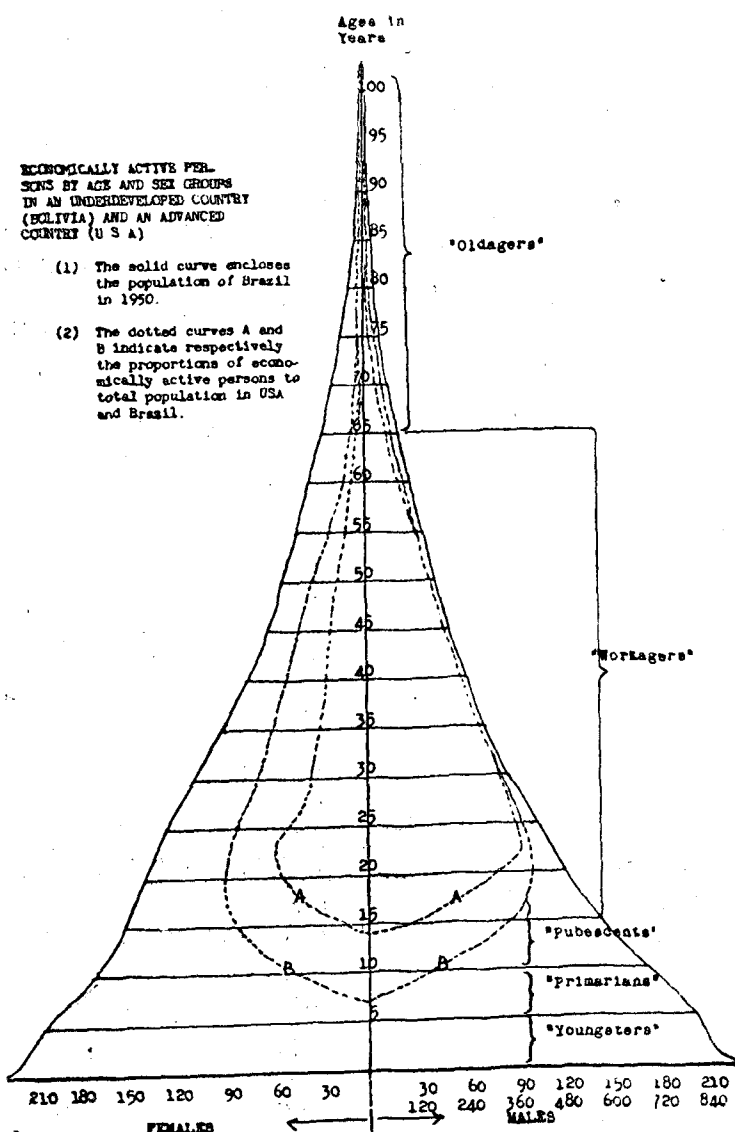
The proportion of workers among male oldagers shown in column (3) of Table II varies substantially between areas and within the same areas. It is lowest for South West Asia, East Asia, and peripheral Europe. Generally speaking, the proportion varies between 50 per cent and 85 per cent. For female oldagers the variation of the proportion of workers is much higher as column (6) of Table II shows. Thus, the lowest proportion shown is 4.4 for Israel and the highest is 66.2 for Egypt. Again the explanation of

this violent variation lies primarily in census enumeration practice. Old women were simply not considered to be working, even if in fact they were. It is general knowledge that old women in underdeveloped societies, especially if they are widows, have to work until they pass away.

Bolivia and U S: A Comparison

The accompanying chart will assist the reader in figuring out the correlation between the sex and age composition of an underdeveloped country and its proportion of workers. The shape of an ogive arch or an inverted funnel is the conventional geometric representation of the sex and age grouping of a population. The ages in years are measured on the vertical axis; the number of females at each age is shown to the left and of males to the right of the vertical axis. The figures used in the Chart are the actual male and

female population figures (with bulges smoothed away) reported in the Bolivian census of 1950. It will be seen that the female population area to the left of the vertical axis is slightly larger than the male population area. The female population is in fact 50.96 per cent of the total population of Bolivia. Inside the population curve drawn in full, are to be found two dotted curves A and B. The dotted curve B represents the economically active population as it was enumerated in Bolivia. It can be described as of asymmetrical pear shape. The male half of the pear shape is larger than the female half, indicating that at each age there is a larger number of males than females who are economically active. The lowest part of the B curve is merely the projection of the working population in the age groups between ten and twenty-five years downwards into the age group of



primarians. The Bolivian census does not report any workers in the age group below 10. There is, however, a strong presumption that there must be economically active persons in the primarian age group since the proportion of pubescent workers actually given in the census is 47.8 per cent. From about the twenty-fifth year onwards the working proportion of male workagers becomes 90 per cent, and more. The female occupation curve is on the whole similar to the male one. It reaches its point of curvature towards the vertical axis sooner than the male occupation curve, i e, at 19 years instead of 21, and remains throughout its entire length closer to the vertical axis.

The dotted curve A represents the economically active persons in the United States as enumerated in the census year 1950. The U S proportions of workers within each age group were superimposed upon the Bolivian population. The U S curve is also of pear shape but much more asymmetrical than the dotted Bolivian curve B. This indicates that the proportions of males working in each age group are far in excess of the proportions of working females. It will be seen that the American occupation curve does not extend below 14 years. This implies that there are either no paid or unpaid workers below 14 years or only a negligible number. It is interesting to note that the male American and the male Bolivian working percentage curves coincide from the year 32 to 52. In higher age groups the proportion of workers among American males is smaller than in Bolivia. The female branch of the American curve shows an interesting indentation between the years 22 and 32. This is the age interval during which most marriages take place; many of these result in withdrawing females from the working force. The economically active pear curve for the United States would look different inside the actual American sex and age group curve. This latter has the shape of a very high and comparatively narrow ogive curve which between the ages 10 and 45 is almost parallel with the vertical axis.

Explanation for Under-Enumeration

The economically active curve for Bolivia—the B curve in the diagram—can be taken as representative of the conditions in many, if not most, underdeveloped countries. It fol-

lows from the diagram that if the age groups of old and young people are relatively high due to high birth rates and low mortality rates, the overall proportion of the economically active would be low, and vice versa. Since 1945 the birth rates of practically all underdeveloped countries have changed. The infant mortality during the first year of life and the mortality rates of youngsters (0 to 5 years), primarians (5 to 10 years), pubescents (10 to 15 years), and oldagers (above 65 years) have been lowered, often spectacularly. This process is still continuing. Accordingly, the overall economically active proportion is likely to fall.

It is further obvious from the diagram that if in some countries the females form a larger proportion of the total population than the males, the economically active proportion would be low, since the percentages of working among females are relatively small. Reduction of high maternal mortality rates in underdeveloped countries will tend to increase the relative number of females, and thus depress once more

the overall economically active proportion.

It can also be seen from the diagram that a reduction in the high mortality rate of workagers in underdeveloped countries will broaden the middle half of the ogive arch where the proportion of workers is very large. Moreover if better health services improve the health and lengthen the life of oldagers, the proportion of working oldagers might rise perceptibly.

It is also evident from the diagram that if census enumeration policy excludes primarians, pubescents, oldagers of both sexes and female workagers from enumeration as economically active, the overall proportion of workers would appear low. Nevertheless, even if a correct enumeration of the workers of all age groups were made in underdeveloped countries, the differences in the sex and age groupings would account for quite a substantial variation in the overall economically active proportion.

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women and old persons are occupied in underdeveloped countries than in advanced countries, the overall proportion of the economically active in underdeveloped countries should be much higher than in either the U S A, Britain, or New Zealand.

This should be the case even if it is taken into consideration that economic underdevelopment limits employment opportunities and that low consumption standards and diminishing returns to labour on land reduce the will to economic effort. It

is the under-enumeration of occupied children and females and old persons in underdeveloped countries which provides the chief explanation for the apparent smallness of the overall proportions of workers in these countries.



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China's Economic Growth—III

Subjective Factors

Charles Bettelheim

THE subjective factors are certainly very numerous, but it seems that one can group the most important of these factors under three essential notions:

(1) The characteristics of the direction given to the country by the Chinese Communist Party,

(2) The experience accumulated by the U S S R and the popular democracies of Europe in the construction of socialism, and

(3) The national characteristics of the Chinese revolution and of the Chinese people.

I think that one must first of all recognize that the manner in which Chinese economy and society are developing presupposes an essentially energetic direction of all social forces, a direction which can be neither of a bureaucratic nor of an administrative nature, nor, still less, come in the shape of pressure from the police (as some people imagine). Such a growth implies great clearness of thought, a lucid vision of all the possibilities of development, of the manner in which these possibilities are connected with each other, of the effort which all and every one is prepared to make in order to transform these possibilities into reality. This development also implies that this lucid vision does not remain the privilege of some people who keep aloof from the masses, but on the contrary, that it is shared by the masses.

The Nervous and Cerebral System

I had the profound impression that the Chinese Communist Party really constitutes, if the image may be used, the nervous and cerebral system of today's China. It is through it that the millions of bits of elementary information "rise" which, at every moment, make the estimation possible of alternative courses and summing up of the situation; it is within the party that conclusions and a line of development emerge; it is also through the medium of the party that the conclusions and ensuing directives, make their way, in a clear, precise manner to the mas-

ses which alone can transform a correct theoretical vision into effective practice.

This obviously does not mean that other political organizations, the various mass organizations, and, above all, the State machine with its different administrative, judicial and economic bodies, and, as in other States, its apparatus of repression, do not play any part whatsoever. Just the contrary is true: these organisms and organizations are indispensable. They carry out tasks which are of fundamental importance but cannot be performed by the Chinese Communist Party which, if it were to assume them, would become bureaucratic. But it means that the most direct and effective connection between reality, thought and action is above all assumed by the Party.

The extraordinary effectiveness of the direction given by the CCP is of course partly due to the personal ability of the men who lead it, but it is also due to the deep and intimate connection which exists not only between this party and the industrial working masses, but also, and at least as much, with the peasant masses which make up the immense majority of the population.

This connection has not been improvised but historically built up in the course of a civil war which spread over decades, in the course of a struggle which was exceptionally hard and exceptionally long. This struggle has formed cadres who come from the people and have constantly maintained contact with the people. This struggle has really created and "tempered" the cadres who are animated with total devotion to the construction of a new society and, who as a whole, place this construction far ahead of, and above their personal needs and interests.

I think it may not be out of place to quote here, what Madame Han Suyin, the well-known Chinese novelist, who lives outside China but visits her country re-

gularly, replied to a question on Chinese Communists put to her by a Paris journalist: "... the party workers must always be active, be first in everything, guide and advise others, remain good-natured, be humble. They are real ascetics who, paid ten times less than the others, work ten times more" ('L'Express', October 9, 1958)

One fact which appears important to me is that these cadres have immediately, without any interruption, passed on to economic construction, and, accustomed as they were to the requirements of military struggle in which initiative and discipline must dominate, and in which mutual trust between cadres and ordinary soldiers plays a decisive part, they have brought the same spirit of initiative, discipline and intimate relationship with the masses into the struggle on the economic front. The peasant origin of a great part of the cadres of the C C P also explains the success achieved in the field of agriculture.

Indeed, another important point is that the great majority of the cadres of the C C P are not only political party workers but people who directly participate in production, economic organization and technical progress. To be "at the same time red and an expert" is one of the obligations which the C C P enjoins on its party workers. ("... the Party cadres must be really competent in their work and have the scientific and technical knowledge which is required in order to direct work properly".—Liou Chao-Chi in the report already quoted)

Effort to Explain to Masses

But what appears decisive to me is the constant effort made by the C C P to explain to the masses and to destroy the myths which curb their initiative, their enthusiasm and efforts. "Explaining" is one of the key-words of the action of the C C P. One has to explain to the masses in order to make them go ahead with lucidity and discipline. In order to explain to the masses one has to speak the same language as they, one must

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ive participated in their day to experience and continue to participate in that experience, one must know how to listen to their suggestions and criticisms and even provoke them, one must not command but guide, that is, finally, let the masses themselves take the concrete decisions.

In order to prevent contacts between cadres and the masses from becoming less close, a system has been introduced according to which the leading staff at the national, provincial, municipal etc. levels must spend every year one-third of their time at lower levels of administration, that is to say with respect to industry and agriculture, participate in production. Similarly, the army is not separated from the people but participates actively in their work by constructing roads, dams, harvesting etc.

To explain what can be done and how it is to be done is to contribute to the development of the country when the person who explains is not a doctrinaire who keeps aloof from the people, but a party worker in close relationship with those at work. It is in this spirit that Liou Chao-Chi declared:

"One must understand that machines are made and worked by men, and that material goods are only produced through men's efforts. It is man who counts; the subjective initiative of the masses is a powerful motive power. To ignore this great motive power is contrary to Marxism-Leninism. Some say that ideological work can produce neither corn, nor coal, nor iron. They are not able to see the wood for the trees. Have we not produced more corn, coal and iron by stating and applying correct political lines, by dealing correctly with the contradictions within the people, by raising the socialist consciousness of the workers and by rousing the enthusiasm of the masses, and are we not going to produce thus more and more?"

To set targets that can be fulfilled by sustained and continuous work, to explain these targets, to rouse enthusiasm for their realization to call for first criticisms and doubts, either in order to reply to them, or, if they are justified, in order to take them into account, to introduce a style of work which

makes it possible to guide and not to command, to bring forth new relationships among all those that work, these are some of the aims of the "movement of rectification", a method which is henceforth regularly applied by the C C P in order to reform ideology, improve work and destroy the myths which hamper progress. This method is essentially one of discussion, common examination and constructive criticism.

Destroying the Myths

In the effort at explanation, the struggle against the myths inherited from the past occupies an important place. It is not useless to mention here some of the myths the criticism of which has played a decisive part in the acceleration of economic growth.

(a) The myth of unavoidable slowness:

Slowness of economic development was a reality in the China of yesterday, but the erroneous notion of its being necessary in a society which has eliminated all the objective obstacles to rapid development would have constituted a subjective obstacle to such a development. The elimination of the myth of the unavoidable slowness of development, in particular the unavoidable slowness of agricultural progress, has brought forth the big leap forward in the year 1953.

The myth of unavoidable slowness was also based on the argument of the "tensions" which an accelerated development would provoke. The C C P has of course not denied that accelerated development entails great tension in the economic system (as well as in individuals); but, in any case, tension was unavoidable: "... would things be less tense if the speed of construction is slowed down? Everyone must know that a terrible and real tension would exist if over 600 million inhabitants were to live for a long time in poverty and without education...", Liou Chao-Chi remarks.

(b) The myth of the necessity of aid given by the State and by experts:

The effort at rural industrial development has also been made possible because one has been able to eliminate from the consciousness of the masses the wrong

notion that any industrial development is necessarily something complex requiring the help of specialists and technicians, and which, in a socialist society is almost exclusively incumbent on the State or will necessitate its direct participation or its help.

Once these false notions are eliminated, once the masses are persuaded that it is wrong that industry and technique can only be the concern of the few and once the masses understand that technique has nothing mysterious about it, one witnesses the extraordinary development of enterprises run by local authorities and co-operatives, one witnesses a real technical revolution coming from the masses themselves.

Of course, the initiative of the masses has been guided; inventors have been given the advice and help they were asking for and which they required; simple technical possibilities have been popularized; so were models of instruments and tools which can be easily produced, as well as drawings of simple plants which can be relatively easily constructed. It has also been possible to massively defuse booklets and textbooks of mechanics, electricity, agronomy, geology, chemistry etc thanks to the fact that illiteracy has been already eliminated to a large extent. It is all these measures together which have made possible the rural industrial development and the technical revolution which form one of the foundations of the big leap forward.

(c) The myth of absolutely necessary balance:

Still another myth, springing especially from the demands of planning, had to be fought against: the myth of absolutely necessary balance. It is true that a plan which did not provide for strict balance between production and consumption, between resources and disbursements, would have no *raison d'être*. But it is erroneous to deduce from the necessity of this balance of provisions that everything must exactly happen as foreseen, and that it is necessary to restrict developments because they upset the balance.

The notion of balance at every step can become a myth slowing down economic development and it is in this respect that the notion

has been fought. It is especially dangerous to want to delay the development of a rising sector under the pretext that this rise might upset the balance of the economy. The only satisfactory solution from the point of view of growth consists in recovering the balance at a higher level by accelerating the development of the sectors which are relatively backward on account of the quick rise of one or several others.

Similarly, the Chinese leaders have firmly criticized the myth of "financial balance" attained at the cost of slowing down growth. Mao Tse Tung has repeatedly emphasized that "it is the economy which, in the end, determines the financial situation", and he added: "The conservative point of view which makes people blind to the development of the economy or neglect the search for new financial resources, but wants to overcome financial difficulties by reducing indispensable expenses, cannot solve any problem".

To be sure, the denunciation of most of these myths which curb economic development is not a new thing, but what is important is the fact that this demystification drive could be brought to the remotest village. It is by sweeping aside all old prejudices throughout the country that it has been possible to liberate powerful productive forces and to give rise to an unprecedented creative effort which does not only find expression in work, but also in the countless popular poems evincing authentic enthusiasm.

The Experience of U S S R

A second factor for rapid growth is the fact that China had at her disposal the lessons of the huge experience accumulated by the U S S R and the popular democracies of Europe in their effort at economic construction. The experience gained by the Soviet Union in planning, in methods of drawing up plans, verifying their consistency and supervising their execution has been widely used by Chinese leaders after adapting it to the specific requirements of their own economy.

In various fields, Chinese economic methods have been appreciably different from Soviet methods. Thus price fixation, the ratio between agricultural prices and industrial prices, between pri-

ces of capital goods and prices of consumer goods of industrial origin, diverge quite considerably from the Soviet model. In particular, the ratio between agricultural prices and industrial prices has not at any time been unfavourable for agriculture as was the case in the U S S R entailing the negative consequences which have been recognized in the course of the last few years. Similarly, the ratio between the prices of industrial products coming from branches I and II (capital goods and consumer goods) correspond much more to the ratio between cost prices than in the U S S R, so that both sectors have equally contributed to the formation of the accumulation fund. The policy followed with respect to wages has also been different; the range between highest wages and lowest wages is smaller in China than in the USSR (the difference in objective conditions partly explains these differences in matters of price and wage policy).

The experience which the USSR and the popular democracies of Europe have accumulated with respect to economic organization, methods of management, accountancy and statistics have been similarly at China's disposal, and the latter has thus been able to avoid the countless groping attempts and the considerable waste of time and effort through which one has to advance as well as the mistakes one is bound to make, if one does not base oneself on any previous experience.

Special Character of Chinese Revolution

Among the factors which explain the extraordinary rapidity of Chinese economic growth one must certainly mention the specific characteristics of the Chinese revolution.

The Chinese revolution, taking place in a country which was till then dominated by foreign imperialism and by bureaucratic feudalism and capitalism, brought to power in 1949 the coalition of the revolutionary classes — workers, peasants and the national bourgeoisie. Its victory was, therefore, the victory of a "new democracy" revolution, as Mao Tse Tung puts it, and not that of a socialist revolution similar to the Soviet revolution of October 1917. To be sure,

according to the C C P's conception of uninterrupted revolution, the victory of the coalition of the revolutionary classes immediately opened the door for a new revolution, the socialist revolution which involves the socialization of all means of production. But the change-over to this second phase, which is now practically completed, has taken place by utilizing the positive forces of capitalist industry and trade and by encouraging their transformation into various forms of State capitalism.

This type of transformation has constituted an objective factor of the rapidity of Chinese economic growth, and this transformation was possible under the historical conditions in which China was placed. Consequently, the phase of the socialist revolution was achieved without commotions and accompanied by an uninterrupted growth of the economy.

However, if this type of transformation has come into being as an objective factor in the course of the past years, it has even today subjective consequences, and that is why I am mentioning it here. These subjective consequences consist in the fact that the great majority of the cadres coming from the bourgeoisie, including capitalist industrialists and business men, are integrated in the socialist society and make it benefit by their knowledge and experience. There is certainly in this an element which is favourable to China's rapid economic growth in so far as these cadres have sincerely rallied to the new society and adhere to its ideology.

Chinese National Character

Lastly, the national characteristics of the Chinese people also explain the extraordinary rapidity of Chinese growth. The Chinese have always been a strong, brave and hardworking nation. This nation has behind her a past of thousands of years of strenuous and meticulous labour. Chinese agricultural traditions are known all over the world, and it is understandable that remarkable success could be achieved by renewing these traditions. Also in craftsmanship and art, the Chinese people have rich and still lively traditions, even in the villages; and these traditions certainly constitute one of the solid foundations on

which rural industry can be built up. The ability of the Chinese in the scientific and technical fields is well-known; therefore, the ease with which they have been able both to assimilate the latest developments in these fields and to make numerous original contributions to them, does not surprise us.

But above all, the Chinese people have set out to construct a new society starting from an extreme degree of poverty resulting from imperialist and feudal exploitation, but without having been, as a whole, morally and intellectually contaminated by capitalism. That is why Mao Tse Tung has been able to write:

"Apart from other characteristics, our people of over 600 million souls is characterized by poverty and by a vacuity which is, like that of a sheet of blank paper. This may seem to be a bad thing, whereas in reality it is a good one. A poor people want to change, to work and to make a revolution. Nothing is written on a sheet of paper which is still blank, but it lends itself admirably to receive the latest and most beautiful words and the latest and most beautiful pictures".

These are, it seems to me, the main factors which explain China's exceptionally rapid growth in the economic, social and cultural fields.

What precedes of course does not mean that this growth is taking place without effort, without difficulties and without mistakes. The contrary is true: the effort is huge, the difficulties numerous and the mistakes unavoidable. Some of these mistakes have no doubt delayed Chinese growth somewhat. Thus, the first five-year plan had not paid enough attention to the development of local, small and medium industries, and it is only in the course of the past two years that this mistake has been rectified. Similarly, the targets of the first five-year plan for the industrial sector were in reality much too modest so that they had to be drastically changed in the course of the plan (this explains why industry has overfulfilled its initial target by 21.4%, and the capital goods producing industry by 41%).

At the level of local and individual decisions, many mistakes have certainly been made, either because the principle of discussion has not always been respected, or because economic discipline has not always been maintained. Thus, for example, in 1956, too many workers were taken on by enterprises and the wage ceilings were exceeded which created a certain tension in the consumer goods market. Yet it is obvious that the fact that Chinese economic growth has been what it is, in spite of difficulties and mistakes, gives all the more significance to the results that have been achieved.

As to the results to come, it is impossible to foresee them if one does not have an intimate knowledge of all the data of Chinese economy and society. New difficulties will undoubtedly arise; the draining of the reserve of unemployed or under-employed labour will soon pose new problems. Similarly, decentralization which the Chinese government seems to

be bent on pushing very far* will call for original solutions in the fields of planning and supervision. However, if the recent past and the present indicate the future, it seems to me that one can expect future results to be in keeping with what People's China has already achieved during the nine years of its existence.

* It is known that after the conferences of Manning and Tchengtou, which were called by the Central Committee of the CCP in the spring of 1958, it has been decided that with the exception of some special enterprises, all the enterprises previously run and managed by various central ministries will be handed over to local authorities and placed under their administration. This will be done gradually, starting with light industry, then passing on to heavy industry. The same decentralization will take place for cultural, political and judicial matters.

(Concluded)

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D. G. MOORE
MANAGER

Corporation Tax in India

Some Inequities

Mahesh Bhatt

THE original justification for taxing limited liability companies in India was based on the ground of the administrative convenience of taxing income at the source and thereby preventing evasion on the part of any of the individuals to whom the incomes were subsequently paid. This was alright as long as (i) the size of the company and the retained profits were small; (ii) the rate of the income tax was uniform for all incomes; (iii) the capital gains and losses were neglected; and (iv) companies were regarded as a mere agent of the shareholders having no separate entity of its own. None of these conditions holds true today in India.

Over- and Under-Taxation

There is considerable growth in the size of the companies particularly public companies in recent years; the retained profits of the companies are assuming greater and greater proportion of the total profits; the rates of income tax instead of being uniform for all incomes are steeply progressive; the capital gains are taxed; and corporations are regarded as a separate economic and legal entity. With the imposition of the progressive rates of the income tax it was necessary to tax the distributed profits of the company according to the varying rates on the total income of the shareholders and this is what is actually done in India. In India the companies are subjected to the income tax at the rate of 31.5 per cent (1957) on their total income. The income tax paid by the company on the profits distributed to its shareholders is credited in assessing the shareholders on their total income. But the income tax paid by the company on the undistributed profits is borne by the company.

This may be said to create an inequity in the tax system. Whereas those shareholders who are not liable even to pay the income tax are subjected to the maximum rate of income tax on the undistributed portion of their incomes (in the company)—and therefore they are penalised—, those shareholders who might have paid higher super-

tax on the undistributed portion of their income if it were distributed pay considerably less tax. In the former case there is over-taxation (rather penalty taxation) while in the latter case there is under-taxation.

Private Companies

The solution sought by imposing the corporation tax as a collective substitute for the individual super-tax which the company's undistributed income would have borne in the hands of the owners had it been distributed aggravates inequity instead of lessening it. Not only those shareholders who are exempt from the income tax are taxed still further but even those shareholders subject to the income-tax but not to the super-tax are subjected to the additional tax on the undistributed portion of their income. As against this, shareholders who might have paid high super-tax (if undistributed profits were distributed) pay only lower tax. Thus shareholders belonging to the highest income groups are enormously benefited if they can manage to retain the profits in the company.

The business community in India is taking the best advantage of this situation as is quite obvious from the increase in the total number of private companies from 5,255 in 1938-39 to 20,427 in 1955-56. According to the survey carried out by the Taxation Enquiry Commission in India 86 per cent of the private companies were controlled by four or less than four persons and 30 per cent by one only. In all cases the majority of the shares belonged to six or less persons. As the control of the companies remain in their hands, they are in a position to enjoy this income as a loan. Obviously this creates further inequity as compared with the treatment received by the partnership and individual concerns—who are taxed on their total profits and who pay the full super-tax rates on these profits.

Repeal Section 23-A

The imposition of the additional tax on the unreasonable retention of profits by the closely held corporation (Section 23A Companies)

aims to remedy this inequity to a certain extent. But this provision clashes with the aim of the excess Dividend Tax. The logical solution seems to be to treat all the closely held corporations as partnership concerns and tax them accordingly. If this is done it will be easy to set aside most of the complicated provisions of the Section 23A of the Indian Income Tax Act.

Two objections to this proposal can be easily anticipated. Firstly it may be argued that the adoption of this proposal would adversely affect the small and growing firms and thereby the economic development of India. Secondly, it would cost the Government revenue which is urgently required. Undeniably the ploughing back of the profits by the small companies have played an important part in the development of many industries in the countries like the United Kingdom and the United States of America. But it should be noted that in India there are enough provisions to avoid the adverse effects on the growing and new enterprises. The tax-exemptions given in the form of tax-holiday to the new enterprise, the liberal depreciation allowances and the provision of loss offset and the outright interest free loan (which may be turned into the permanent loan if the investment is spread over a period) in the form of the Development rebate—all these are sufficient to counter any adverse effects on the small and growing enterprises.

Revenue Loss

The possibility of the revenue loss is not denied, but here also we may find two reasons which may considerably weaken the strength of the second objection. Firstly the loss in revenue would be compensated to some extent by the increase in the yield of the personal income tax. Secondly, the saving of the administrative costs of implementing the complicated provisions of Section 23A would be another compensatory factor. Finally even after this if there is any gap it seems it would be a price worth paying for the equity and simplicity in the tax-structure.

Public Companies

The real difficulty arises in the application of this solution for taxing the retained profits in the case of the public corporation. It is well recognized that in a large public corporation the shareholders have very little control over the corporation policy and any effort to tax the retained profits of such corporation on the partnership basis will result in considerable hardship and inconvenience to the many small shareholders.

It is very doubtful whether the retained profits of the corporations of this type, can be considered really the income of its shareholders. One may point out here that the shareholders are benefited by the retained profits of the company in one way or another. For example if the retained profits increase the earning capacity of the corporation this might increase the future dividend and might result in the appreciation of the value of the shares. As Mr Kaldor has pointed out, the shareholders in a public company come and go and capital gain or loss which they realize on any particular holding need have no relationship whatever to the accumulation of the company reserves during the period of any particular share ownership. These benefits derived by the shareholders can be taxed under capital gains tax but not by taxing the undistributed savings of the corporation. The very fact that the Capital Gains Tax is reimposed in India makes the justification of the corporation tax based on this ground a little superfluous.

Status of Shareholders

The root-cause of all the difficulties resulting in the complex corporate tax-structure seems to be the confusion regarding the concept of the corporation. If we regard the corporation as a mere agent of the shareholders having no separate entity or income of its own there is obviously the justification for linking the corporate tax with the individual income-tax. This is undeniably the case with the private companies and the logical solution is to treat them as partnership concerns. But it is questionable whether a typical public corporation can be regarded as a mere agent of its shareholders. It seems to be more realistic to conceive a typical public corporation as an economic entity

with its own character and pattern of behaviour. The modern corporation has its own tradition, reputation and a place in the economic life of the community. The relationship between the corporation and most individual stockholders in the case of public corporation is only an indirect and ephemeral one. Moreover not all shares are owned by individuals—many organizations like investment trusts, insurance companies, banks, etc, also hold shares.

We may say that the corporation is a case where the whole is something different from the sum of its parts—directors, managers, workers and shareholders—as individuals. As a separate legal entity the corporation has certain legal rights and legal obligations. Although the vast body of the economic theory that exists on the subject of the business firms and their decisions concerning price-output and investment ignores the demarcation line between the corporate form and other forms of business enterprise it can be pointed out that the corporation possesses not only a separate legal entity but also economic entity. It just requires to look at the enormous economic advantages—like limited liability, the capacity to raise capital by inviting general public to subscribe, the advantage of the retained profits being taxed at a lower rate, the continuous life with goodwill, etc—to show that the corporations possess an economic entity as well.

Conclusion

If we accept this reasoning it is appropriate to repeal (a) the present income tax on the companies, and (b) the complicated provisions of the Section 23A of the Indian Income Tax as recommended by Mr Kaldor in his report on Indian Tax Reform. The Government should instead tax the private companies as partnership-concerns* and have an independent corporate tax on the public companies. This would not only simplify our corporate tax-structure which is described by Mr Kaldor as "a perfect maze of unnecessary complications, the accre-

*The recent report of the United Nations Technical Assistance Mission to Israel proposes the compulsory introduction of the partnership taxation for all closely-held companies. ('Revenue Administration and Policy in Israel').

tion of years of futile endeavour to reconcile fundamentally contradictory objectives" but would also remove the long standing stigma of the double-taxation. To conclude our discussion we may, like Mr Kaldor, quote the remarks contained in the memorandum of Dissent submitted to the Royal Commission on Taxation of Profits and Income in the U K, because they are equally applicable in the case of the corporate-tax structure in India. "There is everything to be said for a formal separation of the two kinds of taxes which would at once simplify considerably the whole tax-structure and by abolishing the artificial link between the personal and company tax rates, make it possible to vary the rates of company taxation in either direction without varying personal taxation and vice-versa".

EXPORT OF CEMENT

DURING the current year 2 lakh tons of cement will be exported to neighbouring countries like Ceylon, Pakistan, Persian Gulf ports, Aden, Cambodia, etc. A larger surplus might be available for export in future years.

Giving this information in the Rajya Sabha, the Minister for Commerce and Industry, Shri Lal Bahadur Shastri, said that the exact quantity and the countries to which exports would be made in future would be determined from time to time. He added that it was very difficult to estimate the surplus of cement available for export as it was directly related to the trend of internal demand, which in its turn influenced production from time to time.

TATA-MERCK PHARMACEUTICAL

MESSRS Merck Sharp and Dohme International of New York would establish, within a period of 12 months, a new industrial undertaking for manufacture of some drugs. Messrs Merck Sharp Dohme (India) Private Ltd., would have 40 per cent Indian capital participation. Messrs Tata Sons would be their Indian partners.

The plant would ultimately be located at Thana near Bombay. But during the building period of the plant, there would be temporary manufacturing facilities at Bombay.

The Minister of Industry gave out the above information in reply to a question in Rajya Sabha.

Obscure Outlook

DALAL STREET remained subdued as active counters receded further in the recent downward trend. Bulls were forced to liquidate on an unwilling market as the Finance Minister, as anticipated in these columns last week, did not oblige them. As expected, he told the Associated Chambers of Commerce that increased taxation was inevitable in a fast developing economy and as such, he could not assure them any relief. It was futile to expect anything better from the Finance Minister whose main pre-occupation is to have to raise adequate internal resources. Coming events cast their shadows before and the market now seems to be obsessed with apprehensions of increase in taxation—direct and/or indirect.

Bulls appear to have lost their nerve but bears are not aggressive in view of the recent sharp drop. The reports about sporadic border incidents by infiltration of Pakistan troops which the Prime Minister has rightly described as minor aggression have further undermined confidence. Moreover Government's determined move for socialization of foodgrains trade and the emphasis laid on land reforms on the eve of the Congress session at Nagpur early next month have once again brought to the fore the policy of the socialist pattern of society which is to be implemented. In this connection, the question of putting ceilings on urban income as part of an overall economic policy is being debated. But there is one school of thought which believes that if the Congress goes all out for any such thing, it will alienate the foreign countries which have promised liberal financial aid. The market is unable to follow Government's way of thinking as on one hand Government wants to encourage the private sector while on the other hand, policies are being pursued which tend to discourage the investor. The investment market is therefore once again in doldrums and till the Budget, all upturns may attract sellers as the outlook for the time being is obscure.

Short term money rates have

started hardening in view of the increasing movement of crops. However, bank advances have not gone up as much as they should have done at this time of the year. At the year end, there will be more demand for funds.

Government securities have ruled steadier, the Reserve Bank having put up prices for some of the medium and long dated loans. Bank shares have been mainly steady, despite prospects of sharp drop in earnings for the year to close, presumably on the ground that their investment portfolios must appreciate. Public utilities, e.g., electric shares were quietly steady.

Among shippings, Scindia attracted some support on talks of purchases by L I C. Automobile shares were weak on implications of the Defence Ministry's contracts with foreign firms. Cement shares were quiet with A C C moving up on hopes of dividend being maintained at Rs 9 by drawing on reserves.

Engineering did not fare badly but steels after further decline were inclined to steady up at lower levels. Indian Iron & Steel Co Ltd has received official sanction for the issue of bonus shares but as approval of the Reserve Bank has been sought for issue of bonus shares to non-resident shareholders also, a few days might elapse before the announcement of the procedure for the bonus issue.

Cotton textiles are generally out of favour. Bombay Burmah came under recurrent pressure while National Rayon, Tata Locomotive and Tata oils provided steady features. National Carbon, as hinted a fortnight back, is still being fancied.

Cotton

Retreat from Best Levels

THE bullish fervour in cotton has subsided and prices, both spot as well as futures, have retreated from the best levels recorded in the previous week. As prices of some of the varieties in spot tended to reach ceilings, mills became somewhat cautious in their purchase. With the increasing crop movement, short sales having been

Thursday, Morning

mostly covered, the market found it difficult to sustain the values.

I C C March 1959 after moving upto Rs 642.50 came down to Rs 624.50 to meet with some profit covering.

It will however be difficult for the market to absorb increased arrivals which will last for the next three months as conditions in the textile industry have not shown any appreciable improvement. This means that prices cannot rule higher. The spot market, in view of the bitter experience of last year, is in no position to extract levies as hitherto. Exports still remain slack.

Unofficial crop estimate for the current session is now placed at 52.50 lakh bales. The State wise break up figures are:

In lakh bales of 400 lbs.	
Bombay	28.00
Punjab	7.20
Mysore	4.90
Madhya Pradesh	4.85
Madras	3.30
Rajasthan	1.90
Andhra Pradesh	1.80
Uttar Pradesh	0.30
Assam-Tripura	0.25
Total	52.50

Oilseeds

Selling at Bulges

THE oilseeds market has continued to move irregularly, though higher levels have brought forth selling pressure.

The export outlook for castor still remains discouraging in view of the Brazilian competition as Indian prices are still a little out of parity.

Groundnut oil has also very few buyers abroad at our prices and in view of the large quota of H P S groundnuts, overseas buyers are not enthusiastic at the moment. There is fairly good demand for expeller variety of groundnut oil cake but all quotas have been exhausted. Hence trade quarters have pleaded for additional quota while the request has been made to extend the period of shipments of H P S groundnut to 30th June 1959.

Cotton seeds, which had put up a firm front, have turned reactionary while linseed is ruling fairly

steady on prospects of sporadic export business.

In the first eleven months of 1958, exports of castor oil from Bombay port have amounted to 16,788 tons, linseed oil 12,666 tons, cottonseed oil 2388 tons, kardi seed oil 1652 tons, sesame oil 230 tons.

Exports of groundnut oil cake during this period have totalled 38,939 tons, groundnut meal 44,692 tons, linseed cake 4916 tons and cottonseed oil cake 1992 tons.

The Indian Central oilseeds committee which is meeting at Chandigarh is devoting its attention to maximise production of oilseeds. Dr Randhwa, President of the Committee has urged Punjab farmers to replace cotton crop by groundnuts in view of the fact that for the past few years, the cotton crop has been damaged by unwanted rains every October.

Bullion

Tibetan Coins in Dribbles

ON the Bullion Exchange, sentiment is still somewhat bullish and hence after an early small technical setback, prices recovered to meet some realising.

In view of the recent rise in prices, a member could not meet his liabilities to the tune of about Rs 35,000 and on his account, sales had to be covered.

There has been a feeling in the market that despite the ban, small imports of Tibetan silver coins might still take place but in view of the potentialities for offtake in the months to come, the market is not much influenced by these conjectures.

Demand for spot gold seems to have slackened to some extent at higher levels but in view of the marriage season, the yellow metal is bound to attract buyers.

Company Note

INDIA STEAM EARNS MORE

THE year 1957 was an exceptionally favourable one for shipping, and though a recession set in at the beginning of this year, the trend has been arrested by now. There is, therefore, no ground for pessimism on the prospects of overseas freight earnings by our shipping companies. India's second largest shipping company, India Steam, which has a large stake in overseas

freight, increased its freight earnings to Rs 7.75 crores during the year ended March 31, 1958, against Rs 6 crores during the previous year. Owing to the setting aside of Rs 53.37 lakhs for development rebate reserve, however, the year's profit has risen less than proportionately from Rs 1.07 crores to Rs 1.22 crores. The profit margin on freight earnings has, therefore, declined from 17.9 per cent to 15.7 per cent. The absence of any tax liability for the year and the exemption of shipping companies from the wealth tax has, nevertheless, enabled it to nearly double its reserves from Rs 1.75 crores to Rs 3.24 crores, which now exceed the paid up capital even after the taxation reserve is excluded from the former. Net earning per ordinary share, after deducting preference dividend from the profit, has gone up from Rs 4.71 to Rs 4.86, despite capitalisation of the share premium in the ratio of 1 share for every ten held; this covers the equity dividend, which has been maintained at Re 1, nearly five times. Distribution on preference and ordinary shares at current rates is twice covered by the dividend equalisation reserve.

The company's tonnage now exceeds 1 lakh G R T for the first time. Two more ships of more than 9,000 tons each are expected to be delivered in the current year and another three next year. Net fixed assets have risen to Rs 11.86 crores against Rs 10.16 crores. Liquid assets, including net incomplete voyages, amount to Rs 3.83 crores

against current liabilities of Rs 1.48 crores; the figures for the previous year were Rs 3.37 crores and Rs 1.05 crores. A much larger portion of the cash balance is now maintained in the form of call and fixed deposits. Loans from Government amount to Rs 8.21 crores against Rs 7.98 crores, and are more than fully covered by the net value of fixed assets.

At the current price of around Rs 14, India Steam Ordinary yields about 7 per cent net.

INVESTMENT IN PETROLEUM

THE total investment in India in the petroleum industry was approximately Rs 244 crores out of which Rs 214 crores represented foreign investment while Rs 30 crores represented the Indian capital invested. This was stated by Shri K D Malaviya, Minister for Mines and Oil, in reply to a question in the Lok Sabha.

The investment included working capital in the companies distributing major petroleum products and the refineries in the country including the Assam Oil Co, which has exploration and production activities also. The Standard Vacuum Oil Company's estimate included the participatory scheme for exploration in West Bengal area.

Government had also a 25 per cent share with the Standard Vacuum Oil Company, added Shri Malaviya, in the participatory scheme for oil exploration in West Bengal.

The Indian Iron & Steel Co., Ltd.

12 Mission Row
Calcutta

NOTICE

NOTICE is hereby given that consent has been accorded by the Controller of Capital Issues to an issue of Bonus Ordinary Shares in the proportion of One Bonus Share for every five existing Ordinary Shares by capitalisation of the major portion of the amount standing to the credit of the Share Premium Account.

Since some of the Ordinary shareholders of the Company are non-resident it is necessary now to await the consent of the Reserve Bank of India to the issue of Bonus Shares to such non-resident shareholders. As soon as this consent has been received a further notification covering procedural arrangements in connection with the Bonus will be issued.

THE INDIAN IRON & STEEL CO., LTD.,
MARTIN BURN LIMITED.

F. G. Liversedge
Managing Director,
Managing Agents.

CALCUTTA,
9th December, 1958.

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1532.23	1555.18	1572.56	1523.06
2. Rupee Coin	136.10	138.26	137.02	132.00
3. Deposits				
Central				
Government's	61.59	59.60	62.21	52.50
Other				
Governments'	12.19	24.15	19.39	8.10
Banks'	73.02	88.17	81.84	66.37
Others'	116.82	116.89	114.29	115.70
4. Foreign Securities	164.68	164.68	164.68	275.23
5. Balances held abroad	18.89	15.95	14.21	17.96
6. Rupee Securities	1174.73	1174.73	1164.73	1007.20
7. Investments	243.55	292.44	311.20	243.74
8. Loans and advances to Governments	24.97	21.92	20.36	34.60
9. Other loans and advances	54.70	54.38	56.74	67.41
Scheduled Banks				
1. Demand liabilities (net)	695.39	698.80	699.20	700.46
2. Time Liabilities (net)	880.08	889.37	888.10	666.47
3. Cash	126.79	140.13	146.73	144.58
4. Borrowings from Reserve Bank of which against Usance Bills	1.56	1.36	2.26	16.25
5. Advances and Bills discounted of which State Bank's	832.45	831.14	838.85	830.98
6. Invest. in Govt. Sec. of which State Bank's	163.31	161.53	162.06	158.43
Cheque Clearance	174.28	175.05	158.90	155.58

† For Reserve Bank Week ended 5-12-58 Scheduled Banks and Cheque Clearance Week ended 28-11-58.

Bombay Money Rates
(per cent per annum)

	21-11-58	14-11-58	24-10-58	22-11-57
Call Money				
From banks	1½	2½-3½	1½	3-4½
From public	3½	3½-3½	3½-3½	3½-4½
Three Months	2½-4½	2½-4½	2½-4½	2½-4½
Six Months	2-4	2-4	2-4½	2-4½

Bombay Bullion	(In Rupees and nP)	4-12-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)					
Spot		112.87	113.25	110.90	108.75
Forward		113.19	113.31	111.31	108.65
Silver (per 100 tolas)					
Spot		192.87	188.62	186.94	184.00
Forward		194.00	189.25	187.94	183.37

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53=100)

Group and Sub-Group	WEEK	ENDED	22-11-58	15-11-58	26-10-58	23-11-57
Food Articles	116.8	118.0	121.0	107.9		
Cereals	108.7	111.0	118.3	102.3		
Pulses	114.3	111.5	112.8	83.4		
Fruits & Veg.	120.2	119.9	117.8	111.0		
Milk and Ghee	105.6	104.3	107.1	103.1		
Edible Oils	122.8	122.6	131.5	131.6		
Fish, Eggs & Meat	113.1	109.4	107.8	99.8		
Sugar & Gur	120.2	128.1	137.6	107.9		
Others	159.6	161.5	161.0	137.3		
Liquor and Tobacco	97.0	96.6	93.4	96.5		
Tobacco	95.5	95.1	91.7	95.0		
Fuel, Power, Light & Lubricants	115.0	114.9	115.1	115.4		
Industrial Raw Materials	112.5	111.9	116.8	116.3		
Fibres	101.9	102.0	104.2	117.2		
Oilseeds	125.6	124.1	135.1	120.7		
Minerals	107.3	107.3	105.2	107.1		
Others	108.5	108.0	107.3	106.8		
Manufactures	108.6	108.5	108.5	108.3		
Intermediate Products	109.4	109.6	109.3	106.2		
Finished Products	108.5	108.3	108.4	108.7		
Textiles	103.3	103.2	103.3	106.6		
Cotton	111.2	111.2	111.1	115.4		
Jute	89.0	88.7	87.6	96.0		
Woollen	106.9	105.9	105.9	103.0		
Silk & Rayon	90.2	90.2	94.7	81.8		
Metal Products	143.1	143.1	143.1	143.4		
Chemicals	107.3	107.5	107.4	93.9		
Oilcakes	143.9	142.1	142.9	129.6		
Machinery and Trans Equipment	104.3	104.3	103.6	102.3		
Others	113.6	113.6	113.8	111.4		
All Commodities	113.3	113.8	116.0	109.3		

COAL PRODUCTION AND DISTRIBUTION

(Monthly Average or Calendar Months) ('000 tons)

	Raisings	Despatches	Stock at Pit heads*
1955	3,184	2,742	3,608
1956	3,286	2,913	2,766
1957	3,628	3,137	3,275
1958: August	3,308	3,176	3,018
Sep	3,123	2,819	2,881
Oct	3,177	2,940	2,662
Nov	3,323	3,026	2,566
Dec	3,678	3,038	2,766
1957: Jan	3,627	3,138	2,780
Feb	3,519	2,841	3,029
Mar	3,653	3,251	3,000
April	3,726	3,158	3,087
May	3,794	3,187	3,246
June	3,330	2,915	3,252
July	3,331	3,045	3,091
Aug	3,376	3,239	2,780
Sept	3,647	3,193	2,755
Oct	3,555	3,321	2,538
Nov	3,930	3,160	2,835
Dec	4,051	3,163	3,275
1958: Jan	3,947	3,321	3,418
Feb	3,712	3,063	3,655
Mar	3,701	3,351	3,523
April	3,802	3,433	3,422
May	3,884	3,372	3,464
June	3,554	3,103	3,452
July	3,749	—	3,537
Aug	3,539	—	2,922

* At or about the end of each period. — = not available.
Sources: DCIS, Calcutta, and Central Statistical Organisation, New Delhi.

COTTON STATISTICS

MILL CONSUMPTION

(In '000 bales of 392 lbs each)

Description:	Sept	Aug	July	Sept 57—Aug 58
Indian	382.5	370.5	377.5	4,433.2
Foreign	42.6	44.3	48.3	565.6
of which American*	13.8	15.5	17.9	245.7
Egyptian	6.6	5.8	5.9	66.6
E. African	13.5	13.5	14.6	150.7
Sudan†	8.5	9.8	9.1	91.1
Total	425.1	414.8	425.8	4998.8

Consumption in corresponding periods a year ago:

Indian	399.1	378.5	393.4	4665.6
Foreign	49.3	45.6	50.0	567.5

* Includes United States and Mexican Cotton.

† Includes both Sudan Egyptian and Sudan American.

MILL STOCKS OF COTTON

(In '000 bales of 400 lbs each)

	Sept	Aug	July	June
Indian:				
1958-59	1004.4	1136.1	1205.8	1286.3
1957-58	948.7	1120.5	1301.8	1433.0
Foreign:				
1958-59	117.0	138.9	151.0	161.0
1957-58	213.1	223.6	220.2	220.8

COTTON IMPORTS

(In bales of 392 lbs each)

Description	1958-59	1957-58	1956-57
Americans	4175	18967	34114
Sudans	11213	17915	20267
Egyptians	10774	15460	5657
East Africans	26903	15863	50,989
Pakistani	—	—	—
Other varieties	317	—	765

COTTON EXPORTS †

(In bales of 392 lbs each)

Destination	1958-59	1957-58	1956-57
U K	1053	205	2044
Continent	3868	—	382
Hong Kong	16856	600	400
China	6446	—	3027
Japan	40049	2676	13183
U S A	257	—	50
Other Countries	1105	291	314

† Excluding Zoda and other yellow pickings.

— = nil.

Source: East India Cotton Association

JUTE STATISTICS

(1958-59)

Oct. Sept. Aug. July to Oct.

Production ('000 tons)

Hessian	33.3	35.9	36.4	139.9
Sacking	43.0	45.7	44.3	182.6
Others	5.5	5.7	5.5	22.2
Total	81.8	87.3	86.2	344.1

.. in corresponding months:

1957-58	83.5	86.0	81.9	337.3
1956-57	80.4	84.5	89.6	348.6

Stocks ('000 tons)

Hessian	17.8	17.0	19.0	—
Sacking	77.1	80.2	86.4	—
Others	12.2	11.8	11.8	—
Total	107.1	109.0	117.2	—

.. at the end of the corresponding months:

1957-58	76.0	77.0	92.5	—
1956-57	62.3	69.7	79.2	—

Despatches † ('000 tons)

Hessian	32.3	37.9	36.3	153.3
Sacking	46.0	52.4	47.6	193.7
Others	4.6	4.9	5.4	22.5
Total	82.9	95.2	89.3	369.5

.. in corresponding months:

1957-58	83.4	100.8	98.1	375.0
1956-57	86.9	95.8	82.7	357.0

Raw Jute Consumption: ('000 bales)

1958-59	475	504	486	1,973
1957-58	499	492	464	1,944

IJMA Mills' Purchase

of Raw Jute ('000 bales)

Pakistani	15	40	25	147
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In corresponding months:

1957-58	96	87	73	308
1956-57	38	48	83	212
Indian	732	614	398	2,194

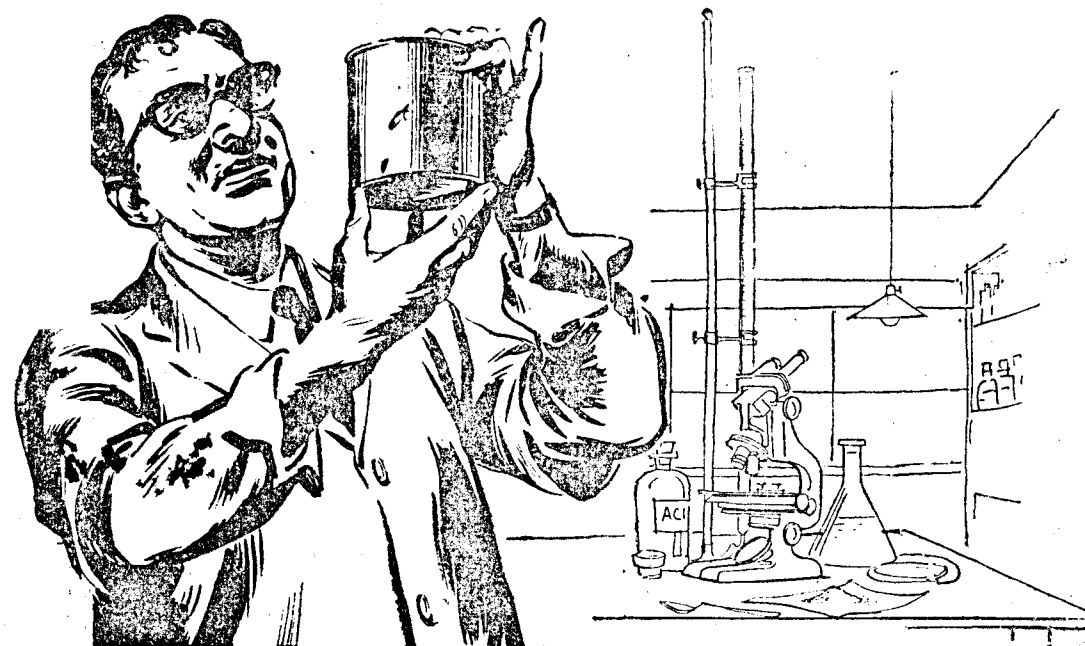
In corresponding months:

1957-58	593	542	392	1,814
1956-57	509	503	493	1,846

† Includes despatches for exports and sales for internal consumption.

Source: Indian Jute Mills Association

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Platitudes on Planning

THE draft resolution of the Working Committee of the Congress party mouths all the platitudes on planning. It has been patently inspired by all the clichés on economic development that one may look up in a text book. No awareness of India's problems and the present stage of her planned development has been allowed to retard the smooth flow of the familiar phrases. Much less does this resolution show any evidence of close and intimate touch of the Congress party with the people's urges and reactions to the planned effort.

The Working Committee finds that the investment rate is inadequate. Does it know that right in the first year of the Second Plan, investment had increased, according to present estimates, to about 10 per cent of the national income? This rate of investment, even when compared to the rate in developed economies, can by no means be considered as too low. If, however, it has failed to have the desired impact on employment and rate of growth, the question to be examined is whether this investment was channelised in the desired directions. Of course, this rate of investment was attained by means of considerable foreign assistance. In fact, foreign assistance has been much larger than originally expected. In that case, it has to be examined whether all this assistance was used for right purposes. For example, why were these resources not effectively utilised for developing certain key heavy industries, like the heavy electrical equipment and the heavy machinery industries, which are so essential for developing a well-founded basic industrial framework? If there was some misdirection of investment, was it due to administrative and organizational defects and if so, how are these to be rectified?

If adequate food supply is so very necessary for providing a basic necessity of life as well as for accelerating the pace of development, what measures have been taken so far to increase it and if these have failed, why have they failed and what other measures are necessary? The entire blame for the short fall in food production cannot be put on monsoons or floods. What about non-utilisation of irrigation facilities? Are the arrangements for supply of seeds, fertilisers, credit etc adequate, and if not, why? Is the land system such that discourages effort by peasants to increase food output? If so, in what way is it to be modified?

What purpose is served by merely indicating the different assets which can be created by the utilisation of idle man-power? This truism has been familiar to India ever since Gandhiji wrote his 'Hind Swaraj' in the first decade of this century. That idle man-power itself was an important asset had also been shown by him. What is of interest are the steps taken so far to utilise such man-power for development. What is the adequacy of these measures and if they did not succeed to the desired extent, what has now to be done in a concrete way to utilise it effectively? If it is a question of sound organisation, what are the organisational and administrative changes necessary? If it is a question of providing sufficient ideological stimulus for enthusing into activity the idle rural population, what is being done and what should be done in that direction?

The Plan and its execution has suffered because it has not made much impact so far on the rural population who will for a long time remain the backbone of our social and economic structure. And here lies danger to our socio-political stability. Is the Working Committee of the ruling party expected to investigate the reasons for this

failure and suggest the steps necessary in order that planned development can have a significant impact on the rural population?

These are the issues which the Working Committee was expected to discuss and it is on these issues that it had to give some guidance to the Government, the Congress and the people. A political party with living

contact with reality as well as the people would have seen the problem of planned development in this light. Instead, the Working Committee throws out textbook homilies on planning, which clearly show that the party is out of touch with reality in India and is no living, growing and dynamic agency for growth.

More Radical than Communists!

Our Kerala Correspondent writes:

ONE more session of the Kerala legislature is over. There was no direct attempt or indirect manoeuvre to oust the Government. The controversial Education Bill, which was returned by the President, has been passed with certain amendments in the light of the observations made by the Supreme Court. The Panchayat Bill has been referred to the Select Committee. It seeks to make the Panchayats an effective force in moulding village life. Other Bills were of minor significance. The session was lively throughout. Not a single day passed without one topic or other coming up for heated discussions and to a large extent, the Opposition succeeded in making Government appear to be on the defensive.

The discussion which was most lively was the one relating to food. The food Minister admitted on the floor of the House that Government had no stocks of rice with it to supply to Fair Price Shops and that the prices were rising, though they were still lower than in Bombay or Calcutta. The situation has arisen, he said, not because of any fall in production in the State but mainly because Government failed to get the usual quantities of rice from outside to fill the gap between demand and local production.

During the President's rule, it was stated, Kerala used to get 25,000 tons of rice a month on an average from outside. With the formation of the Southern Zone for the purpose of rice distribution, immediately after the Communists came to power, it became the responsibility of the Kerala Government to obtain its

requirements of rice from within the Zone. At the outset, the surplus States of Andhra and Madras were not happy with this arrangement. To make matters worse, the Central Government entered the market as a purchaser and fixed the price for rice in the four surplus districts of Andhra. It is alleged that regular smuggling was going on from Andhra to the neighbouring States and it became impossible for Kerala Government to obtain its requirements of rice in the open market at rates fixed by the Central Government. Recently, rice started moving to Kerala, when the State was allowed to make its purchases at market prices. In the mean time sufficient damage had been done to the prestige of Government and political parties tried to make capital out of the situation. Rice is now moving to Kerala and when people have enough to eat, they will understand better, whose fault it was that led to failure of supplies.

Governments of Andhra and Madras have already complained that the Zonal system, a creation of the Centre, has failed. So it will be wrong to try to read too much into the food crisis in Kerala. It is not fair to question the bonafide of the Centre in setting up the Zone. The Centre must have approached the question in the best interests of the country. But the difficulty starts when local Congressmen overlook facts and try to project anti-Communism into the food front. It helps only to widen the cleavage between the Centre and the State to the disadvantage of the people.

When one looks into things a little clearly, it is difficult to find

much difference in the approaches to the problems confronting the State amongst the rank and file of the various parties. This was clear in the case of the Jenmikaram (Abolition) Bill. In the Travancore area of the State, there is a system of land tenure known as Jenmikaram. Where land belonged to the 'Jenmi' or landlord, the latter's inherent rights are recognised through 'Jenmikaram', a sort of a levy. By an arrangement entered into long ago, 'Jenmikaram' is collected by Government on commission basis and paid to the landlord. Besides this, the landlord has no other right to the land. Government decided to abolish this system by giving suitable compensation to the landlords.

It is now well-known that the line taken by the Land Sub-Committee of the Pradesh Congress Committee and the Congress Legislative Party on this Bill was widely different. The latter not only supported the Bill, but some of its members even pleaded for a reduction in the rate of compensation. Much to the surprise of the landlords, the Bill was passed unanimously — the lone voice raised against it was that of Pattom, the P S P leader. The Bill is now pending with the President and it is reported that 'divine' forces are now working against it at Delhi. In the case of the Land Bill also, it is believed that some P S P and Congress members of the Select Committee are at times advancing more radical views than the Communists themselves and informed circles believe that this is what slows down the progress of the Select Committee.

Here is a typical example of this misguided propaganda of the local Congress. There is a public limited company called the Desabhima-ni Printing and Publishing Co. The shareholders of this company are mostly workers and peasants and shares are widely distributed. It is really an effort of the small men to start an industry. It applied for a loan to the Board constituted to aid small scale industries. The loan was granted strictly according to the rules. The Board consists of members from all parties and businessmen. According to Congress propagandists, this loan is illegitimate, because the Communist party paper is allowed to be printed in this press—do Congressmen want a press baron to print the Communist party paper? The logical inference should be that Congress Governments in other States should not extend aid to small-scale industries, wherever Congressmen are associated with such industries. The Khadi and Village Industries Commission and other similar organisations better take note!

Of late the law and order situation has not deteriorated; if anything, it has slightly improved, perhaps because the Opposition parties have not been able to mount up any agitation at the moment like Kattampilli, Sitaram Mill dispute or Students' agitation. And this is the time to ruminate over the talk of insecurity. There is definitely an insecurity arising out of uncertainty about the changes that are unfolding and the police policy.

The question is, could one arrest the force of events? Here is an over-populated area, economically backward. For all practical purposes, though politically liberated, it has not been able to get rid of its colonial background. Its main source of wealth is plantations. Here British influence is predominant. The typical example is Kannan Devan Company. It has an area of about 250 square miles on lease for 99 years under an annual rental of Rs 5,000. Profits of the British plantations built up under such favourable conditions are repatriated regularly and very little is left behind for the development of the State. Kerala has first class export products: pepper, cashewnut, coir and coir products, lemon grass oil, tea etc. The bulk of the export

trade, however, is in the hands of foreign companies. Of the total rubber grown in India, 98 per cent is from Kerala. Kerala also caters to the country's requirements of coconut oil to a very large extent. No one ever says that Bombay is deficit in rubber or that Bengal is perpetually dependent on outside supplies of coconut oil. But in the matter of food, Kerala is treated as a deficit area and made to suffer for it!

After the first world war, there were possibilities of local capital entering into the industrial field. But the policies pursued by Travancore Government in the thirties, the most important constituent of the present Kerala State, were deterrent to capital investment. Ten years of Congress rule could not undo the past nor could it give a new orientation to the economic life of the people. It is against this background that the Communists came to power and they are at least an-

xious to carry out changes which are overdue. One may question their methods. But Congress also is adopting equally questionable methods in Kerala not to carry out changes that are overdue but to hold up such changes. As long as the Communists work within the frame-work of the Constitution, their right to rule cannot be denied. For those who can read the writing on the wall and can adapt themselves in time, there is no insecurity. Insecurity haunts those who want to defend privileges and rights which cannot be defended in a socialistic pattern of society, and their hirelings. The intelligent among Congressmen realise the futility of trying to build up resistances from within and that is why a constant scare is raised for outside consumption—and it works, as can be seen in the 'cumulative impressions' created in the mind of no less a person than the President of the Indian National Congress.

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Weekly Notes

Why No Minimum Price for Jute?

THE decline in jute prices, by itself, after the year's bumper crop may not be regarded as disastrous. For prices have fallen no more than, say, 25 per cent, roughly from Rs 24 per maund to Rs 18, while the size of the crop has risen by 28 per cent, from 41 lakh bales to 52 lakh bales. But taken in conjunction with the high price of rice, which is not merely the staple, but the only foodgrain for the jute growers, this decline has been nothing short of a disaster. Without trying to dramatise the situation, one may simply mention the fact that jute has never fallen so low in the last 12 years, nor has rice been so dear, and the price of rice so much higher than that of jute. Bengal papers continue to feature stories of distress, particularly among the jute-growers and landless labourers who have been subsisting in some areas on roots and leaves.

Between jute-growers and agricultural labourers at one end and the market for jute goods abroad, there runs a tenuous link which has hitherto stood in the way of acceptance or even serious consideration of fixation of minimum prices for jute as a remedial measure. The fact that 80 per cent of jute goods are exported and that they have to compete in foreign markets has scotched all thoughts of so radical a measure. The growers of sugar cane may have a statutory price fixed for cane. In cotton also, for the past several years, some form of modified price control may have operated in practice through the fixation of ceiling and floor prices though somewhat indifferently, whenever cotton has been under powerful pressure. But minimum prices for jute? That is unthinkable, whatever the academic men on the Indian Central Jute Committee may say.

It may be mentioned in passing that the Economic Research and Publicity Sub-Committee of the IC-JC did have the temerity to recommend the fixation of a minimum price for raw jute.

- (a) to encourage the adoption of improved methods of cultivation, and
- (b) to offset any unfavourable

reaction of a drastic decline in prices.

Taking into consideration the cost of production of jute, the parity between prices of jute and paddy, the relationship between the prices of raw jute and jute goods and also the jute industry's capacity for disposal of jute manufactures, the figure of Rs 30 per maund has been suggested as an approximate and reasonable floor. This may not be a precise, firm figure but it may be compared, despite all its imprecision, to Rs 17 or 18 which the grower is currently able to get. The middleman in the terminal market, gets 3 to 4 rupees more.

Righteous Indifference

WHAT inhibits action in the direction of a minimum price must also be that the Government may be called upon to buy at this price and it understandably shrinks from such an undertaking, lacking experience, knowledge and resources. On a past occasion some years ago, when the situation was nearly as bad, the Government shrank from taking this step because Pakistan had gone ahead and burnt her fingers. Pakistan Jute Board, it will be recalled, had been saddled with unsold stocks which resulted in a loss of Rs 10 crores. But that is never the official explanation why minimum price cannot be fixed.

Pakistan is also in the same boat, having a bumper crop, and recent experience does not suggest that there is much scope for indirect control of prices for raw jute through marginal adjustments in imports and exports—the contribution of which to the relative stability of

cotton is often overlooked. The first step taken to stem the fall in jute prices was to cut imports from Pakistan and restrict such imports only to the quality jute which India does not grow. This had little effect on prices. Hope now rests on exports—which have not been permitted since 1949—in token quantities. This was first suggested by the Commerce Minister who had stated that the State Trading Corporation would be asked to undertake limited exports. But since this announcement some strings must have been pulled somewhere, for the latest news is that West Bengal Government has been authorised by the Centre to arrange exports, instead of State Trading Corporation.

The interests of growers and consumers naturally conflict in the case of jute as in the case of other primary raw materials. It is normal to idealise the role of trade as a buffer between the two and Bombay experience at least suggests that workable arrangements have been established in cotton. The reason why the gulf is so much wider in the case of jute is not far to seek, nor the reason for the pathetic ineffectiveness of the jute growers who are not even able to raise their voice, not to speak of having their legitimate demands met. From the high mystification of the problems of jute jointly fostered by the Governments of India and West Bengal with such help as the Forward Market Commission is in a position to give, one would hardly imagine that the sweated labour argument could ever be applied to an export industry. Shastriji has deep faith in the community of interests between growers of jute and the jute industry. He points righteously to the increased purchases made by the IJMA, in excess of their immediate requirements, to help steady the price of jute. He does not bother to answer how effective the purchases have been. From more recent moves, it does seem that something may be done to support prices. But by the time something is done, nearly the whole of the crop would be safely lodged with the trade. Up till now, not more than 70 per cent of the jute has come to the market, so what is the hurry?

Indianisation in Foreign Firms

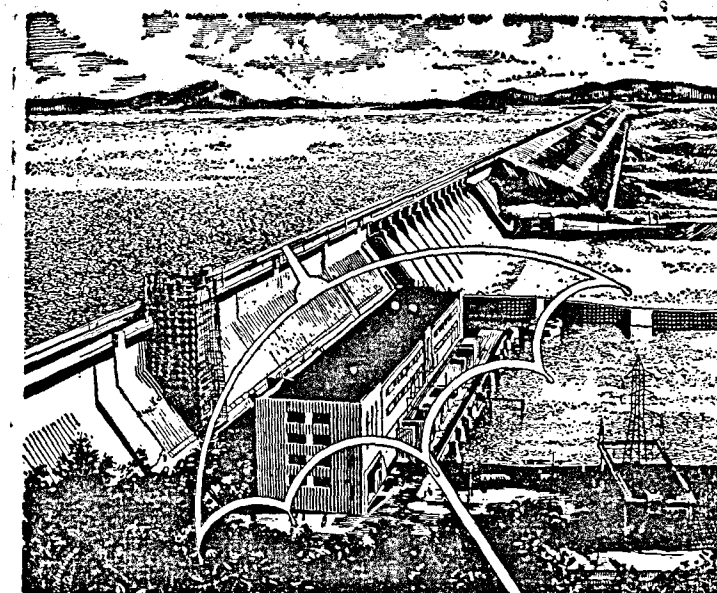
INDIANISATION in foreign firms, always a delicate subject, should be unmentionable when the accent is so heavily on creating the right economic climate for foreign investment. For foreign direct investment cannot be disassociated from foreign personnel and it is in the form of direct investment that foreign capital is invited. Whether the periodic invitations to such capital are mere ritual or good form, the correct stand for a country which needs foreign capital in the form of loan or aid, is a question that is better not asked too bluntly. Since the Bank-Fund Meeting in Delhi, India has come to hold the centre of attention as the field for salvage and development to which foreign capital is expected and invited to flow from all quarters. That foreign capital also means foreign personnel, needs to be accepted as a hard though somewhat embarrassing reality.

This has not been done consciously, fully and without mental reservation either by the Government or the people of the country. The keen interest with which the progress of Indianisation in foreign firms is watched and commented upon makes this obvious. Indeed, for more than 10 years, every year, foreign firms have been submitting returns on the employment of Indians and the Government has been publishing the statistics based on these returns, of the percentage of Indians and non-Indians employed in different industries by salary grades. Considering that progressive Indianisation has been a firm policy for the last 12 years, progress must be rated pretty slow, since it is only this year that the percentage of Indians employed in the pay group of Rs 1,000 and above crossed 50. But the higher up one goes in the salary scale, the percentage of Indians employed drops sharply.

Neither has the progress of Indianisation been anything like uniform, if one goes by industries. In foreign controlled plantations, jute mills and banks, particularly the first two, nearly three-fourths of the rupee, ten thousand and above posts are still filled by non-nationals. The employment of foreign personnel in industries calling for the least amount of expertise and specialised skills is

almost in inverse proportion to what commonsense would suggest. It would be normal to expect a higher proportion of foreign personnel in enterprises which call for very special qualifications for which suitable Indians may not be available. In reality, the reverse happens to be true. And yet, it is no paradox. Indeed, behind it lies

the hard core of the problem. It is the invisibles which are recognised to be the more important in the case of foreign private capital—the skill, expertise and know-how which the foreigner is supposed to bring with his capital and which he transmits to the nationals of the country. But this process of transition has a not-so-invisible



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by-product, viz, the creation of two classes of citizens in the country, one of which has to be paid on a scale high enough to attract qualified people from the most industrially advanced countries with their high standard of living and expectation of savings, and the other who can be paid only in the 'deshi' scale, in keeping with the lower incomes and productivity of underdeveloped countries.

If the first, the transmission of skills, is a continuous process, it is yet to be established that the second will be discontinuous, operate only for a short time and not leave behind it a legacy of social problems which though limited in their area of operation, are no less piquant for that reason.

It is distressing to find the unfortunate consequences of high-pressure Indianisation—young men

in foreign firms with the right degree of 'anglicisation' and the right connections gradually forming a 'new class', isolated from their less fortunate brethren. It is, curiously enough, by no means a happy class. For it is only the more supercilious ones among it who can reconcile themselves to the selling of kerosene or soap for a high salary, the more sensitive and intelligent ones are destined to live a life of frustration. The implications of foreign direct investment and the facts should be faced squarely—that foreign capital is inseparable from foreign personnel not only in the supply of skills and technical know-how, but also in the exercise of control which makes the Government's present attitude of discriminating against foreign administrative personnel in the matter of taxation and

grant of visas, from the righteous motives of Indianisation, pathetic, absurd and self-contradictory.

Private Foreign Capital

SINCE Government of India has always been somewhat ambivalent in its attitude to foreign equity capital and has restricted its scope, while freely inviting such capital, eyebrows should not be raised if the President of the Associated Chamber of Commerce, as in the last annual meeting, outdoes Morarji in expounding the potentialities of such capital for "expediting the industrialisation of the country without any significant increase in foreign exchange commitments over the next critical 10 or 15 years." This, Mr Brown followed up logically enough, by asking for tax incentives to stimulate the flow of such capital, and drew attention to the recent study made by the National Council of Applied Economic Research in support of his contention. It is a very thin reed, however, on which Mr Brown rested his case, for history does not support it. It is necessary to stress what is common knowledge because of similar pronouncements from official quarters and industrial magnates which have become too frequent of late.

British foreign investment during the nineteenth century, as well as the American foreign investment in the post-1924 period, has largely flown to sparsely populated areas and only a thin stream has trickled to overpopulated countries. American investment has gone largely to Canada and Latin America and into predominantly extractive industries like petroleum. In fact, past experience shows that private United States foreign investment is not attracted towards industries which really need to be developed in underdeveloped, or to use the smarter, more sophisticated term, developing economies. In the light of this experience, it is futile to place any faith in the free flow of private foreign capital as an agency for rapid economic development as Mr Brown does.

Neither is Mr Brown's argument borne out by facts that foreign exchange liabilities arising from private foreign investment would be much smaller than those arising from loans. American firms generally plough back 50 per cent of their foreign earnings and ploughing back of profits, as well as the improve-

ment in the general economic situation, lead to a substantial capital appreciation of the investments which automatically increases the foreign exchange liabilities of the recipient countries. This does not happen in the case of fixed interest foreign loans. In fact, if one takes account of both the factors, it would be perfectly clear that even within a period of 10-15 years, which Mr Brown takes, the foreign exchange liabilities due to private foreign equity capital would be considerably larger than those arising from foreign loans. One wonders why hard-headed businessmen should have to be woolly about the simple accounting involved in this comparison.

Both Mr Brown and the National Council of Applied Economic Research Study, on which Mr Brown relies, believe that it would be possible to encourage the inflow of private foreign capital by offering tax incentives. On this also, Mr Brown is not on the right track. In fact, the United States corporations in their answers to a recent U S Department of Commerce enquiry mentioned the possibility of profit, favourable market or source of supply, and need to invest to maintain a market as almost the only reasons for making the original investments. These answers, again, very clearly brought out that the United States companies were not greatly concerned with foreign taxation as an impediment, obstacle or incentive to investment. The complaints about taxes by all businessmen including the foreign companies are quite understandable as taxes on profits tend to reduce their gains; on investment decisions as such, according to the answers of the United States companies, the level of taxation in foreign countries has little effect.

It should be equally obvious to any one familiar with the history of private foreign investment and the factors which govern such investment decisions that these investments do not flow towards industries which are necessary for the economic development of the country concerned, that foreign exchange liabilities arising from such investment far exceed their usefulness and that tax-incentives, by themselves, would not attract such capital in the desired channels. It would be better, therefore, if official as well as business circles tried to study facts about private foreign investment and based their views on such facts rather than

on preconceptions, either their own or of the countries they want to please.

Letters to the Editor

Autocrats of the University Grants Commission

SO soon after its birth, the University Grants Commission has emerged as a powerful force in shaping the destinies of our Universities. If the present trend is any guide to the future, its power is likely to increase even more. It is essential that academic men all over India keep a watchful eye on this organization. It can be an enormous force for good or evil.

At the present time, however, academic men do not still seem to have got over the surprise of suddenly finding an organization which not

only has the money but actually asks them if they have any plans for development of their departments! What is worse, the attitude of academic men to the new patron is essentially the same as that of an old Brahmin Pandit to his kindly patron. They bow and simper before the University Grants Commission officials whose recommendatory note means everything to them. Not only will their departments progress and their own research activities benefit, but once they secure grants, a new value accrues to them in their Universities! They are the men who attract the funds.

The enormous power vested in the University Grants Commission officials, therefore, ought to be a source of concern to academic men. At the present time, they are entire-



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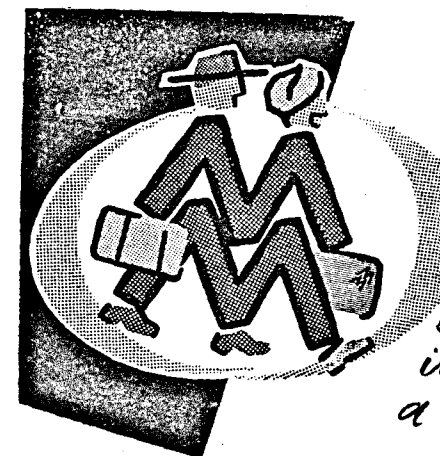


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ly free to recommend or discourage a scheme which a scholar puts forward. Not infrequently, the University Grants Commission representative is not qualified to have an opinion on the scheme. The excellent practice of attaching specialists to University Grants Commission visiting teams is not always followed.

It is most important that steps are taken to ensure that the University Grants Commission has a permanent body of scholars to advise it on every scheme which goes before it. They should be scholars who have experience of teaching, academic administration, and above all, research.

At the present moment, the University Grants Commission has an Advisory Board for archaeology only. This is a very good idea indeed, but why stop with archaeology? Why not extend it to all the other subjects? If it is not extended, it amounts to gross discrimination.

It is also absolutely essential that in the shaping of University Grants Commission policy, scholars should have a say and an important say. Dr Deshmukh and Sir C P Ramaswamy Iyer are very good men, but they are not primarily scholars who have contributed to human knowledge.

Unless academic opinion is alert all the time, the University Grants Commission will become a menace to academic life in India.

Bombay Research Scientist
December 17.

Working of State Transport A REPLY

I HAVE to invite your attention to a letter from Shri A B Pandya published in the issue of the 'Economic Weekly' dated November 1, 1958 and would like to clarify some of the points raised therein.

The Bombay State Transport Corporation is not a profit making undertaking but a public utility concern. Its object is to provide an efficient and economic system of transport to the public. Whatever margin is left after meeting the working expenses, is utilised for the provision of amenities to labour and to the travelling public and the balance is handed over to the State Government for the purpose of Road Development. It is clear, therefore, that the object of the Corporation is not to make profit as assumed by

Shri A B Pandya and, therefore, his definition of a 'profitable business' does not apply to this Corporation.

It is not correct to say, either, that the depreciation formula has been changed from time to time. The rules were changed only in respect of vehicles and that also only once. The depreciation provided is quite adequate to meet the replacement cost of the assets when they become due for such replacement and the working results are not at all 'illusory', as made out by Shri A B Pandya.

The life of the vehicles under the conditions in the rural areas in the Bombay State where the Corpora-

THE ECONOMIC WEEKLY

tion's vehicles operate is at best a matter of estimate. In the light of the experience gained, the formula for depreciation, which is based both on the mileage as well as life of the vehicle, is altered. In the past this has been done only once and we believe that the present method of depreciation is, if anything, on the conservative side.

I shall feel obliged if you will kindly publish the above clarification in your esteemed weekly.

D M Nadkarni
Public Relations Officer
B S R T Corporation

80-81, Dr Annie Besant Road,
Worli, Bombay 18,
December 10.



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THE ECONOMIC WEEKLY

The Week in Parliament

(From Our Special Correspondent)

PARLIAMENT started off last week with the session's debate on foreign affairs. The ground covered was familiar, but it was easy to detect in the Prime Minister's statement a note of subdued concern over developments in Pakistan, which was clearly (and resonantly) echoed by the House. Nehru was particularly emphatic on two aspects of the situation in Pakistan: the endorsement of the military regime by British and American commentators, who do not seem to see any inconsistency between the democratic and parliamentary ideals, which are the fundamental bases of the British Commonwealth, and the continuance of Pakistan, with its "naked dictatorship", as a member of the Commonwealth. Second, the fresh instalment of military aid promised by U S and the relationship it bears to the accentuating tone of belligerence which Pakistan has been adopting towards India, presumably on the strength of such aid.

Concern over Pakistan

India's position vis a vis these two developments is undoubtedly one of peculiar complexity and difficulty, because (i) she is a co-member with Pakistan in the British Commonwealth, and (ii) she has herself been a beneficiary from American economic aid and has to depend on such aid at least for some time to come. It is an irksome position, but the Prime Minister was statesman enough not to permit his permissible annoyance at the British and American attitude towards Pakistan to sour his temper or his utterances while expressing his grave concern at what is happening in that country.

It is against this background that the Prime Minister's impassioned defence of the policy of non-alignment should be judged. The policy is nothing new or novel, but the Prime Minister had to reiterate that non-alignment meant in practical terms only non-alignment with either of the parties to the cold war. Both the charges that it is not positive enough

and the reply that in reality it is more realistic, positive and dynamic than alignment with either bloc are familiar. The Prime Minister's re-affirmation has, nevertheless, a significance. It lies in the implied, and firm rejection of the siren voices of members, whose political alignments greatly differ, and who either demand a positive policy (and not sit on the fence) or want to extract from him a definite preference for one of the parties to the cold war.

At the same time, Nehru gave ample enough indication that in pursuing what was apparently a chimera of non-alignment, India was adopting an attitude which was to her own particular and peculiar interest. A deliberate policy of friendship towards other countries goes farther in assuring national security than anything else can. This is not the 'Nehru policy'—a phrase coined by Shri Jaipal Singh—but a policy inherent in and inseparable from the circumstances in which India found herself when she became free. No country can repudiate entirely her past connections and her history, especially when they do not prevent her from adopting her own course of action on any issue and do not bind her down.

Defence Purchases

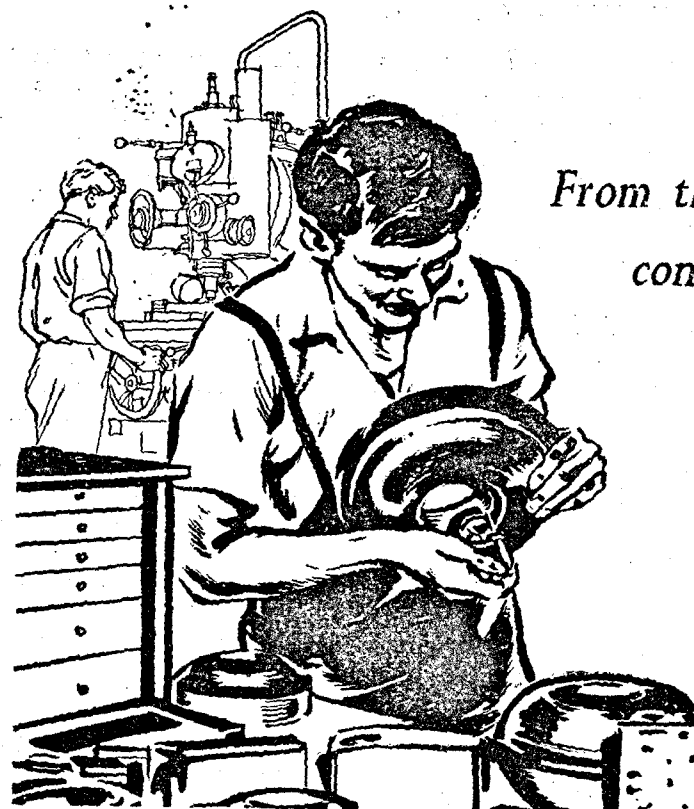
While defending his basic foreign policy, the Prime Minister was on very strong ground, but his statement on defence purchases appeared to be special pleading, which was not very convincing. To say that some of the complex situations that confronted the country in the initial years of independence were responsible for—or provided justifications for—these purchases which, he agreed, involved some losses to India and some gains to foreign firms and to try to justify the purchases on that particular ground sounded a little thin even when coming from Nehru. Nor is it any more convincing to say that these purchases should not be questioned because such questions would affect the prestige of the military authorities.

Nehru referred also to the criti-

cism by Kripalani that the Government of India, despite its earlier and sad experience, should still rely on a single person in Kashmir affairs, and should still adhere to the same personality cult. Again, with his essentially pragmatic approach to problems, Nehru joined issue with Kripalani that one had to see these things "not in a vacuum but in particular situations." The present Prime Minister of Kashmir, he said, was "undoubtedly a person who has shown quite remarkable qualities of organisation and leadership". One can only hope that the pathetic confidence which the Prime Minister is apt to place in certain persons who surround him will be justified in the case of the Kashmir Prime Minister. For the time being he has been playing a quite effective role, although sometimes doing things which Nehru himself admitted he did not like. A similar confidence in the 'courage' and indomitableness of Shrimati Mridula Sarabhai was evident in his references to her generally disconcerting activities and propaganda efforts on behalf of the ex-Prime Minister of Jammu and Kashmir. This is what makes many feel that Nehru may after all be fumbling in his appreciation of the Kashmir situation. Homer may also nod on occasions!

Eliminating Official Delays

Administrative delays and the vagaries of red tape are a perennial theme for discussion and much good-humoured (and even very bad-humoured) attacks. In a two hour discussion in Lok Sabha, the work of the Organisation and Methods Division was subjected to both kinds of treatment. What the Home Minister could do was only to say that effort was being continuously made to improve the position and to obviate delays by the introduction of various devices which would reduce the length of the red tape and delay in the taking of decisions. But one wonders whether all these efforts are not merely confirming the Parkinson Law—in other words, leading to a multiplication of official posts, invariably at the intermediate levels.



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THE ECONOMIC WEEKLY

The central fact, however, is that this multiplication of posts at the deputy secretary and joint secretary levels does not facilitate quick decision-making, because promotions to these posts are (in a number of cases) from the lower ranks traditionally accustomed to taking orders instead of giving them, to accepting decisions taken elsewhere or by others, instead of making decisions themselves. Similarly, level-jumping, which is another so-called improvement effected under the impetus of the O & M Division, does not help in quicker disposal of work either, because the official at the joint secretary level, who receives files direct from, say, the undersecretary, would in all important or complex matters like his decision to be supported by the signature of the secretary and so passes the files on to him. The basic fact, therefore, is that as at present constituted, the administrative system is not conditioned for and conducive to encouraging officials, even at fairly high levels, to accept responsibility for giving decisions, which may be questioned or disputed later.

Despite the concern of M Ps and the constant attempts made to remove bottlenecks at the Government level, the administrative machinery and the system of administration still remain much too centralised and top-heavy, and decentralisation in the real sense remains a distant ideal. To observers of the scene, it would be obvious that a sort of revolution in the mental processes and the intellectual calibre of administrative personnel is essential if administrative delays are to be avoided and administrative efficiency is to be improved. Even as the law's delays have become proverbial and persist in spite of an increase in the number of judges, so also administrative delays in India are proverbial and would persist in spite of the proliferation of personnel at different levels. Pandit Pant's statement in the Lok Sabha does not hold out any hope of a quick or notable change in the position, though he was profuse in his protestations of unremitting effort in that direction.

MP's Bid for Air Travel

The legitimate claim of M Ps to facilities for visiting their consti-

tuencies at regular intervals and keeping themselves in touch with their constituents got bogged in a controversy in the Lok Sabha over the issue of free air passage to enable them to go to and return from their constituencies during a session of the Parliament.

An unusual furore arose over this comparatively minor issue, complaints being hurled at the Treasury benches that members (of the Opposition) were being "shabbily" treated while Ministers were enjoying a number of concessions and privileges. The point arose over the question of bringing the position regarding the issue of free railway passes to Ministers and Deputy Ministers and officers of the Parliament in the same way as they are issued to Members of Parliament.

The debate, which ensued on a Bill to amend the Act governing the Salaries and Allowances of Members of Parliament, soon transcended and cut across party lines, members of the Congress party vying with those of the Opposition in demanding air travel concession. Government was obviously reluctant to accept the demand which has both financial and psychological implications, besides the possibility of making air accommodation increasingly difficult for the private citizen with about 750 M Ps asking for plane accommodation during sessions of Parliament and thus competing with them.

After taking some curious turns, the debate reached an embarrassing point when an amendment moved by a private member on the Congress benches was about to be put to the vote. The amendment, if passed, would have enabled members to undertake air trips of a short duration, not exceeding 15 days, by paying the difference in fare between air fare and the first class railway fare and facilitated reimbursement of the equivalent of the first class rail fare. Vigorous objection was taken to giving precedence to this amendment over others, more or less of a similar import, moved by other members and an adverse vote on the amendment, which would have proved embarrassing to the Congress Party, was averted only as a result of the Prime Minister's

December 20, 1958

intervention that Government did not support the amendment and his advice to the Congress sponsor to withdraw it.

A Sidelight

An interesting sidelight to the debate on the Bill was the point raised (and repeated) by Shri Jaipal Singh disputing the right of the Minister for Parliamentary Affairs, who was piloting the Bill, to occupy the place usually occupied by the Prime Minister and the Leader of the House. The Member for Jharkhand quoted precedents and also from the Rules of Procedure to support his viewpoint that every member of the House (including no doubt a Minister) should address the House from the seat allotted to him or her. Thrice the protest was lost. The Deputy Speaker ruled that there was nothing wrong in a Minister speaking from any seat and Minister Satyanarayana Sinha continued to occupy the Leader's seat. The protest having been registered, though it was not formally ruled upon by the Speaker, it is unlikely that the incident would be repeated in the future. The sanctity attaching to the seat of the Leader of the House would thus be preserved.

RAILWAYS ADOPT 8-WHEELER WAGONS

THE Railway Board has placed orders with Indian manufacturers for the supply of 1,750 broad gauge new design 80-ton eight-wheeler bogie wagons, which have been accepted as the standard design for the future. The Indian railways have so long been using four-wheeler wagons with a total carrying capacity of 22 tons. The new wagons will have a capacity of 55 tons, and will greatly help in running longer goods trains. For the time being, the use of eight-wheelers will be confined to the steel belt.

A provision for a further lot of about 4,000 new design wagons, incorporating the latest developments in wagon design, is being made in the 1959-60 rolling stock programme.

Beginning from the rolling stock programme for, 1960-61 the Railway Board has decided, all open wagons and 50 per cent of the covered wagons will be built as bogie wagons to the new design.



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Issued and Subscribed Capital	Rs 2,50,00,000
Capital Paid-Up	Rs 1,25,00,000
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Deposits & Other Accounts	Rs 67,68,94,000
Working Funds	Rs 83,16,55,000

A Letter from China

OVER and over again I was assured by Communist Party members that the idea came from the people and not from above. Indeed, the particular one I went to (Suiping county in Honan province, now known as the Weixing or Sputnik commune) had its beginnings in the teeth of a proposal by the provincial Communist Party secretary that the cooperatives should be smaller, that they should devote more of their funds to consumption and less to accumulation, should return the collectively-managed animals to individual care and expand the individual vegetable plots, orchards and so on of the peasants.

The secretary made this proposal because there were contradictions (as they say). These were:—

(1) Water conservancy on the scale required was beyond the physical means of the cooperatives, and beyond the financial means of many. If a reservoir was built to serve two cooperatives there were disputes as to its use. Some cooperatives, instead of combining to build a reservoir, each started to build its own—and often could not finish them.

(2) Afforestation—there is a lot of mountainous land in this country as well as rich plainland. The cooperatives on the mountains had much land and few people, vice versa on the plains. If the mountain people planted trees they could not care for them, and financially could not afford to wait the required number of years for the fruit, timber or what have you.

(3) Pasturing—same thing. Fewer cattle in the mountains, relatively more pasture, shortage of fodder on the plains, or scattered pasturage which wasted labour, etc.

(4) Under the 40 Point Programme for Agricultural Development (which has, I found, the most absolute support from everyone) everyone had to plant a certain variety of crops in each area. But

there were differences in soils, terrain and so on. One co-op had land good for sesamum another land good for cotton but each had to grow both—with the result that the plans did not work out. In other words, irrational use of land.

(5) The cooperatives had not enough funds to step up capital construction as wanted. I can best illustrate this by saying that they told me a medium-sized cooperative in that area would not be able to accumulate enough to buy a tractor for five years at the existing rate of development. Since the formation of the commune (in one area) what were formerly 27 cooperatives have already put the money down for 26 tractors—and only had not received them because they are, of course, on a waiting list.

(6) There were wide discrepancies between "advanced" and "backward" cooperatives. The poorer ones would have liked help from the wealthier but there was no provision for this.

Thus, they told me, the people started last winter talking about a *ta she* or big cooperative. They'd had some experience of what this would do because in the previous summer they had had to tackle a prolonged drought and the only way to solve it was "like a military operation"—i.e., by combining forces and making them very mobile. They had never heard of a commune, but many had seen Soviet films of collective and state farms, and thought large-scale organization was a good thing.

So while the provincial secretary was proposing to make things smaller the people were discussing making things larger. Fortunately, the leadership of the Communist Party had its ear to the ground, and at the provincial gathering it held prior to the 2nd session of the 8th Congress was already coming to the conclusion that wider organization was the way to get to socialism quicker. The commune was formed on the 24th April, as a "big cooperative" and in May received word from the Central Committee that it was a "People's commune", not a "Commune" (because though the ownership has

widened, it was not yet ownership by the whole people).

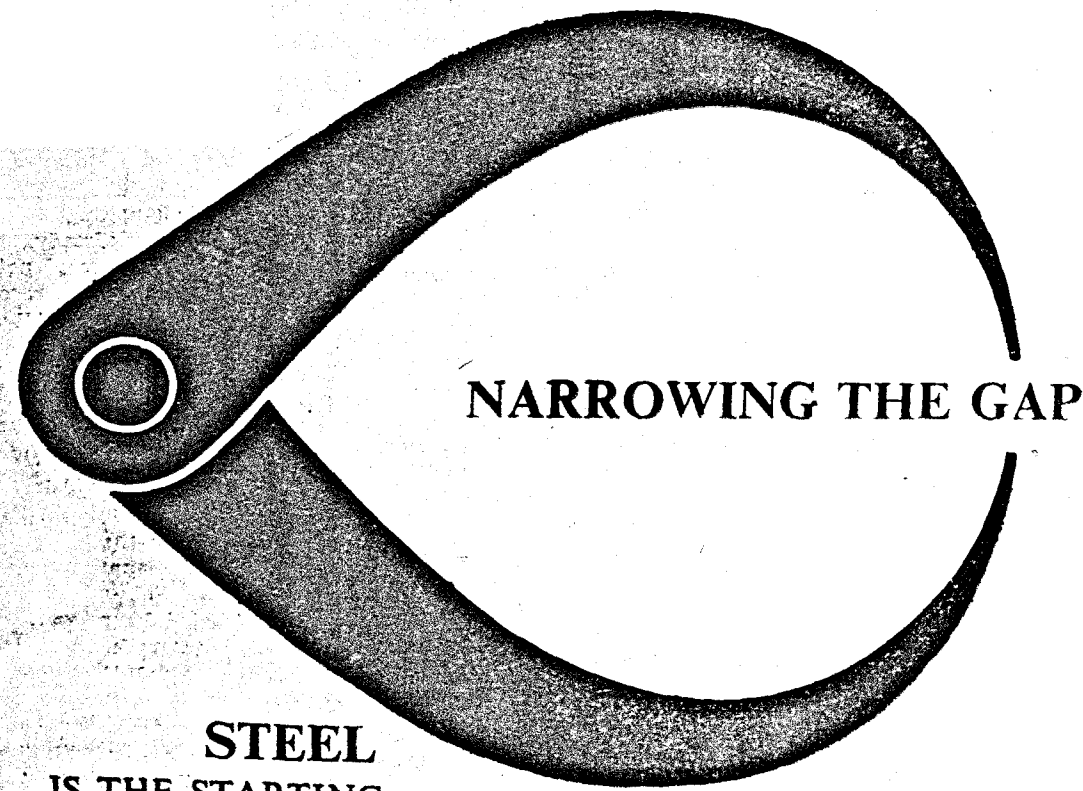
The enthusiasm is indescribable. I never in my life saw so many contented faces. The harvest was phenomenal, the speed with which they got it in, planted the next crops, etc etc was phenomenal too. And with the released labour force that arose from better organization, they were able to start getting their own iron out of a nearby mountain group (stated to have more than Anshan) where, one month after the start—i.e., at the time I was there—they were already getting out 500 tons of ore a day. Most of this they were sending to the county town, but a whole battery of small furnaces had sprung up and as the peasants finished their autumn jobs (the winter wheat was already sprouting nicely and the sweet potatoes were almost in) they went off in batches to smelt iron. All along the roads one met groups, with their bedding rolls and a bundle of firebricks (five bricks appeared to be a sort of "admission ticket" to the site) to start their own ovens.

The setting up of village restaurants, nurseries and Old People's Homes seemed to me the real answer to women's emancipation. Said the women, dining rooms save them at least 4 hours work a day (they used to walk about three miles a day round the stone quern grinding the flour). In one area of 9,000 families, they have now set up 295 dining rooms with 5 cooks each—saving 7,525 times 4 hours every day! Secondly, the nurseries and Old People's Homes free them from further household cares. Thirdly, they now get wages, and what is more important, the wages are paid to them, not to the head of the family as under the old "work-point" system. A woman told me that under the old co-op she had to cook, mind the kids etc and managed to earn about 6 yuan twice a year which was paid to her husband as head of the family who passed it to his mother to lay out. So if she wanted a reel of thread she had to ask her mother-in-law. Now, she gets 5 or 6 yuan a month, paid into her own hands. (The first thing she did was to buy her mother-in-law a present of

Letter from an English lady to an Indian friend. The writer knows the Chinese language and people well, and is now on her way to England.

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cloth—"it was the first time I could show her my filial affection" she explained.)

And since grain and most vegetables in this crop are "on supply" in addition to the monthly wage they can eat as much as they like three times a day. So can everyone in the family—kids at the nursery, old people at the OPH. The effect on big families with small labour power is of course tremendous. The general thing is to have what they call "improved living" every five or six days—i.e., to eat meat, which they pay for. Twice a year was about the record for eating meat in the past.

Finally education. Now 93 per cent of school age kids can go to school and it will be 100 per cent soon. They have set up "Red and Expert" colleges, and new middle schools (isn't it interesting incidentally that the educationists are now coming to advocate four hours work and four hours study as Rewi Alley and Makarenko both did) two agricultural technical schools, one 4-year Worker-Peasant College (160 students), 129 kindergartens, 93 nurseries, 21 libraries, 21 clubs, 8 spare time theatre groups, 28 choirs and various sports teams.

It is not, of course, true to say that the communes came solely from the "people. They came from the "Mass Line", the General Line for Socialist Construction, the 40-Point Programme for Agricultural Development, from China's circumstances, and from the Great Debate on Socialism, which cleared the people's thinking about what road they wanted to take, and whether it was better in unity to "work hard for three years and live well for a thousand" or plod along slowly with gradual individual betterment—and the possibility of a re-growth of rich and poor, disunity, usury, and even a return to the old days.

So the ideological struggle really comes first. One gets the feeling on return to Peking that the peasants are more politically advanced than (at any rate) the city intellectuals, who still have fears, leftist and rightist ideas, a disinclination to face the fact that for these three years they may have to endure a little discomfort or, conversely, a sort of rush to "get it over" like someone diving

into a cold stream. I have heard of people (a) selling their books or furniture so as to enter communes—when they come—with no property and (b) buying furniture and things so as to enter communes with no money. These, of course, are bourgeois folks. And they are few. One meets fine intellectuals all over the countryside who have already "sacrificed" comfortable homes and jobs to go and teach in the new technical colleges etc in the communes—and are loving it! A soil biologist in a newly founded four year middle school made me a long speech about his experimental work on bacterial fertilizer, insisted on my looking at it under the microscope, and finished up, in one breath the rest of his talk with: "...and I have learned more and done more in four months here than I did in four years at college which proves the correctness of the Party's line in sending intellectuals to the countryside."

I would not say, in answer to your question, that the sending of the intellectuals to the countryside had been a big factor in the formation of communes. I think the countryside changed the intellectuals more than they changed it, for the peasants are now clearer-sighted than they, and in the big move to "combine theory and practice" the practical man at the moment is on top. The youth are questioning everything that's in the books, the communists at basic levels with their "experimental plots" are experimenting with the impossible and succeeding—as you will have noted from some of the crop yields on small fields, etc. The "liberation of thought" is coming from the people, and the ordinary man and woman is coming to realise that there are no scientific and technical "mysteries"—that he or she can learn to make steel, chemical fertilizers, antibiotics, and so on, and start factories, build bridges, aqueducts, canals, colossal engineering projects, and even aeroplanes and sputniks.

The final shape of the commune is not yet decided. They're being allowed to grow and experiment, mistakes are being curbed and leftist ideas corrected, but the big job is to hold back the bureaucrats or conservatives who might try to put brakes on what is happening.

All this is not "official policy", but are my own ideas.

There are millions of words to be written about communes, especially now that Dulles has found it necessary to attack them (it shows he sees where progress lies). The 'News Chronicle', I see, has even found it necessary to pity the poor dead ancestors whose graves, that formerly littered the field and took acres of arable land up besides making large-scale farming next to impossible, have been removed to "co-operative cemeteries" (just as in England).

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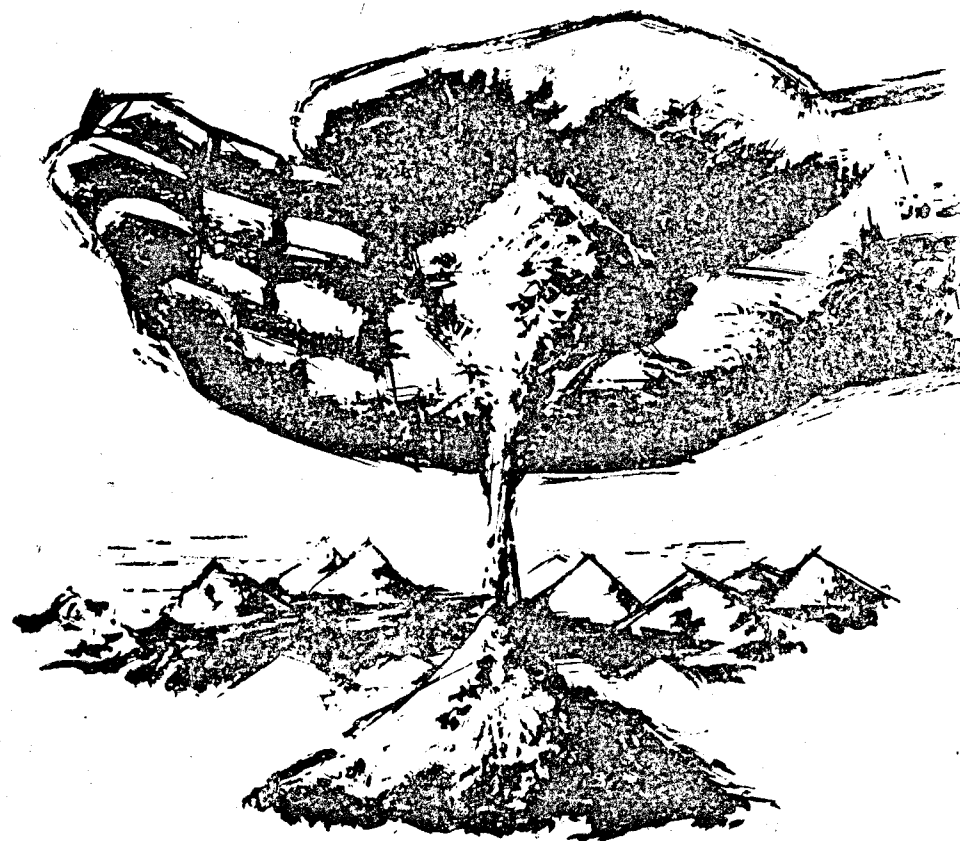
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From the London End

U S Policy towards Economic Unity

ONE of the strangest and most remarkable things about the Anglo-Continental European economic disputes and embroilments following the collapse of the Free Trade Area negotiations has been the visible absence of the so-called "American presence" in all this. It is strange because it has always been understood that the Americans were seriously interested in promoting European unity; it is remarkable because the European Common Market, made up as it is, of the six most important trading nations in continental Europe, will effectively begin to discriminate against U S exports as from January 1st 1959. The only visible action taken by the Americans has been the appointment of a diplomatic envoy to the European Economic Community (the official name given to the Common Market arrangement).

The American interest in European unity has been known to be extremely important to U S international policy and one remembers well the considerable set-back which this policy suffered when the French finally rejected the European Defence Community. This American interest derives from the need to establish within West Europe a viable political basis for withstanding the Soviet influence and there can be little doubt, that in the calculations of the Americans, this viability could only be assured by West Germany occupying some very important place in the West European framework. The European Common Market has certainly given West Germany such a place, but it has, in the process, been achieved only by some compromise with France and, ipso facto, the exclusion of Britain and the Scandinavian countries.

How far do these exclusions affect the American understanding of "European unity"? Does it not rather present the potentiality of European disunity based on two rival economic blocs which would, as Mr Selwyn Lloyd reminded the British Parliament the other day, "affect the tradition of confidence and co-operation in the military and political field" in West Europe? If in the latter case, the answer is in

the affirmative, why have the Americans not entered the fray so as to avoid the prospect to which the British Foreign Secretary alluded?

These are problems to which no easy answer can be found. It may very well be possible that realising that Britain continues to be heavily dependent on the United States for her security, the Americans believe that the British Government could do little to subvert the NATO arrangement and hence the political cohesiveness in Western policy. It is equally conceivable that to the United States, the exclusion of Britain in the European Common Market strikes the right balance between a united Europe and an over-powerful and uncontrollable Europe. But these are mere speculations and do not provide the full answer.

It is in the economic field that the Common Market arrangement appears to be immediately welcome to United States interests. The continental Europeans strongly emphasise it that the establishment within West Europe of a large market unencumbered by tariff, import and exchange controls, provides the most profitable outlet for international private investment. And it is this which makes the Common Market so attractive a proposition to United States capital exporters. Within the United States itself, new opportunities for investment of the rapidly accumulating fund of capital are steadily falling and new investments are certainly becoming more and more risky with the slackening of the pace of growth of the American economy. New outlets for investment abroad are more keenly sought, particularly in areas which have an acceptable economic infrastructure, that is, the external eco-

nomies resulting from a large and sophisticated market and from an environment assuring the primacy and sanctity of private capital. This rationale is, no doubt, fundamental to American economic policy and the Common Market in West Europe provides a considerable field for United States capital exports. There is evidence to suggest that this consideration was not outside the knowledge or understanding of those who drafted the Rome Treaty which set up the Common Market and further, that it was not unwelcome to them in certain respects.

The most recent data on the outflow of United States direct investment funds show a typical bunching and concentration of investment outflows to Latin America, Canada and West Europe. By contrast, United States investment "in the underdeveloped regions since 1950 have been largely in petroleum and mining" ('Survey of Current Business'—September 1958). In 1957 U S direct investments in West Europe amounted to nearly \$ 500 million—some 16 per cent of all direct capital outflows. Manufacturing investments in West Germany have been substantial; the flow to Italy has also been growing. The U S Department of Commerce, however, notes:

"Data for 1957 do not appear to show, as yet, an augmented flow of United States capital to continental Europe in anticipation of the Common Market arrangements. However, there are many indications that this flow could be substantial."

The earnings of United States capital in West Europe have been rising sharply in recent years. In the first half of 1958, for example,

U S Direct Investments in West Europe (\$ mn)			
In	1950	1957	
West Germany	204	496	
Belgium and Luxembourg	63	156	
France	217	457	
Italy	63	233	
Netherlands	84	213	
Total European Common Market	633	1555	
Total all West Europe	1720	3993	
of which U K	847	1899	

U S income on investments in West Europe reached a peak of about \$200 million, some 25 per cent higher than in the same period of 1957.

United States business enterprises appear less and less concerned with the possible trade discrimination against United States exports to Western Europe which the Common Market implies. There is evidence to suggest that large and important sectors of United States are setting up offices in continental Europe to plan the establishment of subsidiary companies and the registration of patents—all with a view to inaugurating a considerable flow of new investment funds in the New Year. At the same time there is evidence to suggest a growing 'collusion' between West European and United States industrialists in new investment ventures and this despite the various clauses in the Rome Treaty on the maintenance of competition within the Common Market.

The last point is of some significance. Apart from the safeguards which the Rome Treaty attempts to provide for fair trading and competition within the market, there

can be little doubt that the Common Market also provides a firmer basis for cartels and other quasi-monopolistic arrangements which is already a dominant feature of continental European industry. Under the Common Market arrangement these cartels will, no doubt, have an opportunity to exploit the market more effectively with less interference from outside. But the whole character of American investments in Europe in the post-war years has been one of linking European manufacturing industry to American trusts and monopolies. In essence, therefore, the Common Market provides a first-class opportunity for the extension of the interests of many of the America's giant firms in consort with existing European cartels.

Soviet Assistance for Technical Education

AN agreement to further develop economic cooperation between India and the U S S R was signed in Moscow on December 12. It provides for the supply of equipment,

free of charge as a gift to India from the Soviet Union, amounting to a sum of Rs 36 lakhs for the laboratories of physics, electrical engineering, radio engineering and television, electronic devices, geodesy and central scientific and technological research at the Indian Institute of Technology, Bombay.

The agreement also provides for the training of 50 Indian engineers in the U S S R for a period of two to three years. The entire cost of training, which will commence in 1959, will be borne by the Soviet Government. On completion of their training in the U S S R these engineers will work as teachers in the technological institutions. A number of Soviet professors and teachers will also be deputed to work on the teaching staff of the Indian institutions.

The agreement further contemplates publication in India of selected Russian text books in engineering. The Government of the U S S R has undertaken to make available to India translation into English of such text books as may be selected for the purpose.

Management and Discipline in a Welfare State

Subbiah Kannappan

INDISCIPLINE in industry is an aspect of worker behaviour which deeply disturbs us today. It is of sufficient importance to be a matter of the foremost concern for all managements. The State of course is concerned, too, in a very big way, not only because it is the largest employer but also because the tensions that underlie and result from the prevalent indiscipline are too important to be ignored. On the scale on which it prevails today, worker indiscipline is a mockery of the intentions of the Welfare State and an obstacle to the realization of its dreams.

Any survey of labour and economic news should certainly make widespread prevalence of worker indiscipline self-evident. Newspapers, business journals, professional periodicals, and reports of company chairmen and trade associations have testified to the continuing nature of the problem during the past three or more years. Reflective of rising general concern was the Code of Discipline adopted at the Indian Labour Conference in 1957 and reaffirmed at Naini Tal in 1958. However, the situation has not materially improved since then. In the coal areas, in the plantations, and even in public or commercial offices, industrial tension is apparent and the managerial personnel live in varying degrees of insecurity. It is not uncommon for labour's hostile expressions to be directed against the government officer or labour leader also.

I

Responsible opinion in industry, labour or Government has been quick to deplore the disregard of legal edicts or procedures nationally

I am deeply indebted to several informed observers, not all of whom can possibly be named, for the ideas developed in this article, for which I alone bear responsibility. My chief debt is due to Dr (Mrs) Kannappan for emphasizing factors conditioning worker behaviour, to Messrs Charles A Myers and M D Morris for stressing the relationship of structuring to discipline in industry, and to Shri P N Krishna Pillai of Calcutta for his effective advocacy of a right perspective in assessing worker indiscipline.

agreed upon. Some progress has been made, as earlier indicated, to devise procedures of conduct to which all the principal groups concerned are a party. But indiscipline in industry cannot be evaluated solely in terms of challenges to lawfully constituted authority or violations of legally valid procedures. To stop here would be too limited an approach. It does not tell us what induces the behaviour that is to be reformed, nor why the rules for the governance of behaviour at the work place are ineffective.

Such an approach is especially faulty when the disregard for rules is so widespread, recurrent or chronic. It ignores the very real consideration that, when formal law ceases to be acceptable, it yields place in respect and adherence to a different law—a "living law"—that constitutes the actual regulating force. Even where the informal organization—here, of workers—is not so effective, and there is no "living law" in the sense of coherent rules understood and followed, we may still find a common set of sympathies and of values, however unformulated in their expression and however unconsciously held. It is precisely because of the importance of such factors in securing compliance with the law that we should go beyond merely identifying the violators or violations of law and examine the bases of workers' protest or dissatisfaction and the shortcomings in managerial efforts to organize human resources.

Indiscipline—Legal and Illegal

Such an analysis must necessarily start with a re-statement of the connotation of the term "indiscipline." This is surely important because there is too often a tendency to identify illegal acts as undisciplined, and conversely, legal acts as disciplined. Neither of these is necessarily true, which serves to confuse both the magnitude of the problem and the best possible means of effecting an improvement. Consider, for instance, the many strikes and slowdowns that we hear about so often. Some of these are within the scope of the law; even where they cross the frontiers indicated by law, they may not really be undisciplined but highly organized challenges to authority. We cannot afford to

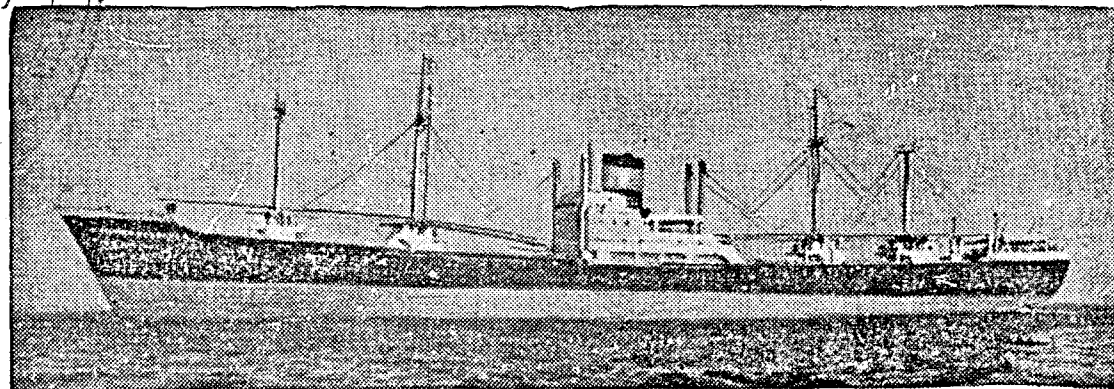
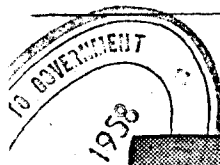
ignore their significance as pointers to be taken into consideration in the formulation of social and economic policy, even while we must certainly secure respect for law and order in a democratic society.

A second set of confusions may arise when we fail to identify the undisciplined nature of many acts which are apparently not prohibited by law, or can never really be successfully regulated by formal rules. Persistent disregard of routine safety precautions or an indifferent attitude to work are such instances of a lack of discipline that should concern us very much.

Irrational Outbursts

The term "indiscipline" connotes, therefore, something more than, and something quite different from, a trespass of a legal rule or a valid code. Even more than the regrettable actions, we are concerned with an essential element of irrationality that underlies these acts. We are particularly concerned about behaviour patterns that appear very out of place in an industrial environment, or that reveal themselves in sudden, explosive and often uncontrollable frenzy. The focus of our attention is, thus, not only murders, assaults, riots and unruly demonstrations, but also the less vociferous daily occurrences such as slovenly habits, unsafe practices, neglect of the machine, inability to coordinate with others, inadequate appreciation of the importance of punctuality or of precision in manufacture, absenteeism or irregularity in obtaining authorized leave, and inability to channelize one's expressions or conduct with the least disturbance and damage to work, property, or person.

The irrational outbursts noted above include behaviour (a) that is cruel or bloody; (b) which has little sense of direction or purpose; (c) in which there is no direct correlation between the immediate provocation and stimulated behaviour; (d) in which there is no conscious calculation between the loss to be suffered in the process of challenging authority and the gain likely to be achieved; (e) in which there is no perceptible connection between the action and the objectives desired;



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(f) which is not part of the intended original plans at the outset of the conflict; and (g) which cannot claim the formal sanction (and sometimes even awareness) of the leadership.

Indiscipline as indicated above is unfortunately a sad enough feature existing in our country. Against what conditions or circumstances are the workers reacting? Why do the reactions take the form they do?

Roots of Indiscipline

It is proposed to classify the expressions of indiscipline into two major categories according to the possible sources of grievances: (a) those due to protests against physical and social changes represented by the industrial environment; and (b) those due to protests against shortcomings in managerial efforts to regulate working and employment conditions in the work place. It should be made clear rightaway that this is not a mutually exclusive classification, and it is by no means the suggestion that the former are always the inevitable consequences of industrial transformation and that the latter are easily solved by conscious managerial action and policies.

The profound differences between the industrial and the pre-industrial societies in social and cultural environment, in values and in the pace and physical requirements of the job are too important not to merit special consideration in any discussion of the bases of labour unrest. This point is independent of the controversy over whether or not industrial progress represents "Paradise Lost." We need only consider that the change in conditions is quite sharp and that the previous ties of family, caste, and linguistic and skill attainments—all part of the necessary personal and social equipment—are no longer adequate to meet the new problems of living. Both working and living conditions in the city present a plenitude of distasteful and arduous hardships. Instead of being surrounded by relatives or other familiar persons, the worker finds himself in the midst of strange persons of varying degrees of reliability to whom he is beholden in many ways for favours of a mixed kind. A different kind of social problem arises in industry, where the work requires much coordination and is arranged in complicated sequence, on the basis of experience not directly available to the

individual worker, and according to rules framed by persons quite removed from the worker in occupational hierarchy as well as in income and educational standards. Discipline is often harsh for there is an air of finality about rules. In the past, this was further aggravated by the attitude of various middlemen recruiters who ruthlessly enforced the terms of the labour contract.

Much of the lack of discipline we observe is really a protest—a good deal of it unconscious—against the difficulties indicated by a new way of life. It is actually the indiscipline of persons harassed by debt, by family difficulties, by fears of unemployment, by ill-health, by distaste for their work, by lack of a sense of dignity in their work place or in life, and by a general feeling of all round resentment and frustration.

Not Inevitable

Here it is necessary to introduce one important qualification. To ascribe labour unrest and dissatisfaction to changes in environment and in the nature of work inevitably brought about by transformation in the economic environment, is not the same as subscribing to the idea that all the unpleasant consequences are inevitable. To put it another way, it does not follow that the workers are merely protesting against the inevitable, and that consequently their discontent can, indeed must, be ignored.

Such an attitude cannot be accepted because it dismisses management—an important leader in the adaptive society—as a mere automaton in the process of economic development, with no power or role to direct, modify or attenuate. It minimizes the consideration that there is, even within the limits of economic activity, room for alternative courses of action and certainly considerable scope for farsighted and capable managerial initiative. Worst of all, it tends implicitly to absolve management of the shortcomings in its approach! Any discussion, therefore, of the shortcomings of industrial life, more properly of the adaptive society, must be balanced by an assessment of where managements—the principal leaders—fall short in their approach to the utilization of human resources.

II

Managerial Shortcomings

The manner of handling by management has a very direct relevance

as a specific, immediate explanation of various misdemeanours or lapses in the conduct of the workers. For, unless managements take special care to fit in their policies and their rationale for doing things with the workers' conception of justice or sphere of understanding, managerial edicts cease to command respect. They rather run directly against the efforts of the workers to regain for themselves a sense of dignity in the industrial environment and to create a sphere of action within their understanding.

A critical examination of the actual pattern of worker- or union-management relations in industry reveals great possibilities for this type of conflict and frustration and how very little has been done to avoid it. For the sake of convenience, the discussion that follows will focus on five major areas of managerial authority where it is felt that individual managements do have great scope for improving their approach, and where present shortcomings serve to exacerbate union-management relations. This list is of course illustrative rather than exhaustive:

- (1) The economic running of the enterprise,
- (2) day-to-day regulation of the plant,
- (3) application of modern managerial tools,
- (4) negotiating with the employees, and
- (5) the settlement of grievances.

Economic Running of Enterprise

Admittedly, this is a major management responsibility which limits the extent to which it is possible for an individual management to satisfy the needs of the workers. It may not be possible to double the wages without going out of business or running counter various stipulations of wage policy, it may be necessary to rationalize or to vary production schedules depending upon the fluctuations of the market, and certain peculiarities may dictate the scaling down (or even moving up) of the basis of bonus payments from the level of a previous year. But how many managements can honestly claim that the workers are well informed of the bases of policy? Again, how many can claim that alternatives have been carefully examined to assess the impact on workers, and balanced against the probable economic gain?

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Not Taken Into Confidence

Let us take a few examples. While at any one time it may not be possible for a management substantially to increase its own level of wages, it is certainly possible for it to determine wages on a somewhat more systematic basis, taking into account not only the prevailing wage rates in the locality or industry, but also the effort and skill that goes into the job. But, historically, few managements have done this, and what has actually prevailed in Indian industry is a chaotic pattern of wage rates, differing sometimes even from one department to another, and at other times within the same department for the same job. In significant areas of Indian industry, the first efforts towards order were not really made until the advent of post World War II standardization and job evaluation schemes.

Let us take another example. A firm indicates that the current financial year has not been very lucrative and, therefore, the bonus payments due will be substantially reduced. How many have gone beyond the step of merely presenting and standing by a balance sheet? How many have discussed with the workers the reasons for the loss and how this may be avoided in future?

Alternative Priorities

Or, a firm decides it must beautify the dwelling area of the workers and acts accordingly to embellish the area. Has it perhaps stopped to ascertain whether the embellishments, say a huge park, are actually not disfavoured by alternative priorities in the workers' minds? Worse, has it bothered to note that the lack of adequate sewage, water or garbage disposal facilities may actually be responsible for the general squalor of the area, and that these factors will continue to spoil the area irrespective of the improvements effected?

Yet another firm decides on rationalization. While conceding the case for reducing costs, we need not necessarily take the view that the only manner of doing this is to cut down on labour costs. There is perhaps scope for economic reorganization and for more efficient business practices; in any case, should it necessarily follow that the final word rests with a unilateral study done by a group of hired consultants which is marked "Confidential"?

Day-to-Day Regulation

A major instrument in this respect is the certified "Standing Orders." As these deal very largely with the internal regulation of the plant, it may perhaps be presumed that the management's reasoning has been communicated to the workers, and that the latter's position is understood by management. Unfortunately, this does not appear to be the case. Too often, the Standing Orders are unilaterally issued, without any direct ascertainment of opinion or assessment of reactions of the workers. Where there is no particular regard for the general reactions of workers, it is unlikely that these Orders have been fully considered in terms even of their possible impact on the managerial staff of the different departments or shifts. Quite a few are in terse, military style, spelling out appropriate punishments for different misdemeanours. The Act requires these orders to be prominently posted, but even where they are, I have seen them posted in English and only in English.

Further, the Standing Orders are formally certified documents, and somewhat rigid and inflexible if read very literally. Since they were first issued, there have, therefore, been reasons for modifications and amendments in actual practice. But it is only rarely that the consolidated text of the latest practice is available in a single source. The point is, this gives room for management to commit, and management often does commit, actions of widely different degrees of justification and of varying degrees of arbitrariness.

What is the result? In effect, the Standing Orders are more like a Draconian code than a statement of procedure that the worker will obey voluntarily and in which he will find some reasonableness. It is more like a legal weapon to be flaunted about, either to justify some disciplinary action or to claim some minimum rights or procedures. Further, since the Standing Orders are rarely a complete document embodying all the relevant shop rules, the worker, either because of a hazy conception of the rules in force or because of the actual shortcomings of management in substantive respects, finds himself confronted with rules and actions in which he has had no say and in which he finds little consistency. This inconsistency

tendency over even a small part of the total range of management's actions spreads dissatisfaction and cynicism affecting the entire perception of management by workers.

Modern Managerial Tools

Much more than the Standing Orders, in recent times the desire and the tendency to rationalize and systematize managerial approaches have been stimulated by the tools of scientific management. But even here the approach has been defective, for too often there is a tendency to borrow mechanically, and to consider these borrowed techniques as finished products rather than as methods with variable application.

In some cases, practices reported in textbooks have been literally copied in an unsophisticated manner. But even where some thought has been given to adapting practices intelligently, it is a rare case indeed where the workers or the union representatives have been taken into confidence. It will not be uncommon to find merit-rating procedures introduced, very complicated in form and content, without the workers being taken into confidence, and without even considering the appropriateness of introducing such a form in a place where the bulk of the managerial personnel are not trained to administer it. A tendency to introduce these tools unilaterally is observable, for instance, in the field of wage fixing, work study, incentive schemes, or such other applications intended to rationalize job structure and control.

How Scientific?

Often, the failure of management is due to an excessive faith in the "scientific" character of the tool adopted, and implicitly in the futility of getting the less literate workers to appreciate their real merit. It is not often realized that the crux of the matter is the lack of the necessary training rather than the lack of formal school or college education, and that management can in fact accomplish a great deal by taking the trouble to acquaint the workers with the assumptions and implications of every tool to be applied. This in effect leads to an unwarranted dismissal of workers' fears, doubts and apprehensions as uninformed. Further, what is not sufficiently appreciated is that the scientific readings provide a basis for managerial decisions, but by no means an indisputable basis, as

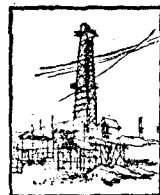
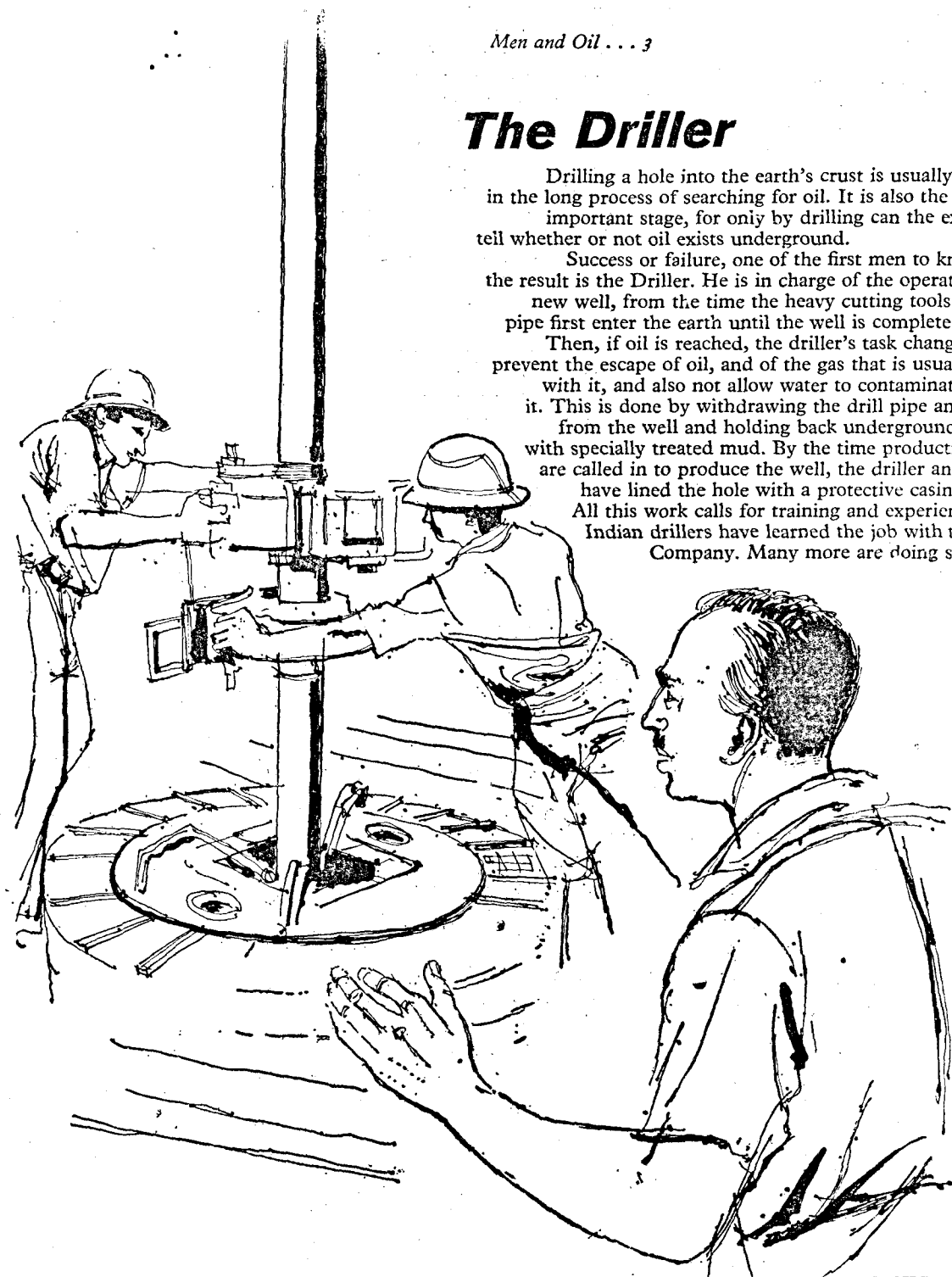
Men and Oil . . . 3

The Driller

Drilling a hole into the earth's crust is usually the last stage in the long process of searching for oil. It is also the most important stage, for only by drilling can the explorers tell whether or not oil exists underground.

Success or failure, one of the first men to know the result is the Driller. He is in charge of the operation at every new well, from the time the heavy cutting tools and drill pipe first enter the earth until the well is completed.

Then, if oil is reached, the driller's task changes. He must prevent the escape of oil, and of the gas that is usually associated with it, and also not allow water to contaminate it. This is done by withdrawing the drill pipe and tools from the well and holding back underground pressure with specially treated mud. By the time production engineers are called in to produce the well, the driller and his crew have lined the hole with a protective casing of steel. All this work calls for training and experience, and many Indian drillers have learned the job with the Assam Oil Company. Many more are doing so today.



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managerial bias may be present both in the readings and in the decisions taken. Unions all over the world have asserted their right to bargain over the latter and, where they have had their own scientific staff, as in the case of the Textile Labour Association in Ahmedabad, have insisted on participating in the process of taking the readings also.

It is small wonder, then, that untrained workers and union representatives view with suspicion the application of almost every tool of management, be it job evaluation, wage incentive schemes, merit-rating, rationalization (here I am merely referring to standardization of occupations and re-deployment of the labour force), work study and so on. Only too often have I run into cases of workers angry and perplexed in their discontent merely because a new "streamlining order" has demoted them from substantive positions held for a number of years or reduced their substantive pay from the level of earnings which they had enjoyed for long. The effect is similar when a former administrative procedure is changed by executive order which places a ban on existing avenues of expression or contact.

Negotiating with Employees

In modern industry, it is natural for a certain amount of friction to be generated between managements and workers over substantive issues like wages, fringe benefits, hours of work, leave, etc. Undoubtedly a major limitation on our ability to satisfy the workers has been the poverty of the underdeveloped economy. But this is only half the truth and does not explain all the friction that actually prevails. For one thing, the workers' demands are by no means always excessive or inflexible, and, for all the cries of equality, only rarely framed with reference to the standards of the managerial elite or the fully developed economy. Obviously, a major reason for continuing tension over these issues is the immaturity of prevailing bargaining relationships and the very largely unproductive nature of the settlements actually arrived at.

Two general limitations to the managerial approach may be identified. First comes the historical unwillingness or outright refusal to discuss these issues or negotiate over them with the workers or their re-

presentatives. This has sometimes assumed extreme forms with managements refusing even to acknowledge receipt of communications from any group of workers lest formal recognition be implied. A variant of this approach has been the attempt to regulate or specify who should be on the union's negotiating team or to persist in dealing with unions of the management's own choice irrespective of their representative character. A negative approach of this sort usually goes hand in hand with anti-union measures like victimization, sponsoring a rival, company-dominated union, indulging in propaganda for one union against another, and so on. Our public policy as indicated in the Industrial Disputes Act is actually a commentary on this unwillingness to negotiate.

Ad Hoc Approach

But even where managements do negotiate, either of their own accord, or because they have been forced to by intervention of conciliatory authority, few of the awards or agreements represent anything more than a one-way process of forced out concessions on specific issues. This ad hoc approach to the problem of management of human resources has led to two sizable shortcomings. On the one hand, there has been all too often an obsession with signing a contract, rather than with signing a workable contract, and too little appreciation of continuing management responsibility to administer the contract with sympathy and wisdom. On the other hand, there has been only slight progress in building a joint framework embracing a wide gamut of issues of common concern to the union and the management, to further the interests of all concerned—the worker, the union, the company and also the country.

By and large, therefore, the awards or even agreements represent very little of an advance over the vicious cycle of an underdeveloped economy, which spins its way around, displaying in turn all its dismal features—low wages, low morale, and low productivity—without anything being done about it. Because the settlements are ephemeral, ad hoc arrangements, all the sources of dissatisfaction continue, including those imposed by the underdeveloped economy, without even the consoling consideration that all this is borne in a common cause.

Settlement of Grievances

The timely settlement of workers' complaints and grievances, whether real or imaginary, is an extremely important aspect of modern concepts of personnel management. This is based on the notion that, in modern industry, with the increasing complexity of operations and distance between higher levels of authority and the worker, grievances may arise, and if allowed to ferment, will lead to a very unhealthy situation. Apart, therefore, from systematizing overall policies and working conditions, the objective has been to introduce both speed and order to the process of handling workers' grievances. Major instruments have been either joint councils and/or a grievance procedure, starting with the lowest level of authority. However, so far progress has been conspicuously lacking.

Limited Success

It is not possible in this brief article to consider all the reasons responsible for the failure. The councils of management, resulting from the recommendations of the Second Five Year Plan Labour Panel and the Study Group on Worker Participation, are somewhat too recent a development for assessment. However, the plain fact is that the idea of joint councils had been mooted as far back as the early post World War I period, but it has not caught on and only rarely has worked well. A most recent example has been the compulsory constitution of Works Committees under the Industrial Disputes Act, 1947. While a number of factors were responsible for the limited success of this experiment, among them the lack of a clear jurisdictional limit proscribing inclusion of items of a bargainable nature, a crucial determinant has been managerial attitudes and unwillingness to give this experiment an honest trial. These have taken the form of sending only subordinates to represent management and of ignoring considered recommendations of the Works Committees, of utilizing the latter as alternatives to sound relations with the union, of consistently ignoring the Works Committees in the communication process between management and workers, and finally, of withholding information, to name only a few of many effective means of killing the idea at birth.

Unfortunately for Indian factory

REPORT ON DALDA... 2

*Its place
in Nutrition*

Like so many modern consumer products that have become trusted essentials of daily life in the average Indian home, vanaspati is now firmly entrenched in thousands of kitchens and shopping lists. By far the most widely used vanaspati is DALDA—the familiar yellow tin with its palm tree emblem is recognised by seven to seventy-year-olds throughout the country.

However, where other modern household aids have been accepted and used with enthusiasm, vanaspati was given a mixed reception. In a land where ghee has traditionally been synonymous with the purest of foods, it is not unnatural that vanaspati should have been regarded as a newcomer with pretensions. On the other hand, we have been cooking quite happily with various unrefined vegetable oils for several centuries!

Prejudices against vanaspati though strong, were also vague. Somebody's cousin's nephew's wife had complained of a tickle in the throat. Somebody else had been told that food cooked with vanaspati is indigestible. Somebody else again was sure that it was not good for the eyes, and so on. Nobody seemed to have had actual experience themselves, yet they were convinced that a variety of ailments from baldness to ingrowing toenails could be blamed squarely on vanaspati.

Questions were asked in Parliament, and the Prime Minister's reply set many minds at rest. "Government are quite clear and convinced," he said, "that the use of vanaspati is not harmful to health."

DALDA and the daily diet

Fats are an essential constituent in the daily diet of vegetarians and non-vegetarians, and benefit the system in numerous ways. They are a rich source of energy, providing $2\frac{1}{2}$ times as much as wheat or rice. They build nerve and brain tissues, set up reserves against hunger, illness and cold. Fatty tissues in the body form buffers that protect delicate organs against injury. Without a daily intake of fats, our digestion would be impaired and proper utilisation of other foods retarded. This is why the Nutrition Advisory Committee of the Indian Council of Medical Research has

recommended at least 2 ounces of fats per day for both adults and growing children.

Made from refined vegetable oils, DALDA Vanaspati is hydrogenated and deodorised, with a pleasant semi-solid form. Its calorific value is high, yielding 250 calories per ounce, equal to that obtained from the best ghee.

DALDA and vitamins

Because the intake of milk and milk products is so low in India, the daily diet of lakhs of people is deficient in Vitamin A, resulting in certain widespread deficiency diseases.

Vitamin A promotes healthy growth, protects the eyes and keeps the skin clear. About 4,000 International Units of Vitamin A per day are necessary for general well-being.

Vitamin D, also essential for sound growth, keeps bones and teeth strong. Lack of this vitamin results in rickets in infants and children, and softening of the bones in adults.

The Food Fortification Sub-Committee of the Indian Council of Medical Research had recommended that vanaspati should have 700 International Units of Vitamin A added to every ounce—as much as good ghee contains. DALDA is enriched with 700 I.U.'s of Vitamin A and 56 I.U.'s of Vitamin D per ounce. DALDA Vanaspati is not merely a substitute for ghee, but an alternative cooking fat that is nourishing and wholesome.

DALDA and quality

DALDA is made strictly according to Government specifications. The standard of quality adhered to in the manufacture of DALDA is high enough to compare very favourably with that of processed cooking fats used extensively in the United States and Europe for cooking, baking and spreading on bread. DALDA's low melting point enables it to be easily digested and utilised by the body.

DALDA admirably fills the gap so often left in a diet lacking in essential nutrients like vitamins and fats. Hygienically packed in sealed tins, DALDA Vanaspati comes fresh and wholesome to the kitchen, and forms a valuable part of healthy, balanced meals.

discipline, the failure of joint consultation has not been compensated for by the development of a regular, step-by-step procedure to redress grievances in industry. In many areas, due largely to the prevalence of an awkward economic and social hierarchy, there just does not exist anything like a sensible face-to-face discussion of problems. The old-time mistri or mukadam or Sardar, constituting the first line of supervision, was a driver of men rather than a supervisor attuned to handle grievances intelligently. This represented a one-way traffic of giving orders and enforcing compliance, and such an attitude was generally pervasive throughout all levels of management.

Of course, times have changed, and some managements are beginning to be aware of the constructive possibilities in instituting suitable grievance handling machinery. But the bulk of managements are in a state of a do-nothing, helpless dilemma, conscious of the futility of the old-time weapons of fear and admonition, but unable or ill-equipped to pursue any reasonable alternative. It is, therefore, not surprising that a qualified labour observer, writing in the 'Indian Labour Gazette' on grievance procedure in Indian industry, was unable to mention the experience of a single Indian firm which had successfully instituted a grievance machinery.

Evidence of Frustration

The foregoing account is indicative of the sources of dissatisfaction arising during the course of industrial work. Nor is the account really complete because we have not specifically considered the possibility that workers might entertain a latent ambition to provide for themselves the comforts of the new urban civilization. The spell of these (possibly futile) ambitions, the discomforts of the change, and the inequities of management policies are sufficient to frustrate and dissatisfy even the most acquiescent.

The preceding discussion indicates that much of the lack of discipline we observe is really a protest—a good deal of it unconscious—against the fears and difficulties of the new way of life. Above all, it is the protest of persons who seek justice in the environment in which they live, but with only a very feeble voice to govern their destiny.

The Dumb Millions

Granted these observations, and that industrial work is not an unmixed blessing, we still must explain why protest takes the "irrational" forms it does. To do this, we must take into account the cold fact that that is all the worker is capable of at his present elemental and primitive standard of achievement, whether in terms of intellectual or verbal powers of expression, of economic strength, or of organizing ability.

It is outside the scope of this article to examine in detail why this is so. But the fact itself is undisputed and seems evident if we note only some of the most obvious factors that govern the emergence of labour protest in this country. Industrial labour traditionally was drawn from, and is even now composed mostly of, the most depressed social classes who had been forced out of a pitiless and crumbling rural economy. A traditional servile attitude, which caused Mahatma Gandhi to term them and their agricultural counterparts, "the dumb millions," was reinforced by their utter lack of equipment to surmount the complexities of the new economy. A most important conditioning factor has most certainly been the ranging of economic odds against them: the traditional means of support had dwindled to a dangerously low point and those who entered industry had no special skills that would earn them a preferred position in a labour market depressed by a plentifully available surplus labour and not sufficiently developed to value the higher skills.

Political Intervention

The story of the Indian labour movement is a reflection of these dismal features. Lacking in inherent strength, the industrial workers turned outward for support. Although support came from many outside sources, including political, it was inevitable that the political movements seeking all possible footholds in their ubiquitous struggle for emancipation, should try to control developments entirely and subvert whatever little autonomy the movement could develop. This subversion in turn has perpetuated political intervention, and the tendency is reinforced by the tremendous tasks of economic development and the desire to subordinate all economic exercises within the economy to

the overall objective. Legislative failure, therefore, to facilitate the development of an integrated labour movement and strengthen its ability to bargain collectively, is indeed a reflection of these political circumstances.

It is now possible for us to tie together the several threads in our analysis. The irrational instances of the indiscipline of industrial workers referred to earlier in the article are explicable partly by the cumulative pressures of the grievances and the confusions of industrial life, and partly by their inability to muster adequate individual or collective strength to indicate the logic of their position, both of which reinforce one another in a vicious circle. Lacking verbal ability to develop his position, the worker may evade; lacking comprehension, he may seek escape; lacking effective organizational strength, he may nurse a sense of resentment until he can bear it no longer. The net result is that the worker appears in turn to be unduly passive and violently undisciplined when, in actual fact, his protest is always continuous, suppressed, simmering or erupting volcanically. But it is rarely effective, because it is "irrational," being without conception of purpose.

III

The above analysis suggests that industrialization will inevitably generate some protest—due to inherent difficulties caused by the change in working conditions, as well as due to the immaturities of managerial development to integrate workers into the goals and methods of modern industry. The result is that the work force does not get "structured" or integrated into the discipline of industrial work and life. The difficulty persists even when the work force gets stable and cannot return to the pre-industrial occupations, for neither workers nor management can readily adopt the attitudes and behaviour that make for success in the world of modern industry.

Does it then mean that in the coming years as we industrialize more, the problem of industrial indiscipline will get worse? Or at least that it will not get any better? The answer appears to be in the affirmative if we discount for the present what human ingenuity and leadership can accomplish to facilitate progress otherwise.

Priority to Development

To take only certain known factors, as the country becomes more industrialized, the distribution of the economically active population will continue to shift in favour of the more productive organized occupational groups, especially in urban areas, and more and more persons will be confronted with the problem of making a living in a new environment. But because of the underdeveloped nature of our economy, we will find it difficult to make headway in any but the barest essentials of living in the new surroundings. We will find it easier to apply funds to building factories than to industrial housing, to keep machines running than to provide canteens or hospitals, and to create industrial employment than to take care of the pecuniary and social problems it poses. We may thus stand, passively and helplessly, witnessing the disintegration of the comforts and securities of the older society, while the fruits of current efforts for development—the very justification for adopting the policies that spell this disintegration—are far away.

For another important reason also, it appears that the problem of indiscipline will continue to be a most perplexing and thorny one. This is because of the ever-present time factor in our plans and calculations, in fact in our entire mental outlook. In terms of economic organization and control over the factors of production, and in the attitudes to their utilization and to material advancement, we are in a stage where the presently industrialized countries of the world were forty or more years ago. But we are in a hurry. We, therefore, borrow, sometimes indiscriminately. Our designs and blueprints are modern, and sometimes are shaped from some of the most sophisticated versions borrowed from across continents, from the future as it were in terms of time. But our human organization lags behind; its untutored ability to grasp may also be limited. The borrowed versions are not part of our industrial tradition, and as innovations they reflect transplantings rather than an evolutionary step forward in our organizing ability. But this type of borrowing will continue, has to continue, so long as our stock of requisite levels of scientists, engineers, skilled managers and labourers is limited. Complications arise not

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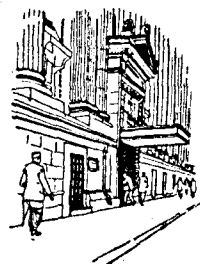
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only because what is borrowed is strange, but also because we may allow ourselves little opportunity to reflect usefully about preparing the ground for the new techniques or plans, and the persons affected little time to absorb it.

Widening of Chasm

If the innovator, the manager, the personnel man, the time study expert, or any technician, is wanting in patience or the dexterity and catholicity of outlook that is necessary to bridge the tremendous gaps in development, he only succeeds in estranging the workers and in isolating himself. Especially where a deadline is involved, as for instance when a factory or project has to be completed by a particular date, or the Plan to be accomplished by the end of a given period, the frustration is greater, as also the temptation to rely more on directives and less on the persuasive techniques.

The net result will actually be a widening of the chasm between the managed and the managers (or policy makers). The chances are greater that, as a result, this will leave the former perplexed and bewildered at the demands made on them, lukewarm or sullen in their response, and generally slow or reluctant in appreciating and fulfilling their responsibility.

The Choice

If indiscipline, or worker protest, is inherent in the industrialization process, and if we cannot run away from this process, what is the alternative open to us as we plan our economic future? To answer this question, I must recall the reference earlier to the possible application of human ingenuity and leadership.

Our choice is clear. We can on the one hand ignore the scope there is for such wisdom and continue to drift until one day the situation has worsened sufficiently for us to realize more imperatively the need to improve it, or until it gets thoroughly out of hand; or on the other hand, we can alert our faculties to learning, and more thoroughly to applying, the lessons of the past of industrially older countries.

Necessary Investment

If we accept the latter course of action, the conclusions that suggest themselves are as follows. Although labour protest is inherent in the industrialization process, it does not follow that all the particular un-

pleasant consequences are a necessary or inevitable part of the development. Secondly, it is precisely because we are a poor country committed to the process of democratic economic development that progressive labour measures constitute a necessary investment instead of a dispensable luxury.

If the first point is denied, it only means glorifying the mistakes of the past merely because they have the virtue of antiquity. It underestimates the considerable scope there is and ought to be for man to learn in social relations as well as in technological means, and constitutes a deceptive apologia for immaturities of managerial and social development already referred to in part. Not merely can something be done about these, but something has to be done, because the prevailing ethic and distribution of power compel this. For labour protest, either by itself or in combination with political protest, is more strongly aligned against industrial authority than in the economic past of the presently developed countries and certainly more than in the present day totalitarian societies.

New Society, New Ethic

Important to an understanding of this is a realization that the new society brings into play a new ethic. This is particularly true in certain underdeveloped countries where notions of political democracy and economic well-being of the masses have been borrowed from the mature industrialized economies. No longer are we complacent, as some of the early social leaders of the industrial revolution were, about poverty being a religious virtue, or ordained in heaven. No longer can we ignore workers' demands as opposed to a sanctified scheme of things. Our social ethic recognizes political and economic power—and a recognition of this is the granting under the Constitution of the right to organize and of economic justice. It follows, then, that, when we seek to develop society according to the ideals of the new ethic, we cannot at the same time forbid aspirations or actions aiming at its achievement.

This brings us back to the second point. Under present conditions, the power of the workers to frustrate our targets is considerable, and has already been effectively displayed. When managers protest against indiscipline, and when all-India and

State leaders protest against it, they are protesting at something which has grave economic implications. The point is, an economy such as ours cannot afford labour protest in this shape or form. It is time we realized more fully than we have, not only the terrible price we pay in labour indiscipline, but also the great benefits possible if we tackle the problem in a firm and far-sighted manner.

Invaluable Economic Asset

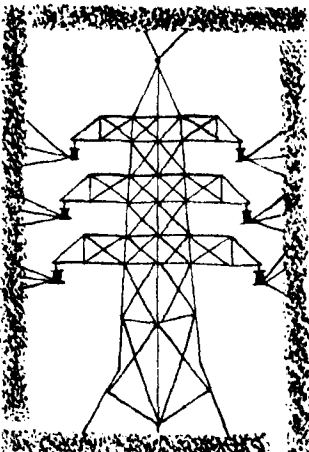
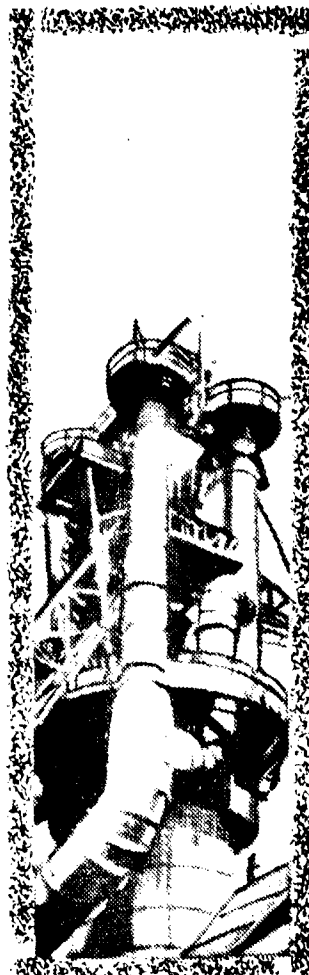
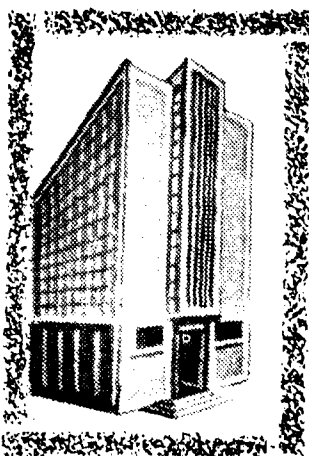
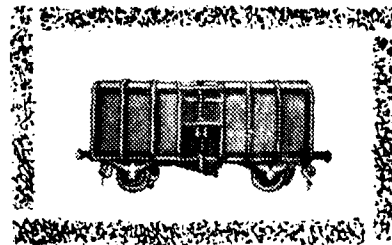
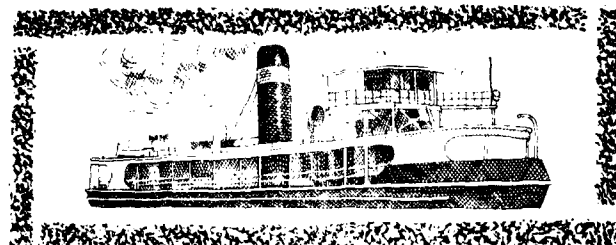
Current thinking on the utilization of human resources recognizes various possible economic utilities resultant from investment in manpower resources. Trained manpower can be an asset comparable to capital. A labour force with a sense of commitment to industry can constitute an invaluable economic asset for the firm and the nation. It is possible to increase the mental and physical satisfaction of labour without necessarily increasing the cost per unit of output. Better management, meaning better utilization of existing manpower, material and machinery, can be as important an objective as capital formation, for which it can to some extent be a substitute.

Some realization of the wisdom of this lesson is already present in India, although not in the measure that is necessary. Welfare measures, industrial disputes legislation, social security schemes, and government sponsored education programmes for various levels of management are all reflective of the importance of the human and organizational element in economic development. It is not that all these measures are adequate, or that any one of them is necessarily wise or economically sound. The point is, though, that a better utilization of the labour force and a more effective managerial leadership, in the public or private sector, are desirable economic objectives. It may also be added that the maximization of utilities is perhaps the more easily achieved to the extent that individual managements can take the lead rather than leave initiative and application to a cumbersome, nationwide governmental organization.

Protest—A Necessary Function

As earlier noted, the labour problem in economic development is the necessity to structure the labour force according to the demands of the modern industrial environment.

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This is the true task, not merely suppressing indiscipline. If this statement of the problem is accepted, it follows that our entire approach to labour protest must be re-examined.

Far from being unhealthy, far from needing suppression, labour protest performs a necessary function of pointing up the problems to be solved in the industrialization process. The management of human beings is essentially too complicated and complex a job for us to believe that the right answers can be discovered from behind a manager's or administrator's desk. What is deplorable in the Indian scene is not the labour protest itself, which is after all based on many natural tendencies in man, but that it is so lacking in system or cohesiveness, that it is incapable of being anybody's instrument for anything.

Healthy Unionism Needed

In some countries, labour protest plays a free role in the garb of an independent trade union movement with a legal capacity to bargain on issues of import and to represent workers in the structuring process: in other countries, labour protest has been completely absorbed in the power of government, and the structuring process is a matter largely of adjustment between two wings of an integral political process. In our country, however, labour protest has not been mobilized effectively either by the State or by an independent trade union movement. The labour movement is an essentially fissiparous force scattering chaotically the manifestations of labour protest. As a consequence, this protest tends to be by and large irrational.

In a democratic country, where political parties have free play to mobilize worker discontent, only a strong and independent trade union movement can effectively meet the challenge of indiscipline in industry. Managements, in the private as well as public sectors, and the State also, have a very big responsibility and an important potential influence in ensuring the development of a healthy trade union movement. No less important are the activities of all the political parties, which contend for governmental power and view labour as an important political area. When they complain about labour indiscipline, they should stop to address themselves the question: "Have we done all we can to pro-

mote a strong and independent trade union movement?" If the answer be in the negative, clearly any possible gains accruing to them is only a Pyrrhic victory.

For, in a democracy, there can be no discipline in industry unless those in authority develop policies that will respect the worker and his needs, including his right to organize effectively to protect his interests.

Cottonseed Futures at Rajkot

THE Saurashtra Oil and Oilseeds Association Ltd, Rajkot, has been recognised for a period of three years in respect of forward contracts in cottonseed. The Forward Markets Commission, on whose recommendation recognition was granted, accorded permission to the Association to commence trading in Vaisakh 2015 delivery with effect from December 15, 1958.

The ring of the Association for trading will be located at Surendranagar and the basis for the hedge contract will be 'cottonseed of Vagad raw cotton (Kapas)' grown in Saurashtra. The varieties tenderable against the contract are Kalyan, Dhummad (Kalagin), Mathia, Khandesh and Berar cottonseeds and shall be the fair average qualities of the season and of the crop of the current year of the contract and can be tendered at about 17 important centres in Saurashtra. There would be two deliveries in each Samvat year, namely, in the months of Vaisakh and Aso and the unit of trading shall be 25 candies. The trading is subjected to a graded system of margins.

Export of Shoes to Soviet Union

ORDERS for supply of shoes placed by the Soviet Union in 1956 and 1957 for about 9 lakh pairs had been mostly complied with except for a small quantity of about 6,000 pairs, Shri Nityanand Kanungo, Minister for Commerce, informed the Lok Sabha. Shri Kanungo added that deliveries against the contract of about 2-1/2 lakh pairs of shoes in 1958 were yet to be made. This was a further order from the Soviet Union and negotiations were in progress for the supply of shoes to the German Democratic Republic, Bulgaria and Yugoslavia.

A trial order of shoes valued at about Rs 1-1/2 lakhs had been placed by the German Democratic Republic. This contract was also under execution.

Against the order of about 50 thousand pairs placed by Poland in 1957, one shipment of about 21,000 pairs had already been made. The balance of the order had been cancelled. No orders had been placed by Poland in 1958. The Minister did not say what went wrong with these orders.

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Economically Active Population in Censuses Under-Enumeration in Underdeveloped Countries

John Mars

II

FROM a strictly economic point of view the genuinely occupied population of a country must be defined as the physically present population participating in the creation of national income and output by their personal efforts. The genuinely occupiable population of a country comprises in addition all the involuntarily unemployed and under-employed people willing and capable to participate in producing goods and services at the current rates of remuneration for human efforts. The genuinely occupied population would include all output-creating persons whether they are paid or unpaid, working in businesses, households, institutions, public agencies, or defence forces, no matter what their age or sex or nationality, no matter whether their presence in the country is voluntary or involuntary or how long it lasts.

Alternative Definitions

Several qualifications of this economic definition of the genuinely occupied or occupiable population are needed. As the creation of national income is a process in time, a reference to time is necessary. Three alternative definitions of occupied people suggest themselves at once. The occupied population could include:

(a) all persons who are momentarily participating in the creation of output at the Census date; this would include all temporarily occupied residents and working visitors and exclude all temporary absentees ordinarily working in the country; or

(b) all persons who during a stated period (e.g., a year) ending at the Census date were participating in the creation of output; this enumeration would include all casually and temporarily occupied persons whether they are residents or visitors and persons absent abroad at the Census date, but are ordinarily occupied in the country; to prevent overstatement of occupied persons, temporary or part-

time occupied persons would have to be counted as appropriate fractions of full-time permanently occupied persons; or

(c) all persons who are likely to participate in the creation of national income after the Census date.

Standardization of Working Hours

A further qualification of the occupied population concerns standardization with respect to normal working hours and the exclusion of disguised unemployment. The standardization with respect to working hours refers to overtime workers, part-time workers, casual and seasonally employed workers, and temporarily resident foreign workers and temporarily absent workers permanently domiciled in the country. All these persons should be counted in units of a normal work-week, or in units of a normal work-year. If a normal work-week is for instance a 45 hour week, a worker working 50 hours should be counted as one and 1/9th worker. Conversely, if a worker is working only 30 hours, he should be counted as 6/9th of a worker. If a work-year is the unit time period and a casual worker or a temporary resident from abroad or a temporarily absent national works only three months of the year, he should be counted as 3/12th of a worker. All this constitutes standardization with respect to working hours per Census period.

Disguised Unemployment

—Its Measurement

Much more difficult is the standardization with respect to the exclusion of disguised unemployment. A proper occupation Census should exclude all persons from the group of occupied persons whose marginal net product is less than zero and should classify them as (disguisedly) unemployed. In advanced countries disguised unemployed are practically non-existent. But in underdeveloped countries the proportion of disguised unemployed who are regarded as occupied is

not infrequently as high as 30 per cent. This state of affairs would send up the ratio of occupied persons in underdeveloped countries as compared with developed countries. A serviceable econometric measure for disguised unemployment in farming areas of underdeveloped countries is not difficult to devise. The measurement of disguised unemployment could proceed in four steps.

(1) The rural occupiable population would first have to be found by deducting from the total occupiable population of the country the urban occupiable population, i.e., the actually occupied and openly unemployed population as well as the urban disguisedly unemployed population if any.

(2) The cultivated area and its associated rural population would next have to be split up into sampling areas in which agricultural productivity and agricultural pursuits were fairly homogeneous. In each area a representative sample of square miles has to be selected from which the average number of fully utilised agriculturists per square mile is ascertained.

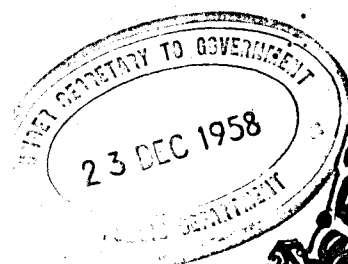
(3) The fully occupied farming population in each cultivated sampling area of the country could be found by multiplying the square miles of cultivated sampling area by the number of fully utilised agriculturists per square mile.

(4) The complimentary rural occupational ratio has next to be found. This is the number of complimentary non-farm rural workers (blacksmiths, carpenters, builders, cobblers, tailors, etc.) per 1,000 fully occupied farming population.

(5) The disguised unemployment in farming areas can now be estimated as follows:

$$\left(\frac{\text{Rural occupiable population} - \text{Fully occupied farming population}}{\text{Fully occupied farming population}} \right) \times (1 + \text{the complementary rural occupational ratio}) = (\text{Disguised rural unemployment}).$$

The ascertainment of the stand-



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December 20, 1958

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ardized genuinely occupied or occupiable population according to the above definitions presuppose that the total population has been correctly enumerated, for the enumerated occupied or occupiable population is always a part of the enumerated total population. This means that the economic definition of the occupied or occupiable population presupposes a complementary definition of the population of the area as a whole. Since the occupied population includes all persons actually participating in the creation of national income by their own efforts, the total population concept corresponding to it must simply be the physically present population participating in national consumption regardless of (a) nationality, (b) voluntariness or involuntariness of presence, or (c) duration of presence. This definition is known among demographers as that of the de facto resident population.

If all the countries would adopt the ideal de facto definitions of population, international comparability would be assured. As it is, about a quarter of the underdeveloped countries have de jure population Censuses. The other three-quarters take incomplete de facto population Censuses, which exclude or include groups of persons according to definitions of population and of occupations which vary from country to country.

Exclusion of Aliens and Aborigines

There is no Census authority which does not exclude from enumeration some groups of persons actually present in the Census area on the Census date. From the point of view of the proportion of the economically active populations in a country the exclusion of population groups or areas becomes important only if these have a different proportion of workers than the actually enumerated population. This is, however, often the case.

Take the exclusion of aliens living in a country. These aliens could be alien armed forces, alien merchant seamen in ports or ashore, alien aircrews, alien diplomatic personnel, alien migratory labour including illegal immigrants. These groups exhibit a larger proportion of economically active persons than the rest of the population. On the other hand, the omission of alien displaced persons or enemy prisoners of war within a country means often the

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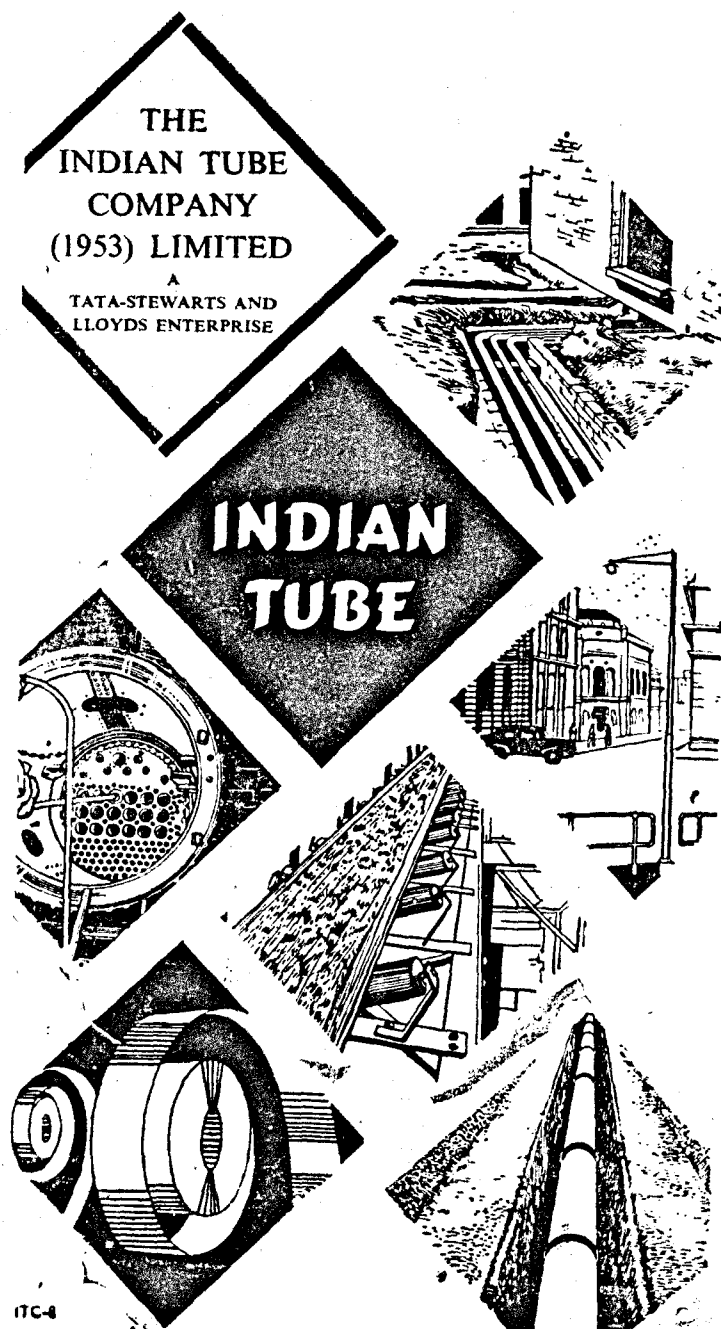
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exclusion of a population with a proportion of workers which may be taken as zero.

Many Censuses of underdeveloped countries exclude nomads and tribal aborigines from the enumeration. This affects the working proportion seriously since the percentage of workers among nomads and tribal aborigines is very high. In a multi-racial community some races are sometimes not enumerated. For instance, the Arabs are not included in the Israeli Census of 1948 and in many African countries the indigenous populations are not enumerated. In a number of countries the population of whole areas is not enumerated. In other countries there is an under-enumeration of a substantial proportion of the population due to various factors. Thus in the Argentinian Census about one per cent, in the Bolivian Census about 8.4 per cent, and in the Paraguayan Census about 5.9 per cent of the population were not enumerated; similarly 62,725 persons in the Trieste area ceded to Yugoslavia were not enumerated.

Inter-Country Variations

The number of persons enumerated as economically active in underdeveloped countries depends to a great extent upon the operative definition of workers used by the Census authorities. Lack of a common operative definition among the underdeveloped countries explains a large proportion of the variations in the Census results. This problem is clearly expounded in the United Nations publication entitled: 'Application of International Standards to Census Data on the Economically Active Population'. (Population Studies No 9, New York, 1954.) It may, therefore be helpful to set out in systematic form a definition of the economically active which Census authorities of underdeveloped countries could use to achieve international comparability.

Since there is much seasonal and casual work performed in underdeveloped countries, it seems imperative to use definitions which refer to a certain period of time before the Census date, e.g. a year. The total population can be divided into two parts. Part A comprises persons who actually participated in the creation of national output during the year and Part B comprises those who did not. These two parts require to be further sub-divided,

(A) Persons Who Actually Participated in the Creation of National Output during the Year Ending on the Census Date.

This group of persons falls into five sub-groups.

(1) Over-occupied Persons

They are the multiple job holders and overtime workers. The multiple job holders have one full-time job and one or more part-time jobs. They are classified according to their full-time job. If standardization in respect of working hours is attempted, both types of the over-occupied persons would be counted first as a natural person and then as a certain multiple of equivalent persons.

(2) Fully Occupied Persons

Working Normal Hours

In this case, natural persons and equivalent persons are identical.

(3) Enumerated Under-occupied Persons

They are either seasonal, casual, short-time or part-time workers. They represent a smaller number of equivalent persons than natural persons.

(4) Unenumerated Occupied Persons

They are persons whom Census authorities regard as unoccupied although in fact they are occupied. They are, as it were, fictitiously unoccupied. For the typical underdeveloped country the following catalogue of unenumerated yet occupied persons can be drawn up.

- Children under 15 years at work.
- Aliens at work.
- Aborigines and Nomads at work.
- Active investors, i.e. persons who actively direct their monetary resources into different productive investment channels without being physically engaged in productive effort.
- Persons not working in their normal occupation at Census time, but in some casual or temporary occupation.
- Producers of intangible services of controversial value, such as political job holders, armed forces, ministers of religion.
- Inmates of institutions who perform various types of

work. Examples are: inmates of workhouses, prisons, prisoners-of-war, displaced persons, detained persons.

(h) Earning dependents (they are excluded from the Indian occupational Census and constitute a large group).

(i) Unpaid workers on farms and in businesses. They may be primarians, pubescents, work-agers and oldagers. More will be said about them below.

(j) Unpaid "self-help domestic industry" workers or "do it yourself" workers. These are people who produce either consumer goods for their own households which are normally produced in businesses such as sewing garments, grinding corn, baking bread, or durable goods for use in their own households of a type which are usually produced in business, e.g. building houses (huts) and furniture or making agricultural tools.

The above ten sub-groups (a) to (j) of occupied persons are the most important groups which Census authorities usually omit from the count of the economically active persons. Since the nature and extent of omission varies from one underdeveloped country to another, a spurious variation in the percentages of occupied persons results.

(5) Conventionally Declassified or Definitionally Unoccupied Persons

These are the unpaid pure household workers, either family members or strangers who by their efforts create consumer goods and services for use in their own households and who are conventionally not regarded as output-creators. More will be said about this problem below.

(B) Persons Not Participating in the Creation of National Output during the Period Ending at the Census Date.

(6) Fictitiously Occupied Persons

These are the disguised unemployed. They are included in the Census of every underdeveloped country as being occupied as if they were participating in the creation of national output while actually their marginal net product is zero. The Census of every underdeveloped country, therefore, overstates the number of truly occupied persons to

the extent that it includes disguised unemployed. As the percentage of disguised unemployed can be as high as 30 per cent the overstatement can be serious.

(7) Enumerated Unemployed

These are persons openly declared as unemployed. Only a few underdeveloped countries enumerate explicitly openly unemployed persons. Still fewer countries include among the enumerated unemployed some or all of the new entrants into occupational life such as school leavers, and others seeking work for the first time, i.e., ingressive unemployment.

(8) Unenumerated Unemployed

This group too is composed of some open unemployment of previous job holders and some ingressive unemployment.

The sum total of the groups 1 to 4 and 6 to 8 forms the economically active group. The most useful Census is one which identifies all such persons and indicates separately among them all actually occupied with a marginal net product above zero, and all involuntarily unoccupied (including all disguised unemployment).

A final and large group of persons who do not participate in the creation of the national product may be defined as follows:

(9) Voluntarily Unoccupied Persons

This group is composed of:—

- (a) Children
- (b) Students
- (c) Leisure class persons, i.e., persons fit to work below retirement age who are either pure rentiers (who are included as occupied in the Ceylon Census), or dependent men and women, including remittance men and women.
- (d) Incapacitated and infirm persons and lunatics.
- (e) Retired persons and pensioned persons.

No occupation Census should include any voluntarily unoccupied persons under the heading of occupied persons. This is, however, frequently the case. Some Censuses of occupation include students, pure rentiers, and retired persons as economically active.

To sum up: Quite an appreciable part of the variation among occupation Censuses of underdeveloped



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countries is due to the fact that some persons belonging to Group 4 above are not enumerated as occupied; that a varying number of fictitiously occupied and disguised unemployed are counted as occupied; that some groups of unemployed persons are not included as economically active or only to an incomplete extent; and that voluntarily unoccupied persons are sometimes enumerated as occupied.

Unpaid Workers

Among Group 4 (Unenumerated Occupied Persons) was mentioned the group of the unpaid workers on farms and in businesses. This is numerically a very large group in most underdeveloped countries. The importance of this group calls for a special analysis. The unpaid workers are either unpaid household workers, "do it yourself" household workers, or family farm and business workers. By convention among Census authorities unpaid domestic household workers (housewives or home-makers) are always excluded from the list of occupied persons. This would not be a reprehensible practice, if the term household work would always include the same type of economic activity. This may indeed be so in an advanced country, but in an underdeveloped country household work may include activities which are without exception performed in advanced countries by regular business organisations. House-building, weaving and spinning, firewood chopping, candle-making, soap-making, tobacco curing, meal curing, corn grinding, bread baking, milking of animals, filtering of water, and transporting such things as household purchases, firewood and water, over distances of many miles are examples in point.

If in an advanced money economy a woman works in a domestic industry, e.g., takes cut pieces of garments to her home and sews them together, this is clearly counted as occupation. Analytically there is no difference between this case and the case of a woman in an underdeveloped country who, for instance, produces her own pottery. If all the activities which in advanced households of advanced countries are regarded as part of domestic industry are considered to be ordinary household work in underdeveloped countries, the number of occupied persons in advanced countries would

be relatively large and in underdeveloped countries relatively small.

Household Work

There is, therefore, a problem here of ensuring comparability. The best way to go about it would be to draw up a list of household activities which by convention would be regarded as genuine household work for consumption purposes and not an occupation. Such a catalogue of pure household work for consumption purposes could comprise, for instance, the following items:

Cooking and washing up,
Mending and darning and
laundering,
Cleaning and polishing,
Firemaking, heating and lighting,
Rearing and educating children,
Nursing sick family members,
Pleasure gardening,
Carrying consumption goods a certain maximum distance, and
Shopping.

This list would have to be supplemented by another list of household activities which are to be regarded as self-help domestic industries though there is usually no payment and no exchange involved. Such a self-help domestic industry list would include:

Painting and decorating,
Timber felling, sawing and carpentering, firewood chopping,
Furniture making,
Production of kitchen utensils and tableware,
Carpet and curtain making,
House and hut building and repairing,
Plumbing and electrical installations and repairs,
Weaving and spinning,
Tailoring,
Production of candles, burning oils and soap,
Tobacco curing,
Producing alcoholic beverages,
Subsistence vegetable and fruit growing,
Corn grinding and bread baking,
Milking of animals, slaughtering and meat curing,
Filtering of water, and
Transporting household purchases, firewood, or water a long distance.

In underdeveloped countries activities on this self-help domestic industry list are very frequent. A substantial number of persons who

work inside households only and who in existing Censuses are not counted as occupied would have to be counted as occupied according to this list. It would, however, be necessary to count the persons involved in units of equivalent persons, if they are engaged only part of their time in such self-help domestic activities.

There is much to be said for the view that there is much more production of consumer services and goods in pure households in underdeveloped countries than in pure households of developed countries. Many housewives of developed countries, especially in the United States, are merely co-operant factors with machines while the housewives of underdeveloped countries are, apart from primitive household utensils, the sole factors of production. There is enough drudgery for the housewives in advanced countries. But the drudgery in underdeveloped countries is infinitely worse. If it were desired to get a measure of this difference one would have to include in occupation Censuses a special category of pure household activities according to the first list above and standardize the persons engaged in these activities with respect to working time. It would then appear that the volume of such personal efforts is much greater in underdeveloped countries than in advanced countries.

Defining Unpaid Family Labour

Some Censuses of underdeveloped countries disclose, albeit incompletely and unreliably, the number of unpaid family workers on farms and in businesses. A clear definition of unpaid family work should consist of two parts. First, of a definition of self-help domestic industry and as complete a list as possible of the type given above. Second, of a definition of unpaid extra-household occupations, i.e., of unpaid activities outside the household and as complete a list as possible of such activities. This list should distinguish between (a) work on family farms; (b) work on associated farms forming a mutual aid organisation; (c) work in family businesses other than farms; (d) work in associated businesses forming a mutual aid organisation.

All male and female workers on own account may be presumed to employ family labour. The unpaid worker need not reap any benefits

in kind from this work himself; but an effort on his part for a minimum period per week or month or year should be required and the effect of his effort should be the creation of desirable services and goods for which a market value exists or is conceivable. Unpaid female and male family workers may be presumed to be approximately equal

in number. If not, the difference has to be fully accounted for; for instance there are relatively fewer girls among family workers than boys because more use is made of female children in pure household work than of male children.

It will probably be found in practice that clear definitions and helpful lists can be evolved only as a

result of pilot Censuses devised for elucidating unpaid family work.

Variation in Economic Conditions

The variation in the proportion of the economically active to total population has so far been traced to two causes: variation in the proportions of sex and age groups in the population and variation in occupational classification and enume-

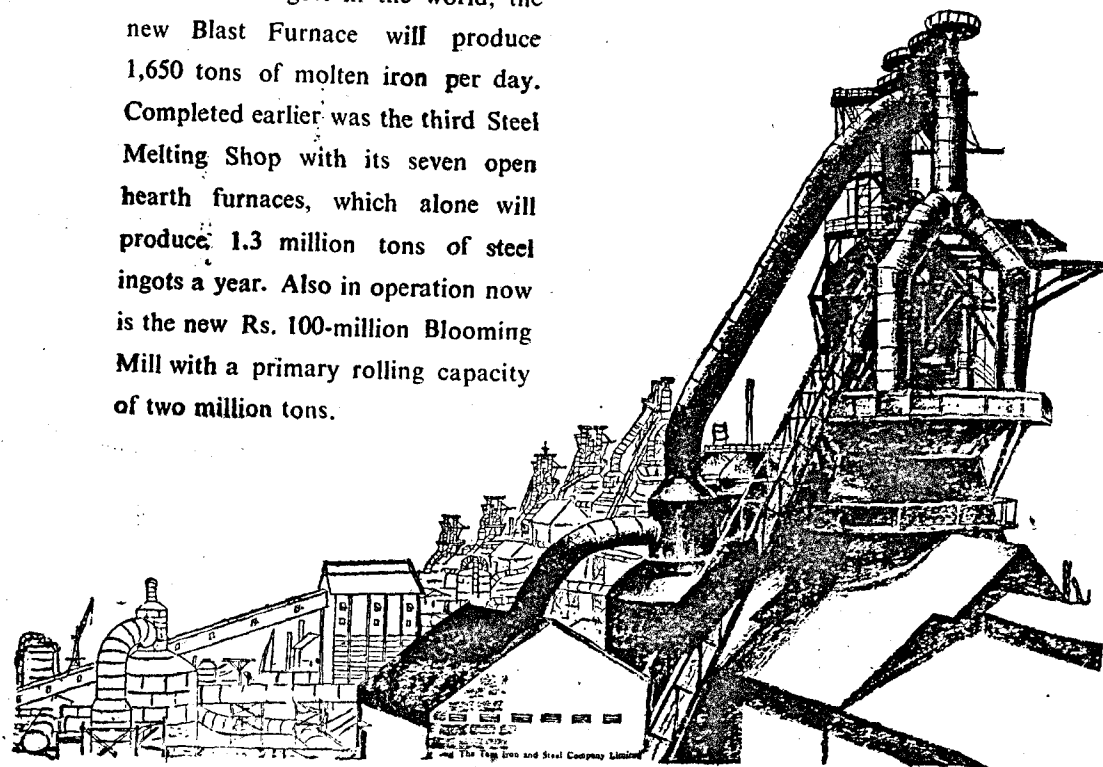
The Last Phase

THE COMMISSIONING OF THE NEW Rs. 70-million Blast Furnace in Jamshedpur in October marks the beginning of the end of the expansion programme started in December 1955 to double Tata Steel's capacity to two million tons a year.

One of the largest in the world, the new Blast Furnace will produce 1,650 tons of molten iron per day. Completed earlier was the third Steel Melting Shop with its seven open hearth furnaces, which alone will produce 1.3 million tons of steel ingots a year. Also in operation now is the new Rs. 100-million Blooming Mill with a primary rolling capacity of two million tons.

Covering every phase of operation from the winning of ore to the rolling of finished steel, the expansion will be virtually completed by the end of 1958. The capital investment on expansion and annual replacements by Tata Steel over the five years 1955-60 is estimated at Rs. 1,330 million—more than one-fifth of the total outlay by organised industries in the private sector.

TATA STEEL
ON TO TWO MILLION TONS



ration practices. The third is the variation in economic conditions among areas and among individual countries inside the areas. These conditions will be discussed under six headings (a to f).

(a) Economic Conditions at Census Date

If the Census enumerates only the population present in the country at a moment of time and the country is exposed to marked seasonal or cyclical variations, the date of the Census will be of vital importance and may explain a relatively high or low volume of occupied persons. In many underdeveloped countries there is an annual work cycle or migration cycle. The Census may miss the peak of the volume in normal occupations. Column (1) of Table I (see pp 1550-51, issue of December 13) shows that the Census dates of the sixty-one underdeveloped countries vary between 1945 and 1953. The economic conditions in these eight years differed greatly from one year to the next. International comparability would require that all countries should hold Censuses in the same year, preferably at the seasonal peak period for the country concerned. Suppose this temporal coincidence of Censuses were realised; the economic conditions would still vary appreciably from country to country and would account for a substantial measure of inter-country variation in occupation and industry Censuses.

(b) Desired Consumption Standards And Sacrifices of Producers

Underdeveloped countries differ as to the intensity with which the whole range of consumption goods and services is desired and as to the sacrifices which the population is called upon to make in order to produce these consumption goods and services. Some societies may tend to be ascetic, others have stagnant desires for consumption goods, while yet others, unquestionably the majority, have increasing desires for consumption goods. Some societies operate under conditions of increasing returns to labour on land, but most of them operate under conditions of diminishing returns. Some societies find savings an impossible burden, while others manage a high degree of it. All these differences would explain a

large variation in the proportion of workers.

(c) Attitude to Female Labour

Even if there were work suitable for female labour in some underdeveloped societies, the social, political and religious organisation of the country, e.g. of Moslem countries, may limit female employment opportunities to unpaid family workers.

(d) Economic Opportunities for Different Sections of the Population

The economic structure of the underdeveloped country may be such that employment opportunities for primarians and pubescents of both sexes, or for female workers, or for oldagers of both sexes, are largely lacking. For instance, women and children and oldagers can be used for harvesting maize, rice, cotton and coffee; but they cannot be used in the banana, cocoa, palm oil and coconut industry or in coal and mineral mining.

(e) Disguised Unemployment

The largest volume of disguised unemployment occurs in agriculture. Underdeveloped countries with a large proportion of economically active males and females working in agriculture and forestry would therefore show the largest volume of disguised unemployment. As industrialisation and urbanisation proceeds, the persons who were formally disguised unemployed in agriculture become either industrial workers or openly unemployed persons in towns. A high degree of industrialisation and urbanisation means a reduction in the volume of disguised unemployment.

There is also disguised unemployment of considerable size in one-man businesses outside agriculture. Whenever the number of workers on own account is large in an underdeveloped country, it must be suspected that a fairly high proportion of the unpaid family workers are really disguisedly unemployed persons.

As long as overpopulation exists in underdeveloped countries there is a strong presumption that disguised unemployment can always be found also in offices, trading companies, government departments, and in the households of richer people. Too often a man's importance in underdeveloped countries is judged by the number of dispensable retainers

which he employs for purposes of ostentation.

If the relative volume of disguised unemployment varies from country to country, the occupation Censuses will enumerate as occupied a varying proportion of fictitiously occupied persons. The recorded occupation figures may sometimes show similar proportions of workers; but the true proportions would be different, if the one underdeveloped country includes a higher and the other a lower proportion of disguised unemployment.

Conclusion

The improvement of the occupation and industry Censuses of the underdeveloped countries lies in their own interest. Occupation and industry Censuses, if correctly carried out, give a complete picture of how the primary factor, labour, has been allocated to different occupations, industries and areas. It is thus one of the basic pieces of information about the economic structure of a country. This has to be known first before any realistic development plan can be worked out. It is of the same order of importance in any development plan as surveys of natural resources, of power supplies, of stock of man-made capital, of export possibilities and of national output.

Moreover, an occupation and industry Census combined with these other social accounts and with sample enquiries into productivity alone will make it possible to estimate the extent of disguised

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unemployment in underdeveloped countries. This in turn is a basic magnitude influencing the nature and direction of development. If it is large, the speed of industrialisation has to be rapid and fairly labour-intensive to permit a peaceful and democratic change in the

economy and culture.

Furthermore, a reliable occupation and industry Census is a prerequisite for calculating the capital requirements of an underdeveloped country in order to raise the standard of living. The existing Census data on occupation and

industry in most underdeveloped countries certainly understate the occupied population. The capital requirements of underdeveloped countries would be grievously understated if existing Censuses were made the basis of the estimates.

(Concluded)

From the Chair

The Bombay Gas Co Ltd Speech of the Chairman, Shri B L Jalan

THE following are extracts from the speech of the Chairman, Shri B. L. Jalan read by Shri N. K. Jalan at the Annual General Meeting of the Company held on December 17.

You are aware that our country has been faced with food shortage for quite some time now. It has been officially estimated that the total production of food grains in 1957-58 declined by about 6 million tons. This has to be put against an increase of population of about five million within a year. The obvious result was an increase in prices of food articles, and indeed, of all other commodities. While a more rational and realistic solution of the problem lies in increased and steady production, primarily through short-term minor irrigation schemes on self-help pattern, the Government have recently announced their decision to introduce State trading in food grains. In the light of our past experience of price controls and rationing in the country, one does not feel optimistic about the results of such a venture. Moreover, while this does not solve the basic problem, State trading would become redundant if, as is hoped, we are going to have a bumper crop this year. At the same time, it will create a lot of unemployment and reduction in the incomes of large numbers of middle class people. I will only reiterate that apart from the efforts to increase food production, what the Government should do is to maintain adequate buffer stocks. It is through such stocks alone that the Government can hold the price line. We should welcome our Prime Minister's statement that the Government have decided to maintain, and not merely build up, stocks of two million tons of food grains and to operate in the market to prevent fluctuations in food prices.

Foreign Exchange

The increase in prices has been caused also by severe import cuts imposed during the last few quarters as a result of the dwindling of our foreign exchange reserves. It is, however, a matter of gratification that the Government have been try-

ing to adopt all legitimate measures to improve the situation. As you are aware, a Creditors Conference was convened in Washington at the instance of the World Bank, and the friendly countries and the Bank promised further loan accommodation to help India tide over her difficult foreign exchange situation. It would not be out of place to mention here that the visit abroad of our distinguished Finance Minister, Shri Morarji Desai, proved a great success in this context.

While it is likely that we have already arrested the unfavourable trend, the situation is yet far from being satisfactory. Our exports continue to maintain a low level, if not a downward trend. In 1957, our exports amounted to Rs. 643 crores, showing a monthly average of Rs. 54 crores. The average for the first eight months of the current year works out at Rs. 46 crores only.

The U. S. Recession

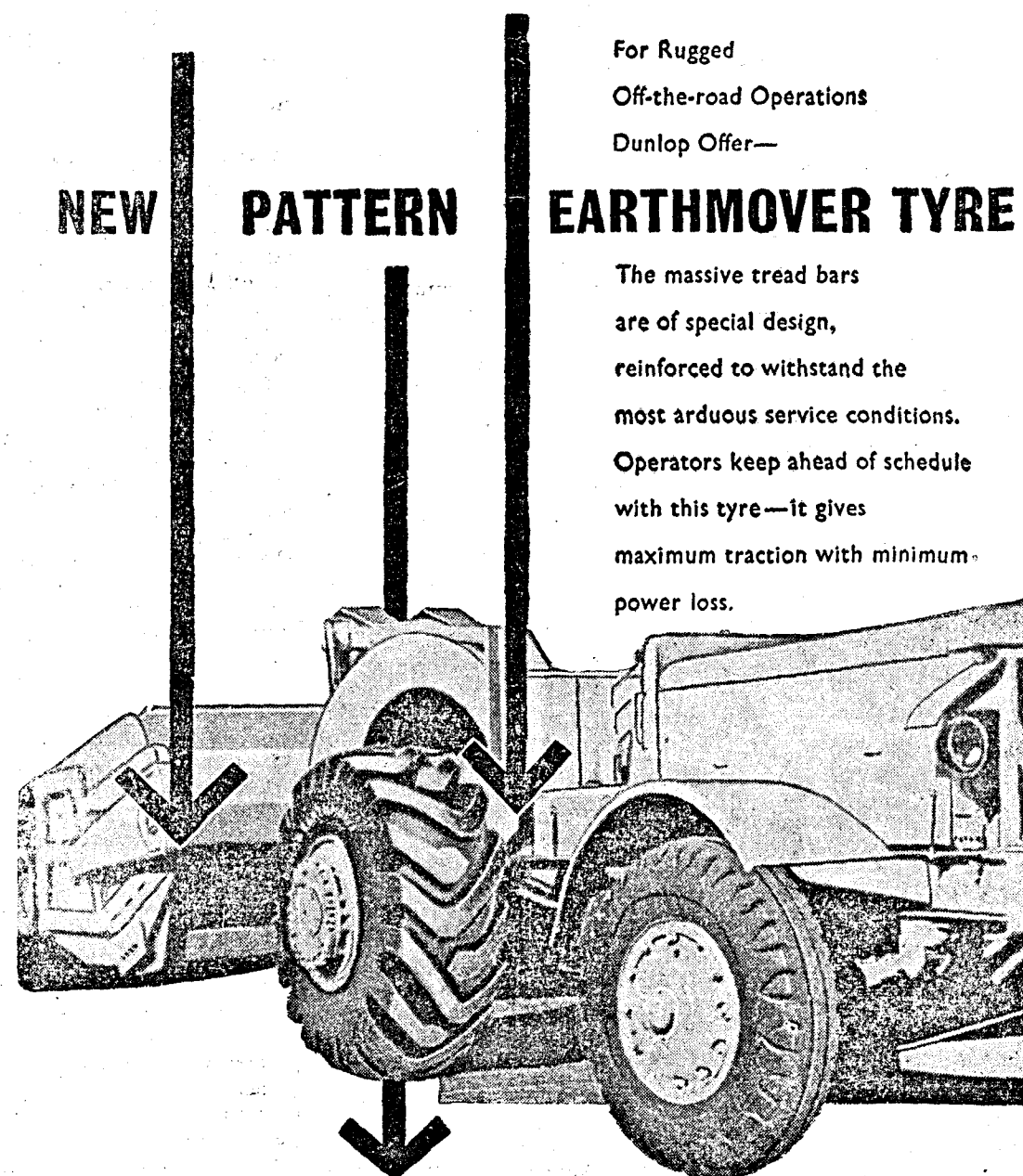
This unhappy feature in our export trade has been explained by various factors such as the recession in the United States in the early part of this year and economic war being waged by China by quoting below the lowest global prices. The economic climate in America, however, has greatly improved of late. The index of industrial production which had declined to 126 in July, 1958 (base 1946-47 = 100) rose to 138 according to latest figures available for mid-November. The various fiscal and monetary measures undertaken in that country have enabled her to make up a large part of the lost ground. But the planned and extra-market competition offered by the Chinese shall have to be reckoned with. Government assistance in adequate measure can play a great role in maintaining our competitive position especially in the field of cotton textiles provided that in the meantime the textile industry is fully renovated and modernised.

Expansion Arrested

While it is true that our exchange position has improved it must be clear that this has been secured at great sacrifices. Such sacrifices have been made primarily in three direc-

tions. First, it has caused a considerable shortage of consumer articles in the country, which has also accentuated the rise in prices and general cost of living. Secondly, it has affected industrial production as a result of the shortage of raw materials and rise in the cost structure. This has also resulted in the growth of unemployment in certain important sections of the economy. Thirdly, it has greatly checked the growth of industry. A stage has been reached when several industrial projects have been or are being abandoned simply for want of Government permission, and such permission could not be given because it involves some foreign exchange expenditure. You are aware that sometime past the deferred payment system was invoked. It acted as a great deterrent to industrial expansion. Now even deferred payment system is not enough. It is generally required that a project should not involve any foreign exchange payment at all at least until 1961. Even after that date, expenditure of foreign exchange will be permitted in cases where it has been proved to the satisfaction of the authorities that the new unit will be able to save corresponding amount of foreign exchange. To say the least, this is an unenviable position for any country which has launched a programme of rapid industrialisation. I should make it clear at this stage that I am not commenting on such measures initiated by the Government, I am only trying to draw a factual picture of our present conditions and to state that instead of encouraging industrial expansion we have to abandon otherwise very fruitful and profitable industrial projects only because of our foreign exchange situation. This is just the opposite of what we sought all these years since we embarked on our planned development. If we are to achieve only a moderate rate of growth, let alone ambitious, we shall have to create a situation that no industrial project is abandoned simply because it does not save as much foreign exchange as it spends.

One very effective way of solving this problem is to encourage flow of



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foreign capital into the country. At this stage, we should distinguish between foreign assistance on loan basis obtained on government account and equity capital. Our long-term exchange problem will be effectively solved only if we can encourage the flow of the latter.

Investment Climate Favourable

On the occasion of the annual meetings of the international Monetary Fund, the World Bank and the International Finance Corporation in October in New Delhi, I met several financial experts from other countries. If I found any unanimity in their views on any matter it was that the fund of available international capital is limited and that the flow of private foreign capital would depend greatly on the investment climate of the recipient countries. A country which could present a welcome climate for such flow, would not, however, face a shortage of capital.

The factors which constitute a favourable investment climate are quite well known: a fair return on capital, guarantee against risks of expropriation and non-convertibility, a reasonable level of taxation, an assurance against discriminating treatment, and an absence of restrictive labour laws. It is for us to see how far our economic policies conform to the international expectations in this regard. It is very clear, however, that imposition of taxes such as wealth tax on companies, which could not be justified on any plausible consideration, and like expenditure tax, which is not levied in any other country in the world, and the collection in respect of which would hardly compensate the expenditure and efforts involved in such collection, do not constitute factors which create the desired climate.

Internal Resources

While the problems of foreign capital and foreign exchange continue to be what they are, taxation, large government expenditures and high level of spending as a result of rise in prices have greatly affected domestic savings and investments. The general investment climate in the country is reflected in the index of prices of variable dividend industrial securities, which declined from an average of 123.8 in 1956 (base: 1949-50=100) to 113.7 in January, 1957, and to 97.2 in December of the same year. During

the course of this year, the prices have advanced once again but this is reflective of the easy money market conditions caused by shrinkage in international trade and more particularly in imports and very much slackened industrial expansion. This is evident also from the rise in deposits of banks as against the fall in advances. Thus during the course of a year since the third week of November, 1957, deposits of Scheduled Banks rose from Rs 1,359 crores to Rs. 1,575 crores and the advances and bills discounted actually declined from Rs. 847 crores to Rs. 841 crores. There was, however, a sizable gain in the case of investment in Government securities of these banks, from Rs. 407 crores to Rs. 641 crores. This clearly indicates that banks have invested more in government securities and less in business and industry while expansion of industry and business is the burning need of the country. We should, in fact, follow the liberal Japanese method of providing credit facilities through which she has built up her disintegrated economy from a scratch.

Rising Costs

Coming to the affairs of our Company, the year under review has shown a balance of Rs. 1,61,466/- in Net Revenue Account. It was considered by your Board that such a small balance must result in a reduction in the rate of dividend payable this year as compared with the last, and accordingly a dividend of 4% free of tax is recommended. This will absorb a sum of Rs. 1,60,000/-, leaving only Rs. 1,466/- as the amount to be carried forward to the next year. I cannot, therefore, say that the revenue position of the Company is satisfactory, but it is beyond the control of the management. The cost of coal, the main raw material required for our gas production and the freight thereon has been mounting and is a matter of serious concern to our industry. An increase of over Rs. 5.12 per ton came into effect in 1956 when the Company immediately approached the Government for revision of the price of Gas. As a result of our representation made in September, 1956, the Government of Bombay appointed an Advisory Committee to go into the matter, and after some hearings they submitted a report to the Government probably in July, 1958. This report

THE ECONOMIC WEEKLY

is under the consideration of the Authorities and the Company is not aware if any suitable increase in Gas price to offset these mounting costs will be authorised. In the meantime, the ex-works cost of coal has increased again in 1957 and 1958, and we now have to pay Rs. 10.70 per ton more than we were paying in 1955. The financial position of the Company can only improve if a fair and reasonable rate is allowed to cover the increase in cost.

Increased Production

The Company on its part has been making every effort to increase the production of gas to make it available to as many consumers as possible. The demand for additional gas continues and applications are received daily by the Company from new potential consumers. During 1957, 750 new gas connections were installed.

On the production side the volume of gas produced was again a record, and the following table sets out the comparative figures of gas produced in the years 1946, 1955, 1956 and 1957.

Year	Total Gas Production (Cu. Ft.)	Increase over 1946
1946	1,115,949,000	
1955	1,511,849,000	35.5%
1956	1,529,221,000	37.0%
1957	1,581,389,000	41.7%

The gas production in 1958 upto October was 13,74,883,000 cu. ft. which was 5.2% higher than that of the corresponding period of 1957.

Expansion Programme

New plant installed in 1957 included a third coal elevator, complete with overhead coal storage hopper and coal crusher, and a third retort charging machine. To deal with the increased coke produced from the retort house, which, you will recall was extended in 1956 by the addition of 5 new beds of retorts, a second coke quenching station and coke discharging ramp was put into commission. A fourth Lancashire boiler and a battery of three induced draught water coolers were also put into commission during the year.

Work was commenced in May 1957 upon the new 15" trunk main almost three miles long, from the Gas Works to the Opera House. Using imported pipes with specially

designed joint rings, the work was completed in about seven months, despite delays caused during the monsoon period. The main was commissioned in December, 1957 and has been most beneficial in improving gas pressure in the central areas of the City.

Gas Works and district plant were maintained in good condition during the year, four beds of retorts

being re-built and twelve beds let down for maintenance repairs.

This year your Company also carried out the relighting of Netaji Subhas Road and Bombay Road No. 1 in front of the Sachivalaya. Your Director, Shri N. K. Jalan was also present on the occasion of the final inspection. The Municipal Commissioner was much satisfied and had written to us that the "im-

provement has given relief to both motorists and pedestrians" and the Company had provided "the much needed improvement very expeditiously." The glareless light being provided by your Company compares favourably even with fluorescent lamps. We hope all lovers of the City of Bombay find the charms of the "Queen's Necklace" doubly enhanced by the improved lighting.

Around Bombay Markets

Impact of the Move on Dalal Street

Thursday, Morning

Bullion

Margin for Silver

PRICE movements in bullion have been irregular. In view of the contango charges of Re 1 in silver, bears were called upon to pay a margin at the rate of Rs 1,000 per bar in Maghshis delivery which evoked some short recovery.

Carry forward charges in gold increased to over 25 nP. Sellers were somewhat reserved in view of the off-take but buyers were not so enthusiastic to get in at the higher levels. A steady outlook however is likely to prevail.

Silver Posh delivery moved between Rs 193.12 to Rs 194.62 to quote to Rs 194.25 while gold Posh fluctuated between Rs 113.37 to Rs 113.81.

Cotton

Upturn Not Retained

THE cotton futures market has been moving in a see-saw fashion. Upturns have attracted selling pressure. ICC March which had moved upto Rs 638.75 from the recent low of Rs 624.75 dropped to Rs 626.50, recovered to Rs 632 to ease off again. Following the recent grant of import quota of 1,95,000 bales, prices of long staple indigenous varieties have gone down.

In view of the slow off-take in cotton piece goods, spinners' demand in the Sewri market has fallen off. The crop movement is still to gather momentum and its full impact still remains to be felt by the market. It may be that farmers will like to hold off, in case prices go down. But in view of the bitter experience of the last year, farmers are not likely to repeat the mistake. The trade

economy and with the dominant aim of making the Plan successful, free play of market forces should not have been allowed so long. Except for some alluring catch phrases, the resolution of the Congress Working Committee appears to Dalal Street to have been very badly drafted as it is self-contradictory at many places. The logical course in the circumstances, it is prepared to concede, would be to socialise all means of production and distribution. Has the country an effective machinery to implement such a policy? Can the country deliver the goods at the present stage, with full blooded socialism?

The first impact of the Congress resolution has already been felt on Dalal Street where share values came down crashing on Monday. On second thoughts, however, the market has staged a modest recovery and the investors as well as the professionals are inclined to wait for the next move of the Congress in the coming three weeks. Though investors have been taken aback by this new ideological approach, there is nothing surprising about it while developments in Pakistan have also been a source of occasional worry to the market.

With holidays ahead, operators will prefer to have minimum of commitments and as such, scope for any notable recovery looks remote. Money rates have already tended to harden and the stringency is bound to be accentuated during the year-end, as banks have a minimum of cash balances on hand, being loaded up with investments in Government obligations. There is no other recourse left for them except to borrow from the Reserve Bank.

THE inevitable has happened. Lurking doubts about the ability of the market to sustain itself in the face of reported moves for radical changes in economic policies turned out to be correct. But it had not been anticipated that the Congress Working Committee would give a directive so soon to control profits in the private sector. True, what exactly the Committee has in mind when it talks of controlling profits is not yet clear. The question that baffles Dalal Street is, Whose profits are to be controlled and how? If the Congress has in view industry's profits, then they are mostly already under control, on the basis of the Tariff Commission's formula, as more and more industries are coming under the preview of this expert body. Moreover, industry has been squeezed from all sides tax demands of various types, more wages and amenities and higher prices of raw materials. With expansion, turnover has increased, but who has benefited most? So far as the shareholders are concerned, it has been profitless prosperity for them, as the net returns on shares have diminished.

As it is the organised sector which pays the bulk of the taxes, people in the market argue, the exchequer is bound to have diminishing returns, if profits are controlled through EPT or such other taxes. How can industrial or the agricultural production go up and how can there be capital formation in such an unfavourable atmosphere? This is one contention. The other is, if the Congress has in mind control on distributors' profits, is not the move too late? In a controlled

also burnt its fingers and it will be very cautious in accumulating stocks this year. The market is therefore bound to attract hedge pressure at all higher levels.

Cotton consumption in mills for the first two months of the season, i.e., September and October aggregated 8,60,914 bales as against 8,69,631 bales for the corresponding period of last year. Out of this, Indian cotton accounted for 7,77,057 bales as against 7,71,906 bales.

In the first three months, exports from Bombay amounted to 85,000 bales as against 9,000 bales last year, while imports came to 58,233 bales as against 69,274 bales.

Oilseeds

Linseed Strong

THE oilseeds market has made a mixed show. Linseed spot has flared up as ready stocks are negligible while the new crop will start moving only after six or seven weeks. Australia has recently purchased some Indian linseed oil but shippers have not been able to cover their requirements.

Export prospects for castor oil and groundnut oil are far from favourable while the supply position of groundnut and its oil has improved with the increasing crop movement. It is no wonder that prices have assumed a sagging tendency.

Groundnut February after touching Rs 165 has come down to Rs 162 while Castor May has declined to Rs 142 after touching Rs 145. Linseed spot has gained Rs 1.75 over the week at Rs 37.75.

As freight rates for U K and Continent are to be raised by 15 shillings on shipments of oil in bulk, oilcakes and meals, sentiment is likely to be subdued and it is possible that prices might lose further ground.

Company Notes

Rohtas Industries

DUE to the change of its accounting year, the latest annual report of Rohtas Industries covers a period of 17 months ended March 31, 1958. Compared with the previous 12-month period ended October 31, 1956, sales have gone up from Rs 10.08 crores to Rs 14.90 crores. The gross profit margin on turnover, after making allowance for the change in accounting period, has declined from 8.8 per cent to 5.8 per cent. Taxation

takes away Rs 10 lakhs against Rs 32 lakhs, leaving a net profit of Rs 11.42 lakhs against Rs 56.62 lakhs. The net earning per ordinary share of Rs 10 has, consequently, gone up, on an annual basis, from Rs 2.24 to Rs 3.25.

Dividend has been maintained at Rs 2 for the 17-month period, which amounts to an annual rate of Rs 1.41. The lower distribution has, however, been compensated by the issue of one bonus share for every ten held. Out of the Rs 23 lakhs required for this purpose, Rs 16 lakhs will come from the share premium account and the balance from reserves. The tax liability on this account is not stated in the Director's Report.

The company's gross block has expanded to Rs 13.85 crores from Rs 10.60 crores and net block to Rs 9.18 crores from Rs 6.64 crores. The net value of fixed assets covers the debenture liability of Rs 2.22 crores more than four times.

All this goes to show that Rohtas Industries have been making excellent progress. The presentation of the company's profit and loss account, however, leaves much to be desired. It is difficult to find out, for instance, the profits before and after taxation at a glance. Similarly, the schedule of secured

loans does not give a clear picture of debenture liability.

Nicco's Sales Decline

THE sales of National Insulated Cables declined during the year ended March 31, 1958 from Rs 3.22 crores to Rs 2.85 crores. The Report of the Directors does not specify the reasons for this decline. The gross profit however, remained nearly constant at around Rs 92 lakhs, which raises the profit margin on turnover from 28.5 per cent to 32.1 per cent. Tax liability has gone up slightly from Rs 32.13 lakhs to Rs 32.53 lakhs, leaving a net profit of Rs 26.48 lakhs against Rs 27.63 lakhs. Net earning per ordinary share of Rs 10 (there are no preference shares) is consequently lower at Rs 4.40 against Rs 4.60. Distribution has been maintained at Rs 2. The net earnings, therefore, cover the dividend more than twice over, while the dividend equalization fund stands slightly higher than the amount required to pay a year's dividend at the current rate. The undated debenture liability of Rs 10 lakhs is covered by an equivalent provision in the debenture redemption fund, while the company's net block is valued at more than five times this liability.

THE ECONOMIC WEEKLY

Gross block expanded during the year from Rs 78 lakhs to Rs 96 lakhs and net block from Rs 35 lakhs to Rs 52 lakhs. Though the liquidity position has improved as a whole, the stock of finished products and work-in-progress stand depleted to Rs 16 lakhs from Rs 48 lakhs. Stocks of stores, spares and raw materials have, however, gone up from Rs 57 lakhs to Rs 97 lakhs, which can be considered remarkable for an engineering company in the present context of shortage of materials.

At the current price of around Rs 33, NICCO yields a little more than 6 per cent, free of tax.

Orient Paper

THE sales of Orient Paper increased during the year ended March 31, 1958 from Rs 4.14 lakhs to Rs 4.66 lakhs, but the gross profit margin on turnover declined from the high level of 22.6 per cent to 14.3 per cent. The profit margin reduced sharply because the cost of production increased but selling rates were not raised correspondingly. Profits before taxation have dropped from Rs 93.66 lakhs to Rs 64.80 lakhs.

After deducting preference dividends, the net earning per ordinary share of Rs 10 has, therefore, gone down from Rs 3.24 to Rs 1.40. Dividend has been maintained at Rs 1.50 per ordinary share.

The gross block went up during the year from Rs 5.24 crores to Rs 8.20 crores and net block from Rs 4.67 crores to Rs 6.33 crores. The total provision made for depreciation so far is less than that permitted under the Income Tax Act, but is considered adequate by the Directors in view of the reserve for repairs and renewals at Rs 60 lakhs. The debenture liability of Rs 1 crore, which arose out of the compensation paid to shareholders of Central India Paper Mills (in liquidation), is covered more than six times by the net value of fixed assets.

The Company's four subsidiaries have done well during the year. One of these, Orient General, more than doubled its sales to Rs 1.69 crores during the year. This subsidiary is engaged in the production of fans, etc, but does not seem to possess any fixed assets. How and where it manages to produce such a large quantity of goods is not explained in the Directors' Report.

Abolition of Rickshaw Pulling

ABOUT one lakh and twenty thousand persons in the country depend on rickshaw pulling for their livelihood. This was stated by Shri Abid Ali, the Union Deputy Minister for Labour, in reply to a question in Lok Sabha. Shri Abid Ali added that not many of them were likely to be thrown out of employment as rickshaw pulling

was being abolished only gradually and the rickshaw pullers would get absorbed in other jobs.

The Minister also stated that although Government had received representation from the All-India Cycle Rickshaw Owners' Association, Hyderabad, for the appointment of a Commission to investigate the whole question, Government did not intend to appoint such a Commission at present.

State Bank of Hyderabad

(Incorporated in India under the Hyderabad State Bank Act XIX of 1935 F., Renamed and Capital transferred to the Reserve Bank of India, with limited liability, under the State Bank of Hyderabad Act, 1956).

Head Office : Hyderabad (Deccan)

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INCLUDING FOREIGN REMITTANCES

AGENTS AND CORRESPONDENTS THROUGHOUT THE
WORLD.

The Indian Iron and Steel Company Limited

NOTICE is hereby given that consent has been accorded by the Controller of Capital Issues and the Reserve Bank of India to an issue of Bonus Ordinary Shares in the proportion of One Bonus Share for every five existing Ordinary Shares by capitalisation of the major portion of the amount standing to the credit of the Share Premium Account.

The Ordinary Share Registers and Transfer Books of the Company will be closed for the purpose of this Bonus Issue from the 12th to the 22nd January 1959, both days inclusive, and the issue of Bonus Shares if sanctioned at the General Meeting of the Company to be convened in due course for the 24th February 1959, will be made to those persons who are registered as holders of Ordinary Shares on the 22nd day of January 1959.

It is the intention that individual allotments of Bonus Shares shall be of whole numbers of shares only and that certificates covering such shares will be issued to the Shareholders promptly following the date of the General Meeting. It is further the intention that fractional entitlements shall be compensated in cash by distribution of the sale proceeds of the shares constituting the total of such fractions. Shareholders desirous of receiving their entire bonus entitlement in shares are accordingly advised that it will be necessary that the holdings in respect of which they are registered on the 22nd January 1959, shall represent exact multiples of five.

By Order of the Board,
Martin Burn Limited

F. G. Liversedge
Managing Director
Managing Agents.

12, Mission Row,
Calcutta.
15th December, 1958.

National Overseas and Grindlays Bank Ltd.

(Amalgamating National Bank of India Ltd & Grindlays Bank Ltd.)

Incorporated in the United Kingdom
The Liability of Members is Limited.

BOMBAY BRANCHES

OPEN

Savings Bank Accounts

bearing interest at

$2\frac{1}{2}\%$ per annum

Withdrawals are permitted by Cheques.

(Savings Bank Accounts can also be opened at any of the Bank's other Offices in India from whom advice of the rate of interest may be obtained direct on application).

BOMBAY OFFICES:

Main Office: 90 Mahatma Gandhi Road, Fort, Bombay 1
Mint Road Branch: Corner of Mint Road
and Sir P. M. Road, Bombay-1.

D. G. MOORE
Manager

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Latest Week†	Week Ago	Month Ago	Rs Crores Year Ago
1. Note circulation	1595.63	1582.22	1585.92	1512.62
2. Rupee Coin	135.81	136.10	136.08	132.39
3. Deposits				
Central				
Government's	66.25	61.50	63.33	55.53
Other				
Governments'	9.39	12.19	18.17	4.97
Banks'	73.45	73.02	79.88	76.38
Others'	116.12	116.82	114.48	115.41
4. Foreign Securities	164.68	164.68	164.68	280.19
5. Balances held abroad	19.95	18.34	18.33	24.38
6. Rupee Securities	1184.74	1174.73	1174.73	992.29
7. Investments	243.26	243.55	302.53	248.02
8. Loans and advances to Governments	25.73	24.97	22.25	37.61
9. Other loans and advances	63.83	54.70	58.28	51.92
Scheduled Banks				
1. Demand Liabilities (net)	682.74	695.39	682.13	696.95
2. Time Liabilities (net)	390.27	380.08	387.04	663.54
3. Cash	110.14	126.79	121.76	117.08
4. Borrowings from Reserve Bank of which against Usance Bills	1.85	1.56	4.67	13.75
5. Advances & Bills (inland & foreign) discounted of which State Bank's	840.93	832.45	844.55	842.93
6. Invst. in Govt. Sec. of which State Bank's	283.14	285.91	284.51	183.44
Cheque Clearance	163.92	179.00	112.82	164.99

† For Reserve Bank and Cheque Clearance Week ended 12-12-58 Scheduled Banks Week ended 5-12-58.

Bombay Money Rates
(per cent per annum)

	5-12-58	28-11-58	7-11-58	6-12-57
Call Money				
From banks	1½-1¾	1½	1½-1¾	2¼-4½
From public	3½	1½-3½	1½-3½	3½-4½
Three Months	2½-4½	2½-4½	2½-4½	2½-4½
Six Months	2-4	2-4½	2-4½	2-4½

Bombay Bullion (In Rupees and pN)

	18-12-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Silver	113.26	113.19	114.37	108.65
Silver	113.31	113.31	114.19	103.28
Spofr 100 tolas)				
Forwa.	193.08	192.12	190.19	184.94
	193.34	193.00	190.37	185.61

MILL STOCKS OF CLOTH AND YARN

	Cloth (in bales of 1,500 yds)		Yarn (in bales of 400 lbs.)	
End of Month	Sold*	Unsold	Total	Unsold
1956: June	nil	132,460	132,460	22,959
July	"	138,367	138,367	16,816
Aug	"	184,328	154,328	10,737
Sept	81,822	201,431	283,253	16,282
Oct	223,039	257,788	480,827	21,513
Nov	244,795	255,647	500,442	23,835
Dec	225,996	271,098	497,094	26,861
1957: Jan	239,592	274,596	514,188	27,445
Feb	240,145	287,486	527,631	39,214
Mar	243,468	300,238	543,706	45,724
Apr	242,613	292,154	534,767	48,137
May	208,364	261,308	469,672	53,019
June	209,487	297,277	506,764	51,945
July	220,148	319,062	519,210	62,866
Aug	224,615	338,585	563,200	67,972
Sept	216,049	356,114	572,163	75,667
Oct	214,521	391,005	605,526	85,755
Nov	216,379	395,759	612,138	94,613
Dec	209,186	450,699	659,885	108,455
1958: Jan	210,500	372,500	583,000	82,900
Feb	195,300	362,600	557,900	94,500
Mar	198,600	344,800	543,400	111,800
Apr	181,200	324,100	505,300	109,700
May	196,800	308,000	504,800	112,200
June	223,600	341,600	565,200	105,700
July	243,800	337,100	580,900	86,800
Aug	247,200	329,000	576,200	82,600
Sept	248,300	344,500	592,800	81,900
Oct	237,600	364,200	601,800	88,200
Nov	251,500	328,300	579,800	73,700

* Sold but delivery not taken.

Source: Trade Estimates.

MILL CONSUMPTION AND STOCKS OF COTTON

	Oct	Sept	Aug	Sept '57 to Aug '58
Consumption (000 bales of 392 lbs each)				
Indian	394.6	382.5	370.4	4,433.2
Foreign	41.3	42.6	44.3	565.6
of which				
American*	10.9	13.8	15.5	245.7
Egyptian	7.7	6.6	5.8	66.6
E African	13.9	13.5	13.4	150.7
Sudan†	8.3	8.4	9.8	91.2
Total	435.9	425.1	414.7	4,998.8
Consumption in corresponding periods a year ago				
Indian	372.8	399.1	376.5	4,665.6
Foreign	48.4	49.3	45.6	567.5
Total	421.2	448.2	422.1	5,233.1

* Includes United States and Mexican Cotton

† Includes both Sudan Egyptian and Sudan American

Stocks (000 bales of 400 lbs each)

	Oct	Sept	Aug	July
Indian:				
1958-59	861.3	1004.4	1,136.1	1,205.8
1957-58	779.0	948.7	1,120.5	1,301.8
Foreign				
1958-59	101.5	117.0	138.9	151.0
1957-58	205.0	213.1	223.6	220.2

Source: Textile Commissioner, Bombay.

CLOTH AND YARN PRODUCTION

(Monthly Average or Calendar Months)

	Yarn (000 lbs)	Coarse	Medium	Fine	Total
1951	108,655	30,293	173,405	112,329	23,655
1952	120,759	41,966	225,548	99,477	16,229
1953	125,433	49,902	261,373	69,910	25,363
1954	130,086	42,467	307,624	38,476	27,909
1955	135,867	47,706	313,219	38,525	25,090
1956	139,267	59,887	316,384	37,003	28,941
1957	148,341	96,976	291,909	31,923	22,310
1958: Jan	156,416	102,296	320,170	36,009	25,227
Feb	143,246	94,530	286,012	32,049	22,490
Mar	150,451	95,132	301,720	33,027	23,444
April	153,672	96,289	311,718	32,809	23,560
May	149,983	93,116	306,778	32,188	20,992
June	136,978	88,832	281,108	30,285	19,399
July	150,171	103,575	299,800	33,090	22,417
Aug	144,056	97,918	272,521	28,829	21,217
Sept	150,884	101,438	288,634	30,864	22,785
Oct	142,416	94,074	270,286	29,674	21,319
Nov	149,125	97,582	280,280	32,031	21,655
Dec	152,698	98,933	283,879	32,218	23,168
1958: Jan	148,702	86,361	299,881	28,760	21,524
Feb	132,861	74,198	271,739	25,943	19,568
Mar	138,475	73,767	284,594	26,282	20,919
April	134,074	73,381	286,688	26,544	21,153
May	138,704	79,323	291,806	27,582	22,540
June	126,047	77,814	263,940	26,621	19,947
July	144,997	88,299	281,731	28,171	21,242
Aug	140,358	85,135	276,503	25,115	21,190
Sept	143,504	86,703	279,139	23,311	22,151

Source: Textile Commissioner, Bombay.

INDEX NUMBER OF WHOLESALE PRICES

Base 1952-53 = 100

Group & Sub-Group	Week Ended				Month Ended			
	29-11-58	22-11-58	1-11-58	30-11-57	Nov 58	Oct 58	Sept 58	Nov 57
Foot Articles	115.1	116.5	120.9	106.7	118.0	121.2	121.2	107.9
Cereals	107.1	108.7	113.2	101.0	110.5	113.6	114.6	102.0
Pulses	112.1	113.7	112.2	82.4	112.3	109.2	105.1	83.2
Fruits and Vegetables	116.1	117.6	116.0	106.7	116.9	123.8	124.9	110.7
Milk and Ghee	106.8	105.6	107.1	100.9	106.2	109.7	108.7	103.9
Edible Oils	121.7	122.8	128.2	129.5	123.8	131.3	132.7	131.4
Fish, Eggs and Meat	108.9	109.3	110.0	97.3	108.8	109.7	115.2	98.4
Sugar and Gur	119.3	120.2	137.9	109.9	127.8	136.0	135.4	110.2
Others	153.3	159.6	163.7	139.0	159.7	159.0	157.2	135.7
Liquor and Tobacco	97.2	97.0	94.0	96.5	96.0	93.0	90.2	96.5
Tobacco	95.7	95.5	92.0	95.0	94.4	91.3	89.0	95.0
Fuel, Power, Light & Lubricants	115.0	115.1	115.1	115.4	115.0	115.5	116.0	115.3
Industrial Raw Materials	112.2	112.5	115.7	116.4	113.1	117.0	119.0	116.0
Fibres	101.8	101.9	103.5	116.9	102.2	104.6	108.0	114.4
Oilseeds	125.2	125.6	132.6	121.3	127.1	135.3	137.3	122.8
Minerals	107.3	107.3	105.2	107.1	106.5	105.2	106.3	107.4
Others	108.3	108.4	107.9	106.9	108.0	106.9	106.4	106.8
Manufactures	108.4	108.8	108.7	108.1	108.7	108.7	108.9	108.5
Intermediate Products	109.2	109.4	109.5	105.8	109.5	110.2	111.6	106.0
Finished Products	108.3	108.7	108.5	108.4	108.6	108.5	108.5	108.0
Textiles	102.4	103.3	103.3	106.4	103.2	103.6	103.8	107.0
Cotton	111.2	112.2	111.1	115.4	111.2	111.5	111.8	107.1
Jute	85.8	89.0	87.4	95.2	88.0	87.5	87.2	87.1
Woollen	105.0	105.9	105.9	103.0	105.9	105.9	105.9	103.0
Silk & Rayon	90.2	90.2	95.1	81.8	92.2	95.5	96.0	81.8
Metal Products	148.1	143.1	143.1	143.4	143.1	143.1	143.0	143.4
Chemicals	111.1	111.1	109.2	98.7	110.6	107.7	108.4	98.9
Oilcakes	142.5	143.9	143.5	126.5	143.2	141.7	137.0	126.9
Machinery and Trans								
Equipment	104.3	104.3	103.6	102.3	104.1	103.5	103.5	102.3
Others	114.2	113.6	113.9	111.4	113.8	113.9	113.8	111.5
All Commodities	112.3	113.2	115.8	108.7	114.0	116.2	116.5	109.8

THE ECONOMIC WEEKLY

ATUL

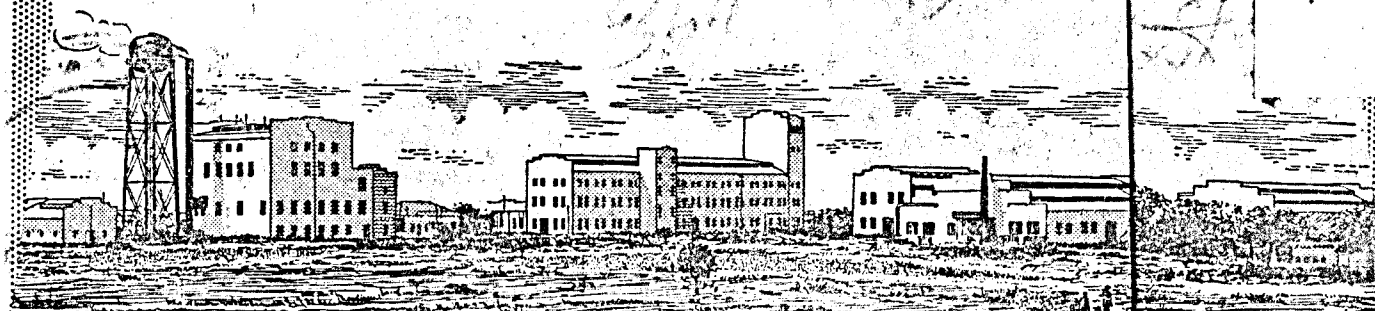
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